



# SECURITIES AND EXCHANGE COMMISSION

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## Company Information

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**SEC Registration No.:** 0000041376

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

**Industry Classification:** F45203

**Company Type:** Stock Corporation

## Document Information

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**Period Covered:** December 31, 2025

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

**COVER SHEET**

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 S.E.C. Registration Number

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(Company's Full Name)

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

|               |
|---------------|
| Pia Isabel Co |
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 Contact Person

|                     |
|---------------------|
| 8633-9757/8584-3930 |
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 Company Telephone Number

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**SEC FORM 17-A**  
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Annual Meeting

Secondary License Type, if Applicable

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 Amended Articles Number/Section

Total Amount of Borrowings  

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 Total No. of Stockholders

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 Domestic

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To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **31 December 2025**
2. SEC Identification Number: **41376**                      3. BIR Tax Identification No.: **000-593-240**
4. Exact name of issuer as specified in its charter: **SYNERGY GRID & DEVELOPMENT PHILS., INC.**  
(formerly UEM Development Phils., Inc.)
5. **Pasig City, Philippines**                      6.  (SEC Use Only)  
Province, Country or other jurisdiction of                      Industry Classification Code:  
incorporation or organization
7. **16th Floor, Tycoon Center Bldg.**                      **1605**  
**Condominium Pearl Drive, Pasig City, Metro Manila**                      Postal Code  
Address of principal office
8. **(632) 85843930**  
Issuer's telephone number, including area code
9. Former name, former address, and former fiscal year. If changed since last report. **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA (as of 31 December 2004)

| Title of Each Class | Number of Shares of Common Stock Outstanding<br>and Amount of Debt Outstanding |
|---------------------|--|
| <b>Common</b>       | <b>5,265,866,000</b>   |

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

Yes []                      No []

12. Check whether the issuer:

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

Yes []                      No []

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

Yes []                      No []

Aggregate market value of the voting stock held by non-affiliates of the Company is ₱87,202,740,960<sup>1</sup> (based on closing market price of ₱16.56 on December 29, 2025,<sup>2</sup> the last trading day for 2025).

<sup>1</sup> Based on Public Ownership report as of December 31, 2025

<sup>2</sup> Based on the historical data in the website of the Philippine Stock Exchange.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED  
IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING  
THE PRECEDING FIVE (5) YEARS**

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

Yes [ ]

No [ **X** ]

This item is not applicable to SGP.

**DOCUMENTS INCORPORATED BY REFERENCE:**

SGP likewise attaches to this form and incorporates by reference as a component of Part II hereof its Statement of Management's Responsibility for Financial Statements and Audited Financial Statements as of 31 December 2024.

**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:

**ATTY. CHERYL S. SALDAÑA - DE LEON**

Corporate Secretary

Synergy Grid & Development Phils., Inc.

GSE Law Firm, Suite 2801, 25 ADB Avenue, Ortigas Center, Brgy. San Antonio, Pasig City, 1605

## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

Synergy Grid & Development Phils., Inc. (SGDPI or the “Parent Company or “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 interim financial statements comprise the financial statements of the Parent Company and its subsidiaries, namely OneTaipan Holdings, Inc. (“OTH”), 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 will acquire 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 will exchange their respective ownership in OTHI and P21. Accordingly, the 2.10 billion shares with a P1.00 par value of the Parent 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 Parent 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 Parent Company will legally and/or beneficially own 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 shareholders’ ownership and control of NGCP through a common corporate structure. Accordingly, the effective ownership of the Parent 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 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 P20.00 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 resolved and stockholders respectively approved the increase in authorized capital stock from P5.05 billion to P5.30 billion, with the increase of P250 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 in 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 12 April 2022, the Parent Company paid P3,059,540,750, 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 of P9,178,622,250.

On 07 June 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 25<sup>th</sup> anniversary of the commencement date. The Concession can be extended but not to exceed beyond the 50<sup>th</sup> anniversary of the commencement date or for longer than the remaining term of the Group's franchise (see Note 4).

In accordance with the requirements of the SEC for the purpose of the FOO, the Group issued consolidated financial statement as at and for the years ended December 31, 2020, 2019 and 2018, considering the effect of the Share Swap Transaction as disclosed in Note 2 to the consolidated financial statements.

SGP indirectly controls 60% is the outstanding capital stock of NGCP, SGP's sole operating asset with an effective equity interest of 40.2%.

There are no transactions between the Company and any of its directors, executive officers, or stockholders owning more than five (5%) of its outstanding capital stock and any member of their immediate family.

The Company has no subsisting construction, consultancy, sub-contracting, supply, sales or other major agreements with any party. It has no material commitment for any capital expenditure.

In connection with the Company's FOO last November 10, 2021, the Company has hired several employees effective September 1, 2021.

There are no major risks that the Company is involved in other than the credit, liquidity and market risks discussed in Note 24 of the Notes to Financial Statements.

## **Item 2. Properties**

SGP does not own any property such as real estate, plant, equipment, mines, patents and the like. SGP does not intend to acquire any real property in the next twelve (12) months. In the absence of any property, the information required on any mortgage, lien or encumbrance and the limitations on ownership or usage over any property is inapplicable to SGP.

## **Item 3. Legal Proceedings**

As of December 31, 2025, and as of this date, there are no pending legal proceedings which involve SGP, MOGRC, CHPC, OTHI, P21 or any of its properties.

NGCP is party to several legal proceedings and claims that have arisen in the ordinary course of business, including those set out below. NGCP is involved in legal proceedings from time to time. Please refer to the list of legal proceedings in the Consolidated Audited Financial Statements as of 31 December 2025.

## **Item 4. Submission of Matters to a Vote of Security Holders**

- a) On October 16, 2025, SGP conducted its annual stockholders' meeting and submitted the following matters to a vote of security holders:
- I. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on October 16, 2025
  - II. Ratification of the Corporate Acts of the Board of Directors and Management since the last Annual Stockholders' Meeting on October 17, 2024
  - III. Election of Directors for 2025-2026:

|                      |                                |
|----------------------|--------------------------------|
| Director             | Mr. Henry T. Sy, Jr.           |
| Director             | Atty. Paul P. Sagayo Jr.       |
| Director             | Atty. Vicente D. Gerochi IV    |
| Director             | Ms. Justice Lady P. Soriano    |
| Independent Director | Atty. Jose Perpetuo M. Lotilla |
| Independent Director | Atty. Luis Jose P. Ferrer      |
| Independent Director | Mr. Daniel D. Ibasco           |

- IV. Management Report and Presentation of the Audited Financial Statements of the Corporation for the Year Ended 31 December 2024
- V. Appointment of R.G. Manabat & Co. (an affiliate of KPMG) as External Auditor for 2025
- VI. Other Matters
- VII. Adjournment

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

(1) Market Information

|                         |  | Stock Prices |        |
|-------------------------|--|--------------|--------|
|                         |  | High         | Low    |
| <b>2023</b>             |  |              |        |
| 1 <sup>st</sup> Quarter |  | P10.80       | P10.66 |
| 2 <sup>nd</sup> Quarter |  | P 9.10       | P 9.03 |
| 3 <sup>rd</sup> Quarter |  | P 8.56       | P 8.22 |
| 4 <sup>th</sup> Quarter |  | P 6.59       | P 6.39 |
| <b>2024</b>             |  |              |        |
| 1 <sup>st</sup> Quarter |  | P 7.74       | P 7.43 |
| 2 <sup>nd</sup> Quarter |  | P 9.88       | P 9.55 |
| 3 <sup>rd</sup> Quarter |  | P 9.38       | P 9.20 |
| 4 <sup>th</sup> Quarter |  | P 9.85       | P 9.30 |
| <b>2025</b>             |  |              |        |
| 1 <sup>st</sup> Quarter |  | P11.80       | P11.68 |
| 2 <sup>nd</sup> Quarter |  | P10.94       | P10.86 |
| 3 <sup>rd</sup> Quarter |  | P16.32       | P14.98 |
| 4 <sup>th</sup> Quarter |  | P17.00       | P16.50 |

(2) Holders

SGP has one hundred sixty-one (161) shareholders. The top 20 shareholders of SGP as of December 31, 2025 are as follows:

#### TOP 20 STOCKHOLDERS AS OF DECEMBER 31, 2025

| NO. OF SHARES | SHAREHOLDERS   |
|---------------|--|
| 2,050,464,288 | SY JR., HENRY T.                                       |
| 2,050,268,450 | COYIUTO JR., ROBERT G.                                 |
| 690,913,965   | PCD NOMINEE CORP – FIL                                 |
| 408,212,147   | PCD NOMINEE CORP – NON-FIL                             |
| 31,020,000    | SYNTRIX HOLDINGS, INC.                                 |
| 13,000,000    | TANSMART HOLDINGS, INC.                                |
| 10,641,200    | SYSMART CORPORATION                                    |
| 1,758,300     | CAROUSEL HOLDINGS INC.                                 |
| 1,530,000     | NIKAEIN SHAGHAYEGH                                     |
| 1,483,980     | TAN, SAMANTHA LOUISE A.                                |
| 1,472,477     | UNITED ENGINEERS (MALAYSIA) BERHAD                     |
| 1,077,520     | MALAYCO, INC.  |
| 1,016,020     | TAN, DAVID IAN A.                                      |
| 467,700       | MARMON HOLDINGS INC.                                   |
| 465,200       | QIAOHONG WANG  |
| 350,000       | RICHARD D. UYAN OR ROBERT D. UYAN<br>OR RODNEY D. UYAN |
| 250,200       | HUI ZHANG  |
| 144,600       | YUBAO WENG   |
| 130,500       | RUIMU JIANG  |
| 120,550       | KEVIN PHILIP KEARNY                                    |

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

| <b>SHAREHOLDERS</b>                           | <b>NATIONAL</b> | <b>NO. OF SHARES</b> |
|---|-----------------|----------------------|
| BERKLEY M. LUHMANN                            | American        | 58,200               |
| BIRMINGHAM T. J.                              | American        | 4,000                |
| F.C. HAGEDORN & CO. INC.                      | American        | 1,000                |
| FRANK FOSTER                                  | American        | 3,000                |
| GEORGE T. SCHOLEY                             | American        | 42,900               |
| GUY E. SCHOLEY                                | American        | 5,000                |
| JAMES O.SCIPLA                                | American        | 1,000                |
| JOHN KLINGER                                  | American        | 2,000                |
| KENNETH RICHARD AWAD                          | American        | 4,000                |
| KEVIN PHILIP KEARNY                           | American        | 120,550              |
| MABEL E. MEARS                                | American        | 10,000               |
| METROPOLITAN INVESTMENT CORPORATION           | American        | 10,000               |
| PETER MITCHELL                                | American        | 2,000                |
| WILLIAM E. MITCHELL &/OR MARGARET A. MITCHELL | American        | 5,000                |
| H.E. BENNETT SECURITIES INC. A/C NO. 2588     | Chinese         | 1,000                |
| HUI ZHANG                                     | Chinese         | 250,200              |
| JOSEPH LILAY                                  | Chinese         | 4,000                |
| OH CHU KIONG                                  | Chinese         | 15,000               |
| QIAOHONG WANG                                 | Chinese         | 465,200              |
| QIU BO  | Chinese         | 53,300               |
| RUIMU JIANG                                   | Chinese         | 130,500              |
| YUBAO WENG                                    | Chinese         | 144,600              |
| ROGER MANDRIAK                                | Foreign         | 8,600                |
| NIKAEIN SHAGHAYEGH                            | Iranian         | 1,530,000            |
| JUAN D. NASSR                                 | Malaysian       | 10,000               |
| UNITED ENGINEERS (MALAYSIA) BERHAD            | Malaysian       | 1,472,477            |
| PCD NOMINEE CORPORATION (NON-FILIPINO)        | Non-Filipino    | 408,212,147          |
| WALTER DUMMERMUTH                             | Swiss           | 3,000                |
| YAM SENG LAM                                  | Malaysian       | 1                    |
| <b>Total Foreign Shareholdings</b>            |                 | <b>412,568,675</b>   |
| <b>Total Outstanding Capital Stock</b>        |                 | <b>5,265,866,000</b> |
| <b>Percentage of Total Foreign Ownership</b>  |                 | <b>7.835%</b>        |

(3) Dividends

On September 4, 2025, the BOD of the Company approved the declaration of P0.3474 cash dividends per share for the second (2<sup>nd</sup>) quarter of 2025 totaling to P1.829 Billion. These cash dividends were paid to shareholders of record as of September 18, 2025, on September 25, 2025.

On November 27, 2025, the BOD of the Company approved the declaration of P0.3474 cash dividends per share for the third (3<sup>rd</sup>) quarter of 2025 totaling to P1.829 Billion. These cash dividends were paid to shareholders of record as of December 12, 2025, on December 19, 2025.

**Item 6. Management's Discussion and Analysis or Plan of Operation**

On March 15, 2022, the Company entered into a 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.

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

- a. The Company does not anticipate any cash flow or liquidity problem within the next 12 months. The Company is not in default in any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.
- b. The Company 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 Company has no material commitments for any capital expenditure.

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.

- d. There are no significant elements of income or loss that did not arise from its operations. For the past several years, the Company has continuously sustained losses due to lack of income stream attributable to its non-operation.

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 P12.00 per common share.

- e. All expenses of the Company are current and the Company 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 Company’s financial statements:

## **2025 vs. 2024**

### ***Intangible Assets - net***

Intangible assets as of December 31, 2025 amounted to P465.11 billion, 9.30% 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, Batangas-Mindoro Intercon Backbone Project, Visayas SS Upgrading Project2, Grid Protection Relay Replacement Project, South Luzon Substation Upgrading Proj. 2, North Luzon SS Upgrading Project 2, Visayas Voltage improvement Project 2, Taguig EHV Substation Project, San Francisco-Tago 138 KVTLP, Mindanao-Visayas Interconnection Project, TUY 500kv SSP Stage 1(Formerly Calaca-DA).

### ***Receivables***

Receivables as of December 31, 2025 consist of:

|                                      |          |              |                |
|--------------------------------------|----------|--------------|----------------|
| Receivables – net of current portion | P        | 38.64        | billion        |
| Receivables – current portion        |          | <u>24.70</u> | <u>billion</u> |
| <b>Total</b>                         | <b>P</b> | <b>63.34</b> | <b>billion</b> |

Receivables as of December 31, 2025 amounted to P63.34 billion, 86.79% higher than P33.91 billion as of December 31, 2024. The increase is mainly due to the recording of the difference between under-recovery for the 4th RP (CY 2016-2022) and the accrued iMAR 2020 for CY2020, 2021 and the 4 months of 2022 and PIS for CY 2015 (Non Current portion), CY 2023 and 2024 MAR differential amounting to P13.26 billion, Net performance incentive amounting to P901 million and additional depreciation amounting to P1.63 billion.

### ***Other noncurrent assets***

Other non-current assets as of December 31, 2025 amounted to P1.69 billion, 29.% 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 December 31, 2025 amounted to P7.42 billion, 17.24% lower than P8.96 billion as of December 31, 2024. The decrease is due to the settlement of liabilities/obligations.

### **Other current assets**

Other current assets as of December 31, 2025, amounted to P23.08 billion, 10.53% lower than P25.79 billion as of December 31, 2024. The decrease is mainly due to the reclass of Provisional Deposits on Expropriation cases with court issued Writ of Possessions and recoupment of advance payments.

### **Loans Payable**

Loans Payable as of December 31, 2025 consist of:

|  |                        |
|--|------------------------|
| Loans Payable – net of current portion | P216.45 billion        |
| Current portion of loans payable       | <u>33.15 billion</u>   |
| <b>Total</b>                           | <b>P249.60 billion</b> |

Loans Payable as of December 31, 2025 amounted to P249.60 billion, 13.36% higher than P220.19 billion as of December 31, 2024. The increase is due to newly drawn Term Loans.

### **Retirement benefits liability**

Retirement benefits liability as of December 31, 2025 amounted to P3.20 billion, 8.41% higher than P2.95 billion as of December 31, 2024. The increase is due to the current service cost and interest expense offset by actuarial gain and out of pocket expenses for the period based on the actuarial valuation by FFMiravite as of December 31, 2025.

### **Other current and other non-current liabilities**

Other Current and noncurrent liabilities as of December 31, 2025 consist of:

|                              |                       |
|------------------------------|-----------------------|
| Other noncurrent liabilities | P 0.22 billion        |
| Other current liabilities    | <u>24.03 billion</u>  |
| <b>Total</b>                 | <b>P24.25 billion</b> |

Other current and other noncurrent liabilities as of December 31, 2025 amounted to P24.25 billion, 3.16% higher than P23.51 billion as of December 31, 2024. The increase is mainly due to reclassification of advances for construction from non-current and additional retention on contracts.

### **Trade and other current payables**

Trade and other current payables as of December 31, 2025 amounted to P53.20 billion, 14.29% higher than P46.55 billion as of December 31, 2024. The increase is due to higher accrued expense payable, Due to AS providers, interest on loans payable and accounts payable offset by decrease in GRIR due to higher settlement of invoices.

### **Income**

Operation services revenues as of December 31, 2025 totaled to P85.21 billion, 60.73% higher than P53.01 billion as of December 31, 2024. The increase is mainly due to recording of the CY 2025 MAR amounting to P58.1 billion and includes the difference between under-recovery amounting to CY 2016-2022 and the accrued iMAR 2020 for CY2020, 2021 and the four (4) months of 2022 and PIS for CY 2015 amounting to P9.78 billion, CY 2023 and 2024 MAR differential amounting to P13.26 billion, with net performance incentive amounting to P901 million and additional depreciation amounting to P1.63 billion.

Interest income as of December 31, 2025 totaled to P166.03 million, 11.70% lower than P188.02 million as of December 31, 2024. The decrease is due to lower funds invested for the period.

### **Operating expenses**

For the year ended December 31, 2025, operating expenses totaled to P28.81 billion, 12.03% higher than P25.72 billion as of December 31, 2024 primarily because of higher amortization of intangible asset, salaries,

wages, and employees' benefits, insurance, outside services, security services offset by public relation and corporate social responsibility, advertising, and rent.

Amortization of intangible assets for the year ended December 31, 2025 totaled to P13.81 billion, 17.16% higher than P11.79 billion as of December 31, 2024. 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, 2025 totaled to P6.13 billion, 6.42% higher than P5.76 billion as of December 31, 2024. The increase is mainly due to a merit increase effective March 1, 2025.

Insurance for the year ended December 31, 2025 totaled to P1.23 billion, 21.85% higher than P1.01 billion as of December 31, 2024. The increase is mainly due to higher premium payment for IAR, IEMOP, health insurance offset by lower aviation and electronic equipment insurance.

Outside services for the year ended December 31, 2025 totaled to P420.13 million, 86.70% higher than P225.03 million as of December 31, 2024. The increase is due mainly to higher Other services - Others.

Security Services for the year ended December 31, 2025 totaled P733.82 million, 19.59% higher than P613.62 million as of December 31, 2024. The increase is due to higher number of security guards.

Public relation and corporate social responsibility for the year ended December 31, 2025 totaled P218.01 million, 16.46% lower than P260.96 million as of December 31, 2024. The decrease is due to lower expenses for corporate social responsibility activities.

Advertising for the year ended December 31, 2025 totaled P14.50 million, 57.30% lower than P33.96 million as of December 31, 2024. The decrease is mainly due to lower advertisement expenses.

Rent for the year ended December 31, 2025 totaled P103.04 million, 9.91% lower than P114.37 million as of December 31, 2024. The decrease is mainly due to lower motor vehicle rental.

### ***Interest Expense***

Interest Expense for the year ended December 31, 2025 amounts to P10.45 billion, 30.48% higher than P8.01 billion as of December 31, 2024. The increase was mainly due reclassification of IDC from completed projects to Interest expense and higher interest for concession fee.

### **2024 vs. 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</u> | <u>billion</u> |
| <b>Total</b>                         | <b>P</b> | <b>33.91</b> | <b>billion</b> |

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>   |
| <b>Total</b>                           | <b>P220.19 billion</b> |

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>  |
| <b>Total</b>                 | <b>P23.51 billion</b> |

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.

### **Key Performance Indicators**

| <b>Performance Indicators</b> | <b>Formula</b>                          | <b>Year 2025</b>                                 | <b>Year 2024</b>                                 | <b>Year 2023</b>                                 |
|-------------------------------|---|--|--|--|
| Current Ratio                 | Current Assets /Current Liabilities     | 0.46 : 1<br>55,196,689,130 /<br>120,704,817,173  | 0.48 : 1<br>48,817,134,627 /<br>100,970,143,968  | 0.58 : 1<br>49,845,374,548 /<br>86,436,253,275   |
| Debt to Equity Ratio          | Total Liabilities / Stockholders Equity | 1.81 : 1<br>371,306,332,656 /<br>204,978,293,745 | 2.04 : 1<br>343,615,372,503 /<br>168,720,812,777 | 2.00 : 1<br>310,720,229,166 /<br>155,455,267,330 |
| Asset to Equity Ratio         | Total Asset / Stockholders Equity       | 2.81 : 1<br>576,284,626,401 /<br>204,978,293,745 | 3.04 : 1<br>512,336,185,280/<br>168,720,812,777  | 3.00 : 1<br>466,175,496,492 /<br>155,455,267,330 |
| Equity to Debt Ratio          | Stockholders Equity / Total Liabilities | 0.67 : 1<br>204,978,293,745 /<br>371,306,332,656 | 0.49 : 1<br>168,720,812,777/<br>343,615,372,503  | 0.50 : 1<br>155,455,267,330 /<br>310,720,229,166 |
|                               |   | 23.46 : 1  | 20.32 : 1  | 19.18 : 1  |

|                              |  |   |  |  |
|------------------------------|--|---|--|--|
| Book Value per share         | Stockholders Equity / Total number of shares | 123,516,958,203 / 5,265,866,000             | 107,006,552,886 / 5,265,866,000            | 101,000,600,399 / 5,265,866,000            |
| Income (Loss) per share      | Net Income (Loss) / Total number of shares   | 8.39 : 1<br>44,201,705,407 / 5,265,866,000  | 1.50 : 1<br>7,884,429,113 / 5,265,866,000  | 2.02 : 1<br>10,645,372,151 / 5,265,866,000 |
| Interest Rate Coverage Ratio | EBIT / Interest Expense                      | 5.23 : 1<br>54,652,903,633 / 10,445,159,368 | 3.17 : 1<br>25,361,436,097 / 8,005,129,465 | 5.06 : 1<br>29,135,745,559 / 5,760,365,950 |

### **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, 2025 amounting to P28.81 billion is 12.03% higher than the P25.72 billion recorded for the year 2024, primarily because of higher amortization of intangible asset, salaries, wages, and employees' benefits, insurance, outside services, security services offset by public relation and corporate social responsibility, advertising, and rent.

### **Interest and Other Income**

The Group earns interest income from its cash deposits with the bank and short-term money placements. The Group earned P166.03 million for the year 2025.

### **Assets**

Total assets as of December 31, 2025 amounted to P576.28 billion where 90.42% is noncurrent and 9.58% 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, 2025, the Company's current liabilities exceeded the current assets by P65.51 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.

|                     | <u>2025</u>      | <u>2024</u>      |
|---------------------|------------------|------------------|
| Current Assets      | P55,196,689,130  | P48,817,134,627  |
| Current Liabilities | 120,704,817,173  | 100,970,143,968  |
| Difference          | (65,508,128,043) | (52,153,009,341) |
| Current Ratio       | 0.46:1.00        | 0.48:1.00        |

### **Item 7. Financial Statements**

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

### **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

During the Annual Stockholders' meeting held on October 16, 2025, the Corporation appointed R.G. Manabat & Co. (an affiliate firm of KPMG) as its External Auditor with Ms. Myra Liza S. Sto. Tomas as the partner-in-charge of the company. 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 2025, the total amount to be billed by external auditors for professional fees and other audit related fees are estimated at P1,335,000.00 (VAT Exclusive) plus out-of-pocket expenses.

### **(b) Tax Fees – none**

### **(c) All other fees – none**

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Company

#### (1) Directors and Executive Officers – Position/Other Directorships

The directors listed below have been recently nominated and elected during the Company's annual stockholders' meeting held on October 16, 2025.

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 Company's directors for 2025 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 (Age)-Citizenship</u>   | <u>Position in Company/<br/>Position/Other Directorship</u>  |
|---|--|
| Henry Sy, Jr., 72<br><i>Director, Chairman<br/>of the Board</i><br>Filipino   | Chairman and Chief Executive Officer, SM Prime Holdings, Inc.<br>Vice Chairman, SM Investments Corporation<br>Director, Chairman, President, Monte Oro Grid Resources Corporation<br>Director, Chairman, President, Onetaipan Holdings, Inc.<br>Chairman, Chief Executive Officer, SM Development Corporation<br>Vice Chairman, National Grid Corporation of the Philippines   |
| Vicente D. Gerochi IV, 58<br><i>Director</i><br>Filipino  | Senior Partner, SyCip Salazar Hernandez & Gatmaitan<br>Director and Corporate Secretary, Becton Dickinson Phils., Inc.<br>Director, Land Registration Systems, Inc.<br>Corporate Secretary, OMD Philippines, Inc.<br>Corporate Secretary, Omnicom Media Group Philippines, Inc.  |
| Paul Sagayo, Jr., 59<br><i>Director, President &amp; Chief<br/>Executive Officer</i><br>Filipino                                    | Director, National Grid Corporation of the Philippines<br>Director, Chairman, President, Calaca High Power Corporation<br>Director, Chairman, President, Pacifica21 Holdings, Inc.<br>Director, Monte Oro Grid Resources Corporation<br>Director, Onetaipan Holdings, Inc.<br>Director, Beneficial Life Insurance, Inc.<br>Director, ETC Realty Corporation<br>Director, FMF Development Corporation<br>Director, AMSEC Holdings Corporation<br>BOT Secretary, Trinity University of Asia<br>Corporate Secretary, JCF Investment Holdings, Inc.<br>Corporate Secretary, Bernano Holdings, Inc. |
| Justice Lady P. Soriano, 55<br><i>Director, Chief Finance<br/>Officer, Investor Relations<br/>Officer and Treasurer</i><br>Filipino | Senior Adviser to the President and Chief Executive Officer, National Grid Corporation of the Philippines  |
| Jose Perpetuo M. Lotilla, 68<br><i>Independent Director</i><br>Filipino   | Independent Director, Security Bank<br>Independent Director, Philippine Commercial Capital Inc.<br>Independent Director, Carabineros Development Inc.<br>Independent Director, Land Registration Services, Inc.<br>Special Adviser, Roman Catholic Diocese of San Jose de Buenavista Antique   |
| Daniel D. Ibasco,<br><i>Independent Director</i><br>Filipino  | President and Chief Executive Officer, Fortman Cline Capital Markets Ltd.  |
| Luis Jose P. Ferrer, 67<br><i>Independent Director</i><br>Filipino  | Chairman, Board of Trustees of The Philippine Foundation of the Brotherhood of Christian Businessmen and Professionals, Inc. (BCBP)<br>Lecturer, Philippine Judicial Academy<br>Senior Counsel, Carag Zaballero Llamado & Abiera Law Offices   |

*Note:* The directors of the Company 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.

**(2) Significant Employees**

The Company has a President/Chief Operating Officer, Treasurer/Chief Finance Officer, and Audit and Risk Officer.

**(3) Family Relationships**

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

**(4) 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 Company:

- a) 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;
- b) 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;
- c) 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;
- d) 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.

**Item 10. Executive Compensation**

For the calendar years ended 2025, 2024, and 2023, the total salaries, allowances, and bonuses paid to the directors and executive officers of the Issuer are as follows: to the Company's Chief Executive Officer and four most highly compensated executive officers.

**SUMMARY COMPENSATION TABLE**  
Year 2023-2025 Annual Compensation

|  | Year | Salary (P)    | Bonus (P)     | Other Annual Compensation |
|--|------|---------------|---------------|---------------------------|
| President and CEO and top four most highly compensated executive officers (total compensation) | 2023 | 63,000,334.15 | 13,686,835.81 | 38,303,434.92             |
|  | 2024 | 67,713,229.95 | 15,244,320.29 | 48,402,348.17             |
|  | 2025 | 66,483,687.03 | 15,760,489.64 | 34,582,916.81             |

The directors and executive officers of SGP did not receive any compensation prior to August 2021. Prior to implementation of this Offer, the Comptroller was not classified as an Executive Officer as she was the only employee of the Company. At the Special Meeting of the Board of Directors held on August 10, 2021, the Board approved a schedule of per diem compensation for its members as discussed below. At the Organizational Meeting of the Board of Directors held on September 27, 2021, the Board, upon recommendation of the Corporate Governance Committee, approved the executive compensation of the Chairman, Vice Chairman, President and CEO, and Treasurer, CFO, and IRO. The compensation of P102,542,967.52 pertains to total annual compensation of the Chairman, Vice Chairman, President and CEO, and Treasurer, CFO, IRO, and Comptroller.

Other than a per diem of PhP50,000.00 per Board meeting, a per diem of PhP40,000.00 per Committee meeting for the relevant Committee Chairman and a per diem of PhP30,000.00 Committee meeting for the relevant Committee members, effective August 10, 2021, there is no arrangement pursuant to which directors of the Company are compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments, for the last completed fiscal year and the ensuing year.

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

##### (1) Security Ownership of Certain Record and Beneficial (“R&B”) Owners (As of December 31, 2025)\*

| <u>Title of class</u> | <u>Name and address</u>   | <u>No. of Shares and Nature of Ownership</u> | <u>Citizenship</u> | <u>Percentage to Equity</u> |
|-----------------------|---|--|--------------------|-----------------------------|
| Common                | <b>Henry T. Sy, Jr.</b><br>One Esplanade, Seaside cor. JW Diokno Blvd. SM Mall of Asia Complex Pasay City Philippines | 2,050,464,288 (R&B)                          | Filipino           | 38.94%                      |
| Common                | <b>Robert G. Coyiuto, Jr.</b><br>1385 Palm Avenue, Dasmariñas Village, Makati City, Philippines                       | 2,050,268,450 (R&B)                          | Filipino           | 38.94%                      |

\*See Note in Item 5(2)

Except as stated above, the Board and Management of SGP have no knowledge of any person who is directly or indirectly the beneficial owner of more than 5% of SGP’s outstanding shares of common stock or who has voting power or investment power with respect to shares comprising more than 5% of SGP’s outstanding common stock.

##### (2) Security Ownership of Management (Other than Nominees) (as of December 31, 2025)\*

| <u>Title of class</u> | <u>Name of beneficial owner</u> | <u>Amount and nature of ownership of class</u> | <u>Citizenship</u> | <u>Percent</u> |
|-----------------------|---------------------------------|--|--------------------|----------------|
| Common                | Henry T. Sy, Jr.                | 2,050,464,288 shares (R&B)                     | Filipino           | 38.94%         |
| Common                | Paul P. Sagayo, Jr.             | 1 share (R&B)                                  | Filipino           |                |
| Common                | Vicente D. Gerochi IV           | 1 share (R&B)                                  | Filipino           |                |
| Common                | Justice Lady P. Soriano         | 1 share (R&B)                                  | Filipino           |                |
| Common                | Jose Perpetuo M. Lotilla        | 1 share (R&B)                                  | Filipino           |                |
| Common                | Luis Jose P. Ferrer             | 1 share (R&B)                                  | Filipino           |                |
| Common                | Daniel D. Ibasco                | 1 share (R&B)                                  | Filipino           |                |
| Common                | Cheryl S. Saldaña-De Leon       | 27 shares (R&B)                                | Filipino           |                |
| Total                 |                                 | 2,050,464,321 shares                           |                    | 38.94%         |

\*See Note in Item 5(2)

##### (3) Voting Trust Holders of 5% or More

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

##### (4) Changes in Control

There are no arrangements, which may result in changes in control of Company.

## **Item 12. Certain Relationships and Related Transactions**

The Group, through NGCP, has related party transactions with Prudential Guaranty Assurance, Inc. (PGA) amounting to P241.57 million, P191.32 million and P775.64 million on 2025, 2024 and 2023, respectively, representing insurance premiums. The outstanding insurance payable to PGA amounting to P51.12 million and P2.44 million as of December 2025 and 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.

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 2025, 2024 and, 2023. There was no outstanding balance payable to SMDC amounting as of December 31, 2025 and 2024, which are recorded under the "Trade and other current payables" account in the consolidated statements of financial position.

## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

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

The Company has in place a performance evaluation system for corporate governance. The Compliance Officer regularly monitors and evaluates the Board of Directors' compliance with the Manual.

There are no major deviations from the Manual as of the date of this report.

The Board of Directors 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.

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

On 24 March 2021, the Company filed its Material Related Transaction Policy dated 25 September 2020 with the SEC.

On 27 September 2021, the Company approved its revised Audit and Risk Committee Charter.

For the year 2024, the Company timely filed its i-ACGR on 29 May 2025.

## PART V - EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

#### (1) Exhibits

See accompanying Index to Exhibits

#### (2) Reports on SEC Form 17-C

On the following date, SGP filed SEC Form 17-C:


- (1) 27 January 2025 – Singing of Binding Term Sheet with Maharlika Investment Corporation
- (2) 24 February 2025 - Final Award by the Arbitral Tribunal of the Singapore International Arbitration Centre (SIAC) in favor of National Grid Corporation of the Philippines (NGCP) in the case filed by NGCP against the Power Sector Assets & Liabilities Management Corporation (PSALM) and National Transmission Corporation (TRANSCO)
- (3) 09 April 2025 – Approval of the Annual Financial Reports for the year ended 31 December 2024
- (4) 07 May 2025 - Approval of quarterly financial reports as of 31 March 2025 and appointment of Zurohayda Yoko M. Montierro as Data Privacy Officer
- (5) 22 July 2025 – Resignation of Atty. Francis Saturnino C. Juan as Independent Director
- (6) 06 August 2025 - Approval of quarterly financial reports as of 30 June 2025 and Setting of the Annual Meeting of the Stockholders to 16 October 2025 at 2:00PM via teleconference, with record date on 26 September 2025
- (7) 04 September 2025 – Declaration of Dividends for Second (2<sup>nd</sup>) Quarter of 2025
- (8) 16 October 2025 – Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors
- (9) 17 October 2025 – Update on Actions / Material Transactions / Agreements on the Election of the New Directors
- (10) 05 November 2025 - Approval of quarterly financial reports as of 30 September 2025
- (11) 27 November 2025 - Declaration of Dividends for Third (3<sup>rd</sup>) Quarter of 2025

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on

  
**PAUL P. SAGAYO, JR.**  
 Chief Executive Officer /President

  
**JUSTICE LADY P. SORIANO**  
 Chief Finance Officer/Treasurer

  
**HENRY T. SY, JR.**  
 Chairman

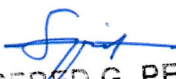
  
**CHERYL SALDAÑA-DE LEON**  
 Corporate Secretary

27 MAR 2026

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of 2026, affiant(s) exhibiting to me the following:

| Name                    | Competent Evidence of Identity  |
|-------------------------|---|
| PAUL P. SAGAYO, JR.     | Philippine Passport No. P7432752A issued on 04 June 2018/Manila<br>TIN 200-383-080    |
| JUSTICE LADY P. SORIANO | Philippine Passport No. P0381601B issued on 24 January 2019/Manila<br>TIN 147-694-879 |
| CHERYL SALDAÑA-DE LEON  | Philippine Passport No. P9688007B issued on 20 April 2022/NCR East<br>TIN 202-946-957 |
| HENRY T. SY, JR.        | Philippine Passport No. P4410521B issued on 16 January 2020/Manila<br>TIN 106-215-722 |

Doc. No. 207 ;  
 Page No. 43 ;  
 Book No. II ;  
 Series of 2026.

  
**SIEGFRED G. PEREZ**  
 Notary Public for the City of Pasig and Municipality of Pateros  
 Commission until 31 December 2023  
 2801 Discovery Center 25 ADB Ave., Ortigas Center Pasig City  
 APPT. No. 227 (2025-2026) - Roll No. 86956  
 PTR No. 3044625: 01-16-2025: Pasig City  
 IBP No. 500139: 01-06-2025: Quezon City  
 MCLE Compliance No. VIII-0009210: 08-01-2024

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**  
Index to Financial Statements and Supplementary Schedules  
Form 17-A, Item 7

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| <i>Balance Sheets as of December 31, 2025 and December 31, 2024</i>   |                 |
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# Synergy Grid & Development Phils., Inc.

## 2025 Sustainability Report

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## I. About this Report

The 2025 Sustainability Report (Report) details the economic, environmental, and social (EES) impacts arising from the operations of Synergy Grid & Development Phils., Inc. (SGP or the Company) for the year ending 31 December 2025. This report has been prepared according to the Sustainability Reporting Guidelines for Publicly-Listed Companies prescribed under Securities and Exchange Commission (SEC) Memorandum Circular No. 4 Series of 2019.

As a result of this Report, SGP has been able to assess, measure, monitor, and manage its non-financial performance across the EES aspects towards achieving sustainability.

## II. Company Background

| Company Details   |  |
|---|--|
| <b>Name of Organization</b>                               | Synergy Grid & Development Phils., Inc. (formerly UEM Development Philippines, Inc.)   |
| <b>Location of Headquarters</b>                           | 16th Floor, Tycoon Center Bldg. Condominium, Pearl Drive, Pasig City   |
| <b>Location of Operations</b>                             | 16th Floor, Tycoon Center Bldg. Condominium, Pearl Drive, Pasig City   |
| <b>Report Boundary</b>                                    | This report shall only cover SGP and does not include any of its subsidiaries.   |
| <b>Business Model</b>                                     | <p>The Company currently has limited business operations. Its income is derived from:</p> <ol style="list-style-type: none"> <li>1. Interest income from cash deposits with the bank and short-term money placements;</li> <li>2. Management consulting and financial advisory services provided to Monte Oro Grid Resources Corporation, Onetaipan Holdings, Inc., Calaca High Power Corporation, and Pacifica21 Holdings, Inc.; and</li> <li>3. Dividend income from Onetaipan Holdings, Inc., Pacifica21 Holdings, Inc., and the National Grid Corporation of the Philippines (NGCP), its sole operating asset.</li> </ol> <p>It currently has nine (9) employees:</p> <ul style="list-style-type: none"> <li>- President</li> <li>- Chief Finance Officer</li> <li>- Audit, Risk, and Compliance Manager</li> <li>- Finance and Administrative Manager</li> <li>- Treasury Assistant</li> <li>- Two (2) Finance Associates</li> <li>- Administrative Assistant</li> <li>- Messenger</li> </ul> |
| <b>Reporting Period</b>                                   | 31 December 2025   |
| <b>Highest Ranking Person Responsible for this Report</b> | Paul P. Sagayo, Jr.<br><i>President</i>  |

### III. Materiality Process

For the purpose of SGP's Sustainability reporting, the concept of "Materiality" refers to the significant EES impacts of the Company that substantively influence the assessments and decisions of its stakeholders.

In 2020, SGP conducted a materiality assessment to determine the strategic sustainability priorities in line with its values and business goals. The results of the 2020 materiality assessment were adopted for 2021 and adjusted, when relevant, in consideration of the Follow-on Offering conducted on 10 November 2021.

In pursuit of the 2020 materiality assessment, the Company undertook to assess the opinions of a selection of internal and external stakeholders through questionnaires and interviews. The term stakeholders include investors, shareholders, directors, officers, regulators, employees, and legal consultants. The stakeholders who participated were given a brief explanation of the purpose of the Materiality process and were asked to choose from a list of EES topics they believe are significant for the Company to report on. To guide the stakeholders in identifying material topics, each stakeholder was requested to take the following factors into account:

- Key corporate values, policies, strategies, operational management systems, goals, and targets;
- The core competencies of the Company and the manner in which they can contribute to sustainable development;
- The stakeholders' interest and expectations in the Company;
- Broader economic, social, and/or environmental interests and topics such as unemployment, vulnerable groups, and civil society;
- Future challenges for the industries SGP has interest in; and
- Laws, regulations, international agreements, or voluntary agreements of strategic significance to the Company and the stakeholders.

In 2022, the resulting material topics and material disclosures were revisited in light of the changes in work situation, especially those brought about by the continuing restrictions related to the COVID-19 pandemic. In the succeeding reporting periods, these were further revisited in view of the lifting of these restrictions.

With the addition of Occupational Health and Safety (OSH) topic, SGP's consultation and evaluation process resulted in ten (10) material topics and thirteen (13) material disclosures. Figure A is a visual presentation of the material topics assessed against their (a) significance on EES impacts; and (b) influence on stakeholder assessments and decisions.

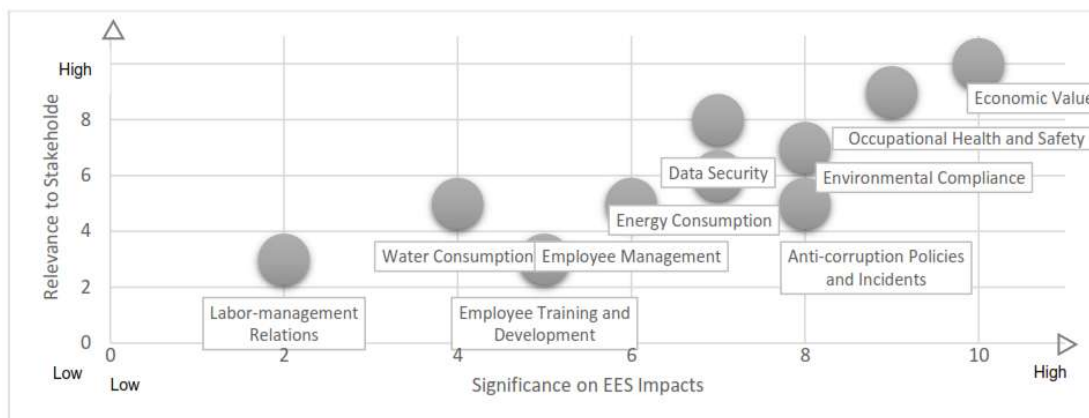


Figure A: Prioritization of topics

## IV. Economic Issues

### A. Direct Economic Value Generated and Distributed

| Disclosure   | Amount (in PhP)                    |
|--|------------------------------------|
| Direct economic value generated (revenue)                                  | 3,657,814,229                      |
| Direct economic value distributed:   |                                    |
| a. Operating expenses  | 79,657,174                         |
| b. Employee wages and benefits   | 37,330,576                         |
| c. Payments to suppliers, other operating costs                            | 41,936,908                         |
| d. Dividends given to stockholders and interest payments to loan providers | 3,658,723,696 (dividends declared) |
| e. Taxes given to government   | 389,690                            |
| f. Investments to community (e.g. donations, CSR)                          | 0.00SE                             |

At the core of the Company's business operations is the goal to significantly contribute to the economic development of the Philippines, with a special view of supporting economic recovery with the establishment of key energy infrastructure projects. In shaping its business model and investment strategies, SGP continues its commitment in undertaking the economic well-being of the society, including, but not limited to, investors, shareholders, employees, local communities, and the government — not only at present but over the course of succeeding years.

As a holding company, the Company currently generates and distributes direct economic value through minimal operations. As early as 2010, SGP has been carefully planning and preparing to invest in corporations and entities engaged in power, energy, utilities, infrastructure, and other allied businesses. Its follow-on offering (FOO) and its subscription to additional preferred shares in NGCP is another step towards actualization of the company's business potential.

To reduce investment risks, existing investments are regularly monitored, and new investments are undertaken with due diligence considering SGP's economic position and long-term financial goals. Further, the Company has an existing investment criterion that it implements to ensure that risks are mitigated, and its investments are well-managed. The Company's Audit and Risk Committee (ARC) regularly evaluates and implements the enterprise risk management systems and protocols. This includes providing oversight over management's risk activities in managing credit, market, liquidity, operational, legal, and other risk exposures of the Company in relation to its assets. The ARC also continues to regularly review the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, applicable regulatory framework, and external economic and business environment, especially when major events occur which are considered to have major impacts on the Company such as the global pandemic.

SGP shall continue to add value by developing and improving its portfolio of well-run and sustainable assets that positively contribute to individual stakeholders, the community, and the country's economy. The Company acknowledges that there are still a lot of opportunities to improve its future profitability. In order to achieve its goals despite the risks and today's challenging environment, SGP's plans include investing in research and development to generate knowledge and innovations that will improve its financial position. Further, SGP shall further pursue its acquisition of subsidiaries and seek strategic partnerships that will create value for its stakeholders by improving infrastructure, and electricity production and distribution.

## B. Anti-Corruption

### i. Training on Anti-corruption Policies and Procedures

| Disclosure   | Quantity |
|--|----------|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to         | 100      |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 100      |
| <b>Percentage of directors and management that have received anti-corruption training</b>                                    | 0        |
| <b>Percentage of employees that have received anti-corruption training</b>   | 0        |

As guided by the Company's Manual for Corporate Governance, the Company adopts an anti-corruption policy and program in its Code of Conduct. These procedures will likewise be embedded in training of its current and future employees. The Company has developed a framework for whistleblowing that would allow the employees to freely communicate their concerns about illegal or unethical practices without fear of retaliation, and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

The Company continues to vigorously pursue the implementation of anti-corruption measures and intends to conduct a continuous risk assessment to identify significant risks related to corruption.

ii. Incidents of Corruption

| Disclosure   | Quantity |
|--|----------|
| Number of incidents in which directors were removed or disciplined for corruption                        | 0        |
| Number of incidents in which employees were dismissed or disciplined for corruption                      | 0        |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0        |

The Company aims to protect the confidence and trust that stakeholders put in it which is why SGP has zero tolerance for corruption in the organization. Corruption negatively affects all its stakeholders. It can lead to loss of business resources, slowdown of business development, damage to the business' brand, negative effect on employee morale, and inhibit economic growth.

In its internal dealings and transactions with stakeholders, the Company continues to adhere to laws on anti-corruption, anti-bribery, and money laundering, among others. It expects and insists that its business partners, present and future, consistently observe applicable laws and regulations with integrity and honesty. The Company's contracts and transactions are thoroughly reviewed by its external legal team and higher management to ensure that standard provisions concerning compliance with applicable laws against corrupt practices are incorporated.

## V. Environmental Issues

The Company recognizes its indispensable role alongside the government and civil society in contributing solutions to global environmental challenges like air pollution, water shortage, and climate change.

With the hybrid work arrangement, SGP is still able to reduce its energy and water consumption. Moving forward, SGP anticipates the necessity and benefit of developing and implementing environmental governance policies, as well as including environmental compliance in its compliance risk management structure. Further, considering that its environmental impact is highly dependent on the activities and businesses of companies where SGP will hold ownership stakes, it shall work with them to implement environmental policies to mitigate the impact created by their activities when possible.

### A. Resource Management

i. Energy Consumption within the Organization

| Disclosure                             | Quantity  | Unit |
|--|-----------|------|
| Energy consumption (renewable sources) | 0.00      | GJ   |
| Energy consumption (gasoline)          | 0.00      | GJ   |
| Energy consumption (LPG)               | 0.00      | GJ   |
| Energy consumption (diesel)            | 0.00      | GJ   |
| Energy consumption (electricity)       | 20,780.00 | kWh  |

## ii. Reduction of Energy Consumption

| Disclosure                             | Quantity | Unit |
|--|----------|------|
| Energy consumption (renewable sources) | 0.00     | GJ   |
| Energy consumption (gasoline)          | 0.00     | GJ   |
| Energy consumption (LPG)               | 0.00     | GJ   |
| Energy consumption (diesel)            | 0.00     | GJ   |
| Energy consumption (electricity)       | 0.00     | kWh  |

Conserving energy reduces emissions which result in cleaner air quality and create a healthier planet. Energy conservation also positively contributes to decreasing an entity's operating expenses, leading to sustainable business operations. On the other hand, overusing energy can lead to increased expenses for an organization, air pollution, and climate change, all of which negatively affect the business's operations and investments.

Prior to the onset of the pandemic and the imposition of community quarantine rules in the Philippines, the Company's total energy consumption was derived mainly from the activities in its office occupied by its single employee in 2020 and the years prior. Further, the office of the Company was shared with other holding companies with likewise minimal operations. Thus, energy consumption and the Company's overall impact to the environment was very minimal and distributed among the organizations. This was further reduced when a work-from-home scheme was implemented by the Company for the majority of the year 2020, which continued in the following years. Nonetheless, SGP recognizes that it has indirect energy consumption through its dealings with third parties.

To reduce the risk posed by the negative effects of excessive energy use, the Company has undertaken several steps to reduce its energy consumption, both in the office and in the home setting where work was partially done by the Company's employees. Its energy-saving efforts include advising employees to reduce and replace inefficient and excessive lighting in the work area, taking advantage of natural daylight, establishing preventive maintenance program for its air conditioning, turning off electrical equipment in the office during non-business hours, and choosing energy efficient equipment. Further, the Company is also implementing paperless transactions, when possible. Its workforce is also able to lessen travel emissions by conducting virtual calls and meetings and opting to work from home when it is not necessary to be physically present at the office.

Since the Company expanded its operations, it is in the process of drafting and developing an environmental policy, which shall include the following approaches to reduce its energy consumption: tracking energy consumptions at all levels (direct and indirect use), utilizing resource conservation technologies, and investing in clean energy. The Company plans to integrate its environmental policy into the Company's vision and operations, making energy consciousness part of its corporate culture.

## iii. Water Consumption within the Organization

| Disclosure                | Quantity (in cubic meters) |
|---------------------------|----------------------------|
| Water withdrawal          | 0.00                       |
| Water consumption         | 52.0                       |
| Water recycled and reused | 0.00                       |

Despite its low water consumption, SGP aims to help in alleviating the water scarcity in the Philippines aggravated by climate change. Its water-saving measures currently include installing water-efficient taps with flow restrictor to use less water, fixing leaking faucets, use of fans and natural ventilation when possible, and regularly checking toilets and faucets for leaks.

Despite its efforts, the Company understands that a lot of factors affecting its water supply are beyond its control.

Reports and experience have shown that businesses and investors in the electric power or energy sector are exposed to water-related physical, regulatory, and reputational risks. Climate change will further reduce the availability of reliable and high-quality water, impacting productivity, costs, revenues, public goodwill, and reputation for companies in this sector. Because of the Company’s exposure to water-related risks, it considers this a material issue that merits management attention and action.

In light with the risks posed to SGP’s business and stakeholders by water shortage and interruption, it plans to implement key actions below as its operations expand:

- a. Continuous measurement of its water footprint;
- b. Regular assessment of business risks associated with its water footprint;
- c. Engagement with stakeholders (local communities, non-government organizations, government bodies, contractors, shareholders, and employees) as part of its water risk assessment, management and long-term planning;
- d. Integration of water risk into its overall business planning and governance structure; and
- e. Disclosure to stakeholders of its water performance and associated risks.

By pursuing its strategic water management plan above, SGP hopes to build resiliency for water and climate change risks and turn these risks into financial and competitive advantage. Water efficiency measures can demonstrate the Company’s commitment to water management, boost public image, and help build positive relations with the communities where the Company may operate.

## B. Environmental Compliance

| Disclosure   | Quantity (in PhP) |
|--|-------------------|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | 0.00              |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations  | 0.00              |
| No. of cases resolved through dispute resolution mechanism                                   | 0.00              |

SGP remains committed to conducting its business in accordance with the highest ethical standards and regard to the environmental aspect of its activities. In 2025, SGP recorded no fines or non-monetary sanctions for non-compliance with environmental laws and regulations. It will continue striving to go beyond compliance by actively minimizing the impact of its business activities on the environment and implementing environmental protection programs. It shall also continue ensuring that the Company will be consistent in its positive environmental compliance record through integrating environmental compliance risk in its risk management function.

## VI. Social Issues

### A. Employee Management

#### i. Employee Data

| Disclosure   | Quantity |
|--|----------|
| Total number of employees                          | 9        |
| a. Number of female employees                      | 7        |
| b. Number of male employees                        | 2        |
| Attrition rate                                     | 0        |
| Ratio of lowest paid employee against minimum wage | 0        |

#### ii. Employee Benefits

| List of Benefits                         | Availability | % employees availed |
|--|--------------|---------------------|
| SSS                                      | ✓            | 100%                |
| PhilHealth                               | ✓            | 100%                |
| Pag-ibig                                 | ✓            | 100%                |
| Parental leaves                          | N/A          |                     |
| Vacation leaves                          | ✓            | 100%                |
| Medical benefits (aside from Philhealth) | ✓            | 100%                |
| Housing assistance (aside from Pag-ibig) | N/A          |                     |
| Retirement fund (aside from SSS)         | N/A          |                     |
| Further education support                | N/A          |                     |
| Company stock options                    | N/A          |                     |
| Telecommuting                            | ✓            | 100%                |
| Flexible-working hours                   | ✓            | 100%                |
| (Others)                                 |              |                     |

### B. Employee Training and Development

| Disclosure                                   | Quantity |
|--|----------|
| Total training hours provided to employees   | 16       |
| Average training hours provided to employees | 16       |

### C. Promotion of Worker Health

| Disclosure  | Description   |
|---|---|
| Employee access to non-occupational and healthcare services | Medical benefits in addition to Philhealth is available                         |
| Voluntary health promotion services and programs            | Regular monitoring of health risk and access to health information is available |

## D. Labor-Management Relations

| Disclosure  | Quantity |
|---|----------|
| Percentage of employees covered with Collective Bargaining Agreements                 | 0        |
| Number of consultations conducted with employees concerning employee-related policies | 0        |

In addition to the minimum benefits required by law, SGP provides all its full-time employees with leave benefits and company-funded medical benefits, to name a few. Work from home arrangements have also been made available to employees.

Aside from providing access to non-occupational and healthcare services to the Company's employees, in addition to Philhealth, the Company also regularly assesses the health status of its employees and provides access to programs and materials on health management and improvement. This includes access to online seminars and articles on stress management, COVID-19 precautions, and maintaining a healthy lifestyle.

The Company recognizes the risks posed by a small staff. Employee turnover could result in disruption of business and expense in finding and training new employees. There is also a risk of fraud or collusion when employees are largely autonomous. As part of its risk mitigation strategies, the Company continues to implement a selection procedure that increases the probability of finding the right staff for the business. It also implements a performance development system for communication of performance expectations and monitoring performance.

The value that the Company places in employee participation is reflected in the Company's Manual of Corporate Governance. It plans to implement the action points therein as the Company further expands its operations. It also intends to provide proper training for its employees and to improve labor relations.

## E. Data Security

| Disclosure  | Quantity |
|---|----------|
| Number of data breaches, including leaks, thefts and losses of data | 0        |

Information technology (IT) enables the Company to maintain its operations with convenience and speed. However, it also presents potentially high-impact risk to both the Company and its stakeholders. While there were no data breaches recorded in 2025, cyber security remains on the top of the Company's agenda. Significant risks in technology identified by the Company include data management risk, cyber security risk, and third-party risk.

Ineffective data management can result from poor data management capabilities, retention of unnecessary data, and unmanaged creation, processing, and disposal of data. This can lead to financial fraud, accounting, and compliance issues. IT-related processes within the Company are also vulnerable to cyber-attacks and data privacy breaches. The Company is also exposed to third-party risk as it does business with other companies, financial institutions, government offices, and other stakeholders.

To mitigate these risks, the Company continues its implementation of the following action

steps to better enable SGP to oversee and manage IT risks:

- Integrate IT risks into its risk management structure;
- Conduct trainings on technology management skills;
- Conduct regular and independent internal audit;
- Assess IT capabilities of third parties; and
- Develop cyber incident response plan.

A secure IT environment will increase stakeholder confidence and will allow the Company to maximize existing and emerging IT available to it. SGP aims to keep up with the new technology and capabilities as it continues to strengthen its technological governance through the action steps mentioned above.

## VII. United Nations Sustainable Development Goals

In September 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development that includes 17 Sustainable Development Goals (SDGs). The SDGs aim to achieve a better and more sustainable future for all. In a highly interconnected world, the Company is fully aware that it cannot thrive without operating within a sustainability framework.



The Company has analyzed the risks and opportunities to its business that may arise from the 17 UN SDGs, as follows:

| Business Contributions                        | Societal Value/Contribution to UN SDGs | Potential Negative Impact or Contribution           | Management Approach to Negative Impact  |
|---|--|---|---|
| Stimulating the economy                       | 1 8 9 11 17                            | As operations expand, so will resources consumption | Investment in clean energy and partnering with stakeholders for sustainable business models |
| Implementing energy and water saving measures | 6 7 11 12 13 17                        | Expenses will be incurred in upgrading fixtures and | Integrating energy and water conservation into  |

|                                       |        |   |   |
|---------------------------------------|--------|---|---|
|                                       |        | equipment, and in transitioning to use of alternative energy sources or efficient use of energy and water   | business planning, considering profits in efficiency and innovation   |
| Promoting employee health and welfare | 3 8 16 | With the COVID-19 pandemic, turnover caused by medical emergencies within small staff can cause disruption of business. There is also a risk of fraud if low on accountability. | Provide access to non-occupational and healthcare services, prioritize health programs and implementation of sanitation measures; Improve selection procedures, implement performance development system for communication of performance expectations and monitoring employee performance; to improve labor relations with employees |
| Promoting data privacy and security   | 9 16   | Increase in vigilance in cybersecurity can hinder ease of doing business  | Set notification and approval threshold for IT risk situations  |

In 2025, through the Company's sole operating asset, NGCP, and its corporate social responsibility (CSR) initiatives, it was also able to indirectly comply with the SDGs in its engagements to its stakeholders.

| Stakeholder Contributions   | Societal Value/ Contribution to UN SDGs | Strengths  | Management Approach  |
|---|---|--|--|
| Provision of Two-Classroom Buildings to host school beneficiaries   | 4 17                                    | NGCP supports government efforts, through the Department of Education (DepEd), in its aim to construct additional new classrooms nationwide. | In partnership with DepEd and Local Government Units (LGUs), three (3) 2-Classroom buildings were constructed and turned over in 2025. |
| Medical assistance to host communities through NGCP Health Programs | 3 13 17                                 | This project aims to provide proper medical and dental care, and minor clinical intervention to the underprivileged members of the           | A total of fifteen (15) medical and dental missions were conducted, benefitting 3,449 individual beneficiaries.                        |

|   |        |  |   |
|---|--------|--|---|
|   |        | communities/LGUs.  | In partnership with the World Surgical Foundation of the Philippines (WSFP), surgical outreach activities in five (5) LGUs with 378 patients were provided with minor surgical procedures.  |
| Educational Assistance through Tertiary Edification (EDUCATE) | 4 17   | The program provides college scholarship opportunities to underprivileged but deserving students from NGCP host communities. The program aims to provide the students with the opportunity for a better quality of life in the future.   | In partnership with 26 partner state universities and colleges, NGCP provided scholarships to 362 college students, giving priority to engineering courses. Benefits per semester include tuition and miscellaneous fees of PhP15,000.00, a monthly stipend of PhP5,000.00 per month for five (5) months and PhP5,000.00 book and clothing allowance or a maximum benefit of PhP45,000.00/per semester. |
| Gamit ni Bulilit (GnB)  | 4 17   | The program provides school supplies to Grades 1 to 3 pupils from public elementary schools. Notebooks and coloring books are customized with NGCP's transmission line safety tips. This program aims to enhance community awareness on transmission line safety, anti-pilferage campaigns, and promote NGCP's zero harm policy to host communities. | In partnership with DepEd, a total of 150,000 learners (600 schools) were provided with GnB items, consisting of s backpack, notebooks, pencils, pack of crayons, water tumbler, and coloring book.   |
| Response to calamity-stricken communities                     | 2 3 13 | Timely delivery of necessary relief items to calamity-affected host  | NGCP extended critical relief aid to 48,943 households across 62 provinces and cities   |

|  |          |  |  |
|--|----------|--|--|
| through Calamity Affected Relief Efforts (CARE)  |          | communities.   | impacted by various calamities, including typhoons, volcanic eruptions, floods, and fires. The relief items provided were food (including rice packs, canned goods, water, and coffee packs) and non-food (including sleeping and hygiene kits) packs. In instances that additional support was needed, 5 kg rice packs and 10-liter bottles of water were also provided to affected communities.  |
| Project Tulong sa Pagbangon  | 2 3 13   | The program involves support to LGUs affected by the extreme El Niño and La Niña climate patterns, which have compromised their safety, livelihood, and overall well-being.  | NGCP provided 43,000 food packs through donations to 95 local government offices nationwide. The food packs included rice packs and canned goods.  |
| Provision of Livelihood Kits through Tulong sa Kabuhayan Project (formerly, Community Upskilling and Enterprise Development (CUPED)) | 1 8 9 17 | The project alleviates the negative impact of the COVID-19 pandemic, recent calamities, and persistent inflation by providing needed capital in the form of livelihood kits to various micro-enterprises comprising of fifteen (15) convenience stores and 15 rice retailing stores. | In partnership with the Department of Trade and Industry (DTI) and the respective LGUs, livelihood kits were provided to 210 micro-enterprises across seven (7) host municipalities and cities. This initiative is aimed at helping small businesses mitigate the impact of rising costs and inflation. The distributed kits included packages for 15 convenience stores and 15 rice retail outlets (bigasan) in each locality.<br><br>Training related to enterprise development was also provided to the beneficiaries through the project partner, DTI. The identification of |

|  |              |  |   |
|--|--------------|--|---|
|  |              |  | individual beneficiaries was conducted by the concerned LGUs, and profiling/verification was done by DTI.   |
| Provision of skills training course through Skills Camp project            | 1 4 5 8 9 17 | <p>The Skills Camp Project offers training courses leading to National Certification II competency in Shielded Metal Arc Welding, Tile Setting, Masonry, Electrical Installation and Maintenance, Heavy Equipment Operation (Backhoe Loader and Wheel Loader), and Carpentry, focusing on skills relevant to substation and transmission projects. It is expected to generate employable skilled workers and enhance livelihood opportunities, particularly targeting out-of-school and unemployed individuals.</p> <p>The NC II certification increases the beneficiaries' competitiveness in the job market, ensuring they meet industry standards. The NC II passers are then endorsed to the LGU's Public Employment Service Office (PESO) for manpower pooling.</p> | <p>In partnership with Technical Education and Skills Development Authority (TESDA) and Technical Vocational Institutions (TVI), NGCP was able to continue its commitment to provide skills training opportunities through the "Skills Camp" program.</p> <p>The initiative focused on delivering construction-related skills training to support the employability of 175 beneficiaries in eight (8) municipalities.</p> <p>Eight (8) women successfully completed the skills training on Shielded Metal Arc Welding (SMAW) NC II.</p> |
| Sustainable Livelihood Project: Support to Livelihood Project Request/s by | 1 5 8 17     | As part of stakeholder engagement strategy, the project addresses livelihood requests from the LGUs, Government  | In partnership with Department of Trade and Industry-Benguet, NGCP supported 117 micro-enterprises across three host communities in   |

|  |  |  |   |
|--|--|--|---|
| <p>NGCP Stakeholders (LGU, IP Community, Government Agencies, and other NGCP Stakeholders)</p> |  | <p>Agencies, Indigenous Peoples (IP) communities, and other key partners. The initiative aims to strengthen external relations and deliver measurable social impact through targeted livelihood support.</p> | <p>Benguet with essential skills and resources:</p> <ol style="list-style-type: none"> <li><b>1. Brgy. Pico, La Trinidad, Benguet:</b> Fifteen (15) micro-enterprises received 15 industrial sewing machines and raw materials, supplemented by training in patternmaking and textile upcycling.</li> <li><b>2. Brgy. Beckel, La Trinidad, Benguet:</b> Eighty-seven (87) members of the Beckel Arabica Coffee Growers Association were provided with a coffee roaster, 2 coffee hullers, and 10 coffee pulpers. DTI facilitated further training in coffee processing and strategic marketing to scale production.</li> <li><b>3. Brgy. Banangan, Sablan, Benguet:</b> Fifteen (15) Indigenous women underwent training in traditional loom weaving and sustainable sewing. To ensure project longevity, the company donated 2 looms, 3 sewing machines, and raw materials.</li> </ol> |
|--|--|--|---|

The Company's evaluation reveals that its EES business impacts are aligned with twelve (12) out of seventeen (17) UN SDGs. Of these business impacts, the Company's most significant contribution is its investment in banks and, indirectly, in various industries that increase economic productivity of our country.

## Disclosure Index

| Disclosure  | Reference and Omission  |
|---|---|
| Contextual information                              | Pg. 2   |
| Materiality process                                 | Pg. 3   |
| <b>ECONOMIC</b>                                     |   |
| Direct economic value generated and Distributed     | Pg. 5   |
| Climate-related risks and opportunities             | As a holding corporation with limited business operation, the Company has no climate-related risks and opportunities.   |
| Portion of spending on local suppliers              | As a holding corporation with limited business operation, the Company has no significant procurement budget on local suppliers.   |
| Training on anti-corruption policies and procedures | Pg. 6   |
| Incidents of corruption                             | Pg. 7   |
| <b>ENVIRONMENTAL</b>                                |   |
| Energy consumption within the organization          | Pg. 7   |
| Reduction of energy consumption                     | Pg. 8   |
| Water consumption within the organization           | Pg. 8   |
| Materials used by the organization                  | As a holding corporation with limited business operation, the Company did not use or produce any materials to manufacture products or services.   |
| Ecosystems and biodiversity                         | The Company does not own, lease, manage or operate in protected areas or areas of high biodiversity value. There are no species or habitats affected by the Company's limited business operation. |
| GHG   | As a holding corporation with limited business operation, the Company does not directly or indirectly produce (GHG) emissions or emissions of ozone-depleting substances (ODS).                   |
| Air pollutants                                      | As a holding corporation with limited business operation, the Company does not directly or indirectly produce significant air pollutants.   |
| Solid Waste   | As a holding corporation with limited business operation and number of employees, the Company does not produce significant solid waste.   |
| Hazardous Waste                                     | As a holding corporation, the Company does not produce or generate hazardous waste.   |
| Effluents   | As a holding corporation with limited business operation and number of employees, the Company does not produce significant effluents.   |
| Non-compliance with environmental regulations       | Pg. 9   |
| <b>SOCIAL</b>                                       |   |
| Employee data                                       | Pg. 10  |
| Employee benefits                                   | Pg. 10  |
| Employee training and development                   | Pg. 10  |

|  |   |
|--|---|
| Labor management relations                 | Pg. 11  |
| Diversity and equal opportunity            | Company has seven (7) female employees and two (2) male employees. Women are given the opportunity to participate in the workforce.                     |
| Occupational health and safety             | Pg. 10  |
| Labor laws and human rights                | Topic is not material as Company's has not commenced any legal action involving forced or child labor or violation of human or labor rights.            |
| Supply chain management                    | Topic is not material as Company does not have any supplier due to the nature of its business and its limited business operation.                       |
| Significant impacts on local communities   | Topic is not material as Company does not have business operations involving local communities.   |
| Customer satisfaction                      | Topic is not material due to the nature of Company's business and limited business operations.  |
| Health and safety                          | Topic is not material as Company does not have products or render services that affect the health and safety of the customers or the public in general. |
| Marketing and labelling                    | Topic is not material as Company's operations do not involve marketing and labelling  |
| Customer privacy                           | Topic is not material as Company has no significant customers whose data is processed by the Company.   |
| Data security                              | Pg. 11  |
| <b>UN SUSTAINABLE DEVELOPMENT GOALS</b>    |   |
| Product or service contribution to UN SDGs | Pg. 13  |

**SIGNATURE**

Pursuant to the requirements of the Securities and Exchange Commission, the issuer has duly caused the report to be signed on its behalf by the undersigned thereunto duly authorized.

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**

By:

A handwritten signature in black ink, appearing to read "Paul P. Sagayo, Jr.", written in a cursive style.

**ATTY. PAUL P. SAGAYO, JR.**  
*President*



# 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

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**SEC Registration No.:** 0000041376

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

**Industry Classification:** F45203

**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST104152026811221606

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2025

**Submission Type:** Parent

**Remarks:** None

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

## SEC eFast Initial Acceptance



**From** <noreply-cifssost@sec.gov.ph>

**Date** 2026-04-15 11:37

Dear **SYNERGY GRID & DEVELOPMENT PHILS., INC.**,

Greetings!

This serves as a temporary receipt of your submission, subject to verification of the form and the quality of the image of the submitted report.

**SEC Registration No:** 0000041376

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

**Document Code:** AFS

A separate email will be sent as proof of review and/or final acceptance.

Thank you.

SECURITIES AND EXCHANGE COMMISSION  
SEC Headquarters, 7907 Makati Avenue,  
Salcedo Village, Barangay Bel-Air, Makati City,  
1209, Metro Manila, Philippines

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TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instructions stated in the form. Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer: 1. General Information Sheet (GIS-Stock); 2. General Information Sheet (GIS-Non-stock); 3. General Information Sheet (GIS- Foreign stock & non-stock); 4. Broker Dealer Financial Statements (BDFS); 5. Financing Company Financial Statements (FCFS); 6. Investment Houses Financial Statements (IHFS); 7. Publicly – Held Company Financial Statement; 8. General Form for Financial Statements; 9. Financing Companies Interim Financial Statements (FCIF); 10. Lending Companies Interim Financial Statements (LCIF).

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFAST, if the filed report is compliant with the existing requirements. A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the report's rejection in the remarks box.

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SYNERGY GRID <synergy072015@gmail.com>

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

Abril 15, 2026 nang 10:26 AM

Hi SYNERGY GRID & DEVELOPMENT PHILS., INC.,

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- EAFS000593240ITRTY122025.pdf
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- EAFS000593240TCRTY122025-01.pdf
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Transaction Code: **AFS-0-3QYPW1XX0MWT3V4VZNMQ33R3T0ALEL8F5C**  
Submission Date/Time: **Apr 15, 2026 10:26 AM**  
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.

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# SYNERGY GRID & DEVELOPMENT PHILS., INC.

**SEPARATE FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

With Independent Auditors' Report

# R.G. Manabat & Co.



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](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto: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, 2025 and 2024, 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, 2025 and 2024, 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), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the separate financial statements of public interest entities in the Philippines. We have also 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  
BSP Selected EAs of BSFIs-Group A, valid for five (5) years covering the audit of 2025 to 2029 financial statements under BSP Letter No. FSD VI-2025-02-0054g-FSD6L-External

## *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 15 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 Myra Liza S. Sto. Tomas.

### **R.G. MANABAT & CO.**



MYRA LIZA S. STO. TOMAS

Partner

CPA License No. 0118513

SEC Accreditation No. 118513-SEC, Group A, valid for five (5) years  
covering the audit of 2023 to 2027 financial statements

Tax Identification No. 249-271-374

BIR Accreditation No. 08-001987-055-2023

Issued March 10, 2023; valid until March 10, 2026\*

PTR No. MKT 10764415

Issued January 5, 2026 at Makati City

*\*BIR application processed*

April 13, 2026

Makati City, Metro Manila

# R.G. Manabat & Co.



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
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Telephone +63 (2) 8885 7000  
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Email [ph-inquiry@kpmg.com](mailto: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, 2025, on which we have rendered our report dated April 13, 2026.

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.

MYRA LIZA S. STO. TOMAS

Partner

CPA License No. 0118513

SEC Accreditation No. 118513-SEC, Group A, valid for five (5) years  
covering the audit of 2023 to 2027 financial statements

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and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025  
BSP Selected EAs of BSFIs-Group A, valid for five (5) years covering the audit of 2025 to 2029  
financial statements under BSP Letter No. FSD VI-2025-02-0054g-FSD6L-External



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, 2025. Management is likewise responsible for all information and representations contained in the audited separate financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the 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 value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited separate financial statements for the year ended December 31, 2025 and the accompanying Annual Income Tax Return are, to the best of our knowledge and belief, in accordance with the books and records of the Company, complete and correct with an appropriate consideration to materiality. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in good faith 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 PFRS Accounting 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) based on the Company's accounting records, it 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.

A large, stylized handwritten signature in black ink, appearing to be "Henry Sy, Jr.", written over a circular scribble.

**HENRY SY, JR.**  
Chairman of the Board

A handwritten signature in black ink, appearing to be "Paul Sagayo, Jr.", written in a cursive style.

**PAUL SAGAYO, JR.**  
President & CEO

A handwritten signature in black ink, appearing to be "Justice Lady Soriano", written in a cursive style.

**JUSTICE LADY SORIANO**  
Treasurer & CFO

Signed this 27<sup>th</sup> day of March 2026

Doc. No. 210 ;  
Page No. 43 ;  
Book No. 1 ;  
Series of 2026.

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

### ACKNOWLEDGMENT


BEFORE ME, a Notary Public for and in Pasig City, this 27 March 2026, personally appeared:

| Name                 | Competent Evidence of Identity   |
|----------------------|--|
| HENRY SY, JR.        | Philippine Passport No. P4410521B issued on 16 January 2020/Manila<br>TIN: 106-215-722 |
| PAUL SAGAYO, JR.     | Philippine Passport No. P7432752A issued on 04 June 2018/Manila<br>TIN: 200-383-080    |
| JUSTICE LADY SORIANO | Philippine Passport No. P0381601B issued on 24 January 2019/Manila<br>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 of Synergy Grid & Development Phils., Inc., consisting of two (2) pages including this page on which this Acknowledgment is written, duly signed by the parties, and they acknowledged to me that the same is their free and voluntary act and deed, and that they are waiving their right to receive a duplicate original electronic copy of this Statement of Management's Responsibility for Annual Income Tax Return, as allowed under Rule VI Section 7 of the 2004 Rules on Notarial Practice, as amended by A.M. No. 02-8-13-SC, thereby waiving any objections to the completeness of the reproduction of this Statement of Management's Responsibility for Annual Income Tax Return.

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

Doc. No. 210 ;  
Page No. 43 ;  
Book No. 11 ;  
Series of 2026.

  
**SIEGFRO G. PEREZ**  
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. 227 (2025-2026) - Rol. No. 86956  
PTR No. 3044625; 01-16-2013; Pasig City  
IBP No. 500139; 01-06-2013; Quezon City  
MCLE Compliance No. VII-0009210; 08-01-2024



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

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS


The Management of **Synergy Grid & Development Phils., Inc.** (the "Company") is responsible for the preparation and fair presentation of the separate financial statements, including the schedules attached therein, for the years ended December 31, 2025 and 2024, 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 the separate financial statements that are free from material misstatement, whether due to fraud or error.

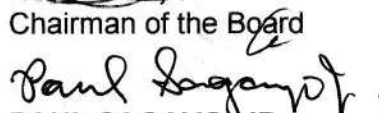
In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 separate 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

  
**JUSTO E LADY SORIANO**  
Treasurer & CFO

Signed this 27<sup>th</sup> day of March 2026

Doc. No. 209 ;  
Page No. 43 ;  
Book No. 11 ;  
Series of 2026.

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

### ACKNOWLEDGMENT

BEFORE ME, a Notary Public for and in Pasig City, this 27 March 2026, personally appeared:

| Name                 | Competent Evidence of Identity   |
|----------------------|--|
| HENRY SY, JR.        | Philippine Passport No. P4410521B issued on 16 January 2020/Manila<br>TIN: 106-215-722 |
| PAUL SAGAYO, JR.     | Philippine Passport No. P7432752A issued on 04 June 2018/Manila<br>TIN: 200-383-080    |
| JUSTICE LADY SORIANO | Philippine Passport No. P0381601B issued on 24 January 2019/Manila<br>TIN: 147-694-879 |

known to me to be the same persons who executed the foregoing Statement of Management's Responsibility for Separate Financial Statements of Synergy Grid & Development Phils., Inc., consisting of two (2) pages including this page on which this Acknowledgment is written, duly signed by the parties, and they acknowledged to me that the same is their free and voluntary act and deed, and that they are waiving their right to receive a duplicate original electronic copy of this Statement of Management's Responsibility for Separate Financial Statements, as allowed under Rule VI Section 7 of the 2004 Rules on Notarial Practice, as amended by A.M. No. 02-8-13-SC, thereby waiving any objections to the completeness of the reproduction of this Statement of Management's Responsibility for Separate Financial Statements.

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

Doc. No. 209 ;  
Page No. 43 ;  
Book No. 11 ;  
Series of 2026.

  
**SIEGFRED G. PEREZ**  
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. 227 (2025-2026) - Roll No. 66850  
PTR No. 3044625; 01-16-2010; Pasig City  
IBP No. 500139; 01-06-2015; Quezon City  
MCLE Compliance No. VII-0008210, 06-6-, 2024

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

|  |        | December 31            |                 |
|--|--------|------------------------|-----------------|
|  | Note   | 2025                   | 2024            |
| <b>ASSET</b>                                   |        |                        |                 |
| <b>Current Asset</b>                           |        |                        |                 |
| Cash and cash equivalents                      | 4, 13  | P370,391,384           | P247,783,144    |
| Prepayments and other current assets           | 5      | 36,036,635             | 30,032,221      |
| <b>Total Current Assets</b>                    |        | <b>406,428,019</b>     | 277,815,365     |
| <b>Noncurrent Asset</b>                        |        |                        |                 |
| Property and equipment - net                   | 6      | 399,109                | 655,699         |
| Investment in subsidiaries                     | 7      | 94,246,163,000         | 94,246,163,000  |
| <b>Total Noncurrent Assets</b>                 |        | <b>94,246,562,109</b>  | 94,246,818,699  |
|  |        | <b>P94,652,990,128</b> | P94,524,634,064 |
| <b>LIABILITIES AND EQUITY</b>                  |        |                        |                 |
| <b>Current Liabilities</b>                     |        |                        |                 |
| Accrued expenses and other current liabilities | 8, 13  | P195,745,270           | P5,482,904      |
| Dividends payable                              | 10, 13 | 32,583,622             | 7,875,333       |
| <b>Total Current Liabilities</b>               |        | <b>228,328,892</b>     | 13,358,237      |
| <b>Noncurrent Liability</b>                    |        |                        |                 |
| Deferred tax liability                         | 12     | 1,752                  | 5,405           |
| <b>Total Liabilities</b>                       |        | <b>228,330,644</b>     | 13,363,642      |
| <b>Equity</b>                                  |        |                        |                 |
| 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     | 230,774,790            | 317,385,728     |
| <b>Total Equity</b>                            |        | <b>94,424,659,484</b>  | 94,511,270,422  |
|  |        | <b>P94,652,990,128</b> | P94,524,634,064 |

*See Notes to the Separate Financial Statements.*

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

|   |             | <b>Years Ended December 31</b> |                |
|---|-------------|--------------------------------|----------------|
|   | <i>Note</i> | <b>2025</b>                    | <b>2024</b>    |
| <b>INCOME</b>                                 |             |                                |                |
| Dividend income                               | 7, 9        | <b>P3,584,341,600</b>          | P1,782,120,800 |
| Management income                             | 9           | <b>48,000,000</b>              | 48,000,000     |
| Interest income                               | 4, 11       | <b>25,472,629</b>              | 25,308,574     |
|   |             | <b>3,657,814,229</b>           | 1,855,429,374  |
| <b>OPERATING EXPENSES</b>                     |             |                                |                |
| Salaries and other employee benefits          | 9           | <b>37,330,576</b>              | 55,440,720     |
| Director's fee                                |             | <b>30,960,000</b>              | 35,402,261     |
| Professional fees                             |             | <b>4,092,329</b>               | 3,299,910      |
| Filing fees                                   |             | <b>3,511,950</b>               | 2,012,825      |
| Rent  | 5           | <b>1,600,333</b>               | 1,563,718      |
| Taxes and licenses                            |             | <b>389,690</b>                 | 389,690        |
| Depreciation                                  | 6           | <b>361,929</b>                 | 609,867        |
| Transportation                                |             | <b>294,293</b>                 | 367,198        |
| Communications, light and water               |             | <b>275,645</b>                 | 255,917        |
| Advertising fees                              |             | <b>178,996</b>                 | 178,946        |
| Repairs and maintenance                       |             | <b>131,585</b>                 | 85,381         |
| Office supplies                               |             | <b>108,399</b>                 | 116,551        |
| Bank charges                                  |             | <b>1,238</b>                   | 2,558          |
| Miscellaneous                                 |             | <b>420,211</b>                 | 354,403        |
|   |             | <b>79,657,174</b>              | 100,079,945    |
| <b>INCOME FROM OPERATIONS</b>                 |             | <b>3,578,157,055</b>           | 1,755,349,429  |
| <b>FOREIGN EXCHANGE GAIN - Net</b>            |             | <b>7,007</b>                   | 21,621         |
| <b>INCOME BEFORE INCOME TAX AND FINAL TAX</b> |             | <b>3,578,164,062</b>           | 1,755,371,050  |
| <b>TAXES</b>                                  | 12          | <b>6,051,304</b>               | 6,027,114      |
| <b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>  |             | <b>P3,572,112,758</b>          | P1,749,343,936 |

*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<br>(Note 10) | Additional<br>Paid-in Capital<br>(Note 10) | Retained<br>Earnings   | Total Equity           |
| <b>Balance at January 1, 2025</b>                  |                         | <b>P5,265,866,000</b>      | <b>P88,928,018,694</b>                     | <b>P317,385,728</b>    | <b>P94,511,270,422</b> |
| Net income/total comprehensive income for the year |                         | -                          | -  | <b>3,572,112,758</b>   | <b>3,572,112,758</b>   |
| <b>Transactions with Owners of the Company</b>     |                         |                            |  |                        |                        |
| Cash dividends declared                            | <i>10</i>               | -                          | -  | <b>(3,658,723,696)</b> | <b>(3,658,723,696)</b> |
|  |                         | -                          | -  | <b>(3,658,723,696)</b> | <b>(3,658,723,696)</b> |
| <b>Balance at December 31, 2025</b>                |                         | <b>P5,265,866,000</b>      | <b>P88,928,018,694</b>                     | <b>P230,774,790</b>    | <b>P94,424,659,484</b> |
| 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                            | <i>10</i>               | -                          | -  | (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        |

See Notes to the Separate Financial Statements.

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

|   |             | <b>Years Ended December 31</b> |                 |
|---|-------------|--------------------------------|-----------------|
|   | <i>Note</i> | <b>2025</b>                    | <b>2024</b>     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |             |                                |                 |
| Income before income tax  |             | <b>P3,578,164,062</b>          | P1,755,371,050  |
| Adjustments for:  |             |                                |                 |
| Depreciation  | 6           | <b>361,929</b>                 | 609,867         |
| Dividend income   | 7, 9        | <b>(3,584,341,600)</b>         | (1,782,120,800) |
| Interest income   | 4, 11       | <b>(25,472,629)</b>            | (25,308,574)    |
| Unrealized foreign exchange gain - net                                |             | <b>(7,007)</b>                 | (21,621)        |
| Operating loss before working capital changes                         |             | <b>(31,295,245)</b>            | (51,470,078)    |
| Decrease (increase) in:   |             |                                |                 |
| Due from related parties  |             | -                              | 5,100,000       |
| Prepayments and other current assets                                  |             | <b>(6,006,298)</b>             | (5,865,490)     |
| Increase (decrease) in accrued expenses and other current liabilities |             | <b>(1,139,634)</b>             | 1,603,758       |
| Cash absorbed by operations   |             | <b>(38,441,177)</b>            | (50,631,810)    |
| Interest received   |             | <b>25,474,513</b>              | 25,306,690      |
| Income taxes paid   |             | <b>(6,054,957)</b>             | (6,021,709)     |
| Net cash used in operating activities                                 |             | <b>(19,021,621)</b>            | (31,346,829)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |             |                                |                 |
| Cash dividends received   | 7           | <b>3,584,341,600</b>           | 1,782,120,800   |
| Additions to property and equipment                                   | 6           | <b>(105,339)</b>               | -               |
| Net cash generated by used in investing activities                    |             | <b>3,584,236,261</b>           | 1,782,120,800   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                            |             |                                |                 |
| Payment of cash dividends   | 10          | <b>(3,251,948,375)</b>         | (1,635,749,853) |
| Payment of final tax on dividends paid                                | 10          | <b>(190,665,032)</b>           | (191,690,216)   |
| Net cash used in financing activities                                 |             | <b>(3,442,613,407)</b>         | (1,827,440,069) |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>           |             | <b>122,601,233</b>             | (76,666,098)    |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>   |             | <b>7,007</b>                   | 21,621          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                 |             | <b>247,783,144</b>             | 324,427,621     |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                       | 4, 13       | <b>P370,391,384</b>            | P247,783,144    |

*See Notes to the Separate Financial Statements.*

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

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**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. (“OTHI”) 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 Philippine 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.

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## **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 March 27, 2026.

### 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 P278,823,931 and P281,686,714 as at December 31, 2025 and 2024, 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 has control over its investee company, OTHI, P21, and NGCP. Accordingly, the Company treats OTHI, P21, and NGCP as subsidiaries (Note 7).

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### 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, 2025 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, 2025 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 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 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 PFRS 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, interest receivable and security deposit (Notes 4, 5 and 13).

Cash includes cash on hand and in banks which are stated at amortized cost. Cash 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, 10 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 contractual rights to receive cash flows from the financial asset have expired;
- the Company 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, 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.

## 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 and cash equivalents are 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.

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## 4. Cash and Cash Equivalents

This account at December 31 consists of:

|                       | <i>Note</i> | <b>2025</b>         | 2024         |
|-----------------------|-------------|---------------------|--------------|
| Cash on hand          |             | <b>P50,000</b>      | P50,000      |
| Cash in banks         |             | <b>81,711,624</b>   | 25,910,909   |
| Short-term placements |             | <b>288,629,760</b>  | 221,822,235  |
|                       | <b>13</b>   | <b>P370,391,384</b> | P247,783,144 |

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 P24,766,023 and P24,540,432 in 2025 and 2024, respectively (Note 11).

## 5. Prepayments and Other Current Assets

This account at December 31 consists of the following:

|                            | Note | 2025               | 2024        |
|----------------------------|------|--------------------|-------------|
| Creditable withholding tax |      | <b>P35,482,858</b> | P29,243,290 |
| Prepaid rent               |      | <b>304,208</b>     | 297,838     |
| Security deposit           | 13   | <b>248,760</b>     | 248,760     |
| Advances to employees      |      | -                  | 229,640     |
| Interest receivable        | 13   | -                  | 1,884       |
| Others                     |      | <b>809</b>         | 10,809      |
|                            |      | <b>P36,036,635</b> | P30,032,221 |

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 P304,208 and P248,760 as of December 31, 2025, and P297,838 and P248,760 as of December 31, 2024, respectively. Security deposit related to office space is refundable upon expiration of the contract. Rent expense relating to these leases amounted to P1,600,333 and P1,563,718 in 2025 and 2024, respectively were recorded as part of "Rent" in the separate statements of comprehensive income.

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

## 6. Property and Equipment - net

The movements and balances of this account are as follows:

|                                 | Furniture<br>and Fixtures | Office<br>Equipment | Computer<br>Equipment | Computer<br>Software | Office<br>Improvement | Total            |
|---------------------------------|---------------------------|---------------------|-----------------------|----------------------|-----------------------|------------------|
| <b>Cost</b>                     |                           |                     |                       |                      |                       |                  |
| January 1, 2024                 | P460,261                  | P625,139            | P207,518              | P474,956             | P1,561,677            | P3,329,551       |
| Additions                       | 5,857                     | 14,184              | -                     | -                    | -                     | 20,041           |
| December 31, 2024               | 466,118                   | 639,323             | 207,518               | 474,956              | 1,561,677             | 3,349,592        |
| Additions                       | -                         | 105,339             | -                     | -                    | -                     | 105,339          |
| <b>December 31, 2025</b>        | <b>466,118</b>            | <b>744,662</b>      | <b>207,518</b>        | <b>474,956</b>       | <b>1,561,677</b>      | <b>3,454,931</b> |
| <b>Accumulated Depreciation</b> |                           |                     |                       |                      |                       |                  |
| January 1, 2024                 | 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        |
| Depreciation                    | 17,668                    | 31,926              | -                     | -                    | 312,335               | 361,929          |
| <b>December 31, 2025</b>        | <b>465,792</b>            | <b>649,521</b>      | <b>207,518</b>        | <b>474,956</b>       | <b>1,258,035</b>      | <b>3,055,822</b> |
| <b>Net Carrying Amount</b>      |                           |                     |                       |                      |                       |                  |
| December 31, 2024               | P17,994                   | P21,728             | P -                   | P -                  | P615,977              | P655,699         |
| <b>December 31, 2025</b>        | <b>P326</b>               | <b>P95,141</b>      | <b>P -</b>            | <b>P -</b>           | <b>P303,642</b>       | <b>P399,109</b>  |

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, 2025.

As of December 31, 2025 and December 31, 2024, the Company's fully depreciated assets that are still being used in operations amount to P1,767,875 and P1,459,198, 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              |
|  |                         |          | <b>P94,246,163,000</b> |                          |

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, 2025 and 2024:

|                                       | 2025                   | 2024            |
|---------------------------------------|------------------------|-----------------|
| Current assets                        | <b>P21,662,663</b>     | P17,388,957     |
| Noncurrent asset                      | <b>28,464,000,000</b>  | 28,464,000,000  |
| Current liability                     | <b>(762,576)</b>       | (746,800)       |
| Noncurrent liability                  | <b>(2,815)</b>         | (8,699)         |
| Net assets                            | <b>P28,484,897,272</b> | P28,480,633,458 |
| Income                                | <b>P2,148,786,857</b>  | P1,069,735,373  |
| Expenses                              | <b>(21,299,492)</b>    | (12,711,586)    |
| Foreign exchange gain - net           | <b>11,261</b>          | 34,797          |
| Income tax benefit/(expense)          | <b>5,188</b>           | (8,699)         |
| Net income/total comprehensive income | <b>P2,127,503,814</b>  | P1,057,049,885  |

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, 2025 and 2024:

|  | <b>2025</b>           | 2024           |
|--|-----------------------|----------------|
| Current assets                               | <b>P20,353,618</b>    | P14,583,052    |
| Noncurrent asset                             | <b>3,150,750,000</b>  | 3,150,750,000  |
| Current liability                            | <b>(844,037,667)</b>  | (844,021,643)  |
| Noncurrent liability                         | <b>(3,818)</b>        | (11,806)       |
| <b>Net assets</b>                            | <b>P2,327,062,133</b> | P2,321,299,603 |
| Income                                       | <b>P2,148,538,679</b> | P1,069,432,975 |
| Expenses                                     | <b>(19,558,467)</b>   | (12,433,059)   |
| Foreign exchange gain - net                  | <b>15,274</b>         | 47,225         |
| Income tax benefit/(expense)                 | <b>7,044</b>          | (11,806)       |
| <b>Net income/total comprehensive income</b> | <b>P2,129,002,530</b> | P1,057,035,335 |

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, 2025 and 2024:

|  | <b>2025</b>              | 2024              |
|--|--------------------------|-------------------|
| Current assets                               | <b>P54,693,824,723</b>   | P48,469,579,546   |
| Noncurrent asset                             | <b>510,615,830,432</b>   | 453,046,557,268   |
| Current liability                            | <b>(119,630,067,808)</b> | (100,110,430,340) |
| Noncurrent liability                         | <b>(250,601,506,984)</b> | (242,645,202,268) |
| <b>Net assets</b>                            | <b>P195,078,080,363</b>  | P158,760,504,206  |
| Income                                       | <b>P85,211,880,237</b>   | P53,014,087,918   |
| Expenses                                     | <b>(28,677,662,669)</b>  | (25,612,243,229)  |
| Other charges - net                          | <b>(12,236,799,068)</b>  | (9,967,160,082)   |
| Other comprehensive loss                     | <b>20,157,657</b>        | (107,472,161)     |
| <b>Net income/total comprehensive income</b> | <b>P44,317,576,157</b>   | P17,327,212,446   |

Dividend income received from the Company's subsidiaries amounted to P3.58 billion and P1.78 billion, in 2025 and 2024, respectively (Note 9).

## 8. Accrued Expenses and Other Current Liabilities

This account at December 31 consists of:

|                     | Note | 2025                | 2024              |
|---------------------|------|---------------------|-------------------|
| Accrued expenses    | 13   | P1,737,894          | P1,573,699        |
| Government payables |      | 194,007,376         | 3,909,205         |
|                     |      | <b>P195,745,270</b> | <b>P5,482,904</b> |

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 | Dividends Payable  | Terms and Conditions  |
|--|------|------|-------------------------|--------------------|---|
| <b>Subsidiaries</b>                    |      |      |                         |                    |   |
| ▪ <b>Dividend Income</b>               |      |      |                         |                    |   |
| OneTaipan Holdings, Inc.               | 7    | 2025 | P1,422,570,800          | P -                |   |
|  |      | 2024 | P709,610,400            | -                  |   |
| Pacifica21 Holdings, Inc.              | 7    | 2025 | 1,422,570,800           | -                  |   |
|  |      | 2024 | 702,910,400             | -                  |   |
| National Grid Corporation of the Phils | 7    | 2025 | 739,200,000             | -                  |   |
|  |      | 2024 | 369,600,000             | -                  |   |
| ▪ <b>Management Fee</b>                |      |      |                         |                    |   |
| Monte Oro Grid Resources Corporation   | a    | 2025 | 12,000,000              | -                  |   |
|  |      | 2024 | 12,000,000              | -                  | Payable quarterly at the end of each quarter; no impairment |
| Calaca High Power Corporation          | a    | 2025 | 12,000,000              | -                  |   |
|  |      | 2024 | 12,000,000              | -                  | Payable quarterly at the end of each quarter; no impairment |
| OneTaipan Holdings, Inc.               | a    | 2025 | 12,000,000              | -                  |   |
|  |      | 2024 | 12,000,000              | -                  | Payable quarterly at the end of each quarter                |
| Pacifica21 Holdings, Inc.              | a    | 2025 | 12,000,000              | -                  |   |
|  |      | 2024 | 12,000,000              | -                  | Payable quarterly at the end of each quarter                |
| <b>Shareholders</b>                    |      |      |                         |                    |   |
| ▪ <b>Dividends</b>                     |      |      |                         |                    |   |
|  | 10   | 2025 | 3,658,723,696           | 32,583,622         |   |
|  |      | 2024 | 1,829,361,848           | 7,875,333          |   |
| <b>Short-term Employee Benefits</b>    |      |      |                         |                    |   |
|  | b    | 2025 | 37,330,576              | -                  |   |
|  |      | 2024 | 55,440,720              | -                  |   |
|  | 13   | 2025 |                         | <b>P32,583,622</b> |   |
|  | 13   | 2024 |                         | P7,875,333         |   |

- 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.

- 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 |                 |               |                 |
|---|-------------------------|-----------------|---------------|-----------------|
|   | 2025                    |                 | 2024          |                 |
|   | Shares                  | Amount          | Shares        | Amount          |
| Authorized - P1<br>par value per share                          | 5,300,000,000           | P5,300,000,000  | 5,300,000,000 | P5,300,000,000  |
| Issued, fully paid and<br>outstanding balance at<br>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, 2025 and 2024, the Company’s stock price is P16.56 and P9.80 respectively.

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. As of date, no further developments yet regarding this transaction.

### 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, 2025.

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, 2025.

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, 2025.

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, 2025.

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, 2025.

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, 2025.

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, 2025.

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, 2025.

On April 8, 2024, the BOD of the Company approved the declaration of P0.3474 cash dividends per share for the 1<sup>st</sup> 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, 2025.

On September 4, 2025, the BOD of the Company approved the declaration of P0.3474 cash dividends per share for the 2<sup>nd</sup> quarter of 2025 amounting to P1.83 billion. These cash dividends will be paid to shareholders of record as of September 18, 2025 on September 25, 2025. Out of the cash dividends declared for the 1st quarter P2.61 million is still outstanding as of December 31, 2025.

On November 27, 2025, the BOD of the Company approved the declaration of P0.3474 cash dividends per share for the 4<sup>th</sup> quarter of 2025 amounting to P1.83 billion. These cash dividends will be paid to shareholders of record as of December 12, 2025 on December 19, 2025. Out of the cash dividends declared for the 1st quarter P22.1 million is still outstanding as of December 31, 2025.

The reconciliation of movements of accounts to cash flows arising from financing activities are as follows:

## 2025

|  | <b>Dividends Payable</b> |
|--|--------------------------|
| <b>Balance at the beginning of year</b>  | <b>P7,875,333</b>        |
| <b>Non-cash Movement</b>                 |                          |
| Dividends declared                       | <b>3,658,723,696</b>     |
| <b>Changes from Financing Cash Flows</b> |                          |
| Dividends paid                           | <b>(3,251,948,375)</b>   |
| Final tax paid                           | <b>(382,067,032)</b>     |
| <b>Balance at the end of year</b>        | <b>P32,583,622</b>       |

## 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        |

## 11. Interest Income

Interest income consists of income from:

|                       | <i>Note</i> | 2025               | 2024        |
|-----------------------|-------------|--------------------|-------------|
| Cash in banks         | 4           | <b>P44,934</b>     | P35,410     |
| Short-term placements | 4           | <b>24,721,089</b>  | 24,505,022  |
| UITF investment       |             | <b>706,606</b>     | 768,142     |
|                       |             | <b>P25,472,629</b> | P25,308,574 |

In 2025 and 2024, 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, 2025 and 2024, the Company has no outstanding UITF investment.

## 12. Income Tax

The components of taxes are as follows:

|                                | 2025              | 2024       |
|--------------------------------|-------------------|------------|
| Current tax                    | <b>P960,432</b>   | P960,000   |
| Deferred tax expense (benefit) | <b>(3,653)</b>    | 5,405      |
| Final tax on interest income   | <b>5,094,525</b>  | 5,061,709  |
|                                | <b>P6,051,304</b> | P6,027,114 |

Current income tax expense of the Company in 2025 and 2024 represents MCIT amounting to P960,432 and P960,000, respectively, which was computed based on the tax rate of 2%.

The reconciliation of the taxes computed at the statutory income tax rate to the taxes as shown in profit or loss follows:

|  | 2025                  | 2024           |
|--|-----------------------|----------------|
| Income before income tax               | <b>P3,578,164,062</b> | P1,755,371,050 |
| Tax on income at statutory tax rate    | <b>P894,541,016</b>   | P438,842,763   |
| Tax effects of:                        |                       |                |
| Dividend income                        | <b>(896,085,400)</b>  | (445,530,200)  |
| Expired NOLCO                          | <b>8,706,504</b>      | -              |
| Interest income subjected to final tax | <b>(6,368,157)</b>    | (6,327,144)    |
| Final tax on interest income           | <b>5,094,525</b>      | 5,061,709      |
| Movement in unrecognized deferred tax  | <b>162,816</b>        | 13,979,986     |
|  | <b>P6,051,304</b>     | P6,027,114     |

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:

|                  | 2025                | 2024         |
|------------------|---------------------|--------------|
| NOLCO            | <b>P276,182,815</b> | P277,952,119 |
| MCIT             | <b>2,641,116</b>    | 2,160,896    |
| Accrued expenses | -                   | 1,573,699    |
|                  | <b>P278,823,931</b> | P281,686,714 |

As at December 31, 2025 and 2024, the movement in the Company's deferred tax liability is as follows:

|  | 2025           | 2024   |
|--|----------------|--------|
| Beginning balance                                | <b>P5,405</b>  | P -    |
| Deferred tax on unrealized foreign exchange gain | <b>1,752</b>   | 5,405  |
| Reversal of deferred tax liability               | <b>(5,405)</b> | -      |
|  | <b>P1,752</b>  | P5,405 |

The Company has NOLCO that can be claimed as deduction from future taxable income as follows:

| Year Incurred | Expiry | Amount       | Expired       | Balance             |              |
|---------------|--------|--------------|---------------|---------------------|--------------|
|               |        |              |               | 2025                | 2024         |
| 2021          | 2026*  | P153,583,793 | P -           | <b>P153,583,793</b> | P153,583,793 |
| 2022          | 2025   | 34,826,017   | (34,826,017)  | -                   | 34,826,017   |
| 2023          | 2026   | 36,316,375   | -             | <b>36,316,375</b>   | 36,316,375   |
| 2024          | 2027   | 53,225,934   | -             | <b>53,225,934</b>   | 53,225,934   |
| 2025          | 2028   | 33,056,713   | -             | <b>33,056,713</b>   | -            |
|               |        | P311,008,832 | (P34,826,017) | <b>P276,182,815</b> | P277,952,119 |

*\*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    |
|---------------|-------------------|-------------------|-----------|------------|-------------------|
| 2022          | December 31, 2025 | P480,212          | P -       | (P480,212) | <b>P -</b>        |
| 2023          | December 31, 2026 | 720,684           | -         | -          | <b>720,684</b>    |
| 2024          | December 31, 2027 | 960,000           | -         | -          | <b>960,000</b>    |
| 2025          | December 31, 2028 | -                 | 960,432   | -          | <b>960,432</b>    |
|               |                   | P2,160,896        | P960,432  | (P480,212) | <b>P2,641,116</b> |

### 13. Financial Risks and Capital Management Objectives and Policies

The Company's separate financial instruments comprise of cash and cash equivalents, 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 as follows:

|                            | Note | 2025                | 2024         |
|----------------------------|------|---------------------|--------------|
| Cash and cash equivalents* | 4    | <b>P370,341,384</b> | P247,733,144 |
| Interest receivable        | 5    | -                   | 1,884        |
| Security deposit           | 5    | <b>248,760</b>      | 248,760      |
|                            |      | <b>P370,590,144</b> | P247,983,788 |

\*Excluding cash on hand amounting to P50,000.

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, 2025 and 2024, the credit quality of the Company's cash and cash equivalents and interest receivable are high grade given that the credit risk for cash and cash equivalents 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, 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, 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, 2025 and 2024.

|   | Note  | 2025                |                        |                     |
|---|-------|---------------------|------------------------|---------------------|
|   |       | Carrying Amount     | Contractual Cash Flows | More than 1 Year    |
| <b>Financial Asset</b>                          |       |                     |                        |                     |
| Cash and cash equivalents                       | 4     | <b>P370,391,384</b> | <b>P370,391,384</b>    | <b>P370,391,384</b> |
| Security deposit                                | 5     | <b>248,760</b>      | <b>248,760</b>         | <b>248,760</b>      |
| <b>Financial Liabilities</b>                    |       |                     |                        |                     |
| Accrued expenses and other current liabilities* | 8     | <b>1,737,894</b>    | <b>1,737,894</b>       | <b>1,737,894</b>    |
| Dividends payable                               | 9, 10 | <b>32,583,622</b>   | <b>32,583,622</b>      | <b>32,583,622</b>   |

\*Excluding government payables amounting to P194,007,376.

|   | Note  | 2024            |                        |               |                  |
|---|-------|-----------------|------------------------|---------------|------------------|
|   |       | Carrying Amount | Contractual Cash Flows | Within 1 Year | More than 1 Year |
| <b>Financial Asset</b>                          |       |                 |                        |               |                  |
| 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       | -                |
| <b>Financial Liabilities</b>                    |       |                 |                        |               |                  |
| 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.

#### 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, 2025 and 2024 are as follows:

#### Current Ratio

|                     | 2025                | 2024         |
|---------------------|---------------------|--------------|
| Current asset       | <b>P406,428,019</b> | P277,815,365 |
| Current liabilities | <b>228,328,892</b>  | 13,358,237   |
|                     | <b>1.78:1.00</b>    | 20.80:1.00   |

#### Debt-to-Equity Ratio

|                   | 2025                  | 2024           |
|-------------------|-----------------------|----------------|
| Total liabilities | <b>P228,330,644</b>   | P13,363,642    |
| Total equity      | <b>94,424,659,484</b> | 94,511,270,422 |
|                   | <b>0.00:1.00</b>      | 0.00:1.00      |

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## 14. Events after Reporting Period

### Dividends

On March 23, 2026, the Company received dividends from its non-voting preferred shares in NGCP amounting to P369.60 million and a total of 1.44 billion from OTHI and P21 common shares on March 26, 2026. On March 27, 2026, the BOD of the Company approved the declaration of P0.3474 cash dividends per share for the 1<sup>st</sup> quarter of 2026 amounting to P1.83 billion. These cash dividends will be paid to shareholders of record as of April 15, 2026 on May 4, 2026.

### Middle East War

In February 2026, geopolitical tensions escalated into an armed conflict between the United States and Iran, resulting in significant disruptions in global energy markets and economic conditions.

The conflict has led to constrained global fuel supply triggering increased volatility in global oil prices, critical supply chain disruptions, transportation and inflationary pressures, particularly affecting oil-importing countries such as the Philippines. These developments have contributed to higher fuel and electricity costs, foreign exchange fluctuations, broader economic uncertainty and posing risks to its energy security.

In response, the Philippine government declared a state national energy emergency under Executive Order 110 to address potential disruption in fuel supply and stabilize the energy sector.

As of the reporting date, Management has not identified any possible impact arising from the geopolitical conflict.

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## 15. 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, 2025:

### A. VAT

|                            |                    |
|----------------------------|--------------------|
| 1. Output VAT              | <b>P5,760,000</b>  |
| <b>Account title used:</b> |                    |
| Basis of the Output VAT:   |                    |
| Vatable sales              | <b>P48,000,000</b> |
| Exempt sales               | -                  |
| Zero rated sales           | -                  |
|                            | <b>P48,000,000</b> |

|  |             |
|--|-------------|
| 2. Input VAT                               |             |
| Beginning of the year                      | P -         |
| Goods other than for resale or manufacture | 57,982      |
| Capital goods not subject to amortization  | 12,641      |
| Services lodged under other accounts       | 1,133,914   |
| VAT payment for the year                   | (1,204,537) |
| Balances at the end of the year            | P -         |

**B. Withholding Taxes**

|                                  |              |
|----------------------------------|--------------|
| Final withholding taxes          | P382,067,033 |
| Expanded withholding taxes       | 3,246,405    |
| Fringe benefit taxes             | 978,277      |
| Tax on compensation and benefits | 8,220,084    |
|                                  | P394,511,799 |

**C. All Other Taxes (Local and National)**

|   |          |
|---|----------|
| <i>Other taxes paid during the year recognized under<br/>"Taxes and Licenses" account in Operating Expenses</i> |          |
| Business tax  | P388,676 |
| Others  | 1,014    |
|   | P389,690 |

**D. Tax Cases**

As at December 31, 2025, the Company has no pending tax court cases nor has received tax assessment notices from the BIR.



# 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:**

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**Receipt Date and Time:** April 15, 2026 11:38:52 AM

## Company Information

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**SEC Registration No.:** 0000041376

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

**Industry Classification:** F45203

**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST104152026811221628

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2025

**Submission Type:** Consolidated

**Remarks:** None

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

## SEC eFast Initial Acceptance



**From** <noreply-cifssost@sec.gov.ph>

**Date** 2026-04-15 11:39

Dear **SYNERGY GRID & DEVELOPMENT PHILS., INC.**,

Greetings!

This serves as a temporary receipt of your submission, subject to verification of the form and the quality of the image of the submitted report.

**SEC Registration No:** 0000041376

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

**Document Code:** AFS

A separate email will be sent as proof of review and/or final acceptance.

Thank you.

SECURITIES AND EXCHANGE COMMISSION  
SEC Headquarters, 7907 Makati Avenue,  
Salcedo Village, Barangay Bel-Air, Makati City,  
1209, Metro Manila, Philippines

### REMINDER:

TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instructions stated in the form. Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer: 1. General Information Sheet (GIS-Stock); 2. General Information Sheet (GIS-Non-stock); 3. General Information Sheet (GIS- Foreign stock & non-stock); 4. Broker Dealer Financial Statements (BDFS); 5. Financing Company Financial Statements (FCFS); 6. Investment Houses Financial Statements (IHFS); 7. Publicly – Held Company Financial Statement; 8. General Form for Financial Statements; 9. Financing Companies Interim Financial Statements (FCIF); 10. Lending Companies Interim Financial Statements (LCIF).

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFAST, if the filed report is compliant with the existing requirements. A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the report's rejection in the remarks box.

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# 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.*

# SYNERGY GRID & DEVELOPMENT PHILS., INC AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2025, 2024 and 2023

With Independent Auditors' Report

# R.G. Manabat & Co.



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](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto: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, 2025 and 2024, 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, 2025, 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities in the Philippines. We have also 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  
BSP Selected EAs of BSFIs-Group A, valid for five (5) years covering the audit of 2025 to 2029 financial statements under BSP Letter No. FSD VI-2025-02-0054g-FSD6L-External

## *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 P465.11 billion as at December 31, 2025 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, 2025, 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, 2025 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.

# R.G. Manabat & Co.



The engagement partner on the audit resulting in this independent auditors' report is Myra Liza S. Sto. Tomas.

## R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'Myra Liza S. Sto. Tomas'.

MYRA LIZA S. STO. TOMAS

Partner

CPA License No. 0118513

SEC Accreditation No. 118513-SEC, Group A, valid for five (5) years  
covering the audit of 2023 to 2027 financial statements

Tax Identification No. 249-271-374

BIR Accreditation No. 08-001987-055-2023

Issued March 10, 2023; valid until March 10, 2026\*

PTR No. MKT 10764415

Issued January 5, 2026 at Makati City

*\*BIR application processed*

April 13, 2026

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 CONSOLIDATED FINANCIAL STATEMENTS

The Management of **Synergy Grid & Development Phils., Inc. & Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, **including the schedules attached therein**, for the years ended December 31, 2025 and 2024, 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 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.

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

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

**R. G. Manabat & Co.**, the independent auditor appointed by the Stockholders, has audited the financial statements of the Group 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 27<sup>th</sup> day of March 2026

Doc. No. 206 ;  
Page No. 43 ;  
Book No. 1 ;  
Series of 2026.

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

### ACKNOWLEDGMENT


BEFORE ME, a Notary Public for and in Pasig City, this 27 March 2026, personally appeared:

| Name                 | Competent Evidence of Identity   |
|----------------------|--|
| HENRY SY, JR.        | Philippine Passport No. P4410521B issued on 16 January 2020/Manila<br>TIN: 106-215-722 |
| PAUL SAGAYO, JR.     | Philippine Passport No. P7432752A issued on 04 June 2018/Manila<br>TIN: 200-383-080    |
| JUSTICE LADY SORIANO | Philippine Passport No. P0381601B issued on 24 January 2019/Manila<br>TIN: 147-694-879 |

known to me to be the same persons who executed the foregoing Statement of Management's Responsibility for Consolidated Financial Statements of Synergy Grid & Development Phils., Inc., consisting of two (2) pages including this page on which this Acknowledgment is written, duly signed by the parties, and they acknowledged to me that the same is their free and voluntary act and deed, and that they are waiving their right to receive a duplicate original electronic copy of this Statement of Management's Responsibility for Consolidated Financial Statements, as allowed under Rule VI Section 7 of the 2004 Rules on Notarial Practice, as amended by A.M. No. 02-8-13-SC, thereby waiving any objections to the completeness of the reproduction of this Statement of Management's Responsibility for Consolidated Financial Statements.

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

Doc. No. 204 ;  
Page No. 43 ;  
Book No. II ;  
Series of 2026.

  
**SIEGFRED G. PEREZ**  
Notary Public for the City of Pasig and Municipality of Paterno  
Commission until 31 December 2026  
2801 Discovery Center 25 ADB Ave., Ortigas Center Pasig City  
APPT. No. 227 (2025-2026) - Roll No. 88956  
PTR No. 3044625; 01-16-2025; Pasig City  
IBP No. 500139; 01-06-2025; Quezon City  
MCLE Compliance No. VII-0009216; 05-01-2024

**SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|  | Note           | 2025                    | 2024             |
|--|----------------|-------------------------|------------------|
| <b>December 31</b>   |                |                         |                  |
| <b>ASSETS</b>  |                |                         |                  |
| <b>Noncurrent Assets</b>   |                |                         |                  |
| Intangible asset - net   | 5, 8, 27       | <b>P465,113,763,069</b> | P425,545,128,032 |
| Goodwill   | 9              | <b>10,471,611,069</b>   | 10,471,611,069   |
| Property and equipment - net                                       | 10             | <b>5,174,288,923</b>    | 5,269,531,199    |
| Receivables - net of current portion                               | 12, 24         | <b>38,637,430,006</b>   | 19,847,089,431   |
| Other noncurrent assets  | 13             | <b>1,690,844,204</b>    | 2,385,690,922    |
| <b>Total Noncurrent Assets</b>                                     |                | <b>521,087,937,271</b>  | 463,519,050,653  |
| <b>Current Assets</b>  |                |                         |                  |
| Cash and cash equivalents  | 11, 24         | <b>7,417,039,664</b>    | 8,962,528,586    |
| Receivables - net  | 12, 24         | <b>24,703,866,807</b>   | 14,062,169,695   |
| Prepaid expenses and other current assets                          | 13             | <b>23,075,782,659</b>   | 25,792,436,346   |
| <b>Total Current Assets</b>  |                | <b>55,196,689,130</b>   | 48,817,134,627   |
|  |                | <b>P576,284,626,401</b> | P512,336,185,280 |
| <b>LIABILITIES AND EQUITY</b>                                      |                |                         |                  |
| <b>Noncurrent Liabilities</b>                                      |                |                         |                  |
| Loans payable - net of current portion                             | 14, 24         | <b>P216,454,291,068</b> | P196,897,291,275 |
| Retirement benefits liability                                      | 23             | <b>3,200,469,072</b>    | 2,952,295,049    |
| Customers' and other deposits                                      | 24             | <b>495,786,405</b>      | 529,046,209      |
| Concession fee payable - net of current portion                    | 4, 5, 24       | <b>30,231,913,065</b>   | 40,555,005,331   |
| Other noncurrent liabilities                                       | 16, 24         | <b>219,055,873</b>      | 1,711,590,671    |
| <b>Total Noncurrent Liabilities</b>                                |                | <b>250,601,515,483</b>  | 242,645,228,535  |
| <b>Current Liabilities</b>   |                |                         |                  |
| Trade and other current payables                                   | 15, 22, 24, 25 | <b>53,200,139,795</b>   | 46,549,353,046   |
| Current portion of concession fee payable                          | 4, 5, 24       | <b>10,323,092,266</b>   | 9,339,940,622    |
| Current portion of loans payable                                   | 14, 24         | <b>33,150,269,782</b>   | 23,285,478,167   |
| Other current liabilities  | 16, 24         | <b>24,031,315,330</b>   | 21,795,372,133   |
| <b>Total Current Liabilities</b>                                   |                | <b>120,704,817,173</b>  | 100,970,143,968  |
| <b>Total Liabilities</b>   |                | <b>371,306,332,656</b>  | 343,615,372,503  |
| <b>Equity</b>  |                |                         |                  |
| Capital stock  | 17             | <b>5,265,866,000</b>    | 5,265,866,000    |
| Additional paid-in capital   | 17             | <b>88,928,018,694</b>   | 88,928,018,694   |
| Remeasurements on defined benefit liability                        | 23             | <b>(201,049,440)</b>    | (210,261,489)    |
| Equity adjustments from common control transactions                | 6              | <b>(73,359,171,000)</b> | (73,359,171,000) |
| Retained earnings  | 17             | <b>102,883,293,949</b>  | 86,382,100,681   |
| <b>Equity Attributable to Equity Holders of the Parent Company</b> |                | <b>123,516,958,203</b>  | 107,006,552,886  |
| <b>Non-controlling Interests</b>                                   | 6, 7           | <b>81,461,335,542</b>   | 61,714,259,891   |
| <b>Total Equity</b>  |                | <b>204,978,293,745</b>  | 168,720,812,777  |
|  |                | <b>P576,284,626,401</b> | P512,336,185,280 |

See Notes to the Consolidated Financial Statements.

**SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

| <b>Years Ended December 31</b>                      |                 |                         |                  |                  |
|---|-----------------|-------------------------|------------------|------------------|
|   | <i>Note</i>     | <b>2025</b>             | 2024             | 2023             |
| <b>REVENUES</b>                                     |                 |                         |                  |                  |
| Transmission services                               |                 | <b>P58,100,010,000</b>  | P51,471,173,513  | P51,471,140,608  |
| Regulatory true-up for under recoveries             |                 | <b>25,573,536,668</b>   | -                | -                |
| Connection and residual sub-transmission services   |                 | <b>1,538,333,569</b>    | 1,542,914,405    | 1,528,640,099    |
|   | <i>20</i>       | <b>85,211,880,237</b>   | 53,014,087,918   | 52,999,780,707   |
| <b>EXPENSES</b>                                     |                 |                         |                  |                  |
| Amortization of intangible asset                    | <i>8</i>        | <b>13,809,112,689</b>   | 11,786,867,981   | 10,278,219,986   |
| Salaries, wages and employee benefits               | <i>23</i>       | <b>6,133,191,624</b>    | 5,762,943,736    | 5,439,712,298    |
| Repairs and maintenance                             |                 | <b>2,552,608,484</b>    | 2,527,505,300    | 2,625,578,279    |
| Insurance   |                 | <b>1,233,393,890</b>    | 1,012,202,538    | 982,473,548      |
| Depreciation  | <i>3, 10</i>    | <b>875,849,594</b>      | 825,828,778      | 790,527,075      |
| Security and janitorial                             |                 | <b>733,819,931</b>      | 613,618,614      | 545,126,932      |
| Communication, light and water                      |                 | <b>605,957,907</b>      | 596,419,269      | 557,278,889      |
| Supervision and regulatory fees                     | <i>25</i>       | <b>590,815,380</b>      | 590,815,380      | 590,815,380      |
| Transportation and travel                           |                 | <b>457,146,697</b>      | 420,461,619      | 408,192,185      |
| Outside services                                    |                 | <b>420,129,388</b>      | 225,032,886      | 163,019,179      |
| Fuel and oil  |                 | <b>231,242,504</b>      | 213,651,343      | 220,091,207      |
| Public relation and corporate social responsibility |                 | <b>218,005,800</b>      | 260,963,984      | 249,139,128      |
| Taxes and licenses                                  |                 | <b>217,287,866</b>      | 195,017,652      | 68,280,992       |
| Supplies and tools                                  |                 | <b>205,481,838</b>      | 176,181,866      | 197,303,539      |
| Operational meal and consumables                    | <i>27</i>       | <b>132,824,081</b>      | 134,491,825      | 127,809,509      |
| Rent  | <i>3, 22</i>    | <b>103,041,231</b>      | 114,373,096      | 108,602,088      |
| Provision for impairment losses on receivables      | <i>12</i>       | <b>64,670,000</b>       | 64,670,000       | 64,670,000       |
| Meetings and conferences                            |                 | <b>57,537,451</b>       | 65,471,299       | 43,733,652       |
| Professional fees                                   |                 | <b>56,893,151</b>       | 40,340,510       | 41,329,368       |
| Director's fee                                      |                 | <b>30,960,000</b>       | 35,402,261       | 35,040,000       |
| Advertising   |                 | <b>14,500,331</b>       | 33,957,686       | 26,829,753       |
| Charitable contributions                            |                 | <b>8,856,754</b>        | 8,161,721        | 4,675,485        |
| Filing fees   |                 | <b>3,511,950</b>        | 2,012,825        | 2,030,055        |
| Miscellaneous                                       |                 | <b>53,700,744</b>       | 11,051,391       | 52,451,539       |
|   |                 | <b>28,810,539,285</b>   | 25,717,443,560   | 23,622,930,066   |
| <b>INCOME FROM OPERATIONS</b>                       |                 | <b>56,401,340,952</b>   | 27,296,644,358   | 29,376,850,641   |
| <b>OTHER CHARGES - Net</b>                          |                 |                         |                  |                  |
| Interest income                                     | <i>11</i>       | <b>166,026,063</b>      | 188,019,373      | 118,889,542      |
| Foreign exchange loss - net                         | <i>24</i>       | <b>(74,075,912)</b>     | (506,738,843)    | 116,865,867      |
| Interest expense                                    | <i>3, 5, 14</i> | <b>(10,445,159,368)</b> | (8,005,129,465)  | (5,760,365,950)  |
| Bank and finance charges                            | <i>14</i>       | <b>(341,286,641)</b>    | (261,961,278)    | (245,751,861)    |
| Miscellaneous loss                                  | <i>26</i>       | <b>(1,499,100,829)</b>  | (1,354,527,513)  | (231,108,630)    |
|   |                 | <b>(12,193,596,687)</b> | (9,940,337,726)  | (6,001,471,032)  |
| <b>CONSTRUCTION REVENUE AND COSTS</b>               |                 |                         |                  |                  |
| Construction revenue                                | <i>1</i>        | <b>53,377,747,726</b>   | 59,320,930,924   | 56,863,637,830   |
| Construction costs                                  | <i>1</i>        | <b>(53,377,747,726)</b> | (59,320,930,924) | (56,863,637,830) |
|   |                 | -                       | -                | -                |

Forward

|                              |             | <b>Years Ended December 31</b> |                 |                 |
|------------------------------|-------------|--------------------------------|-----------------|-----------------|
|                              | <b>Note</b> | <b>2025</b>                    | 2024            | 2023            |
| <b>NET INCOME BEFORE TAX</b> |             | <b>P44,207,744,265</b>         | P17,356,306,632 | P23,375,379,609 |
| <b>INCOME TAX EXPENSE</b>    | 26          | <b>6,038,858</b>               | 6,047,976       | 7,249,642       |
| <b>NET INCOME</b>            |             | <b>P44,201,705,407</b>         | P17,350,258,656 | P23,368,129,967 |
| <b>Attributable to</b>       |             |                                |                 |                 |
| Equity holders of the        |             |                                |                 |                 |
| Parent Company               |             | <b>P20,159,916,964</b>         | P7,884,429,113  | P10,645,372,151 |
| Non-controlling interests    |             | <b>24,041,788,443</b>          | 9,465,829,543   | 12,722,757,816  |
|                              |             | <b>P44,201,705,407</b>         | P17,350,258,656 | P23,368,129,967 |
| <b>BASIC AND DILUTED</b>     |             |                                |                 |                 |
| <b>EARNINGS PER SHARE</b>    | 18          | <b>P3.83</b>                   | P1.50           | P2.02           |

*See Notes to the Consolidated Financial Statements.*

**SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|   | <b>Years Ended December 31</b> |                        |                 |                 |
|---|--------------------------------|------------------------|-----------------|-----------------|
|   | <i>Note</i>                    | <b>2025</b>            | 2024            | 2023            |
| <b>NET INCOME</b>   |                                | <b>P44,201,705,407</b> | P17,350,258,656 | P23,368,129,967 |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                      |                                |                        |                 |                 |
| <i>Item that will never be reclassified to profit or loss</i> |                                |                        |                 |                 |
| Remeasurement gain (losses) on defined benefit liability      | 23                             | <b>20,157,657</b>      | (107,472,161)   | (319,070,697)   |
| <b>TOTAL COMPREHENSIVE INCOME</b>                             |                                | <b>P44,221,863,064</b> | P17,242,786,495 | P23,049,059,270 |
| <b>Attributable to</b>  |                                |                        |                 |                 |
| Equity holders of the   |                                |                        |                 |                 |
| Parent Company  |                                | <b>P20,169,129,013</b> | P7,835,314,335  | P10,499,556,842 |
| Non-controlling interests                                     |                                | <b>24,052,734,051</b>  | 9,407,472,160   | 12,549,502,428  |
|   |                                | <b>P44,221,863,064</b> | P17,242,786,495 | P23,049,059,270 |

*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<br>(Note 17) | Additional<br>Paid-in Capital | Equity<br>Adjustments From<br>Common Control<br>Transactions | Remeasurement<br>Gains (Losses)<br>on Defined<br>Benefit Liability | Retained<br>Earnings    | Total                   | Non-controlling<br>Interests | Total Equity            |
|---|------|----------------------------|-------------------------------|--|--|-------------------------|-------------------------|------------------------------|-------------------------|
| <b>As at January 1, 2025</b>                    |      | <b>P5,265,866,000</b>      | <b>P88,928,018,694</b>        | <b>(P73,359,171,000)</b>                                     | <b>(P210,261,489)</b>  | <b>P86,382,100,681</b>  | <b>P107,006,552,886</b> | <b>P61,714,259,891</b>       | <b>P168,720,812,777</b> |
| <b>Total Comprehensive Income</b>               |      |                            |                               |  |  |                         |                         |                              |                         |
| Net income for the year                         |      | -                          | -                             | -  | -  | 20,159,916,964          | 20,159,916,964          | 24,041,788,443               | 44,201,705,407          |
| Other comprehensive income:                     |      |                            |                               |  |  |                         |                         |                              |                         |
| Remeasurement gain on defined benefit liability | 23   | -                          | -                             | -  | 9,212,049  | -                       | 9,212,049               | 10,945,608                   | 20,157,657              |
| <b>Total Comprehensive Income for the Year</b>  |      | -                          | -                             | -  | 9,212,049  | 20,159,916,964          | 20,169,129,013          | 24,052,734,051               | 44,221,863,064          |
| <b>Transactions with Owners of the Group</b>    |      |                            |                               |  |  |                         |                         |                              |                         |
| Dividends                                       | 17   | -                          | -                             | -  | -  | (3,658,723,696)         | (3,658,723,696)         | (4,305,658,400)              | (7,964,382,096)         |
| <b>Balance at December 31, 2025</b>             |      | <b>P5,265,866,000</b>      | <b>P88,928,018,694</b>        | <b>(P73,359,171,000)</b>                                     | <b>(P201,049,440)</b>  | <b>P102,883,293,949</b> | <b>P123,516,958,203</b> | <b>P81,461,335,542</b>       | <b>P204,978,293,745</b> |

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<br>(Note 17) | Additional<br>Paid-in Capital | Equity<br>Adjustments From<br>Common Control<br>Transactions | Remeasurement<br>Gains (Losses)<br>on Defined<br>Benefit Liability | Retained<br>Earnings | Total            | Non-controlling<br>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

|   | <i>Note</i> | Capital Stock<br>(Note 17) | Additional<br>Paid-in Capital | Equity<br>Adjustments From<br>Common Control<br>Transactions | Remeasurement<br>Gains (Losses)<br>on Defined<br>Benefit Liability | Retained<br>Earnings | Total            | Non-controlling<br>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 CASH FLOWS**

|   |           | Years Ended December 31 |                  |                  |
|---|-----------|-------------------------|------------------|------------------|
|   | Note      | 2025                    | 2024             | 2023             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>     |           |                         |                  |                  |
| Net income before tax                           |           | <b>P44,207,744,265</b>  | P17,356,306,632  | P23,375,379,609  |
| Adjustments for:                                |           |                         |                  |                  |
| Amortization of intangible asset                | 8         | <b>13,809,112,689</b>   | 11,786,867,981   | 10,278,219,986   |
| Interest expense                                | 5, 14     | <b>10,445,159,368</b>   | 8,005,129,465    | 5,760,365,950    |
| Depreciation                                    | 10        | <b>875,849,594</b>      | 825,828,778      | 790,527,075      |
| Retirement benefits cost                        | 23        | <b>369,014,083</b>      | 338,584,281      | 300,202,372      |
| Provision for impairment losses on receivables  | 12        | <b>64,670,000</b>       | 64,670,000       | 64,670,000       |
| Interest income                                 | 11        | <b>(166,026,063)</b>    | (188,019,373)    | (118,889,542)    |
| Unrealized foreign exchange loss                | 24        | <b>94,456,435</b>       | 136,066,309      | 44,189,165       |
| Impairment loss on input vat                    |           | <b>48,006,429</b>       | -                | -                |
| Operating income before working capital changes |           | <b>69,747,986,800</b>   | 38,325,434,073   | 40,494,664,615   |
| Decrease (increase) in:                         |           |                         |                  |                  |
| Receivables                                     | 12, 20    | <b>(29,497,822,922)</b> | (3,664,967,735)  | 388,565,815      |
| Prepaid expenses and other current assets       | 13        | <b>2,634,195,416</b>    | 141,173,834      | (444,076,263)    |
| Increase (decrease) in:                         |           |                         |                  |                  |
| Trade and other current payables                | 15        | <b>5,088,507,320</b>    | 5,484,397,867    | 207,362,764      |
| Other current liabilities                       | 16        | <b>2,580,731,750</b>    | 3,573,679,901    | 3,444,136,413    |
| Customers' and other deposits                   | 24        | <b>(33,259,804)</b>     | 87,984,504       | 18,363,054       |
| Other noncurrent liabilities                    | 16        | <b>(1,372,396,092)</b>  | (17,502,786)     | (113,785,756)    |
| Net cash generated from operations              |           | <b>49,147,942,468</b>   | 43,930,199,658   | 43,995,230,642   |
| Interest paid                                   | 5, 14     | <b>(8,925,272,630)</b>  | (7,306,459,446)  | (5,080,609,113)  |
| Interest received                               |           | <b>166,911,658</b>      | 188,437,693      | 115,518,458      |
| Contribution to retirement fund                 |           | <b>(160,754,463)</b>    | (123,472,612)    | (131,794,997)    |
| Income tax paid                                 |           | <b>(6,054,957)</b>      | (6,024,442)      | (7,304,787)      |
| Net cash provided by operating activities       |           | <b>40,222,772,076</b>   | 36,682,680,851   | 38,891,040,203   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>     |           |                         |                  |                  |
| Investment in capital expenditures              | 8, 13, 27 | <b>(52,713,030,516)</b> | (54,879,145,831) | (53,944,952,828) |
| Additions to property and equipment             | 10        | <b>(780,607,318)</b>    | (1,102,488,143)  | (718,568,745)    |
| Net cash used in investing activities           |           | <b>(53,493,637,834)</b> | (55,981,633,974) | (54,663,521,573) |

Forward

|  |             | <b>Years Ended December 31</b> |                  |                  |
|--|-------------|--------------------------------|------------------|------------------|
|  | <b>Note</b> | <b>2025</b>                    | 2024             | 2023             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                          |             |                                |                  |                  |
| Proceeds of loans payable  | 14          | <b>P53,500,000,000</b>         | P51,500,000,000  | P49,400,000,000  |
| Payment of cash dividends  | 17          | <b>(8,075,890,075)</b>         | (3,647,701,004)  | (5,364,295,961)  |
| Payment of loans payable and debt issue costs                        | 14          | <b>(24,078,208,592)</b>        | (24,825,360,295) | (22,983,370,877) |
| Payment of concession fee  | 5           | <b>(9,339,940,622)</b>         | (4,424,182,400)  | -                |
| Settlement of obligation under lease liabilities                     | 22          | <b>(283,352,548)</b>           | (255,720,096)    | (215,942,915)    |
| Net cash provided by financing activities                            |             | <b>11,722,608,163</b>          | 18,347,036,205   | 20,836,390,247   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>          |             |                                |                  |                  |
|  |             | <b>(1,548,257,595)</b>         | (951,916,918)    | 5,063,908,877    |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> |             |                                |                  |                  |
|  |             | <b>2,768,673</b>               | 1,529,406        | (921,856)        |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                |             |                                |                  |                  |
|  | 11          | <b>8,962,528,586</b>           | 9,912,916,098    | 4,849,929,077    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                      |             |                                |                  |                  |
|  | 11          | <b>P7,417,039,664</b>          | P8,962,528,586   | P9,912,916,098   |

See Notes to the Consolidated Financial Statements.

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**SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**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 over-allotment 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 25<sup>th</sup> anniversary of the commencement date. The Concession can be extended but not to exceed beyond the 50<sup>th</sup> 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 December 31, 2025, the Group, through NGCP, entered into new significant construction contracts amounting to P38.81 billion, among the major contracts are as follows:

- Batangas - Mindoro 500kv Interconnection and Backbone Project Stage 1 (Submarine Cable Portion)
- Panitan 138kv Substation Under Visayas Substation Upgrading Project 2
- Augmentation Works of Western Luzon 500kv Backbone Project (Stage 2), Schedule I - 84 Tower Sites (Castillejos S/S To Cb-220)
- Eastern Mindanao Voltage Improvement Project (Schedule I - Butuan S/S, Schedule Ii - Nabunturan S/S, Schedule Iii - Maco S/S, Schedule Iv - Apokon S/S, Schedule V - Mati Les)
- Mindanao Substation Upgrading and Expansion Projects, Schedule I - Tagoloan 138kv/69kv Substation Under Msu2p
- Augmentation Works of Western Luzon 500kv Backbone Project (Stage 2), Schedule I - 63 Tower Sites (Castillejos S/S To Cb-220)
- Mindanao Substation Upgrading and Expansion Projects, Schedule Ii - Bunawan 230kv/138kv Substation Under MSU2P
- Subic 230kv Substation (NGCP) Under Luzon Connection Requirements for Power Plants Project 1 - Rebidding

- Remaining Works for the Tuguegarao-Lal-Lo (Magapit) 230kv TI Project (T/L Portion) (Rebidding)
- Tower Site Improvement for Western Luzon 500kv Backbone Project (Stage 1)
- Mindanao Substation Expansion 3 Project, Sp24.Mse3p.Mt-0618: Schedule Iv - Lala 230kv Substation
- Stringing of 138kv Barotac Viejo - Dingle Line 3 Under Barotac Viejo-Unidos 230kv Transmission Line Project
- Replacement Of Borrowed Materials for High Voltage Equipment (Hve), Parts and Accessories for Various Substation Projects - Rebidding
- Supply and Delivery of Combined Instrument Transformers, Current Transformers, Voltage Transformers
- Raising Of Conductor Sags for the Mexico - Hermosa 230kv Transmission Line (Erection/Construction) Under Bataan 230kv Grid Reinforcement Project (Re-Bidding)
- Supply and Delivery of Combined Instrument Transformers, Current Transformers, Voltage (230,138,115,69,13.8kv) Transformers Pr10067407 (32prs)
- Real-Time Monitoring and Control Equipment for Distribution Utilities and Monitoring Equipment for Generators Project (Mindanao)
- Augmentation on Civil Works Portion of the 138kv Gis Building at Boracay Substation Under Nabas-Caticlan-Boracay 138kv Transmission Line Project (Substation Portion)
- Stringing Of 138kv Barotac Viejo - Dingle Line 3 Under Barotac Viejo - Unidos 230kv Transmission Line Project (Supply of Power Conductors)
- Connection Point of Mangima Hydro Power Corp's 12 Mangima Hydro Electric Power Plant Project at NGCP Manolo fortich 69kV Substation
- Variation Order (Change Order No. 1) for The Cebu - Bohol Interconnection Project, Submarine Cable Portion
- Parcellary Survey Services for Sanchez Mira-Lallo 230kV TLP
- Design, Manufacture, Supply, Delivery, Installation, Testing, and Commissioning of Protection Relays for Auto Recloser Project
- Supply and Delivery of 2HP Submersible Water Pumps for Varoius Sites.
- Supply and Delivery of Ratio and Winding Resistance Testers for Mt
- Supply and Delivery of Three-Phase Electricity Meter Field Test System (Re-Bidding)
- Supply and Delivery of Stacir Cable for The Reconductoring of Baung-Sanfaban 138kV Line (offshore Portion)
- Supply and Delivey of Stacir Cable for The Reconductoring of Ormoc-Lemon 69kV Line (offshore Portion)
- Construction of Two-Storey, Six (6) Classroom School Building in Tagbilaran, Bohol
- 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)
- Uprating of Camiling Capacitor Bank Station From 3x5mvar to 3x7.5mvar
- Procurement of Metering Steel Structure for 500kV Combined Instrument Transformer for Metering Compliance Projects
- Supply and Delivery of Circuit Breaker Analyzer for Maintenance and Testing Division
- Supply and Delivey 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)
- It Network Rehabilitation & Restructuring Program for Visayas

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 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.

*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.

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## **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 March 27, 2026.

### 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 unbilled MAR and under-recoveries and PIS 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, 2025 and 2024 amounted to P45.45 billion and P19.24 billion, respectively. (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, 2025 and 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 December 31, 2025 and 2024 amounted to P5.17 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 2025 and 2024. As at December 31, 2025 and 2024, 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, 2025 and 2024 amounted to P465.11 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 December 31, 2025 and 2024, the estimated residual value of intangible assets from completed projects at the end of the concession period amounted to P146.49 billion and P133.93 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 December 31, 2025 and 2024. The carrying amount of goodwill amounted to P10.47 billion as at December 31, 2025 and 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 in 2025 and 2024 amounted to P369.01 million and P338.58 million, respectively. Retirement benefits liability as at December 31, 2025 and 2024 amounted to P3.20 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 December 31, 2025 and 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).

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### 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, 2025 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 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability (Amendments)* clarify that a currency is exchangeable into another currency when a company 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 company 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 company because the currency is not exchangeable.

#### Standards Issued But Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2025 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.

#### *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. The Group is still in the process of assessing the impact of the new standard.

#### 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 December 31, 2025 and 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. Goodwill is tested for impairment annually either individually or at the cash-generating unit level. 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*

Transmission services 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 Services*

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 services and residual sub-transmission services 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 services 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 services 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.

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#### 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 50<sup>th</sup> 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 Group obtained an Irrevocable Standby Letter of Credit (SBLC) with Philippine National Bank amounting to US\$79.00 million in favor of PSALM which is effective September 19, 2025 until September 19, 2026.

#### 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.

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## **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, 2025 and 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 December 31, 2025, the total Concession Fee Payable amounts to P40.55 billion broken down into Non-Current and Current portions amounting to P30.23 billion and P10.32 billion, respectively. The Current portion is due for payment on January 15, 2026 and July 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 plus 2.30% margin shall be the interest rate for the next Regulatory Period of the Deferred Payments under the concession agreement.

Interest expense on deferred payments in 2025 and 2024 recognized in profit or loss amounted to P3.81 billion and P2.78 billion, respectively (see Note 14).

On January 15 and July 15, 2025, payment to concession fee was made amounting to P4.55 billion and P4.79 billion, respectively.

On July 15, 2024, payment to concession fee was made amounting to P4.42 billion.

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## **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 adjustments 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, 2025 |                   |                  | December 31, 2024 |                   |                 |
|--|-------------------|-------------------|------------------|-------------------|-------------------|-----------------|
|  | Consolidated OTHI | Consolidated P21  | NGCP             | Consolidated OTHI | Consolidated P21  | NGCP            |
| <b>Percentage of Non-controlling Interests</b>                       | <b>33%</b>        | <b>33%</b>        | <b>40%</b>       | <b>33%</b>        | <b>33%</b>        | <b>40%</b>      |
| Carrying amount of non-controlling interests                         | (P14,389,089,608) | (P18,079,505,575) | P113,929,930,725 | (P13,682,809,782) | (P17,372,737,198) | P92,769,806,871 |
| Net income attributable to non-controlling interests                 | (P5,610,626)      | (P6,099,177)      | P24,053,498,246  | (P588,424)        | (P615,775)        | P9,467,033,742  |
| Other comprehensive income attributable to non-controlling interests | P -               | P -               | (P10,945,608)    | P -               | P -               | P58,357,383     |
| Dividends paid to non-controlling interests                          | P700,669,200      | P700,669,200      | P2,904,320,000   | P349,509,600      | P346,209,600      | P1,452,160,000  |

The following are the financial information of OTHI, P21 and NGCP:

|  | December 31, 2025 |                  |                  | December 31, 2024 |                  |                  |
|--|-------------------|------------------|------------------|-------------------|------------------|------------------|
|  | Consolidated OTHI | Consolidated P21 | NGCP             | Consolidated OTHI | Consolidated P21 | NGCP             |
| Current assets   | P50,237,215       | P46,199,170      | P54,693,824,723  | P36,082,659       | P33,657,053      | P48,469,579,546  |
| Noncurrent assets  | 62,587,403,152    | 52,337,400,708   | 510,615,830,432  | 52,698,983,473    | 42,448,851,072   | 453,046,557,268  |
| Current liabilities  | 1,572,419         | 844,848,054      | 119,630,067,808  | 1,540,039         | 844,815,352      | 100,110,430,340  |
| Noncurrent liabilities                                       | 2,815             | 3,932            | 250,601,506,984  | 8,699             | 12,163           | 242,645,202,268  |
| Net assets   | P62,636,065,133   | P51,538,747,892  | P195,078,080,363 | P52,733,517,394   | P41,637,680,610  | P158,760,504,206 |
| Revenues/Income  | P12,070,314,491   | P12,070,001,649  | P85,211,880,237  | P4,748,045,526    | P4,747,681,043   | P53,014,087,918  |
| Net income   | P12,020,299,212   | P12,018,818,755  | P44,297,418,500  | P4,721,332,822    | P4,721,249,941   | P17,434,684,607  |
| Other comprehensive income (loss)                            | 5,488,527         | 5,488,527        | 20,157,657       | (29,262,520)      | (29,262,520)     | (107,472,161)    |
| Total comprehensive income                                   | P12,025,787,739   | P12,024,307,282  | P44,317,576,157  | P4,692,070,302    | P4,691,987,421   | P17,327,212,446  |
| Cash flows provided by (used in) operating activities        | (P20,642,332)     | (P21,034,426)    | P40,283,470,453  | (P31,717,941)     | (P31,909,744)    | P36,777,655,365  |
| Cash flows provided by (used in) investing activities        | 2,178,240,000     | 2,178,240,000    | (53,493,532,495) | 1,089,120,000     | 1,089,120,000    | (55,981,633,974) |
| Cash flows provided by (used in) financing activities        | (2,123,240,000)   | (2,123,240,000)  | 11,470,879,972   | (1,059,120,000)   | (1,049,120,000)  | 18,322,355,475   |
| Effect of exchange rate changes on cash and cash equivalents | 11,261            | 15,730           | 2,734,675        | 34,797            | 48,652           | 1,424,335        |
| Net increase (decrease) in cash and cash equivalents         | P34,368,929       | P33,981,304      | (P1,736,447,395) | (P1,683,144)      | P8,138,908       | (P880,198,799)   |

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## 8. Intangible Asset - net

This account consists of:

|                               | Note | 2025                    | 2024             |
|-------------------------------|------|-------------------------|------------------|
| Cost:                         |      |                         |                  |
| Concession fee                | 2, 5 | <b>P160,296,289,265</b> | P160,296,289,265 |
| Cost of completed projects    | 2    | <b>252,341,409,021</b>  | 191,634,567,825  |
| Computer software             | 2    | <b>487,983,237</b>      | 487,983,237      |
|                               |      | <b>413,125,681,523</b>  | 352,418,840,327  |
| Less accumulated amortization |      | <b>142,284,755,131</b>  | 128,475,642,442  |
|                               |      | <b>270,840,926,392</b>  | 223,943,197,885  |
| Contract assets               |      | <b>194,272,836,677</b>  | 201,601,930,147  |
|                               |      | <b>P465,113,763,069</b> | 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 P6.38 billion in 2025 and 2024, and is presented as part of "Amortization of intangible asset" in the statements of comprehensive income.

### 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 P7.42 billion and P5.39 billion in 2025 and 2024, respectively, and is presented as part of "Amortization of intangible asset" in the statements of comprehensive income.

### 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, 2025 and 2024.

Amortization expense recognized in profit or loss amounted to P6.71 million and P20.58 million in 2025 and 2024, respectively, and is presented as part of "Amortization of intangible asset" in the statements of comprehensive income.

The movements and balances of the accounts are as follows:

|                                 | Per Concession Right   |                           |                         |                         | Computer Software  | Total                   |
|---------------------------------|------------------------|---------------------------|-------------------------|-------------------------|--------------------|-------------------------|
|                                 | Concession Fee         | Completed Projects/Others | Contract Assets         | Total                   |                    |                         |
| <b>Cost</b>                     |                        |                           |                         |                         |                    |                         |
| 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           | -                      | 60,706,841,196            | (7,329,093,470)         | 53,377,747,726          | -                  | 53,377,747,726          |
| <b>December 31, 2025</b>        | <b>160,296,289,265</b> | <b>252,341,409,021</b>    | <b>194,272,836,677</b>  | <b>606,910,534,963</b>  | <b>487,983,237</b> | <b>607,398,518,200</b>  |
| <b>Accumulated Amortization</b> |                        |                           |                         |                         |                    |                         |
| 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           | 6,375,674,295          | 7,426,729,973             | -                       | 13,802,404,268          | 6,708,421          | 13,809,112,689          |
| <b>December 31, 2025</b>        | <b>109,290,894,906</b> | <b>32,505,876,988</b>     | <b>-</b>                | <b>141,796,771,894</b>  | <b>487,983,237</b> | <b>142,284,755,131</b>  |
| <b>Net Carrying Amount</b>      |                        |                           |                         |                         |                    |                         |
| 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        |
| <b>December 31, 2025</b>        | <b>P51,005,394,359</b> | <b>P219,835,532,033</b>   | <b>P194,272,836,677</b> | <b>P465,113,763,069</b> | <b>P -</b>         | <b>P465,113,763,069</b> |

## 9. Goodwill

Goodwill amounting to P10.47 billion as at December 31, 2025 and 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 8.5% and 17.7% in 2025 and 2024, 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 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 year ended December 31, 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                 |
|---------------------------------|-----------------------------|--------------------------|-------------------------|-------------------------------|-----------------------|
| <b>Cost</b>                     |                             |                          |                         |                               |                       |
| 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 year       | 234,042,930                 | 106,968,267              | 318,959,761             | 120,636,360                   | 780,607,318           |
| <b>December 31, 2025</b>        | <b>791,605,254</b>          | <b>4,716,803,333</b>     | <b>6,225,746,085</b>    | <b>4,842,660,106</b>          | <b>16,576,814,778</b> |
| <b>Accumulated Depreciation</b> |                             |                          |                         |                               |                       |
| January 1, 2024                 | 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        |
| Depreciation during the year    | 129,800,916                 | 337,391,935              | 263,688,520             | 144,968,223                   | 875,849,594           |
| <b>December 31, 2025</b>        | <b>555,111,861</b>          | <b>3,138,453,784</b>     | <b>4,124,951,027</b>    | <b>3,584,009,183</b>          | <b>11,402,525,855</b> |
| <b>Net Carrying Amount</b>      |                             |                          |                         |                               |                       |
| December 31, 2024               | P132,251,379                | P1,808,773,217           | P2,045,523,817          | P1,282,982,786                | P5,269,531,199        |
| <b>December 31, 2025</b>        | <b>P236,493,393</b>         | <b>P1,578,349,549</b>    | <b>P2,100,795,058</b>   | <b>P1,258,650,923</b>         | <b>P5,174,288,923</b> |

|                                 | Structures and Improvements | Transportation Equipment | Machinery and Equipment | Office Furniture and Fixtures | Total           |
|---------------------------------|-----------------------------|--------------------------|-------------------------|-------------------------------|-----------------|
| <b>Cost</b>                     |                             |                          |                         |                               |                 |
| 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  |
| <b>Accumulated Depreciation</b> |                             |                          |                         |                               |                 |
| 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  |
| <b>Net Carrying Amount</b>      |                             |                          |                         |                               |                 |
| 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 P875.85 million and P825.83 million in 2025 and 2024, respectively.

## 11. Cash and Cash Equivalents

This account consists of:

|                       | Note      | 2025                  | 2024           |
|-----------------------|-----------|-----------------------|----------------|
| Cash on hand          |           | <b>P25,180,853</b>    | P28,115,283    |
| Cash in banks         |           | <b>4,093,245,651</b>  | 4,702,607,668  |
| Short-term placements |           | <b>3,298,613,160</b>  | 4,231,805,635  |
|                       | <b>24</b> | <b>P7,417,039,664</b> | 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% in 2025 and 2024, respectively. Interest income earned amounted to P166.03 million and P188.02 million in 2025 and 2024, respectively.

## 12. Receivables

This account consists of:

### A. Current Receivables

|   | Note   | 2025                   | 2024            |
|---|--------|------------------------|-----------------|
| Power receivables                                     | 24     | <b>P5,394,987,968</b>  | P4,468,438,966  |
| Due from customers                                    | 24     | <b>9,179,531,286</b>   | 7,124,141,542   |
| Accrued power receivables                             | 20, 24 | <b>7,882,487,792</b>   | 735,612,165     |
| Output VAT receivable                                 |        | <b>1,964,948,465</b>   | 1,489,299,276   |
| Due from officers and employees and other receivables | 24     | <b>226,776,493</b>     | 229,503,291     |
| Restructured power receivables                        | 24     | <b>52,512,497</b>      | 11,666,554      |
| Interest receivable                                   | 24     | <b>2,622,306</b>       | 3,507,901       |
|   |        | <b>P24,703,866,807</b> | P14,062,169,695 |

## B. Noncurrent Receivables

|                                      | <b>Note</b> | <b>2025</b>            | 2024            |
|--------------------------------------|-------------|------------------------|-----------------|
| Restructured power receivables       |             | <b>P138,196,142</b>    | P1,496,372,425  |
| Accrued power receivables            | 20          | <b>37,569,726,624</b>  | 18,507,913,333  |
| Power receivables                    |             | <b>1,246,491,182</b>   | 126,594,475     |
| Due from customers                   |             | <b>694,668,981</b>     | 439,437,957     |
| Other noncurrent account receivable  |             | <b>1,189,155,736</b>   | 1,412,909,900   |
|                                      | 24          | <b>40,838,238,665</b>  | 21,983,228,090  |
| Less allowance for impairment losses |             | <b>(2,200,808,659)</b> | (2,136,138,659) |
|                                      |             | <b>P38,637,430,006</b> | P19,847,089,431 |

Details of movements of allowance for impairment losses are as follows:

|  |  | <b>2025</b>           | 2024           |
|--|--|-----------------------|----------------|
| Balance at beginning of year                                   |  | <b>P2,136,138,659</b> | P2,071,468,659 |
| Provision for impairment losses on receivables during the year |  | <b>64,670,000</b>     | 64,670,000     |
| Balance at end of year   |  | <b>P2,200,808,659</b> | P2,136,138,659 |

Current and Non-current receivables consist of amounts due from power customers relating to transmission and sub-transmission services, ancillary services, the claim from Department of Public Works and Highways (DPWH) for the damaged Amlan-Samboan submarine cable, Value Added Tax and other Receivables.

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, the Under Recovery from ERC approved 4th Regulatory Period (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, Under Recovery for CY2023 and 2024, unrecovered depreciation and 2015 PIS.

As of December 31, 2025, the unbilled current and non-current power receivables amounting to P7.88 billion and P37.57 billion, respectively, includes the P26.20 billion Under Recovery from ERC approved 4th RP Final Determination, P2.73 billion unbilled receivables for January to June 2025, P13.26 billion unbilled MAR Differential for CY2023 and 2024, P1.62 billion unrecovered depreciation and P0.90 billion 2015 Performance Incentive Scheme (PIS).

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 approved by ERC in an order dated March 23, 2022, P7.68 billion for iMAR of 2021, P2.56 billion for the four (4) months of 2022 and P883.06 million pertains to 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. This includes the true up receivables amounting to P25.57 billion in Note 20.

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 P2.17 million and P3.17 million as at December 31, 2025 and 2024, respectively.

### 13. Prepaid Expenses and Other Assets

#### A. Prepaid Expenses and Other Current Assets

This account consists of:

|  | 2025                   | 2024            |
|--|------------------------|-----------------|
| Advance payment to suppliers and contractors   | <b>P12,915,458,130</b> | P12,345,647,326 |
| Court and other deposits                       | <b>4,126,767,497</b>   | 6,864,330,608   |
| Materials, supplies and spare parts - net      | <b>3,658,208,465</b>   | 3,624,122,945   |
| Input VAT                                      | <b>1,326,983,068</b>   | 2,040,454,990   |
| Other deposits                                 | <b>594,239,606</b>     | 612,210,504     |
| Prepaid expenses                               | <b>384,976,886</b>     | 233,932,847     |
| Materials, supplies and spare parts in transit | <b>37,024,407</b>      | 38,348,638      |
| Other supplies                                 | <b>21,646,604</b>      | 24,278,387      |
| Guaranty deposit                               | <b>9,090,730</b>       | 9,072,835       |
| Calamity loan fund                             | <b>1,387,266</b>       | 37,266          |
|  | <b>P23,075,782,659</b> | 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 December 31, 2025 and 2024, respectively, which resulted to an accumulated write-down amount of P346.27 million as at December 31, 2025 and 2024.

Materials, supplies and spare parts and other supplies charged in the consolidated statements of income amounted to P198.07 million and P176.53 million in 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). The holding companies primarily earn dividend income and interest income which are not subject to output VAT. As a result, management assessed that the input VAT balance may not be recoverable in the foreseeable future. Accordingly, the holding companies recognized an impairment loss on input VAT in 2025 amounting to P48 million.

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:

|                                 | <b>2025</b>           | 2024           |
|---------------------------------|-----------------------|----------------|
| Deferred input VAT              | <b>P6,616,204</b>     | P20,644,276    |
| Project prepayment - noncurrent | <b>1,684,228,000</b>  | 2,365,046,646  |
|                                 | <b>P1,690,844,204</b> | 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 | 2025                    | 2024             |
|---|------|-------------------------|------------------|
| <b>Loan Facilities (Net of Debt Issuance Costs)</b> |      |                         |                  |
| Fixed-rate peso corporate notes                     |      | <b>P5,100,000,000</b>   | P11,296,965,177  |
| Peso denominated term loan                          |      | <b>244,504,560,850</b>  | 208,885,804,265  |
|   | 24   | <b>249,604,560,850</b>  | 220,182,769,442  |
| Less current portion                                |      | <b>33,150,269,782</b>   | 23,285,478,167   |
|   |      | <b>P216,454,291,068</b> | P196,897,291,275 |

Movements in debt issuance costs are as follows:

|                                     | 2025                  | 2024           |
|-------------------------------------|-----------------------|----------------|
| Balance at beginning of year        | <b>P1,414,720,558</b> | P1,024,700,263 |
| Debt issuance costs during the year | <b>310,524,194</b>    | 639,516,129    |
| Amortization during the year        | <b>(330,655,602)</b>  | (249,495,834)  |
| Balance at end of year              | <b>P1,394,589,150</b> | P1,414,720,558 |

### Repayment Schedule

As at December 31, 2025, the annual maturities of loans payable are as follows:

| Year              | Gross Amount            | Debt Issuance Costs   | Net                     |
|-------------------|-------------------------|-----------------------|-------------------------|
| 2026              | <b>P33,498,340,000</b>  | <b>P348,070,218</b>   | <b>P33,150,269,782</b>  |
| 2027              | <b>33,973,810,000</b>   | <b>318,404,659</b>    | <b>33,655,405,341</b>   |
| 2028              | <b>37,298,000,000</b>   | <b>259,243,591</b>    | <b>37,038,756,409</b>   |
| 2029              | <b>40,604,000,000</b>   | <b>193,228,937</b>    | <b>40,410,771,063</b>   |
| 2030              | <b>35,360,000,000</b>   | <b>125,655,503</b>    | <b>35,234,344,497</b>   |
| More than 5 years | <b>70,265,000,000</b>   | <b>149,986,242</b>    | <b>70,115,013,758</b>   |
|                   | <b>P250,999,150,000</b> | <b>P1,394,589,150</b> | <b>P249,604,560,850</b> |

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 |

### 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, drew 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 drew 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, entered into a P7.00 billion Peso Bilateral Unsecured Term Loan drawn on July 9, 2025, entered into a P3.00 billion Peso Bilateral Unsecured Term Loan drawn on July 10, 2025, entered into a P5.00 billion Peso Bilateral Unsecured Term Loan drawn on July 11, 2025, entered into a P10.00 billion Peso Bilateral Unsecured Term Loan drawn P5.00 billion on July 30, 2025, P3.00 billion on September 17, 2025 and P2.00 billion on November 13, 2025, entered into a P2.50 billion Peso Bilateral Unsecured Term Loan drawn on October 16, 2025, and entered into a P5.00 billion Peso Bilateral Unsecured Term Loan drawn on December 17, 2025 entered into a P7.00 billion Peso Bilateral Unsecured Term Loan drawn on January 12, 2026, and entered into a P6.00 billion Peso Bilateral Unsecured Term Loan drawn on January 13, 2026, and Php4.50 billion on February 18, 2026 from the Php25.00 billion Peso Bilateral Unsecured Term Loan and P10.00 billion Peso Bilateral Unsecured Term Loan drawn on March 17, 2026.
- b. The Group, through NGCP, drew 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 drew 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, entered into a P7.00 billion Peso Bilateral Unsecured Term Loan drawn on July 9, 2025, entered into a P3.00 billion Peso Bilateral Unsecured Term Loan drawn on July 10, 2025, entered into a P5.00 billion Peso Bilateral Unsecured Term Loan drawn on July 11, 2025, entered into a P10.00 billion Peso Bilateral Unsecured Term Loan drawn P5.00 billion on July 30, 2025, P3.00 billion on September 17, 2025 and P2.00 billion on November 13, 2025, entered into a P2.50 billion Peso Bilateral Unsecured Term Loan drawn on October 16, 2025, and entered into a P5.00 billion Peso Bilateral Unsecured Term Loan drawn on December 17, 2025, entered into a P7.00 billion Peso Bilateral Unsecured Term Loan drawn on January 12, 2026, and entered into a Php25.00 billion Peso Bilateral Unsecured Term Loan drawn P6.00 billion on January 13, 2026, and Php4.50 billion on February 18, 2026.
- c. 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.

- d. 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.

- e. 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.

- f. 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.

- g. 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.
- h. 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.
- i. 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.

- j. 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.
- k. 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.
- l. 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.
- m. 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.

- n. 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.
- o. 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 12<sup>th</sup> 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 P8.79 billion and P7.63 billion in 2025 and 2024, respectively, were capitalized, with average capitalization rate of 3.52% and 3.47% in 2025 and 2024, respectively, and recognized in Contract Assets under "Intangible asset" in the statements of financial position (see Note 8). Interest expense recognized in profit or loss amounted to P6.59 billion and P5.20 billion for the years end December 31, 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 December 31, 2025 and 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:

|  | <b>Loans Payable</b>    |
|--|-------------------------|
| Balance at January 1, 2025                     | <b>P220,182,769,442</b> |
| Changes from financing cash flows:             |                         |
| Proceeds from loans                            | <b>53,500,000,000</b>   |
| Payment of loans payable and debt issue costs  | <b>(24,098,340,000)</b> |
| Others - debt issue costs related transactions | <b>20,131,408</b>       |
| Total liability related changes                | <b>29,421,791,408</b>   |
| <b>Balance at December 31, 2025</b>            | <b>P249,604,560,850</b> |

|  | 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:

|                                       | <i>Note</i> | 2025                   | 2024            |
|---------------------------------------|-------------|------------------------|-----------------|
| Accounts payable                      | 24          | <b>P22,188,096,614</b> | P26,003,210,161 |
| Accrued expenses                      | 24          | <b>12,480,908,628</b>  | 5,151,489,880   |
| Due to government agencies and others |             | <b>11,420,030,830</b>  | 9,910,813,365   |
| Interest payable                      | 5, 14, 24   | <b>6,684,290,621</b>   | 5,164,403,883   |
| Current portion of lease liability    | 22, 24      | <b>257,533,920</b>     | 176,487,462     |
| Franchise tax payable to BIR          | 26          | <b>169,279,182</b>     | 142,948,295     |
|                                       |             | <b>P53,200,139,795</b> | 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 P257.53 million and P176.49 million as of December 31, 2025 and 2024, respectively.

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**16. Other Liabilities**

This account consists of:

**A. Other Current Liabilities**

|                                | <i>Note</i> | <b>2025</b>            | 2024            |
|--------------------------------|-------------|------------------------|-----------------|
| Retention on contract payments | 24          | <b>P18,643,835,974</b> | P16,732,820,551 |
| Advances for construction      |             | <b>4,365,106,888</b>   | 3,751,951,035   |
| Advances from shareholders     | 21, 24      | <b>843,274,843</b>     | 843,274,843     |
| Dividends payable              | 17          | <b>32,583,622</b>      | 335,493,599     |
| Bidders/suppliers deposits     | 24          | <b>146,514,003</b>     | 131,832,105     |
|                                |             | <b>P24,031,315,330</b> | P21,795,372,133 |

**B. Other Noncurrent Liabilities**

|                                       | <i>Note</i> | <b>2025</b>         | 2024           |
|---------------------------------------|-------------|---------------------|----------------|
| Advances for construction             |             | <b>P -</b>          | P1,372,396,092 |
| Noncurrent portion of lease liability | 22, 24      | <b>219,047,374</b>  | 339,168,312    |
| Deferred tax liability                | 26          | <b>8,499</b>        | 26,267         |
|                                       |             | <b>P219,055,873</b> | 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:

|  | Years Ended December 31 |                 |               |                 |               |                 |
|--|-------------------------|-----------------|---------------|-----------------|---------------|-----------------|
|  | 2025                    |                 | 2024          |                 | 2023          |                 |
|  | Shares                  | Amount          | Shares        | Amount          | Shares        | Amount          |
| <b>Capital Stock</b>   |                         |                 |               |                 |               |                 |
| Authorized - P1<br>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<br>outstanding balance at<br>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<br>major shareholders<br>during the year       | -                       | -               | -             | -               | -             | -               |
| Issued common shares<br>during FOO                                     | -                       | -               | -             | -               | -             | -               |
| Issued, fully paid and<br>outstanding balance at<br>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  |
| <b>Additional Paid-in Capital</b>                                      |                         |                 |               |                 |               |                 |
| Additional paid-in capital<br>balance at beginning of<br>year          | -                       | P88,928,018,694 | -             | P88,928,018,694 | -             | P88,928,018,694 |
| Additional paid-in capital<br>from issued common<br>shares during FOO  | -                       | -               | -             | -               | -             | -               |
| Shares issuance costs  | -                       | -               | -             | -               | -             | -               |
| <b>Total Paid-up Capital</b>   | -                       | P88,928,018,694 | -             | P88,928,018,694 | -             | P88,928,018,694 |

\*includes retroactive effect of Share Swap (Note 6)

As at December 31, 2025, 2024 and 2023, the Parent Company's share offer price is P16.56, P9.80, and P6.55, respectively.

On January 27, 2025, the Parent 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 Parent Company. As of date, no further developments yet regarding this transaction.

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 September 4, 2025, the BOD of the Parent Company approved the declaration of P0.3474 cash dividends per share for the 2nd quarter of 2025 totaling to P1.83 billion. These cash dividends were paid to shareholders of record as of September 18, 2025 on September 25, 2025.

On November 27, 2025, the BOD of the Company approved the declaration of P0.3474 cash dividends per share for the 4th quarter of 2025 amounting to P1.83 billion. These cash dividends will be paid to shareholders of record as of December 12, 2025 on December 19, 2025.

In 2025, the BOD of OTHI approved the declaration of cash dividends amounting to P2.12 billion to all shareholders of record as of date of the meeting.

In 2025, the BOD of P21 approved the declaration of cash dividends amounting to P2.12 billion to all shareholders of record as of date of the meeting.

For the year ended December 31, 2025, the BOD of NGCP approved the declaration of cash dividends amounting to P8.00 billion to all shareholders of record as of date of the meeting. Of the total amount declared, P2.90 billion pertains to the share of the Parent Company which is eliminated during consolidation.

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 P8.08 billion, P3.65 billion and P5.36 billion in 2025, 2024 and 2023, respectively.

As of December 31, 2025 and 2024, dividends payable from the above declaration amounted to P32.58 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 unbilled ERC approved NGCP's 4th Regulatory Period Revenue Reset (2016-2022) Under Recovery of PhP28.30 billion to be implemented over a period of eighty-four (84) months or until such time that the approved amount have been fully recovered, the unbilled revenue for January to June 2025 amounting to P2.73 billion, under-recovery for the years 2023 and 2024 amounting to P13.26 billion, unrecovered Depreciation amounting to P1.62 billion and 2015 PIS amounting to P0.90 billion (see Notes 20 and 27).

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## **18. Earnings Per Share**

Basic and diluted earnings per share at December 31 are computed as follows:

|   | <i>Note</i> | <b>2025</b>            | 2024           | 2023            |
|---|-------------|------------------------|----------------|-----------------|
| (a) Net income attributable to Equity holders of the Parent Company                   |             | <b>P20,159,916,964</b> | P7,884,429,113 | P10,645,372,151 |
| Issued common shares at January 1*  |             | <b>5,265,866,000</b>   | 5,265,866,000  | 5,265,866,000   |
| Weighted average number of issued common shares to major shareholders during the year | 1           | -                      | -              | -               |
| Weighted average number of issued common shares during FOO                            | 1           | -                      | -              | -               |
| (b) Weighted average common shares outstanding  |             | <b>5,265,866,000</b>   | 5,265,866,000  | 5,265,866,000   |
| Basic/Diluted earnings per share (a/b)  |             | <b>P3.83</b>           | P1.50          | P2.02           |

\*includes retroactive effect of Share Swap (Note 6)

As at December 31, 2025 and 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 December 31, 2025, 2024 and 2023.

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## **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/operating segment and, hence, there are no operating segments required to be disclosed under PFRS 8, *Operating Segments*, except the revenue per geographical areas and electric power industry participants disclosed in Note 20. There is no reliance on a single major customer.

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## 20. Revenues

This account at December 31 consists of:

|   | <b>2025</b>            | 2024            | 2023            |
|---|------------------------|-----------------|-----------------|
| Transmission services                             | <b>P58,100,010,000</b> | P51,471,173,513 | P51,471,140,608 |
| Regulatory true-up for under recoveries           | <b>25,573,536,668</b>  | -               | -               |
| Connection and residual sub-transmission services | <b>1,538,333,569</b>   | 1,542,914,405   | 1,528,640,099   |
|   | <b>P85,211,880,237</b> | P53,014,087,918 | P52,999,780,707 |

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Transmission services 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 regulatory true-up for under-recoveries refers to the recognition of ERC approved recoupment pertaining to the years 2016 to 2022. The recognition of regulatory true-up for under-recoveries in calendar year 2025 followed the approval from the ERC, given the substantive nature of ERC's approval in resolving NGCP's 4<sup>th</sup> Regulatory Period Revenue Reset Application for its MAR for the 4<sup>th</sup> RP. NGCP's application was decided through the promulgation of ERC Case No. 2022-089 RC last July 7, 2025 resolving that NGCP is entitled to recover under-recoveries as specified on NGCP 4<sup>th</sup> RP FD. Receivables from regulatory true up for under-recoveries was recognized as part of "Accrued power receivables" (see Notes 2 and 12).

For the period ended December 31, 2025, the transmission services is based on the P58.10 billion ERC approved MAR following ERC's issuance of its Decision and the Final Determination (FD) on NGCP's 4<sup>th</sup> 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 and includes the differential between the unbilled incremental iMAR 2020 for years 2020, 2021, four (4) months of 2022 and PIS of P883.06 million and the under recovery based on ERC approved 4<sup>th</sup> RP Final Determination (2016-2022) dated April 11, 2025 amounting to P9.79 billion, under-recovery for the years 2023 and 2024 amounting to P13.26 billion, Depreciation amounting to P1.62 billion and PIS of P0.90 billion.

For the period ended December 31, 2024, transmission service is based on the P51.47 billion iMAR approved by ERC in an order dated March 23, 2022.

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<br>Services | Connection and<br>Residual<br>Sub-transmission<br>Services | Total                  |
|--|--------------------------|--|------------------------|
| <b>Luzon</b>                                     | <b>P65,595,194,914</b>   | <b>P835,547,610</b>  | <b>P66,430,742,524</b> |
| Distribution utilities                           | P39,773,145,581          | P761,192,166   | P40,534,337,747        |
| Generators                                       | 692,941,225              | 5,702,188  | 698,643,413            |
| Directed connected                               | 723,814,750              | 68,653,256   | 792,468,006            |
| Accrual of unbilled MAR differential for<br>2025 | 2,053,555,500            | -  | 2,053,555,500          |
| Regulatory true-up for under recoveries          | 22,351,737,858           | -  | 22,351,737,858         |
| <b>Visayas</b>                                   | <b>P8,822,609,655</b>    | <b>P253,815,991</b>  | <b>P9,076,425,646</b>  |
| Distribution utilities                           | P6,389,878,043           | P241,067,873   | P6,630,945,916         |
| Generators                                       | 152,601,260              | 29,790   | 152,631,050            |
| Directed connected                               | 182,965,138              | 12,718,328   | 195,683,466            |
| Accrual of unbilled MAR differential for<br>2025 | 246,937,146              | -  | 246,937,146            |
| Regulatory true-up for under recoveries          | 1,850,228,068            | -  | 1,850,228,068          |
| <b>Mindanao</b>                                  | <b>P9,255,742,099</b>    | <b>P448,969,968</b>  | <b>P9,704,712,067</b>  |
| Distribution utilities                           | P7,184,637,729           | P441,269,881   | P7,625,907,610         |
| Generators                                       | 166,034,969              | -  | 166,034,969            |
| Directed connected                               | 103,534,581              | 7,700,087  | 111,234,668            |
| Accrual of unbilled MAR differential for<br>2025 | 429,964,078              | -  | 429,964,078            |
| Regulatory true-up for under recoveries          | 1,371,570,742            | -  | 1,371,570,742          |
| <b>December 31, 2025 Total</b>                   | <b>P83,673,546,668</b>   | <b>P1,538,333,569</b>                                      | <b>P85,211,880,237</b> |

**2024:**

|                                | Transmission<br>Services | Connection and<br>Residual<br>Sub-transmission<br>Services | Total                  |
|--------------------------------|--------------------------|--|------------------------|
| <b>Luzon</b>                   | <b>P38,310,001,007</b>   | <b>P839,069,164</b>  | <b>P39,149,070,171</b> |
| 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            |
| <b>Visayas</b>                 | <b>P6,176,535,971</b>    | <b>P251,875,528</b>  | <b>P6,428,411,499</b>  |
| 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            |
| <b>Mindanao</b>                | <b>P6,984,636,535</b>    | <b>P451,969,713</b>  | <b>P7,436,606,248</b>  |
| 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             |
| <b>December 31, 2024 Total</b> | <b>P51,471,173,513</b>   | <b>P1,542,914,405</b>                                      | <b>P53,014,087,918</b> |

2023:

|                            | Transmission Services | Connection and Residual Sub-transmission Services | 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   |
| 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     |
| 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 |

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 (4<sup>th</sup> 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 4<sup>th</sup> 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 (iMAR<sub>2016</sub>) in the amount of P45.29 billion.

In an Order dated January 21, 2016, the ERC provisionally approved an iMAR<sub>2016</sub> 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 iMAR<sub>2016</sub> of P43.79 billion. Further, the ERC directed that the difference between the provisionally-approved iMAR<sub>2016</sub> 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 4<sup>th</sup> 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 (iMAR<sub>2020</sub>) 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub>.

- 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 3<sup>rd</sup> 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> 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 P47.05 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.

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 PHP51.47 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 iMAR<sub>2020</sub> for the years 2020, 2021 and four (4) months of 2022, for the total amount of P17,62 billion, 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 4<sup>th</sup> Regulatory Period Revenue Reset Application. In the said Decision, the ERC approved NGCP's 2016-2022 Annual Revenue Requirement (ARR) in the amount of P335.79 billion. The ERC also directed NGCP to collect, as a separate line item in the power bill of transmission customers, an Under Recovery of P28.30 billion, with an equivalent rate of P0.0384/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 4<sup>th</sup> 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 P58.10 billion as its MAR for 2025 and the "Under-recovery 2016-2022" of P28.30 billion with the fixed rate of PhP0.0384/kWh to be collected in 84 months or until such time the amount is fully recovered.

NGCP commenced 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 was then billed by Distribution Utilities (DUs) to their customers in August 2025.

In the ERC Decision on ERC Case No. 2023-025RC on *NGCP's Application for the Approval of the Maximum Annual Revenue for the 5<sup>th</sup> Regulatory Period (5<sup>th</sup> RP) covering the years 2023 to 2027*, which was promulgated on 30 January 2026, the ERC approved NGCP's Annual Revenue Requirement (ARR) covering 2023 to 2027 in the total amount of P374.98 billion or a total Smoothed Maximum Allowable Revenue (SMAR) of P376.42 billion. Furthermore, NGCP was directed by the ERC to implement the MAR for RY 2023 in the amount of P63.45 billion starting 01 August 2026 until otherwise directed by the ERC.

## 21. Related Party Disclosures

| Relationship with Related Parties  | Year                     | Note     | Amount of Transaction (in Millions) | Outstanding Balance (in Millions) | Terms and Conditions            |
|------------------------------------|--------------------------|----------|-------------------------------------|-----------------------------------|---------------------------------|
| <b>Companies with the Same BOD</b> |                          |          |                                     |                                   |                                 |
| ▪ PGAI                             | <b>December 31, 2025</b> | <i>a</i> | <b>P241.57</b>                      | <b>P51.12</b>                     | On demand; non-interest bearing |
|                                    | December 31, 2024        | <i>a</i> | 191.32                              | 2.44                              |                                 |
|                                    | December 31, 2023        | <i>a</i> | 775.64                              | 1.58                              |                                 |
| ▪ SMDC                             | <b>December 31, 2025</b> | <i>b</i> | -                                   | -                                 | On demand; non-interest bearing |
|                                    | December 31, 2024        | <i>b</i> | 3.85                                | -                                 |                                 |
|                                    | December 31, 2023        | <i>b</i> | -                                   | -                                 |                                 |
| <b>Shareholders</b>                | <b>December 31, 2025</b> | <i>c</i> | -                                   | <b>843.27</b>                     | On demand; non-interest bearing |
|                                    | December 31, 2024        | <i>c</i> | -                                   | 843.27                            |                                 |
|                                    | December 31, 2023        | <i>c</i> | -                                   | 843.27                            |                                 |
| <b>Key Management Personnel</b>    |                          |          |                                     |                                   |                                 |
| ▪ Short-term benefits              | <b>December 31, 2025</b> | <i>d</i> | <b>459.46</b>                       | -                                 |                                 |
|                                    | December 31, 2024        | <i>d</i> | 424.04                              | -                                 |                                 |
|                                    | December 31, 2023        | <i>d</i> | 418.82                              | -                                 |                                 |
| ▪ Post-employment benefits         | <b>December 31, 2025</b> | <i>d</i> | <b>38.43</b>                        | -                                 |                                 |
|                                    | December 31, 2024        | <i>d</i> | 30.82                               | -                                 |                                 |
|                                    | December 31, 2023        | <i>d</i> | 30.07                               | -                                 |                                 |
| <b>December 31, 2025</b>           |                          |          |                                     | <b>P894.39</b>                    |                                 |
| December 31, 2024                  |                          |          |                                     | P845.71                           |                                 |
| December 31, 2023                  |                          |          |                                     | P844.85                           |                                 |

- a. The Group, through NGCP, has related party transactions with Prudential Guaranty Assurance, Inc. (PGA) amounting to P241.57 million, P191.32 million, and P775.64 million on 2025, 2024 and 2023, respectively, representing insurance premiums. The outstanding insurance payable to PGA amounting to P51.12 million and P2.44 million as of December 31, 2025 and 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 2025, 2024 and, 2023. There was no outstanding balance payable to SMDC amounting as of December 31, 2025 and 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 December 31, 2025 and 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 2025, 2024 and 2023 amounted to P459.46 million, P424.04 million and P418.82 million respectively. Total key management compensation relating to post-employment benefits in 2025, 2024 and 2023 amounted to P38.43 million, P30.82 million and P30.07 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 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.

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

|                           | 2025                 | 2024          |
|---------------------------|----------------------|---------------|
| Balance at January 1      | <b>P503,020,399</b>  | P376,334,751  |
| Additions                 | <b>244,701,222</b>   | 370,274,963   |
| Retirements/disposals     | <b>(396,532)</b>     | -             |
| Depreciation for the year | <b>(297,243,557)</b> | (243,589,315) |
| Balance at December 31    | <b>P450,081,532</b>  | 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:

|   | 2025                 | 2024          |
|---|----------------------|---------------|
| Balance at beginning of year                  | <b>P515,655,774</b>  | P401,026,666  |
| Additions                                     | <b>244,701,222</b>   | 370,274,963   |
| Retirement                                    | <b>(396,532)</b>     | -             |
| Lease payments inclusive of interest payments | <b>(321,750,597)</b> | (281,155,073) |
| Interest expense                              | <b>38,398,049</b>    | 25,434,977    |
| Adjustments                                   | <b>(26,622)</b>      | 74,241        |
| Balance at end of year                        | <b>P476,581,294</b>  | 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 P103.04 million and P114.37 million in 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 P424.79 million and P395.53 million in 2025 and 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:

| <b>December 31, 2025</b>   | <b>Future Minimum Lease Payments</b> | <b>Interest</b>    | <b>Present Value of Minimum Lease Payments</b> |
|----------------------------|--------------------------------------|--------------------|--|
| Less than one year         | <b>P278,686,461</b>                  | <b>P21,152,541</b> | <b>P257,533,920</b>                            |
| Between one and five years | <b>236,882,039</b>                   | <b>17,834,665</b>  | <b>219,047,374</b>                             |
|                            | <b>P515,568,500</b>                  | <b>P38,987,206</b> | <b>P476,581,294</b>                            |

| <b>December 31, 2024</b>  | <b>Future Minimum Lease Payments</b> | <b>Interest</b> | <b>Present Value of Minimum Lease Payments</b> |
|---------------------------|--------------------------------------|-----------------|--|
| 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 December 31, 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 January 30, 2026 for the year ended December 31, 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 |                |
|---|---------------------------|---------------|---|----------------|--|----------------|
|   | 2025                      | 2024          | 2025  | 2024           | 2025                                     | 2024           |
| Balance at beginning of year  | <b>P378,928,198</b>       | P356,262,162  | <b>P3,331,223,247</b>                       | P2,973,532,565 | <b>P2,952,295,049</b>                    | P2,617,270,403 |
| <b>Recognized in Profit or Loss and Statement of Financial Position</b> |                           |               |   |                |  |                |
| Service costs   | -                         | -             | <b>248,996,145</b>                          | 234,049,158    | <b>248,996,145</b>                       | 234,049,158    |
| Interest expense  | -                         | -             | <b>203,204,618</b>                          | 181,385,486    | <b>203,204,618</b>                       | 181,385,486    |
| Interest income   | <b>23,114,620</b>         | 21,731,992    | -   | -              | <b>(23,114,620)</b>                      | (21,731,992)   |
|   | <b>23,114,620</b>         | 21,731,992    | <b>452,200,763</b>                          | 415,434,644    | <b>429,086,143</b>                       | 393,702,652    |
| <b>Recognized in Other Comprehensive Income</b>                         |                           |               |   |                |  |                |
| Remeasurements:   |                           |               |   |                |  |                |
| Actuarial losses (gains) arising from:                                  |                           |               |   |                |  |                |
| Experience adjustments  | -                         | -             | <b>57,637,635</b>                           | 108,406,205    | <b>57,637,635</b>                        | 108,406,205    |
| Changes in financial assumptions  | -                         | -             | <b>(78,834,420)</b>                         | -              | <b>(78,834,420)</b>                      | -              |
| Return (loss) on plan asset excluding interest                          | <b>(1,039,128)</b>        | 934,044       | -   | -              | <b>1,039,128</b>                         | (934,044)      |
|   | <b>(1,039,128)</b>        | 934,044       | <b>(21,196,785)</b>                         | 108,406,205    | <b>(20,157,657)</b>                      | 107,472,161    |
| <b>Others</b>   |                           |               |   |                |  |                |
| Contributions   | <b>160,754,463</b>        | 166,150,167   | -   | -              | <b>(160,754,463)</b>                     | (166,150,167)  |
| Benefits paid   | <b>(160,754,463)</b>      | (166,150,167) | <b>(160,754,463)</b>                        | (166,150,167)  | <b>-</b>                                 | -              |
|   | -                         | -             | <b>(160,754,463)</b>                        | (166,150,167)  | <b>(160,754,463)</b>                     | (166,150,167)  |
| <b>Balance at end of year</b>   | <b>P401,003,690</b>       | P378,928,198  | <b>P3,601,472,762</b>                       | P3,331,223,247 | <b>P3,200,469,072</b>                    | P2,952,295,049 |

Plan assets consist of the following:

|  | 2025          | 2024   |
|--|---------------|--------|
| Deposits in banks                        | <b>0.02%</b>  | 0.02%  |
| Debt securities                          | <b>74.12%</b> | 72.86% |
| Equity securities                        | <b>24.08%</b> | 23.29% |
| Investment in unit investment trust fund | <b>0.72%</b>  | 2.83%  |
| Other assets                             | <b>1.06%</b>  | 1.00%  |
|  | <b>100%</b>   | 100%   |

The retirement benefits cost under “Salaries, wages and employees’ benefits” in the consolidated statements of income is recognized as follows:

|                               | 2025                | 2024         |
|-------------------------------|---------------------|--------------|
| Current service cost          | <b>P214,136,685</b> | P201,282,276 |
| Interest cost                 | <b>174,755,971</b>  | 155,991,518  |
| Interest Income of plan asset | <b>(19,878,573)</b> | (18,689,513) |
|                               | <b>P369,014,083</b> | P338,584,281 |

The retirement benefits cost under “Intangible asset - net” in the consolidated statements of financial position is recognized as follows:

|                               | 2025               | 2024        |
|-------------------------------|--------------------|-------------|
| Current service cost          | <b>P34,859,460</b> | P32,766,882 |
| Interest cost                 | <b>28,448,647</b>  | 25,393,968  |
| Interest income of plan asset | <b>(3,236,047)</b> | (3,042,479) |
|                               | <b>P60,072,060</b> | P55,118,371 |

### Actuarial Assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as percentages under weighted averages):

|                      | <b>2025</b>  | 2024  |
|----------------------|--------------|-------|
| Discount rate        | <b>6.40%</b> | 6.10% |
| Future salary growth | <b>5.00%</b> | 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, 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%.

|                      | <b>December 31, 2025</b> |                      |
|----------------------|--------------------------|----------------------|
|                      | <b>1% Increase</b>       | <b>1% Decrease</b>   |
| Discount rate        | <b>(P239,035,324)</b>    | <b>P277,290,613</b>  |
| Salary increase rate | <b>258,138,155</b>       | <b>(226,451,234)</b> |

|                      | <b>December 31, 2024</b> |                      |
|----------------------|--------------------------|----------------------|
|                      | <b>1% Increase</b>       | <b>1% Decrease</b>   |
| Discount rate        | <b>(P230,768,076)</b>    | <b>P268,419,696</b>  |
| Salary increase rate | <b>249,887,076</b>       | <b>(218,769,587)</b> |

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 2026, 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 | 2025                   | 2024            |
|---|------|------------------------|-----------------|
| Current assets:                                       |      |                        |                 |
| Cash and cash equivalents                             | 11   | <b>P7,417,039,664</b>  | P8,962,528,586  |
| Accrued power receivables                             | 12   | <b>7,882,487,792</b>   | 735,612,165     |
| Power receivables                                     | 12   | <b>5,394,987,968</b>   | 4,468,438,966   |
| Due from customers                                    | 12   | <b>9,179,531,286</b>   | 7,124,141,542   |
| Restructured power receivables                        | 12   | <b>52,512,497</b>      | 11,666,554      |
| Interest receivable                                   | 12   | <b>2,622,306</b>       | 3,507,901       |
| Due from officers and employees and other receivables | 12   | <b>226,776,493</b>     | 229,503,291     |
| <b>Total current financial assets</b>                 |      | <b>30,155,958,006</b>  | 21,535,399,005  |
| Noncurrent assets:                                    |      |                        |                 |
| Accrued power receivables                             |      | <b>37,569,726,624</b>  | 18,507,913,333  |
| Restructured power receivables                        |      | <b>138,196,142</b>     | 1,496,372,425   |
| Power receivables                                     |      | <b>1,246,491,182</b>   | 126,594,475     |
| Due from customers                                    |      | <b>694,668,981</b>     | 439,437,957     |
| Other noncurrent account receivable                   |      | <b>1,189,155,736</b>   | 1,412,909,900   |
| <b>Total noncurrent financial assets</b>              | 12   | <b>40,838,238,665</b>  | 21,983,228,090  |
| <b>Total financial assets</b>                         |      | <b>P70,994,196,671</b> | P43,518,627,095 |

Details of movements of allowance for impairment losses are as follows:

|  | 2025                  | 2024           |
|--|-----------------------|----------------|
| Balance at beginning of year                                   | <b>P2,136,138,659</b> | P2,071,468,659 |
| Provision for impairment losses on receivables during the year | <b>64,670,000</b>     | 64,670,000     |
| <b>Balance at end of year</b>                                  | <b>P2,200,808,659</b> | 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<br>nor Impaired | Past Due but not Impaired |                     |                       | Past Due and<br>Impaired | Total                  |
|--|----------------------------------|---------------------------|---------------------|-----------------------|--------------------------|------------------------|
|  |                                  | 1 to 30 Days              | 31 to 60 Days       | More than 60 Days     |                          |                        |
| <b>December 31, 2025</b>                                 |                                  |                           |                     |                       |                          |                        |
| <b>Cash and Cash Equivalents</b>                         |                                  |                           |                     |                       |                          |                        |
| Cash in banks  | P4,093,245,651                   | P -                       | P -                 | P -                   | P -                      | P4,093,245,651         |
| Short-term placements                                    | 3,298,613,160                    | -                         | -                   | -                     | -                        | 3,298,613,160          |
| <b>Receivables</b>                                       |                                  |                           |                     |                       |                          |                        |
| <i>Accrued</i>   |                                  |                           |                     |                       |                          |                        |
| Power receivables  | 50,767,056,412                   | 54,613,450                | 9,099,602           | 16,405,174            | 1,246,518,928            | 52,093,693,566         |
| Due from customers                                       | 5,744,947,102                    | 1,392,249,199             | 776,362,794         | 1,135,607,692         | 825,033,480              | 9,874,200,267          |
| Due from officers and employees and<br>other receivables | 191,925,675                      | 424,132                   | 1,323,505           | 31,084,852            | 2,018,329                | 226,776,493            |
| Restructured power receivables                           | 47,311,388                       | -                         | -                   | 16,470,687            | 126,926,564              | 190,708,639            |
| Interest receivable                                      | 2,258,997                        | -                         | -                   | 51,951                | 311,358                  | 2,622,306              |
| Other accounts receivable                                | 1,189,155,736                    | -                         | -                   | -                     | -                        | 1,189,155,736          |
|  | <b>P65,334,514,121</b>           | <b>P1,447,286,781</b>     | <b>P786,785,901</b> | <b>P1,199,620,356</b> | <b>P2,200,808,659</b>    | <b>P70,969,015,818</b> |
| <hr/>  |                                  |                           |                     |                       |                          |                        |
|  | Neither Past Due<br>nor Impaired | Past Due but not Impaired |                     |                       | Past Due and<br>Impaired | Total                  |
|  |                                  | 1 to 30 Days              | 31 to 60 Days       | More than 60 Days     |                          |                        |
| <b>December 31, 2024</b>                                 |                                  |                           |                     |                       |                          |                        |
| <b>Cash and Cash Equivalents</b>                         |                                  |                           |                     |                       |                          |                        |
| 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          |
| <b>Receivables</b>                                       |                                  |                           |                     |                       |                          |                        |
| <i>Accrued</i>   |                                  |                           |                     |                       |                          |                        |
| 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<br>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          |
|  | <b>P39,746,865,397</b>           | <b>P466,317,205</b>       | <b>P367,808,611</b> | <b>P773,381,940</b>   | <b>P2,136,138,659</b>    | <b>P43,490,511,812</b> |

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, 2025 and 2024.

d) Past Due and Impaired Accounts

Receivables with an aggregate nominal value of P2.20 billion and P2.14 billion as at December 31, 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 December 31, 2025 and 2024. As at December 31, 2025 and 2024, the Group recognized total impairment allowance amounting to P2.20 billion and P2.14 billion, respectively, attributable to and covers substantially all noncurrent receivables. There is no material difference between the estimated ECL provision required for the years 2025 and 2024 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, 2025 and December 31, 2024 are as follows:

|   | Note | As at December 31, 2025 |                         |                         |                         |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|
|   |      | Carrying Amount         | Contractual Cash Flow   | Less than 1 Year        | More than 1 Year        |
| Non-derivative financial liabilities:           |      |                         |                         |                         |                         |
| Trade and other current payables*               | 15   | P41,610,829,783         | P41,631,982,324         | P41,631,982,324         | P -                     |
| Concession fee payable (current and noncurrent) | 5    | 40,555,005,331          | 40,555,005,331          | 10,323,092,266          | 30,231,913,065          |
| Loans payable (current and noncurrent)          | 14   | 249,604,560,850         | 314,513,698,833         | 49,301,881,257          | 265,211,817,576         |
| Customers' and other deposits                   |      | 495,786,405             | 495,786,405             | -                       | 495,786,405             |
| Other current liabilities**                     | 16   | 19,666,208,442          | 19,666,208,442          | 19,666,208,442          | -                       |
| Other noncurrent liabilities**                  | 16   | 219,047,374             | 236,882,039             | -                       | 236,882,039             |
|   |      | <b>P352,151,438,185</b> | <b>P417,099,563,374</b> | <b>P120,923,164,289</b> | <b>P296,176,399,085</b> |

\*excluding due to government agencies and others and franchise tax payable to BIR.

\*\*excluding advances for construction and deferred tax liability.

| 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                      | P36,495,591,386       | P36,522,206,086  | P36,522,206,086  | P -              |
| Concession fee payable (current and noncurrent) | 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           | 371,139,791      | -                | 371,139,791      |
|   |                         | P325,484,942,400      | P388,457,333,314 | P100,413,316,278 | P288,044,017,036 |

\*excluding due to government agencies and others and franchise tax payable to BIR.

\*\*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, 2025 and 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:

|   | December 31, 2025    |                    |                |                      |                     |                         |
|---|----------------------|--------------------|----------------|----------------------|---------------------|-------------------------|
|   | U.S. Dollar          | Euro               | NZD            | JPY                  | IDR                 | Peso Equivalent         |
| <b>Assets</b>                                       |                      |                    |                |                      |                     |                         |
| Cash and cash equivalents                           | 3,676,918            | -                  | -              | -                    | -                   | 216,221,152             |
| Advance payment to suppliers and contractors        | 70,764,975           | 1,835              | -              | -                    | -                   | 4,161,461,429           |
|   | 74,441,893           | 1,835              | -              | -                    | -                   | 4,377,682,581           |
| <b>Liabilities</b>                                  |                      |                    |                |                      |                     |                         |
| Accounts payable and accrued expenses               | (555,800,693)        | (3,602,205)        | (3,261)        | (179,840,812)        | (27,500,000)        | (33,001,085,137)        |
| <b>Net Foreign Currency-denominated Liabilities</b> | <b>(481,358,800)</b> | <b>(3,600,370)</b> | <b>(3,261)</b> | <b>(179,840,812)</b> | <b>(27,500,000)</b> | <b>(28,623,402,556)</b> |

|   | December 31, 2024    |                    |                |                      |                     |                |                         |
|---|----------------------|--------------------|----------------|----------------------|---------------------|----------------|-------------------------|
|   | U.S. Dollar          | Euro               | NZD            | JPY                  | IDR                 | CHF            | Peso Equivalent         |
| <b>Assets</b>                                       |                      |                    |                |                      |                     |                |                         |
| 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           |
| <b>Liabilities</b>                                  |                      |                    |                |                      |                     |                |                         |
| 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)        |
| <b>Net Foreign Currency-denominated Liabilities</b> | <b>(400,922,113)</b> | <b>(4,275,046)</b> | <b>(3,261)</b> | <b>(626,040,450)</b> | <b>(27,500,000)</b> | <b>(5,375)</b> | <b>(23,748,058,220)</b> |

With the translation of these foreign currency denominated assets and liabilities, the Company reported net foreign exchange loss of P74.08 million and P506.74 million in 2025 and 2024, respectively.

The following are the closing exchange rates applied as at December 31, 2025 and 2024:

|             | <b>USD</b>    | <b>Euro</b>    | <b>NZD</b>     | <b>JPY</b>    | <b>IDR</b>    | <b>CHF</b>     |
|-------------|---------------|----------------|----------------|---------------|---------------|----------------|
| <b>2025</b> | <b>58.805</b> | <b>69.2546</b> | <b>34.2304</b> | <b>0.3756</b> | <b>0.0035</b> | <b>74.6067</b> |
| 2024        | 58.014        | 60.4738        | 32.6213        | 0.3672        | 0.0036        | 64.5532        |

*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:

| <b>December 31, 2025</b> |  |                         |                         |
|--------------------------|--|-------------------------|-------------------------|
|                          | <b>Strengthening/<br/>Weakening of the<br/>Philippine Peso</b> | <b>Effect on Profit</b> | <b>Effect on Equity</b> |
| US Dollar                | <b>+10%</b>  | <b>2,830,630,424</b>    | <b>2,830,630,424</b>    |
|                          | <b>-10%</b>  | <b>(2,830,630,424)</b>  | <b>(2,830,630,424)</b>  |
| JPY                      | <b>+10%</b>  | <b>6,754,821</b>        | <b>6,754,821</b>        |
|                          | <b>-10%</b>  | <b>(6,754,821)</b>      | <b>(6,754,821)</b>      |
| NZD                      | <b>+10%</b>  | <b>11,163</b>           | <b>11,163</b>           |
|                          | <b>-10%</b>  | <b>(11,163)</b>         | <b>(11,163)</b>         |
| EURO                     | <b>+10%</b>  | <b>24,934,223</b>       | <b>24,934,223</b>       |
|                          | <b>-10%</b>  | <b>(24,934,223)</b>     | <b>(24,934,223)</b>     |
| IDR                      | <b>+10%</b>  | <b>9,625</b>            | <b>9,625</b>            |
|                          | <b>-10%</b>  | <b>(9,625)</b>          | <b>(9,625)</b>          |
| <b>December 31, 2024</b> |  |                         |                         |
|                          | <b>Strengthening/<br/>Weakening of the<br/>Philippine Peso</b> | <b>Effect on Profit</b> | <b>Effect on Equity</b> |
| US Dollar                | <b>+10%</b>  | <b>2,325,909,549</b>    | <b>2,325,909,549</b>    |
|                          | <b>-10%</b>  | <b>(2,325,909,549)</b>  | <b>(2,325,909,549)</b>  |
| JPY                      | <b>+10%</b>  | <b>22,988,205</b>       | <b>22,988,205</b>       |
|                          | <b>-10%</b>  | <b>(22,988,205)</b>     | <b>(22,988,205)</b>     |
| NZD                      | <b>+10%</b>  | <b>10,638</b>           | <b>10,638</b>           |
|                          | <b>-10%</b>  | <b>(10,638)</b>         | <b>(10,638)</b>         |
| EURO                     | <b>+10%</b>  | <b>25,852,832</b>       | <b>25,852,832</b>       |
|                          | <b>-10%</b>  | <b>(25,852,832)</b>     | <b>(25,852,832)</b>     |
| IDR                      | <b>+10%</b>  | <b>9,900</b>            | <b>9,900</b>            |
|                          | <b>-10%</b>  | <b>(9,900)</b>          | <b>(9,900)</b>          |
| CHF                      | <b>+10%</b>  | <b>34,697</b>           | <b>34,697</b>           |
|                          | <b>-10%</b>  | <b>(34,697)</b>         | <b>(34,697)</b>         |

*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, 2025 and 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 December 31, 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 December 31, 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 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 8, 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 15 April 2025, NGCP filed its Reply-Brief. On 18 August 2025, NGCP received the Court of Appeals Resolution dated 7 August 2025 resolving that the case is submitted for decision.

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 August 3, 2018, the RTC issued a Decision directing CMI and Benguet to pay NGCP the principal amount of P8.93 million. NGCP was able to garnish P16.13 million 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 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, funeral expenses of P92,700, Loss of earning capacity of P6.42 million, P1.00 million for moral damages, and P500,000 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 P6.58 million 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, filed its Notice of Appeal with the Court of Appeals. NGCP is still waiting for the Court of Appeals '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. NGCP filed its formal offer of evidence on 30 September 2025. In the Order dated 06 November 2025, considering that NGCP has yet to receive the Judicial Affidavit of the plaintiff on rebuttal, the initial reception of rebuttal evidence was reset to January 22, 2026. The testimony on the plaintiff's rebuttal evidence was terminated on February 26, 2026. Upon motion of plaintiff's counsel, the Court ordered the issuance of a subpoena duces tecum and ad testificandum directed to the authorized representative of the Registry of Deeds, Tuguegarao, requiring him/her to produce in court the muniments of title covering the subject properties and to testify in relation thereto. The next hearing is scheduled on April 20, 2026.

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. On May 27, 2025, TransCo deposited P160.93 million 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.

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 P100,000 exemplary damages, P30,000 attorney's fees, P5,000 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. During the hearing set for Pre-Trial, the parties manifested that the Compromise Agreement had been executed, and that all of ATI's remaining monetary claims had been settled. On 19 September 2025, the RTC issued a Decision approving the Compromise Agreement.

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. NGCP filed its Answer on 04 April 2025. On 18 August 2025, the plaintiffs filed a Motion to Withdraw Complaint to explore other possibilities of settlement of their claim for just compensation. On 05 September 2025, NGCP received the Order dated 27 August 2025 expunging the case from records.

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. On 28 August 2025, OGC received the Plaintiff's Motion to Withdraw Complaint to explore other possibilities of settlement of their claim for just compensation. On 05 September 2025, NGCP received the Order dated 27 August 2025 expunging the case from records.

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 7<sup>th</sup> 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 filed its Answer on 17 July 2025. Pre-trial conference was conducted on 18 September 2025. The court set the case for Mandatory conciliation on 16 October 2025, however, the mediation was unsuccessful. The Pre-Trial Conference is rescheduled on 05 March 2026 due to unavailability of the Court Stenographer.

NGCP is the Defendant in the case of Sps. Jeffrey 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. The case proceeded to trial. On 6 May 2025, the plaintiff submitted its formal offer of evidence. The case is ongoing trial for presentation of witnesses of the defendant.

NGCP is the defendant in the two cases of Dinalupihan Green Residences, Inc. (DGRI) v NGCP docketed as DH-1746-25 and DH-1747-25, both for payment of just compensation. DRGI prayed payment of just compensation amounting to at least P5,000 per square meter for its 14,270-lot subject of DH-1746-25 and 16,175sqm lot subject of DH-1747-25. NGCP filed its Answer on 29 August 2025. Endorsed to retained counsel on 4 September 2025. On 8 September 2025, DGR filed its Reply with Urgent Motion to Require Defendant NGCP to comply with section 6(a)(1) of RA No. 10752 and immediately pay the provisional value prior to trial. On 16 September 2025, NGCP, through retainer, filed its Comment/Opposition to the Motion. On 29 September 2025, DGRI filed its Reply to NGCP's Comment/Opposition. The Motion and Comment/Opposition is set for hearing on 8 October 2025. Pre-trial is set on 9 December 2025. In an Order dated 9 December 2025, the Pre-trial and the hearing on Motion and Comment/Opposition is reset to 11 March 2026.

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 P2.00 million and recovery of costs of litigation and attorney's fees in the amount of Php200,000.00. On 29 April 2025 Pre-trial was reset to September 2, 2025, counsel for the plaintiff moved that the presentation of plaintiff's evidence be deferred pending resolution of the petition for certiorari filed by the plaintiff before the CA, Cagayan de Oro City. Further, plaintiff's counsel manifested that plaintiff Edgardo Padilla failed to appear as he was not able to catch up the last flight from Manila, counsels of Transco and NGCP did not interpose any objections, the court reset the plaintiff's presentation of evidence to October 21, 2025 at 8:30 in the morning. Defendant's retained counsel filed Comment to the Petition. The Status hearing was held on January 27, 2026. On February 4, 2026, retained counsel Atty Prospero sought OGC Min "advice and guidance on our next course of action," since plaintiff insists the 'provisional deposit' requirement is still applicable in inverse condemnation proceedings. OGC-Min advised filing of the appropriate pleading with the RTC considering NGCP is only a NOMINAL party. Atty. Prospero agreed "that it was only Transco who was directed to make a (provisional) deposit. Atty. Prospero confirms further that upon "an initial discussion with plaintiff Atty. Edgardo Padilla, that he is willing to drop NGCP from the case."

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. Mediation is set on 13 January 2026 and pre-trial on 16 January 2026. On February 13, 2026, Mediator Alex Dapitan "was left with no other course but to return back the case to the court for trial. It has been observed that there is no possibility that the said case may be settled as TRANSCO Lawyer failed again to appear in the mediation despite due notice."

NGCP is the defendant in the case of Paul Salvador LL. Padilla vs TransCo and NGCP, docketed as Special Civil Action No. 24-8622 for Inverse Condemnation, with Interest and Damages before the RTC Branch 5, 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 P2.00 million and recovery of costs of litigation and attorney's fees in the amount of Php200,000.00. On September 2, 2025, Pre Trial schedule, counsel for the plaintiff moved that the presentation of plaintiff's evidence be deferred pending resolution of the petition for certiorari filed by the plaintiff before the CA, Cagayan de Oro City. Further, plaintiff's counsel manifested that plaintiff Edgardo Padilla failed to appear as he was not able to catch up the last flight from Manila, counsels of Transco and NGCP did not interposed any objections, the court reset the plaintiff's presentation of evidence to October 21, 2025 at 8:30 in the morning. Plaintiff's filed motion to comply with the provisional deposit, awaits resolution of the motion. On November 7, 2025, NGCP was directed to file a Comment to the "Plaintiff's Motion to Comply with RA 10752 and Make Provisional Deposit." Status hearing on January 27, 2026.

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 June 13, 2025. For endorsement to retained counsel. Initial hearing on 09 December 2025 at 1:30 in the afternoon was reset on 29 January 2026 for the initial presentation of plaintiff's evidence. Plaintiff has presented her fourth witness, thereafter seeking continuance. Court granted: next setting on April 14, 2026.

NGCP is the defendant in the case of Farnissah Nafissah N.A.T. Mogawan vs National Transmission and National Grid Corporation of the Philippines, docketed as Civil Case No. 25-8647 for Payment of Just Compensation before the Regional Trial Court of Iligan City. Plaintiff's prayed for the payment of just compensation based on the present valuation of the property amounting to Php92,916,000.00. Subject case was scheduled for pre-trial last December 17, 2025. However, counsel for the plaintiff manifested that they are not ready as they have not yet submitted their pre-trial brief and NGCPs retained counsel Atty. Edgardo Prospero manifested that defendant TRANSCO who is an indispensable party failed to appear and did not even submit a pre-trial brief. Hence, the court reset the pre-trial on February 4, 2026 ,8:00 am.

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 4<sup>th</sup> Regulatory Period (2016-2020). In the Application, NGCP proposed its Annual Revenue Requirement for the years 2016 to 2020 for the ERC's approval.

Section 4.6 of the 4<sup>th</sup> 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 5<sup>th</sup> 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 4<sup>th</sup> and 5<sup>th</sup> 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. On 20 August 2025, NGCP filed a Motion to Withdraw Petition citing the release of the ERC's 4<sup>th</sup> RP Final Determination, and NGCP's implementation of the same. The Supreme Court has yet to rule on or resolve the Motion to Withdraw Petition.

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 4<sup>th</sup> RP of NGCP:

|                              |          |
|------------------------------|----------|
| Net Efficiency Adjustment    | zero (0) |
| WACC                         | 11.33%   |
| CAPEX Determination Approach | As spent |

Subsequently, on April 15, 2025, ERC posted in its official website a Notice of Commission Action in relation to NGCP's 4<sup>th</sup> RP Revenue Application wherein the Honorable Commission resolved to approve the basic Maximum Allowable Revenue (MAR) adjustment (increase) of P0.0629/kWh, and an Under Recovery of P0.0384/kWh with a recovery period of eighty-four (84) months, and a MAR for 2016 to 2022 in the amount of P335.79 billion.

On 7 July 2024, NGCP received the ERC's Decision for the 4th Regulatory Period dated 11 April 2025, which included the release of the 4th RP FD and affirmed the figures stated in the Notice of Commission Action. The Transco and PSALM appealed the 11 April 2025 Decision with the Court of Appeals and the appeal is pending resolution.

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 August 30, 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.

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 administratively 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.

On 30 April 2025, NGCP received the ERC's Order dated 05 March 2025 where NGCP's Motion for Reconsideration challenging the ERC Order dated 25 June 2024 (denying its Motion for Confidential Treatment of its ROW Manual ) was denied. On 30 May 2025, NGCP filed a Petition for Review with the Court of Appeals challenging the above orders. The Petition for Review was dismissed by the Court of Appeals. Said dismissal is subject of NGCP's Motion for Reconsideration currently pending before the CA.

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 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.

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 Php78.89 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.

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.

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. On 20 August 2025, NGCP received a letter from Office of the City Legal Officer of Batangas demanding payment of delinquent RPT for the years 2009 to 2025 in the total amount of P28.42 million. Considering the number of properties to be verified (178 properties), OGC requested more time for the South Luzon O&M Team to complete the verification process. The Office of the City Legal Officer of Batangas informed OGC that the demand for payment sent to NGCP is to prompt compliance with the requirement to apply for exemption so that the subject properties may be removed by the City Assessor from the assessment roll. Further, the City Legal Officer of Batangas suggested NGCP to make partial submissions for application. Hence, on 30 October 2025, OGC filed a letter (covering 8 properties verified by South Luzon O&M Team) addressed to the Offices of the Legal Officer, Assessor and Treasurer of Batangas City to request the recognition of NGCP's exemption for payment of RPT. As of this writing, NGCP is yet to receive a response from said offices. With respect to the other properties, the same are still pending verification by South Luzon O&M for application for recognition of NGCP's exemption for payment of RPT.

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 P18.14 million, 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. On 19 June 2025, the RTC issued an Order denying the MR. Hence, NGCP filed an appeal by way of Petition for Review before the Court of Tax Appeals on 10 October 2025. On 23 February 2026, NGCP received the CTA Order noting that the Respondent failed to electronically file its Motion for Extension of Time to File Comment. For failure to strictly comply with the rules on electronic filing, the motion was deemed not filed. Accordingly, the case is now deemed submitted for decision.

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 4 September 2025, NGCP received Resolution from the CTA denying the MR of Quezon City for lack of merit.

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 ruled that NGCP is exempt from payment of local business tax, city tax, Mayor's Permit Fee, local franchise tax and other regulatory fees and charges pursuant to its legislative franchise (RA 9511) and ordered the cancellation of the assessment for said taxes, fees and charges in the amount of P22.27 million for calendar year 2022, declaring the same as 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 Motion for Reconsideration (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, before the Court of Tax Appeals, and the CTA ordered 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 May 2, 2025. On 04 August 2025, NGCP received a Minute Resolution dated 04 May 2025, indicating that this case is now deemed submitted for decision.

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 Php19.07 million which was paid under protest, Formal Offer of Evidence will be submitted before April 13, 2026.

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-23-045425-CV Branch 230 relative to the Appeal of Assessment and Claim for Refund of Business Tax for CY 2023 in the amount of P26.53 million. On 4 September 2025, RTC rendered a decision in favor of NGCP ordering the refund of the amount paid by NGCP. On 01 October 2025, the Respondent, Quezon City, filed a Motion for Reconsideration (MR). On 08 October 2025, NGCP filed its Comment/Opposition. The matter remains pending resolution of the MR filed by the Respondent.

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 05, 2024, a Petition was also filed before the RTC-QC Br. 226 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 Php26.50 million. On October 23, 2024, the Respondent QC raised the affirmative defense of estoppel which was denied in the Order of the Court dated May 8, 2025. The case was referred for mediation. However, on 21 October 2025, the parties failed to reach an agreement and consequently terminated the mediation proceedings. Thereafter, NGCP received the Court Order resetting the Judicial Dispute Resolution/ Pre-trial to 03 June 2026.

In Civil Case No. R-QZN-25-05150-CV Br. 224 (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 Php27.83 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. On 29 August 2025, respondent Quezon City filed an Answer to the Petition with Affirmative Defense of Prescription. On 12 September 2025, NGCP filed Comment (To the respondent's affirmative defense of prescription stated in their Answer dated 29 August 2025). On 07 November 2025, the Respondent's Affirmative Defenses in the Answer to the Petition were denied due to lack of merit. On February 23, 2026, the parties appeared before Court-Annexed Mediation. As no amicable settlement was reached, the matter was referred for Judicial Dispute Resolution on April 13, 2026.

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 February 26, 2026, NGCP obtained four thousand six hundred sixty (4,660) tax exemptions covering lands, buildings and machineries located in various cities, municipalities, provinces with assessed value in the total amount of Php12.32 billion.

As of February 26, 2026, NGCP has a total of ninety-seven (97) RPT, franchise and business tax cases pending before the LBAA, RTC, Municipal Trial Court in Cities (MTCC), the CTA, Court of Appeals (CA) and the Supreme Court, broken down as follows:

- (i) Real Property Tax cases:
  - a. Thirty-six (36) 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 P112.20 million (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 1.50 billion; and
  - c. Thirty-nine (39) cases with Payment Under Protest contesting the Statements of Account or Billings issued by the Local Treasurers in the total amount of P43.511 million.

(ii) Franchise/Business Tax Cases:

- a. 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 P171 million.

(iii) 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 April 11, 2025 in NGCP's 4<sup>th</sup> Regulatory Period Revenue Application (ERC Case No. 2022-089RC) received by NGCP on July 7, 2025, 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.

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. On October 18, 2024, NGCP filed a Motion for Reconsideration (MR). Subsequently, the Court of Appeals denied the MR based on its Resolution dated October 2, 2025, from which NGCP did not appeal.

As of December 29, 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 6,938, with the total estimated amount involved of P10.552 billion (based on provisional deposits).

f. Reclassification Cases

There are twenty-two (22) reclassification cases filed before the ERC, twelve (12) of which were filed by NGCP. However, this is a non-exhaustive list of reclassified assets since the ERC may also reclassify assets in other cases (i.e., Dispute Resolution, Point-To-Point, Sale of Sub transmission Assets, and Capital Expenditure Applications) when the assets 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.

It must also be noted that although the nature of reclassification cases do not require the approval of ERC for the purchase price, NGCP needs ERC's approval on its RAB to include payments equivalent to the corresponding fair market price of each asset. However, considering that only 8 of the reclassification cases were approved in NGCP's Fourth RP Final Determination and NGCP's Fifth RP Final Determination is yet to be issued, there are still no approved CAPEX for the acquisition of all other 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. On 7 May 2025, NGCP filed a with the Supreme Court challenging the decision of the Court of Appeals.

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.

On 03 October 2025, the CA issued a Decision in CA-G.R. SP No. 182330 granting NGCP's Petition declaring NGCP exempt from payment of permit fees. OSG filed a Motion for Reconsideration and NGCP filed a Comment thereto.

Likewise, on 03 December 2025, the CA issued a consolidated Decision for CA-G.R. SP No. 182314-182320, 182322-182327, 182329, 182456, and 182457 granting NGCP's Petitions and declaring NGCP exempt from payment of permit fees.

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 30<sup>th</sup> 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

While the ERC already issued NGCP's Final Determination for the 4th Regulatory Period, there are a total of two (2) NGCP separate CAPEX Applications that 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 Group.

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## 26. Taxes

### Income Tax

The components of income tax expense are shown below:

|           | 2025              | 2024       | 2023       |
|-----------|-------------------|------------|------------|
| Current   | <b>P962,101</b>   | P960,000   | P723,417   |
| Deferred  | <b>(17,768)</b>   | 26,267     | (56,947)   |
| Final tax | <b>5,094,525</b>  | 5,061,709  | 6,583,172  |
|           | <b>P6,038,858</b> | P6,047,976 | P7,249,642 |

Current income tax expense of the Group in 2025, 2024 and 2023 represents MCIT amounting to P962,101, P960,000 and P723,417 which was computed based on the new tax rate of 2%, 2% and 1.5%, respectively.

The reconciliation of the taxes computed at the statutory income tax rate to the taxes as shown in profit or loss follows:

|  | 2025                    | 2024            | 2023            |
|--|-------------------------|-----------------|-----------------|
| Income before income tax               | <b>P44,207,744,265</b>  | P17,356,306,632 | P23,375,379,609 |
| Tax on income at statutory tax rate    | <b>P11,051,936,066</b>  | P4,339,076,658  | P5,843,844,902  |
| Tax effects of:                        |                         |                 |                 |
| Movement in unrecognized deferred tax  | <b>(18,782,979)</b>     | 27,222,295      | 23,407,368      |
| Final tax on interest income           | <b>5,094,525</b>        | 5,061,709       | 6,583,172       |
| Nondeductible expense                  | <b>12,002,686</b>       | 52,588          | 404,712         |
| Interest income subjected to final tax | <b>(10,792,952)</b>     | (6,694,342)     | (8,481,575)     |
| Expiration of NOLCO                    | <b>40,935,207</b>       | -               | -               |
| Expiration of MCIT                     | <b>930</b>              | 220             | -               |
| Income subject to franchise tax        | <b>(11,074,354,625)</b> | (4,358,671,152) | (5,858,508,937) |
|  | <b>P6,038,858</b>       | 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:

|                       | 2025                | 2024         | 2023         |
|-----------------------|---------------------|--------------|--------------|
| NOLCO                 | <b>P482,379,210</b> | P559,934,647 | P454,100,787 |
| MCIT                  | <b>2,645,518</b>    | 2,164,559    | 1,324,779    |
| Accrued expenses      | -                   | 1,573,699    | 2,580,795    |
| Foreign exchange loss | -                   | -            | 5,212        |
|                       | <b>P485,024,728</b> | P563,672,905 | P458,011,573 |

As at December 31, 2025, 2024 and 2023, the movement in the Group's deferred tax liability is as follows:

|   | 2025            | 2024    | 2023     |
|---|-----------------|---------|----------|
| Beginning balance   | <b>P26,267</b>  | P -     | P56,947  |
| Deferred tax (reversal of deferred tax) on unrealized foreign exchange gain | <b>(17,768)</b> | 26,267  | (56,947) |
|   | <b>P8,499</b>   | P26,267 | P -      |

The Group has NOLCO that can be claimed as deduction from future taxable income as follows:

| Year Incurred | Expiry | Amount       | Expired        | Balance             |              |              |
|---------------|--------|--------------|----------------|---------------------|--------------|--------------|
|               |        |              |                | 2025                | 2024         | 2023         |
| 2020          | 2025*  | P69,372,730  | (P69,372,730)  | <b>P -</b>          | P69,372,730  | P69,372,730  |
| 2021          | 2026*  | 200,980,161  | -              | <b>200,980,161</b>  | 200,980,161  | 200,980,161  |
| 2022          | 2025   | 94,368,101   | (94,368,101)   | -                   | 94,368,101   | 94,368,101   |
| 2023          | 2026   | 88,998,745   | -              | <b>88,998,745</b>   | 88,998,745   | 89,379,795   |
| 2024          | 2027   | 106,214,910  | -              | <b>106,214,910</b>  | 106,214,910  | -            |
| 2025          | 2028   | 86,185,394   | -              | <b>86,185,394</b>   | -            | -            |
|               |        | P646,120,041 | (P163,740,831) | <b>P482,379,210</b> | P559,934,647 | 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 Incurred | Expiry | Amount     | Addition/ (Expired) | Balance           |            |            |
|---------------|--------|------------|---------------------|-------------------|------------|------------|
|               |        |            |                     | 2025              | 2024       | 2023       |
| 2021          | 2024   | P120,220   | (P120,220)          | <b>P -</b>        | P -        | 120,220    |
| 2022          | 2025   | 481,142    | (481,142)           | -                 | 481,142    | 481,142    |
| 2023          | 2026   | 723,417    | -                   | <b>723,417</b>    | 723,417    | 723,417    |
| 2024          | 2027   | 960,000    | -                   | <b>960,000</b>    | 960,000    | -          |
| 2025          | 2028   | -          | 962,101             | <b>962,101</b>    | -          | -          |
|               |        | P2,284,779 | P360,739            | <b>P2,645,518</b> | 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, the Company 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, 2025 and 2024, the related franchise tax expense amounted to P1.75 billion and P1.59 billion, respectively, which is part of miscellaneous expense in the “Other Charges - net” in the statement of comprehensive income. The remaining items on “Other Charges - net” are immaterial individually.

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## **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 (2<sup>nd</sup> RP) of January 1, 2006 to December 31, 2010 and for the Third Regulatory Period (3<sup>rd</sup> 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 4<sup>th</sup> 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 5<sup>th</sup> 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 5<sup>th</sup> 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 5<sup>th</sup> 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](http://www.erc.gov.ph), the Notice of Commission Action during the 1125<sup>th</sup> Regular Commission Meeting held on March 26, 2025 providing the overview of the Decision related to NGCP's 4<sup>th</sup> 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 4<sup>th</sup> 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 3<sup>rd</sup> Special Commission Meeting No. 03-2025 held on April 11, 2025 providing the overview of the Decision related to the NGCP 4<sup>th</sup> 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 PhP0.0629/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 P0.1013/kWh. The computed MAR for the lapsed period is equivalent to P335.79 billion.

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 4<sup>th</sup> Regulatory Period Revenue Reset Application. In the said Decision, the ERC approved NGCP's 2016-2022 Annual Revenue Requirement (ARR) in the amount of P335.79 billion. The ERC also directed NGCP to collect, as a separate line item in the power bill of transmission customers, an Under Recovery of P28.30 billion, with an equivalent rate of P0.0384/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, “*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 PhP28.29-Billion under-recoveries. The total average increase of PhP0.1013 per kilowatt-hour (kWh) in transmission charges is the sum of the average increase of PhP0.0629/kWh in the basic transmission charge resulting from the higher MAR and PhP0.0384/kWh for the under-recovered portion (to be collected over 84 months).*”

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 PhP58,100.01Mn. The incremental increase in revenue from the currently implemented interim MAR of PhP51,471.13Mn is anticipated to result in an increase in transmission rates by PhP0.0629/kWh. This, along with the 4th RP-approved “Under Recovery 2016 - 2022” of PhP0.0384/kWh translates to a total indicative increase of PhP0.1013/kWh.

With the foregoing, ERC has authorized NGCP to bill the PhP58,100.01Mn as its MAR for 2025 and the “Under-recovery 2016-2022” of PhP28,296.88Mn with the fixed rate of PhP0.0384/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.

On July 22, 2025, NGCP filed a Motion for Partial Reconsideration (with Manifestation) on ERC Case No. 2022-089RC which was resolved by the ERC in an Order promulgated on October 29, 2025. In the said Order, the ERC approved the following: (1) provision of ARR and RAB Roll-forward computation, subject to the observance of appropriate confidentiality safeguards; (2) provision of the detailed computation and derivation of the Building Block components for (i) Transferred Assets, (ii) Found Assets, (iii) Optimized Assets, including the corresponding detailed information and breakdowns of: (i) 2016-2022 approved CAPEX, and (ii) 2016 Opening RAB, subject to the observance of appropriate confidentiality safeguards; (3) recognition of the 31 projects with a total amount of P16.10 billion which were not included in the computation of the RAB in the 4th RP FD, but shall only be considered for inclusion as adjustments to the RAB in the next RP reset; (4) recognition of the additional Return of Capital in the amount of P1.62 billion, but such correction or adjustment shall be considered in the next RP reset; (5) reconsideration on the unrecouped portion of the 2RP NEA, determined in the 3RP, subject to the results of the ERC’s further verification and validation; and (6) re-computation of the 2015 NPI based on the 4RP FD 2016 ARR, the recomputed and validated amount, once confirmed, shall be reflected as part of NGCP’s allowable revenue in the next RP reset. In the same Order, the ERC confirmed the following: (1) NGCP’s MAR for 2025 amounts to P58.10 billion; (2) under recovery of P28.30 billion with the fixed rate of P0.0384/kWh to be collected in 84 months or until such time that the amount is fully recovered; (3) commencement of billing the authorized 2025 MAR and under recovery to Transmission Customers effective July 2025 billing month.

In an Order, under ERC Case No. 2023-025RC, promulgated on October 8, 2025, the ERC set a Clarificatory Hearing on October 20 and 22, 2025 and directed NGCP to prepare response to the ERC's clarificatory questions. NGCP submitted its Compliance dated October 15, 2025.

In a Notice, under ERC Case No. 2023-025RC, promulgated on 11 November 2025, the ERC posted, for comments of the interested parties, the Final Report of the ERC's Consultant, NCL Power Consulting Corporation (NCL) entitled, "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 Calendar Years (CY) 2009 to 2023, dated 14 May 2025". NGCP submitted its comments before the ERC dated November 24, 2025.

In the ERC Decision on ERC Case No. 2023-025RC on *NGCP's Application for the Approval of the Maximum Annual Revenue for the 5<sup>th</sup> Regulatory Period (5<sup>th</sup> RP) covering the years 2023 to 2027*, which was promulgated on 30 January 2026, the ERC approved NGCP's Annual Revenue Requirement (ARR) covering 2023 to 2027 in the total amount of P374.98 billion or a total Smoothed Maximum Allowable Revenue (SMAR) of P376.42 billion. Furthermore, NGCP was directed by the ERC to implement the MAR for RY 2023 in the amount of P63.45 billion starting 01 August 2026 until otherwise directed by the ERC.

#### *Regulated Entity*

At the time the ERC issued its Final Determination for the 2<sup>nd</sup> 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 3<sup>rd</sup> 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 iMAR<sub>2016</sub> of P41.65 billion consistent with Module F of the 2006 Revised Open Access Transmission Service (OATS) Rules. As for the iMAR<sub>2016</sub> differential of P2.14 billion, following the ERC Order dated December 19, 2016, this was collected by NGCP in 2017. The approved iMAR<sub>2016</sub> 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 iMAR<sub>2020</sub> in the amount of P47.05 billion, an increase of P3.26 billion from the iMAR<sub>2016</sub> 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 iMAR<sub>2020</sub>. As a result, there was an unbilled iMAR<sub>2020</sub> differential in the amount of P2.96 billion.

In October 2021, NGCP filed a Reiteratory Motion for Implementation of iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> Application and approving an iMAR<sub>2020</sub> of P51.47 billion. Moreover, the Commission directed the implementation of the approved iMAR<sub>2020</sub> in the next billing cycle and required the submission of NGCP's proposed recovery scheme on the unbilled iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub> 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 iMAR<sub>2020</sub>.

Following ERC's issuance of its Decision and the Final Determination on NGCP's 4<sup>th</sup> 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 P58.10 billion as its MAR for 2025 and the "Under-recovery 2016-2022" of P28.30 billion with the fixed rate of P0.0384/kWh to be collected in 84 months or until such time the amount is fully recovered.

NGCP commenced 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 was then billed by Distribution Utilities (DUs) to their customers in August 2025.

In the ERC Decision on ERC Case No. 2023-025RC, the ERC approved NGCP's ARR for the 5<sup>th</sup> RP covering 2023 to 2027 in the total amount of P374.98 billion or a total SMAR of P376.42 billion. Furthermore, NGCP was directed by the ERC to implement the MAR for RY 2023 in the amount of Php63,449.70Mn starting 01 August 2026 until otherwise directed by the ERC.

*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 3<sup>rd</sup> RP considered only, among others, inclusions of TRANSCO of the supervision and permit fees relating to its 2<sup>nd</sup> RP capital expenditures (CAPEX). However, instead of allowing its recovery as part of the OPEX for the 3<sup>rd</sup> RP, ERC deemed it more appropriate to treat it as an adjustment to the 3<sup>rd</sup> RP Revenue Requirement of NGCP thru the OPEX Efficiency Adjustment (OEA).

In Section 5.26 of Final Determination for the 3<sup>rd</sup> 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 3<sup>rd</sup> RP and is to be the subject of an ex-post prudency review during the 4<sup>th</sup> 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 4<sup>th</sup> RP and 5<sup>th</sup> 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.

Following the receipt of ERC's Decision on NGCP's 4th and 5th RP Applications, the ERC approved the CAPEX levels for the 4th and 5th RP, as provided in the Final Determination, in the amount of P187.77 billion (inclusive of Asset Acquisition and FME) and PhP182.34 billion, respectively.

Furthermore, in ERC's Decision for the 5th RP, the ERC approved additional 16 projects and the FME CAPEX for Typhoon Yolanda with a total amount of PhP13.44 billion and P930.73 million, respectively.

The ERC-approved OPEX for the 4th and 5th RP, as provided in the Final Determination, amount to P59.53 billion and PhP67.70 billion, respectively.

#### *Operational Meals and Consumables*

Operational Meals and Consumables refer to an expense account to record the costs of internal organizational meals consumed in direct connection with operation necessities that directly support transmission service delivery. The account covers meals essentially needed on events including but not limited to operation planning of maintenance activities prior to planned shutdown of equipment and transmission lines to ensure efficiency and safety; conduct of major maintenance activities; coordination meetings for the implementation of critical projects; scheduled management meetings related to status of targets, key performance indicators and areas for improvement; procurement; vendor monitoring and claims settlement to maintain performance standards and healthy relationship; logistics and facility support; and regulatory compliances that directly support transmission service delivery

#### *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 4<sup>th</sup> RP and 5<sup>th</sup> RP, which should provide, among others the WACC approved by the ERC for the years 2016 to 2020, as stated in Note 20, 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 iMAR<sub>2020</sub> Application and approving an iMAR<sub>2020</sub> of P51.47 billion effective January 2020 until a new transmission revenue has been determined.

The ERC-approved WACC for the 4<sup>th</sup> and 5<sup>th</sup> RP, as provided in the Final Determination, were 11.33% and 11.74%, respectively.

#### *Other Taxes*

As stated in the 3<sup>rd</sup> 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 P1.29 billion and P6.62 million, respectively as at December 31, 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 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 4<sup>th</sup> 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 4<sup>th</sup> RP. Hence, no implementation of the PIS for the 4<sup>th</sup> RP. Nonetheless, the ERC approved a net PIS under recovery for the following 3RP calendar years of 2012, 2013, and 2014 in the amount of P660.23 million to be recovered as part of the Under Recovery 2016-2022 of P28.30 billion

In the 5<sup>th</sup> RP Final Determination, the ERC approved the following PIS parameters: (1) System Interruption Severity Index (SISI), (2) Frequency of Tripping per 100 ckt-km (FOT), (3) System Availability (SA), (4) Frequency Limit Compliance (FLC), (5) Voltage Limit Compliance (VLC), and (6) Average Forced Outage Duration (AFOD).

#### *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 3<sup>rd</sup> 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 4<sup>th</sup> RP Final Determination, the ERC approved under-recoveries relating to the error in the computation of the 3<sup>rd</sup> RP rate arrears of MOPRECO and NORSAMELCO in the amount of P637.18 million.

*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 XI of the 2022 Amended 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, 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.

In summary, of the 29 FME cases filed with the ERC from 2009 to 2025, three (3) FME cases have already been approved and billed, two (2) FME cases are for decision by ERC, one (1) FME case has been approved and is currently for filing of the required compliance on said case, one (1) FME case has been approved with resolved Motion for Reconsideration, and twenty two (22) FME cases are pending for ERC Resolution of NGCP's Motions.

Twenty (20) of these 29 filed FME cases have been included in NGCP's 4th RP Revenue Application, seventeen (17) of which were approved in the 4th RP Final Determination with an approved total FME CAPEX of PhP249.86Million, while one (1) of which was approved in the 5th RP Final Determination with an approved total FME CAPEX of PhP930.73Million.

*Excluded Services or Connection Services and Residual Sub-transmission Services (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 Service 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 3<sup>rd</sup> 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:

| <b>Year</b> | <b>Acquiring Distribution Utility</b>                    | <b>Assets Acquired</b>   |
|-------------|--|--|
| 2016        | Zamboanga City Electric Cooperative, Inc. (ZAMCELCO)     | Putik Lateral 69 kV line<br>Recodo Lateral 69 69 kV line<br>Pitogo-Tulungatung 69 kV line<br>Pitogo-San Jose Gusu 69 kV line   |
| 2017        | Ilocos Norte Electric Cooperative, Inc. (INEC)           | Currimao - San Nicolas 69kV<br>San Nicolas - Laoag 69kV<br>Laoag - Sarrat 69kV<br>Sarrat - Marcos 69kV<br>Sarrat - Piddig 69kV   |
|             | Central Pangasinan Electric Cooperative, Inc. (CENPELCO) | Mangaldan Bari S/S Site Establishment<br>Transformer, two winding, 5 MVA 69/13.8 kV<br>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<br>TMX/STR #20 MEPZ loadend S/S 69kV<br>Mactan Loadend S/S #3 69kV<br>MECO S/S 31 MECO S/S #3 69kV<br>GIS-MECO S/S #2 69kV<br>GIS 69kV<br>Mactan Loadend S/S-Mulle Osmena 69kV<br>Mactan-PAF 13.8kV<br>Mandaue-Mactan Power Cable 69kV |
| 2018        | Cotabato Electric Cooperative (COTELCO)                  | Tacurong-Kidapawan 69kV<br>Kidapawan-Mto. Apo 69kV<br>Kidapawan-Matalam 69kV   |
|             | Iligan Light and Power Co. (ILPI)                        | Agus 6-Swyd-NSC L2 69kV Line<br>Kiwalan-ICC 69kV Line<br>Overton-ILPI 13.8kV Line<br>Kiwalan-PFC 69kV Line<br>Agus 6-Swyd-NSC L1   |
| 2019        | La Union Electric Company, Inc. (LUECO)                  | Bauang-Poro 69kV line  |

|      |   |  |
|------|---|--|
| 2020 | Manila Electric Company (MERALCO)                   | <p><b>Batch 2</b><br/> Makban-Los Banos 69kV line<br/> Makban-Calamba 69kV line Portion<br/> Calamba-CSE 13.8kV line<br/> Los Banos-IRRI/ERDB/PPRDI 13.8kV<br/> Calamba S/S Eqpt., 10 MVA transformer<br/> Los Banos S/S Eqpt., 2x10MVA transformer<br/> Makban S/S termination Eqpt.</p> <p><b>Batch 4</b><br/> Tayabas 115kV Switchyard incl. 100 MVA Transformer<br/> Transformer (T1) - two winding 100MVA<br/> 1 - 115kV Power Circuit Breaker<br/> 6 - 115kV Current Transformer<br/> 4 - 115kV Voltage Transformer<br/> Site Establishment - Type 3-115<br/> 1 - Switch Bay 115kV with 1 CB Feeder<br/> 1 - Switch Bay 115kV with 1 CB Feeder Protection<br/> Ternate S/S Equipment, incl. 50MVA Transformer<br/> Transformer (T3) - two winding 50MVA<br/> 3 - 115kV Power Circuit Breaker<br/> 2 - 34.5kV Power Circuit Breaker<br/> 3 - 34.5kV Potential Transformer<br/> Ancillaries - 115kV<br/> Site Establishment - Type 3-115<br/> Site Establishment - Type 2-69<br/> 1 - Switchbay 115kV 1 &amp; 1/2 bay with 3 CB<br/> 1 - Switchbay 115kV 1 &amp; 1/2 bay with 3 CB Protection<br/> 2 - Switchbay 34.5kV with 1 CB Feeder<br/> 2 - Switchbay 34.5kV with 1 CB Feeder Protection</p> |
| 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.

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## **28. Events After Reporting Period**

### Dividends

On March 23, 2026, the Parent Company received dividends from its non-voting preferred shares in NGCP amounting to P369.60 million and a total of 1.44 billion from OTHI and P21 common shares on March 26, 2026. On March 27, 2026, the BOD of the Parent Company approved the declaration of P0.3474 cash dividends per share for the 1st quarter of 2026 amounting to P1.83 billion. These cash dividends will be paid to shareholders of record as of April 15, 2026 on May 4, 2026.

### Middle East War

In February 2026, geopolitical tensions escalated into an armed conflict between the United States and Iran, resulting in significant disruptions in global energy markets and economic conditions.

The conflict has led to constrained global fuel supply triggering increased volatility in global oil prices, critical supply chain disruptions, transportation and inflationary pressures, particularly affecting oil-importing countries such as the Philippines. These developments have contributed to higher fuel and electricity costs, foreign exchange fluctuations, broader economic uncertainty and posing risks to its energy security.

In response, the Philippine government declared a state national energy emergency under Executive Order 110 to address potential disruption in fuel supply and stabilize the energy sector.

As of the reporting date, Management has not identified any impact arising from the geopolitical conflict; however, it continues to monitor developments and assess potential future implications.

As these events occurred after the reporting date of December 31, 2025, they are considered non-adjusting subsequent events for the Group. Accordingly, no adjustments have been made to the amounts recognized in the financial statements.

# R.G. Manabat & Co.



R.G. Manabat & Co.  
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Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## **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, 2025 and 2024 and each of the three years in the period ended December 31, 2025, on which we have rendered our report dated April 13, 2026.

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  
BSP Selected EAs of BSFIs-Group A, valid for five (5) years covering the audit of 2025 to 2029  
financial statements under BSP Letter No. FSD VI-2025-02-0054g-FSD6L-External

# R.G. Manabat & Co.



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.**

A handwritten signature in black ink, appearing to read 'Myra Liza S. Sto. Tomas'.

MYRA LIZA S. STO. TOMAS

Partner

CPA License No. 0118513

SEC Accreditation No. 118513-SEC, Group A, valid for five (5) years  
covering the audit of 2023 to 2027 financial statements

Tax Identification No. 249-271-374

BIR Accreditation No. 08-001987-055-2023

Issued March 10, 2023; valid until March 10, 2026\*

PTR No. MKT 10764415

Issued January 5, 2026 at Makati City

*\*BIR application processed*

April 13, 2026

Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2025**

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**  
Unit 1602, 16th Floor Tycoon Center Bldg. Condominium,  
Pearl Drive Pasig City, Metro Manila

|   |               |                        |
|---|---------------|------------------------|
| <b>Unappropriated Retained Earnings, beginning of the reporting period</b>  |               | <b>P317,385,728</b>    |
| <b>Add: Category A: Items that are directly credited to Unappropriated Retained Earnings</b>  |               |                        |
| Reversal of Retained Earnings Appropriation/s   | P -           |                        |
| Effect of restatements or prior-period adjustments  | -             |                        |
| Others (describe nature)  | -             | -                      |
| <b>Less: Category B: Items that are directly debited to Unappropriated Retained Earnings</b>  |               |                        |
| Dividend declaration during the reporting period  | 3,658,723,696 |                        |
| Retained Earnings appropriated during the reporting period  | -             |                        |
| Effects of restatements or prior-period adjustments   | -             |                        |
| Others (describe nature)  | -             | <b>3,658,723,696</b>   |
| <b>Unappropriated Retained Earnings, as adjusted</b>  |               | <b>(3,341,337,968)</b> |
| <b>Add/Less: Net Income (loss) for the current year</b>   |               | <b>3,572,112,758</b>   |
| <b>Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>                            |               |                        |
| 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) | -             |                        |
| <b>Sub-total</b>  |               | <b>-</b>               |

*Forward*

|  |     |                    |
|--|-----|--------------------|
| <b>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)</b>                  |     |                    |
| 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  |     | <b>P -</b>         |
| <b>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)</b>                      |     |                    |
| 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  |     | -                  |
| <b>Adjusted Net Income/Loss</b>  |     | <b>230,774,790</b> |
| <b>Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)</b>  |     |                    |
| Depreciation on revaluation increment (after tax)  | -   |                    |
| Sub-total  |     | -                  |
| <b>Add/Less: Category E: Adjustment related to relief granted by the SEC and BSP</b>   |     |                    |
| Amortization of the effect of reporting relief   | -   |                    |
| Total amount of reporting relief granted during the year   | -   |                    |
| Others (describe nature)   | -   |                    |
| Sub-total  |     | -                  |

Forward

| <b>Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution</b>   |                     |
|--|---------------------|
| 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  | <b>P -</b>          |
| <b>Total Retained Earnings, end of the reporting period available for dividend</b>   | <b>P230,774,790</b> |

**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                 | P37,266                        | P1,380,000            | P30,000                | P -                       | P1,387,266          | P -         | P1,387,266               |
| Due From Officers and Employees    | 5,496,354                      | 20,751,797            | 19,990,764             | -                         | 6,257,387           | -           | 6,257,387                |
| Advances to Officers and Employees | 70,227,576                     | 1,083,468,543         | 1,053,712,043          | -                         | 99,984,076          | -           | 99,984,076               |
| <b>Total</b>                       | <b>P75,761,196</b>             | <b>P1,105,600,340</b> | <b>P1,073,732,807</b>  | <b>P -</b>                | <b>P107,628,729</b> | <b>P -</b>  | <b>P107,628,729</b>      |

**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**

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| 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  | P53,377,747,726        | (P13,809,112,689)            | P -                       | P -  | P465,113,763,069 |

**SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES**

**SCHEDULE E. LONG TERM DEBT**

| <b>Title of Issue and type of obligation (i)</b> | <b>Lender</b>  | <b>Outstanding Balance</b> | <b>Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)</b> | <b>Amount shown under caption "Long-Term Debt" in related balance sheet (iii)</b> | <b>Interest Rates</b> | <b>Number of Periodic Installments</b> |
|--|--|----------------------------|---|---|-----------------------|--|
| Long Term Debt                                   | BDO Unibank, Inc., Land Bank of the Philippines, Philippine National Bank , Security Bank Corporation, Union Bank of the Philippines | P5,100,000,000             | P5,100,000,000  | P -   | 5.0657%               | 10 years; Semi-annual                  |
| Long Term Debt                                   | PHILIPPINE NATIONAL BANK   | 2,000,000,000              | 500,000,000   | 1,500,000,000   | 7.4767%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.  | 4,000,000,000              | 1,000,000,000   | 3,000,000,000   | 7.5787%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | LAND BANK OF THE PHILIPPINES   | 2,250,000,000              | 500,000,000   | 1,750,000,000   | 6.2102%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | CHINA BANKING CORPORATION  | 3,500,000,000              | 700,000,000   | 2,800,000,000   | 6.4825%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BANK OF COMMERCE   | 1,900,000,000              | 380,000,000   | 1,520,000,000   | 7.2597%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BANK OF THE PHILIPPINE ISLANDS   | 2,500,000,000              | 500,000,000   | 2,000,000,000   | 6.6242%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | CHINA BANKING CORPORATION  | 2,750,000,000              | 500,000,000   | 2,250,000,000   | 7.1926%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | PHILIPPINE NATIONAL BANK   | 2,750,000,000              | 500,000,000   | 2,250,000,000   | 7.5281%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | SECURITY BANK CORPORATION  | 1,100,000,000              | 200,000,000   | 900,000,000   | 7.5281%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.  | 6,000,000,000              | 1,000,000,000   | 5,000,000,000   | 5.0152%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.  | 3,000,000,000              | 500,000,000   | 2,500,000,000   | 5.0152%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | LAND BANK OF THE PHILIPPINES   | 1,680,000,000              | 280,000,000   | 1,400,000,000   | 6.9785%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | LAND BANK OF THE PHILIPPINES   | 2,730,000,000              | 420,000,000   | 2,310,000,000   | 4.8424%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.  | 3,280,000,000              | 440,000,000   | 2,840,000,000   | 7.0219%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | CHINA BANKING CORPORATION  | 2,610,000,000              | 300,000,000   | 2,310,000,000   | 6.9539%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.  | 4,920,000,000              | 660,000,000   | 4,260,000,000   | 7.0219%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | SECURITY BANK CORPORATION  | 3,620,000,000              | 340,000,000   | 3,280,000,000   | 4.9859%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | PHILIPPINE NATIONAL BANK   | 500,000,000                | 500,000,000   | -   | 4.8684%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | CHINA BANKING CORPORATION  | 2,610,000,000              | 300,000,000   | 2,310,000,000   | 6.9539%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.  | 4,700,000,000              | 350,000,000   | 4,350,000,000   | 4.0404%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.  | 5,640,000,000              | 420,000,000   | 5,220,000,000   | 4.0404%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.  | 3,760,000,000              | 280,000,000   | 3,480,000,000   | 4.7815%               | 10 years ; Semi-Annual                 |

| <b>Title of Issue and type of obligation (i)</b> | <b>Lender</b>                     | <b>Outstanding Balance</b> | <b>Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)</b> | <b>Amount shown under caption "Long-Term Debt" in related balance sheet (iii)</b> | <b>Interest Rates</b> | <b>Number of Periodic Installments</b> |
|--|-----------------------------------|----------------------------|---|---|-----------------------|--|
| Long Term Debt                                   | BANK OF CHINA LIMITED             | P2,500,000,000             | P2,500,000,000  | P -   | 6.7899%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | BDO UNIBANK, INC.                 | 5,546,000,000              | 413,000,000   | 5,133,000,000   | 5.0514%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | SECURITY BANK CORPORATION         | 4,775,000,000              | 250,000,000   | 4,525,000,000   | 5.7040%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | LAND BANK OF THE PHILIPPINES      | 4,775,000,000              | 250,000,000   | 4,525,000,000   | 6.1294%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | LAND BANK OF THE PHILIPPINES      | 4,775,000,000              | 250,000,000   | 4,525,000,000   | 6.1294%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BANK OF COMMERCE                  | 3,104,000,000              | 96,000,000  | 3,008,000,000   | 6.8404%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | CHINA BANKING CORPORATION         | 1,358,000,000              | 42,000,000  | 1,316,000,000   | 6.8281%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | MIZUHO BANK, LTD. - MANILA BRANCH | 2,089,150,000              | 1,044,340,000   | 1,044,810,000   | 7.3000%               | 5 years ; Quarterly                    |
| Long Term Debt                                   | CHINA BANKING CORPORATION         | 1,261,000,000              | 39,000,000  | 1,222,000,000   | 7.2172%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | MUFG BANK, LTD.                   | 4,140,000,000              | 920,000,000   | 3,220,000,000   | 7.5400%               | 7 Years ; Semi-Annual                  |
| Long Term Debt                                   | CHINA BANKING CORPORATION         | 3,201,000,000              | 99,000,000  | 3,102,000,000   | 6.9781%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.                 | 4,875,000,000              | 100,000,000   | 4,775,000,000   | 6.8124%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | PHILIPPINE NATIONAL BANK          | 4,875,000,000              | 100,000,000   | 4,775,000,000   | 6.7591%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.                 | 7,800,000,000              | 160,000,000   | 7,640,000,000   | 6.8124%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.                 | 6,825,000,000              | 140,000,000   | 6,685,000,000   | 7.1408%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | METROPOLITAN BANK AND TRUST CO.   | 3,000,000,000              | 1,000,000,000   | 2,000,000,000   | 7.2309%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | MUFG BANK, LTD.                   | 1,500,000,000              | 300,000,000   | 1,200,000,000   | 7.2970%               | 7 Years ; Semi-Annual                  |
| Long Term Debt                                   | BDO UNIBANK, INC.                 | 2,632,500,000              | 54,000,000  | 2,578,500,000   | 7.1117%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | BDO UNIBANK, INC.                 | 2,242,500,000              | 46,000,000  | 2,196,500,000   | 7.1117%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | CHINA BANKING CORPORATION         | 4,900,000,000              | 50,000,000  | 4,850,000,000   | 6.7847%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | LAND BANK OF THE PHILIPPINES      | 3,940,000,000              | 40,000,000  | 3,900,000,000   | 6.9044%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | LAND BANK OF THE PHILIPPINES      | 7,880,000,000              | 80,000,000  | 7,800,000,000   | 6.9328%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | LAND BANK OF THE PHILIPPINES      | 2,955,000,000              | 30,000,000  | 2,925,000,000   | 7.0097%               | 10 years ; Semi-Annual                 |
| Long Term Debt                                   | METROPOLITAN BANK AND TRUST CO.   | 3,500,000,000              | 1,000,000,000   | 2,500,000,000   | 7.2162%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | PHILIPPINE NATIONAL BANK          | 5,000,000,000              | 500,000,000   | 4,500,000,000   | 7.3080%               | 7 years ; Semi-Annual                  |
| Long Term Debt                                   | BDO UNIBANK, INC.                 | 11,400,000,000             | 1,200,000,000   | 10,200,000,000  | 6.7864%               | 8 years ; Semi-Annual                  |
| Long Term Debt                                   | SECURITY BANK CORPORATION         | 2,970,000,000              | 90,000,000  | 2,880,000,000   | 6.4222%               | 7 years ; Semi-Annual                  |
| Long Term Debt                                   | ASIA UNITED BANK CORPORATION      | 3,000,000,000              | 750,000,000   | 2,250,000,000   | 6.2504%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | SECURITY BANK CORPORATION         | 5,445,000,000              | 165,000,000   | 5,280,000,000   | 6.4222%               | 7 years ; Semi-Annual                  |
| Long Term Debt                                   | BDO UNIBANK, INC.                 | 1,425,000,000              | 150,000,000   | 1,275,000,000   | 6.7864%               | 8 years ; Semi-Annual                  |
| Long Term Debt                                   | SECURITY BANK CORPORATION         | 1,485,000,000              | 45,000,000  | 1,440,000,000   | 6.4222%               | 7 years ; Semi-Annual                  |

| <b>Title of Issue and type of obligation (i)</b> | <b>Lender</b>                       | <b>Outstanding Balance</b> | <b>Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)</b> | <b>Amount shown under caption "Long-Term Debt" in related balance sheet (iii)</b> | <b>Interest Rates</b> | <b>Number of Periodic Installments</b> |
|--|-------------------------------------|----------------------------|---|---|-----------------------|--|
| Long Term Debt                                   | ASIA UNITED BANK CORPORATION        | P5,000,000,000             | P1,250,000,000  | P3,750,000,000  | 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              | 500,000,000   | 1,500,000,000   | 6.5622%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | BDO UNIBANK, INC.                   | 3,800,000,000              | 400,000,000   | 3,400,000,000   | 6.7213%               | 8 years ; Semi-Annual                  |
| Long Term Debt                                   | BDO UNIBANK, INC.                   | 7,125,000,000              | 750,000,000   | 6,375,000,000   | 6.8191%               | 8 years ; Semi-Annual                  |
| Long Term Debt                                   | PHILIPPINE NATIONAL BANK            | 7,000,000,000              | 350,000,000   | 6,650,000,000   | 6.6485%               | 8 years ; Semi-Annual                  |
| Long Term Debt                                   | SUMITOMO MITSUI BANKING CORPORATION | 3,000,000,000              | 300,000,000   | 2,700,000,000   | 6.6450%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | CHINA BANKING CORPORATION           | 5,000,000,000              | 250,000,000   | 4,750,000,000   | 6.5063%               | 8 years ; Semi-Annual                  |
| Long Term Debt                                   | METROPOLITAN BANK AND TRUST CO.     | 5,000,000,000              | 1,000,000,000   | 4,000,000,000   | 6.5651%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | METROPOLITAN BANK AND TRUST CO.     | 3,000,000,000              | 600,000,000   | 2,400,000,000   | 6.4141%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | BANK OF COMMERCE                    | 2,500,000,000              | 125,000,000   | 2,375,000,000   | 6.3327%               | 8 years ; Semi-Annual                  |
| Long Term Debt                                   | METROPOLITAN BANK AND TRUST CO.     | 2,000,000,000              | 400,000,000   | 1,600,000,000   | 6.1461%               | 5 years ; Semi-Annual                  |
| Long Term Debt                                   | ASIA UNITED BANK CORPORATION        | 5,000,000,000              | -   | 5,000,000,000   | 6.2875%               | 7 years ; Semi-Annual                  |
|  | <b>Totals</b>                       | <b>250,999,150,000</b>     | <b>33,498,340,000</b>   | <b>217,500,810,000</b>  |                       |  |

**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**

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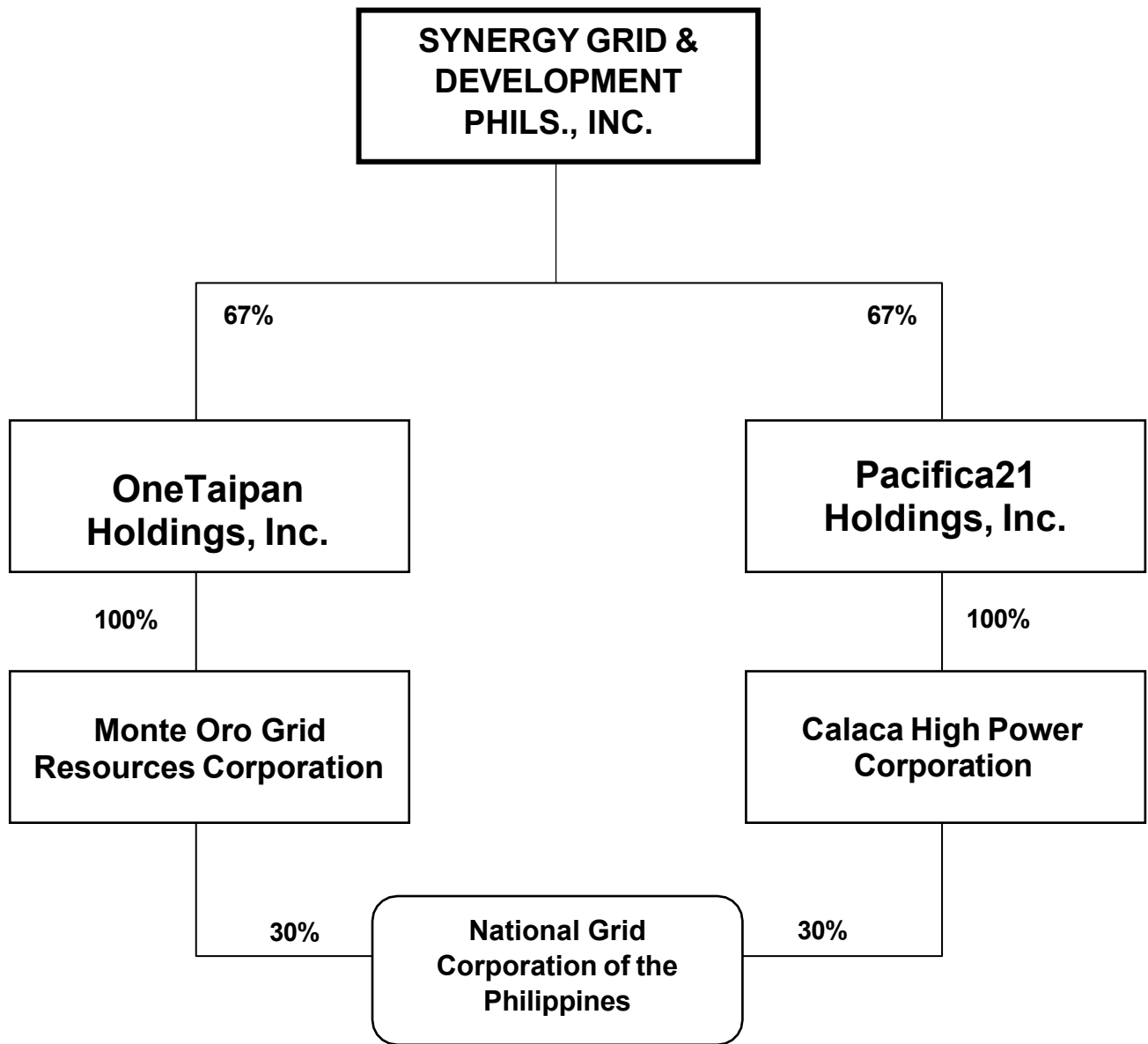
| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding (i) | Amount owned by person for which statement is filed | Nature of guarantee (ii) |
|--|---|---|---|--------------------------|
|--|---|---|---|--------------------------|

**NOT APPLICABLE**

**SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES****SCHEDULE H. CAPITAL STOCK**

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| 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      | <b>5,300,000,000</b>        | <b>P5,265,866,000</b>  | <b>P -</b>   | <b>P -</b>                              | <b>P4,100,732,771</b>             | <b>P1,165,133,229</b> |



# R.G. Manabat & Co.



R.G. Manabat & Co.  
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Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto: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, 2025 and 2024 and each of the three years in the period ended December 31, 2025, on which we have rendered our report dated April 13, 2026.

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  
BSP Selected EAs of BSFIs-Group A, valid for five (5) years covering the audit of 2025 to 2029 financial statements under BSP Letter No. FSD VI-2025-02-0054g-FSD6L-External

# R.G. Manabat & Co.



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, 2025 and 2024 and each of the three years in the period ended December 31, 2025, and no material exceptions were noted.

## R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'Myra Liza S. Sto. Tomas'.

MYRA LIZA S. STO. TOMAS  
Partner

CPA License No. 0118513

SEC Accreditation No. 118513-SEC, Group A, valid for five (5) years  
covering the audit of 2023 to 2027 financial statements

Tax Identification No. 249-271-374

BIR Accreditation No. 08-001987-055-2023

Issued March 10, 2023; valid until March 10, 2026\*

PTR No. MKT 10764415

Issued January 5, 2026 at Makati City

*\*BIR application processed*

April 13, 2026  
Makati City, Metro Manila

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

**SYNERGY GRID & DEVELOPMENT PHILS., INC. & SUBSIDIARIES**

As of December 31, 2025

| <b>Ratios</b>                | <b>Formula</b>   | <b>Current Period</b> | <b>Prior Year</b> |
|------------------------------|--|-----------------------|-------------------|
| Current ratio                | $\frac{\text{Current assets}}{\text{Current liabilities}}$   | <b>0.46</b>           | <b>0.48</b>       |
| Acid test ratio              | $\frac{\text{Cash and cash equivalents+ marketable securities+accounts receivable}}{\text{Current liabilities}}$ | <b>0.27</b>           | <b>0.23</b>       |
| Solvency ratio               | $\frac{\text{Total assets}}{\text{Total liabilities}}$   | <b>1.55</b>           | <b>1.49</b>       |
| Debt-to-equity ratio         | $\frac{\text{Total liabilities}}{\text{Equity}}$   | <b>1.81</b>           | <b>2.04</b>       |
| Asset-to-equity ratio        | $\frac{\text{Total assets}}{\text{Equity}}$  | <b>2.81</b>           | <b>3.04</b>       |
| Interest rate coverage ratio | $\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$  | <b>5.23</b>           | <b>3.17</b>       |
| Return on equity             | $\frac{\text{Net Income}}{\text{Equity}}$  | <b>0.16</b>           | <b>0.07</b>       |
| Return on assets             | $\frac{\text{Net Income}}{\text{Average total assets}}$  | <b>0.08</b>           | <b>0.04</b>       |
| Net profit margin            | $\frac{\text{Net Income}}{\text{Net sales}}$   | <b>0.52</b>           | <b>0.33</b>       |

**SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES  
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED  
INFORMATION**

**December 31, 2025 and 2024**

|                                       | <b>2025</b>        | 2024        |
|---------------------------------------|--------------------|-------------|
| <b>Total audit fees</b>               | <b>P11,470,088</b> | P11,131,660 |
| <b>Non-audit Service Fees:</b>        |                    |             |
| Other assurance services              | <b>549,107</b>     | 535,714     |
| All other services                    | <b>274,554</b>     | 267,857     |
| <b>Total Non-audit Fees</b>           | <b>823,661</b>     | 803,571     |
| <b>Total Audit and Non-audit Fees</b> | <b>P12,293,749</b> | P11,935,231 |