



SECURITIES AND EXCHANGE COMMISSION

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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S	U	B	S	I	D	I	A	R	I	E	S																		

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

L	O	P	E	Z		B	U	I	L	D	I	N	G	,		O	R	T	I	G	A	S		A	V	E	N	U	E
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Form Type

1	7	-	A

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number/s

86312222/ 816220

Mobile Number

N/A

No. of Stockholders

40,060

Annual Meeting
Month/Day

Last Tuesday of June

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. William Pamintuan

Email Address

wspamintuan@meralco.com.ph

Telephone Number/s

8632-8014

Mobile Number

N/A

Contact Person's Address

Lopez Building, Ortigas Avenue, Pasig City

Note: 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.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE (SRC) AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **DECEMBER 31, 2025**
2. SEC Identification Number **PW-102** 3. BIR Tax Identification No. **000-101-528-000**
4. Exact name of issuer as specified in its charter **MANILA ELECTRIC COMPANY**
5. **REPUBLIC OF THE PHILIPPINES**
Province, Country or other jurisdiction
of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **LOPEZ BUILDING, ORTIGAS AVENUE, BRGY. UGONG, PASIG CITY** **1605**
Address of principal office Postal Code
8. **(+632) 8631-5567**
Issuer's telephone number, including area code
9. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the Revised Security Act (RSA)

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	1,127,092,509
11. Are any or all of these securities listed on a Stock Exchange?

Yes [☒] **No** [☐]

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

PHILIPPINE STOCK EXCHANGE

12. Check whether the issuer:

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

Yes ☒

No ☐

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

Yes ☒

No ☐

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of April 6, 2026:

Shares: 294,080,132

Closing Price: ₱615.00

Aggregate: ₱180,859.28 million

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

1) Overview

The businesses of Manila Electric Company (“*MERALCO*”) and its subsidiaries (the “*MERALCO Group*”) consist of the regulated and unregulated segments of the energy supply chain. These include electricity distribution, power generation, retail electricity supply, engineering design services; construction and consulting services; payment fulfilment and bills collection services; after-the-meter and energy management services; and telecommunication and information technology services. *MERALCO* was registered with the Securities and Exchange Commission (“*SEC*”) on May 7, 1919.

As a distribution utility (“*DU*”), *MERALCO* operates under a 25-year congressional franchise granted through Republic Act (“*RA*”) No. 9209 valid until June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission (“*ERC*”) granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity (“*CPCN*”) for the operation of electric service within its franchise area, which shall be valid within the franchise period. The franchise of *MERALCO* has been renewed for another 25 years through 2053 under *RA* No. 12146, “An Act Renewing for another Twenty-Five (25) Years the Franchise Granted to the Manila Electric Company” under *RA* No. 9209, entitled “An act granting the Manila Electric Company a franchise to construct, operate and maintain a distribution system for the conveyance of electric power to the end-users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga”.

Clark Electric Distribution Corporation (“*Clark Electric*”), a 65%-owned subsidiary of *MERALCO* is a SEC-registered private *DU* with a franchise granted by Clark Development Corporation (“*CDC*”) to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The franchise of *Clark Electric* is valid until October 2047.

Through a 60%-owned subsidiary, **Shin Clark Power Holdings, Inc.** (“*Shin Clark Holdings*”), *MERALCO* together with a consortium, composed of Axia Power Holdings Philippines Corporation (a wholly owned subsidiary of Marubeni Corporation), KPIC Netherlands BV [a wholly owned subsidiary of the Kansai Electric Power, Inc. (“*Kansai*”)], and Chubu Electric Power Co., Inc. (“*Chubu*”), hold a 90% interest in **Shin Clark Power Corporation** (“*Shin Clark Power*”). Shin Clark Power is a company formed with *BCDA* with the latter contributing a 25-year franchise for a 10% interest in Shin Clark Power. Shin Clark Power is a 25-year joint venture which provides electricity distribution services within the New Clark City (“*NCC*”), a 9,450-hectare development within the Clark Special Economic Zone located in the towns of Capas and Bamban in Tarlac province. On March 22, 2023, the *ERC* granted *Shin Clark Power* a *CPCN* to operate as a *DU*.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II (“*PELCO II*”) through **Comstech Integration Alliance, Inc.** (“*Comstech*”) under a 20-year Investment Management Contract (“*IMC*”) until February 12, 2034 and that of the Cavite Economic Zone (“*CEZ*”) under a 25-year concession agreement with Philippine Economic Zone Authority (“*PEZA*”) until May 25, 2039.

MERALCO's participation in retail electricity supply ("RES") is through the local RES units, MPower and Cogent Energy, and through its affiliate RES entities, Vantage Energy Solutions and Management, Inc. ("Vantage"), MeridianX Inc. ("MeridianX"), Phoenix Power Solutions, Inc. ("Phoenix Power") and MGEN Retail Electricity Supplier Corp. ("MGen RES", formerly Global Energy Supply Corporation ("GESC")). Clarion Energy Management Inc. ("Clarion"), a wholly owned subsidiary of Clark Electric, re-filed its application for a RES license with the ERC on October 20, 2025 and was issued a RES license by the ERC on December 12, 2025.

Meralco PowerGen Corporation ("MGen") is MERALCO's power generation investment vehicle. It owns and operates a total of 5,069.7 MW of power generating plants of varying technologies. Its operations is anchored on three (3) pillars: (i) 1,286.2 MW of thermal plants held through Global Business Power Corporation ("GBPC") and San Buenaventura Power Ltd. Co. ("SBPL"); (ii) 3,375.0 MW of liquefied natural gas ("LNG") plants in the Philippines through Chromite Gas Holdings, Inc. ("Chromite Holdings") and in Singapore through PacificLight Power Pte. Ltd. ("PacificLight Power"); and (iii) 408.5 MWac of renewable energy plants through MGEN Renewable Energy, Inc. ("MGreen"). Through SP New Energy Corporation ("SPNEC"), it is developing a 3,500 MWdc solar power plant with a 4,500 MWh battery energy storage system.

The businesses of the other subsidiaries include engineering, design, construction and consulting services, bill collection services, distribution and energy management services and communication, information system and technology services.

2.) Business Development

Material developments, ownership structure, and investment activities of the MERALCO Group are discussed in Note 3 of the consolidated financial statements.

3.) Business of Issuer

a) Principal Products or Services

DISTRIBUTION BUSINESS

The principal business of MERALCO is the distribution of electricity through its distribution network facilities in its franchise area.

Clark Electric Distribution Corporation ("Clark Electric"), 65% owned by MERALCO and holds a franchise to distribute electric power in the Clark Special Economic Zone ("CSEZ"), including the Clark Freeport Zone ("CFZ") and contiguous subzones. The Clark Electric franchise is valid through October 2047. In 2025, Clark Electric's energy sales volume was at 734.5 GWh, or an equivalent 2.7% increase over 2024.

Shin Clark Power Holdings, Inc. ("Shin Clark Holdings") 60% owned subsidiary, Shin Clark Power Corporation ("Shin Clark Power") provides electricity services to NCC, a 9,450-hectare development within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. Its franchise was issued to the BCDA who assigned such rights to Shin Clark Holdings in exchange for 10% equity in Shin Clark Power.

Following is the share in sales of each customer segment based on the total *kWh* sold:

	2025	2024	2023
Residential	35.30%	35.81%	34.83%
Commercial	37.64%	37.56%	37.23%
Industrial	26.79%	26.36%	27.65%
Streetlights	0.27%	0.27%	0.29%
TOTAL	100.00%	100.00%	100.00%

MERALCO and its subsidiaries operate and generate substantially all of their revenues in the Philippines. There is no single external customer which accounts for more than 10% of the consolidated revenues.

MERALCO sources the electricity it distributes to its captive customers from different power suppliers as follows (percentage are based on *kWh* purchased/sourced):

	2025	2024	2023
First Gas Power Corporation (" <i>FGPC</i> ") – Sta. Rita Power Plant and FGP Corp. (" <i>FGP</i> ") – San Lorenzo Power Plant	24.06%	22.92%	29.01%
South Premier Power Corporation (" <i>SPPC</i> ") – Ilijan Power Plant	17.98%	18.25%	13.60%
Excellent Energy Resources Inc. (" <i>EERI</i> ")	14.35%	-	-
Independent Market Operator (" <i>IMOP</i> ") - Wholesale Electricity Spot Market (" <i>WESM</i> ")	13.95%	28.17%	18.71%
San Buenaventura Power Limited (" <i>SBPL</i> ")	8.27%	8.05%	6.37%
GNPower Dinginin (" <i>GNPD</i> ")	6.15%	-	1.03%
Sual Power Inc. (" <i>SPI</i> ") – Sual Coal-fired Plant	4.16%	2.99%	4.01%
Quezon Power (Philippines) Limited	2.85%	5.65%	5.29%
Mariveles Power Generation Corporation (" <i>MPGC</i> ")	2.74%	-	-
Limay Power Inc. (" <i>LPI</i> ")	1.09%	3.43%	-
San Roque Hydropower Inc. (" <i>SRHI</i> ")	1.07%	-	-
Masinloc Power Co., Ltd. (" <i>Masinloc</i> ")	0.99%	-	-
First NatGas Power Corporation (" <i>FNPC</i> ")	0.54%	0.88%	7.60%
Therma Luzon, Inc. (" <i>TLI</i> ") – Pagbilao Coal Plant	0.53%	2.59%	5.89%
AC Energy Philippines, Inc. (" <i>AC Energy</i> ")	-	5.00%	6.26%
Energy Development Corporation (" <i>EDC</i> ")	-	1.01%	1.18%
Others	1.27%	1.06%	1.05%
TOTAL	100.00%	100.00%	100.00%

POWER GENERATION BUSINESS

MERALCO PowerGen Corporation (“MGen”) is a wholly owned subsidiary of *MERALCO*. MGen has a diversified power generation portfolio that utilizes advanced and highly efficient technologies to provide reliable and cost-competitive supply.

The table below summarizes the operating results of the generation plants for the years ended December 31, 2025, 2024 and 2023:

Generation Plant	Net Saleable Capacity			Energy Sold		
	2025	2024	2023	2025	2024	2023
	(in MW)			(in GWh)		
<i>GBPC</i>	831	838	824	5,789	5,652	5,878
<i>SBPL</i>	455	455	455	3,166	3,205	2,360
<i>PacificLight Power</i>	900	800	771	5,689	5,820	5,719
<i>Chromite Holdings</i>	2,475	–	–	11,912	–	–
<i>MGreen</i>	409	325	191	733	619	349

MGen’s subsidiaries and affiliates are as follows:

SBPL is a joint venture between *MGen* (51%) and New Growth B.V. (49%), a wholly owned subsidiary of Electric Generating Public Company Limited of Thailand (“*EGCO*”). *SBPL* owns and operates a 455 MW (net) supercritical coal-fired power plant in Mauban, Quezon with all of its plant output being delivered to *MERALCO* under a 20-year Power Supply Agreement (“*PSA*”) approved by the *ERC*.

GBPC with a total net capacity of 831 MW (net), is one of the leading independent power producers in Visayas and Mindanao. Its capacity is held through the following subsidiaries and affiliates:

Cebu Energy Development Corporation (“*CEDC*”) owns and operates a 249.7 (gross) MW clean coal-fired power plant located in Toledo City, Cebu. *CEDC* is 44% owned by Abovant Holdings, Inc. and 56% by Global Formosa Power Holdings, Inc. (“*Global Formosa*”), *Global Formosa* is 93.2% owned by *GBPC*.

Toledo Power Co. (“*TPC*”) owns and operates 83.6 MW (gross) clean coal-fired power plant in Daanlungsod and 30 MW (gross) diesel-fired power plant in Carmen – all in Toledo City, Cebu. It is 100% beneficially owned by *GBPC*.

Panay Energy Development Corporation (“*PEDC*”) owns and operates 167.4 MW (gross) and 150 MW (gross) clean coal-fired power plants located in Iloilo City, Iloilo. *GBPC* has an effective 89.3% interest in *PEDC* through Panay Power Holdings Corporation (“*PPHC*”).

Panay Power Corporation (“*PPC*”) owns and operates a 7.5 MW (gross) and a 5 MW (gross) diesel-fired power plants in Nabas and New Washington, Aklan, respectively. *PPC* is also a wholly owned by *PPHC*.

Global Trade Energy Resources Corp. (“*GTERC*”) is primarily engaged in trading thermal coal and consumable commodities for wholesale retail. It is 100% owned by *GBPC*.

Alsons Thermal Energy Corporation (“*ATEC*”) is a Mindanao-based power generation holding company. Through its wholly owned subsidiary, Sarangani Energy Corporation (“*Sarangani Energy*”),

ATEC owns and operates a 220 MW (net) coal-fired power plant in Maasim, Sarangani. ATEC also owns San Ramon Power, Inc. ("SRPI"), which is developing a 120 MW coal-fired power plant in Zamboanga.

Redondo Peninsula Energy, Inc. ("RP Energy") is a joint venture among MGen, Therma Power, Inc and Taiwan Cogeneration International Corporation – Philippine Branch ("TCIC") for the construction and operation of a power plant in the Subic Bay Freeport Zone. The power plant development has been suspended since 2019.

PacificLight Power owns and operates a 2 x 400 MW combined cycle gas turbine ("CCGT") LNG power plant in Jurong Island, Singapore. On May 14, 2025, a 100 MW fast-start LNG plant was completed and commissioned to provide ancillary services to the Singapore grid under a 25-year fast Start contract with the Energy Market Authority ("EMA").

On January 6, 2025, the EMA awarded PacificLight Power the right to build, own and operate a hydrogen-ready CCGT plant in Jurong Island. The project shall be the largest single H-class CCGT plant in Singapore, with the capacity of 670 MW gross and is expected to begin commercial operations in 2029.

MGen has a combined 58% equity interest in PacificLight Power.

Atimonan One Energy, Inc. ("A1E") is MGen's wholly owned subsidiary developing a 1,200 MW (net) ultra super critical coal-fired power plant in Atimonan, Quezon. On July 10, 2025, MGen secured mcoverage of the coal moratorium policy.

MGen incorporated MGreen on June 6, 2019 to serve as its vehicle for renewable power generation projects.

The subsidiaries, associates and joint ventures of MGreen are as follows:

PowerSource First Bulacan Solar, Inc. ("First Bulacan") owns and operates a 55 MWac solar power plant in San Miguel, Bulacan. The project is a joint venture between MGreen (60%) and PowerSource Energy Holdings Corporation (40%). First Bulacan supplies its output to MERALCO under a 20-year PSA approved by the ERC on December 22, 2016, and commenced commercial operations in May 2021.

PH Renewables, Inc. ("PHRI") operates 80.1 MWac of solar plant in Baras, Rizal. Phase 1 commenced commercial operations in March 2023, while Phase 2 became operational in the first quarter of 2025. PHRI is wholly owned by CACI Power Corporation, which is 60% owned by MGreen and 40% by Mit-Renewables Philippine Corp., a subsidiary of Mitsui & Co.

Nuevo Solar Energy Corporation ("NSEC") operates a 68.7 MWac solar plant in Currimao, Ilocos Norte, which began operations in mid-February 2023. All of its capacity is sold to MPower up to March 2043. NSEC is owned by MGreen and Pasuquin Energy Holdings, Inc.

Nortesol III, Inc. ("Nortesol"), which is 70%-owned by MGreen and 30% by Sunasia Energy, Inc., is developing a floating solar facility in Laguna Bay. On August 27, 2024, the BOD agreed to relinquish the Solar Energy Service Contract between Nortcsol and Department of Energy ("DOE").

Lagunasol Corporation ("LagunaSol") is engaged in the development, construction, and operation of a power plant and related facilities using solar energy. *LagunaSol* is 100% owned by MGreen.

Greentech Solar Energy, Inc. (“GSEI”) operates a 19.8 MWac solar plant in Bongabon, Nueva Ecija. GSEI started operations in January 2025. Its capacity is sold to the grid under Green Energy Auction Program (“GEAP”). GSEI is 100% owned by MGreen.

Greenenergy for Global Inc. (“Greenenergy”) operates a 52.7 MWac solar plant in Cordon, Isabela. Greenenergy began commercial operations in May 2025. Greenenergy is 98.16% owned by MGreen.

PacificLight Renewables (“PL Renewables”) is 58% owned by MGreen through MGreen International. PL Renewables owns 37% of Pacific Medco Solar Energy Pte (*Medco*), a Singapore-based entity which is looking to develop large scale, offshore solar plant and transmitting the energy through subsea cable to Jurong Island, Singapore.

MGen owns 57.3% in *SP New Energy Corporation* (“SPNEC”). Through its subsidiary, Terra Solar Philippines, Inc. (“Terra Solar”), SPNEC is developing a 3,500 MWdc solar power facility integrated with a 4,500 MWh battery energy storage system in Nueva Ecija. Phase 1 of this 3,500 MWdc plant commenced the delivery of commissioning energy to the grid in March 2026.

3 Barracuda Energy Corp (“Barracuda Energy”) is developing a 450 MWac solar power plant in Bugallon, Pangasinan, which began commissioning in the first quarter of 2026. *Barracuda Energy* is a joint venture between MGreen and Vena Energy Solar PH B.V. (“Vena Energy”).

MGen (60%) and Therma NatGas Power, Inc. (“Therma NatGas”, 40%) own Chromite Gas Holdings, Inc. (“Chromite Holdings”). Chromite Holdings acquired a 67% equity interest in each of the following entities: *SPPC*, 1,200 MW Ilijan Power Plant), *EERI*, 1,275 MW CCGT Plant), Linseed Field Corporation (“Linseed”, 2,500 MW LNG import and regasification terminal) and Ilijan Primeline Industrial Estate Corp. (“PIEC”) which owns 912,999.5 square meters of property where the plants are co-located.

All of the three (3) units of *EERI* were fully operational as of April 2025 while Linseed achieved full-gas send-out capacity in June 2025.

RETAIL ELECTRICITY SUPPLY BUSINESS

The Retail Electricity Supply business segment sources and supplies electricity to qualified contestable customers.

Vantage Energy Solutions and Management, Inc. (“Vantage”) and **Phoenix Power Solutions, Inc.** (“Phoenix Power”) offer retail energy services and solutions to the contestable customers in the Competitive Retail Electricity Market.

MGEN RES is a Retail Electricity Supplier (“RES”) licensed by the ERC and serves as GBPC’s RES arm. *MGEN RES* is 100% owned by GBPC.

As a RES entity, It provides retail energy services and solutions to the contestable customers in the Competitive Retail Electricity Market. It is also engaged in energy sourcing, trading and solutions, wholesale contracting and aggregating of electricity. As a licensed RES, *Vantage* operates and offers its services to all contestable customers nationwide where the Retail Competition and Open Access (“RCOA”) is implemented.

Vantage offers competitive energy products and service innovations to help its customers manage their electricity requirements better. It provides stable and reliable power supply based on a blend of Vantage's supply portfolio, customized products offered at competitive prices, value added services and technical collaborations with its expert engineers to maximize efficiency and profitability of its customers' operations.

OTHER SERVICES

The "*Other Services*" segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions.

Meralco Industrial Engineering Services Corporation ("MIESCOR") is a wholly owned subsidiary of *MERALCO*. Together with its subsidiaries, MIESCOR Builders Inc. ("*MBI*") and MIESCOR Logistics, Inc. ("*MLI*"), *MIESCOR* provides expertise in engineering, procurement and construction ("*EPC*"), *DU* and pole attachment services, telecommunications infrastructure, logistics and facilities management, and trading of high-quality electrical supplies and equipment.

MIESCOR, with 8,823 manpower, is one of the leading engineering and construction companies in the country, meeting global standards with its ISO 9001:2015 (QMS), ISO 14001:2015 (EMS), and ISO 45001:2018 (OSH) certifications. *MIESCOR* also holds a PCAB 'AAAA' license, the highest license category issued by the Philippine Contractors Accreditation Board and was awarded numerous safety and health excellence awards for its outstanding safety records. It services entities in the power and telecommunications industries.

In September 2025, *MIESCOR* completed the acquisition of 100% equity interest in Customer Frontline Solutions, Inc. ("*CFS*") from CIS Bayad Center, Inc. ("*Bayad*"). *CFS* provides outsourced tellering and other administrative services to different industries in the Philippines.

Corporate Information Solutions, Inc. ("CIS") is a wholly owned subsidiary of *MERALCO*. *CIS*, is a holding entity and owns 85% of CIS Bayad Center, Inc. ("*Bayad*").

Bayad, a pioneer in outsourced payment collection services, has evolved into a full-service fintech company delivering a comprehensive suite of financial solutions to consumers and businesses nationwide. With over 120,000 physical touchpoints and millions of registered digital users through its digital partners, Bayad enables seamless access to financial services through an integrated onsite-to-online ecosystem—spanning Bayad Centers, Bayad Partners, Bayad Asenso Agents in communities, and digital platforms such as the Bayad App, Bayad Online, and Bayad Express, powering the *MERALCO* Online payment gateway—bringing convenient, reliable financial services closer to every Filipino, anytime and anywhere.

Advancing its contribution to financial inclusion in the country, the brand launched *Bayad Asenso*, a business solution embedded in the Bayad App that allows Filipino entrepreneurs to generate additional source of income by offering Bayad's financial services, i.e., bills payment collection, prepaid loading, electronic wallet top-ups, among others, in their respective neighborhood or community.

Bayad continues to trailblaze the industry as it elevates the Filipinos' payment experience, at the same time providing end-to-end payment solutions to major institutions and government agencies nationwide.

Meralco Energy, Inc. ("*MServ*") is a wholly owned subsidiary of *MERALCO*. It is a one-stop shop for energy services and solutions that will guarantee total system efficiency for customer facilities. As a DOE-accredited Energy Service Company ("*ESCO*") in the Philippines and as a "AAA" PCAB-licensed company, *MServ*'s scope of activities include Energy Audit of Customer Facilities, Advisory and Consultancy Services for Energy Efficiency, *EPC* of Electrical, Mechanical, Plumbing, and Fire Protection Facilities, and Operations and Maintenance (O&M) of customer owned facilities. *MServ* also has the expertise to value-engineer electrical designs and offers energy solutions to help the sustainability goals of its customers by lowering energy consumption. *MServ* also provides Energy Efficiency solutions such as sub-metering and energy management systems, Smart City solutions such as smart streetlighting, and building management systems, Sewage Treatment Plant solutions, and Hyperscale Data Center Solutions.

e-Meralco Ventures, Inc. ("*e-MV*") is a wholly owned subsidiary of *MERALCO*. It was established on June 22, 2000. Through a wholly owned subsidiary, Paragon Vertical Corporation, it owns 65.1% of the equity in Radius Telecoms, Inc. ("*Radius*"). Radius holds a congressional telecommunications franchise to construct, install, establish, operate, and maintain for commercial purposes and in the public interest, the business of providing basic and enhanced telecommunications services in the Philippines, and between the Philippines and other countries and territories.

Radius delivers its services on an end-to-end full fiber optic network covering more than 10,898 kms in Metro Manila and nearby provinces, as well as Clark and Cebu, with plans to expand to other major cities in the Visayas and Mindanao regions.

Radius provides data connectivity solutions over its dense fiber optic network, with access nodes strategically located within business districts, industrial and Information Technology ("*IT*") parks, data centers, and main thoroughfares.

Meralco Financial Services Corporation ("*Finserve*") was incorporated on March 19, 2002. *Finserve* embarked on investing and managing commercial center operations with The Strip along Ortigas Avenue as its flagship project. At present, this two-storey building with a leasable space of 1,026 square meters houses several retail establishments.

Finserve has a 10% equity interest in AF Payments, Inc. ("*AF Payments*") since its incorporation in February 2014. *AF Payments* was incorporated primarily to operate and maintain an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It also supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities. *AF Payments* operates and maintains the related hardware and software.

MSpectrum Inc. ("*MSpectrum*") is a wholly owned subsidiary of *MERALCO* which provides renewable energy solutions, mainly roof-top solar installations, microgrids, and utility-scale projects.

Movem Electric, Inc. ("*Movem*") is a wholly owned subsidiary of *MERALCO* and is the green mobility arm of the *MERALCO Group*. It provides custom, end-to end electric mobility solutions

Franchise and Concession Agreements

MERALCO holds a congressional franchise granted under Republic Act No. 9209, effective June 28, 2003, authorizing it to construct, operate, and maintain an electric distribution system within Metro Manila and the provinces of Bulacan, Cavite, Rizal, Batangas, Laguna, Pampanga, and Quezon. In October 2008, the *ERC* issued *MERALCO* a consolidated *CPCN*, valid for the duration of the franchise.

The franchise has been renewed for another 25 years, or until 2054, under Republic Act No. 12146. *MERALCO*'s franchise area covers approximately 9,685 square kilometers, encompassing 39 cities and 72 municipalities in Luzon.

Clark Electric is a private *DU* operating under a franchise granted by the Clark Development Corporation to own, operate, and maintain the electric distribution system and to distribute power exclusively within its franchise area, which covers the Clark Freeport Zone and its sub-zones. The franchise area spans approximately 320 square kilometers within the Clark Special Economic Zone and is valid until October 2047.

Shin Clark Power Corporation ("*Shin Clark Power*"), through a Joint Venture Agreement ("*JVA*") with the Bases Conversion and Development Authority ("*BCDA*"), manages the development, operation, and maintenance of the electric power distribution system in *NCC*, a 9,450-hectare development located within the Clark Special Economic Zone in the municipalities of Capas and Bamban, Tarlac. Pursuant to the *JVA*, *BCDA* assigned to Shin Clark Power its congressional franchise to operate the electric distribution system in New Clark City, which was granted under Republic Act No. 11420.

MERALCO manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through *Comstech* under an Investment Management Contract ("*IMC*"). *MERALCO* also operates the electric distribution facilities within the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with the Philippine Economic Zone Authority ("*PEZA*").

Retail Competition and Open Access ("RCOA")

RCOA is a mandatory reform under Section 31 of Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001 ("*EPIRA*"), and Rule 12 of its Implementing Rules and Regulations ("*IRR*"). *RCOA* allows electricity end-users that meet the eligibility requirements prescribed by the *ERC* to become contestable customers and directly contract with *ERC*-licensed *RES* for the supply of electricity, instead of being supplied exclusively by their local *DU*.

Eligibility to participate in *RCOA* is determined based on average monthly peak demand thresholds set by *ERC* resolution and implemented in phases. Pursuant to *ERC* Resolution No. 12, Series of 2020, the eligibility threshold in Luzon and Visayas was set at 500 kW average monthly peak demand, with similar application in Mindanao following the declaration of *RCOA* commercial operations by the *DOE* and subsequent *ERC* issuances. In November 2025, the *ERC* approved a further expansion of *RCOA* by lowering the threshold to 100 kW average monthly peak demand, effective June 26, 2026, subject to market readiness and compliance with metering and registration requirements.

Under the *RCOA* framework, distribution utilities retain responsibility for the operation, maintenance, and regulation of the distribution network, and continue to charge regulated distribution-related and other pass-through charges. Electricity supply to contestable customers is sourced through bilateral contracts with *RES*, while imbalances between contracted and actual consumption are settled through the Wholesale Electricity Spot Market ("*WESM*"). The *ERC* exercises

regulatory oversight over *RCOA* implementation, including *RES* licensing, switching procedures, metering standards, and market compliance, consistent with *EPIRA* and related customer choice programs such as the Retail Aggregation Program (“*RAP*”) and the Green Energy Option Program (“*GEOP*”).

Government Approval of Principal Products or Services

On June 9, 2003, Republic Act (“*RA*”) No. 9209, otherwise known as the “An Act Granting the Manila Electric Company A Franchise To Construct, Operate and Maintain A Distribution System for the Conveyance of Electric Power to the End-Users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal and Certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga”, was signed into law and took effect on June 28, 2003. The franchise was renewed for another twenty (25) years under *RA* No. 12146 or until 2054.

MERALCO distributes electricity to customers within its franchise area. It is subject to the rate-making regulations and regulatory policies of the *ERC*. *MERALCO*’s billings to customers are itemized or “unbundled” into a number of bill components that reflect the various costs incurred in providing electric service.

The adjustment of each bill component is governed by mechanisms promulgated and enforced by the *ERC*, mainly: (i) the “Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities”, which govern the recovery of pass-through costs, including over- or under-recoveries in the following bill components: generation charge, transmission charge, system loss charge, inter-class rate and lifeline subsidies, local franchise, real property and business taxes, as modified by *ERC* Resolution No. 2, Series of 2021 (“Rules on the Recovery of Pass-Through Taxes (Real Property, Local Franchise and Business Taxes) of Distribution Utilities”) with respect to the recovery of local franchise and business taxes; and (ii) the “Rationalized Rules for the Setting of Distribution Wheeling Rates” (“*RRDWR*”), which govern the determination of *MERALCO*’s distribution, supply, and metering charges.

Similarly, the Distribution rates billed by *Clark Electric* and Shin Clark Power are approved by the *ERC* and are set at rates that allow a reasonable rate of return on investments. *Clark Electric* and Shin Clark Power’s rate structure also allows pass-through of certain purchased power costs based on approved *PSAs*, system loss charge up to an annual cap enforced by the *ERC*, as well as taxes, among others.

Government Approval and Regulation

Energy Regulatory Agency

In accordance with the *EPIRA*, *MERALCO*, as a *DU* and Electric Power Industry Participant, is subject to regulation by the *ERC* and recognizes the rate-making policies of the *ERC*.

Costs and Effects of Compliance with OSH and Environmental Laws

Organizational Safety

MERALCO remained steadfast in its commitment to providing a safe, healthy, and compliant work environment for its employees and stakeholders. In 2025, *MERALCO* maintained full compliance with Republic Act No. 11058 and all applicable Department of Labor and Employment (“*DOLE*”) requirements, including Department Order No. 252-25, and successfully completed ISO 45001 audits

conducted by TÜV SÜD with no major findings, affirming the robustness of its Occupational Safety and Health (“OSH”) Management System.

Under the strategic oversight of the Environmental, Safety, and Health (“ESH”) Board, *MERALCO* achieved improved safety performance, with Lost Time Injury (“LTI”) cases declining by 21% year-on-year, reflecting strengthened operational discipline and sustained corrective and preventive actions. *MERALCO* continued its TARGET ZERO campaign and further enhanced its Behavior-Based Safety Program through the deployment of additional Safety Engineers and the launch of *Safe360*, a digital safety reporting platform that improves real-time visibility of safety observations and accelerates corrective action.

MERALCO completed its Safety Roadshow across all sectors and STS units, reinforcing collaboration, communication, and employee engagement while generating operational insights to guide hazard-mitigation efforts. To promote consistency in safety standards, *MERALCO* issued the 2025 Safety Code, consolidating OSH policies for employees and contractors, and enhanced personal protective equipment (“PPE”), including upgraded arc-flash protection for high-risk electrical work.

Training and capability-building remained central to *MERALCO*'s safety strategy, with the consistent implementation of mandatory OSH programs and the conduct of the Safety Summit through Convergence to support knowledge sharing and professional development. *MERALCO* also advanced its Safety Innovation Program through Mobile Eyesite, a mobile-based hazard identification and real-time field reporting tool.

Through strong leadership oversight, regulatory compliance, continuous capability-building, and innovation, *MERALCO* continued to strengthen a proactive and resilient safety culture in 2025, reinforcing its commitment to protecting its workforce, contractors, and the public it serves.

Emergency Preparedness and Response

Disaster resilience relies on having emergency-ready employees who can extend assistance to co-employees and their families. *MERALCO* has progressively strengthened this capability through *MERALCO* Rescue, which institutionalized its Disaster Risk Reduction and Management (“*DRRM*”) structure and processes and established partnerships with key emergency response agencies, including the Bureau of Fire Protection (“*BFP*”) and local government *DRRM* offices within its franchise area.

Since its inception, *MERALCO* Rescue has steadily expanded its reach and strengthened its emergency response capabilities. The program enhanced the response readiness of Emergency Preparedness and Response Teams and facility security personnel through Basic Skills for Responders training and a capability-building initiative that equipped responders with essential tools and equipment. In 2022, *MERALCO* Rescue further professionalized its operations by deploying full-time Emergency Medical Services and Fire Brigade personnel and formalizing a partnership with the *BFP* to jointly operate the *MERALCO* Rescue Fire Station, providing emergency response to Company facilities, employees, their families, and surrounding communities.

To further embed a culture of preparedness, *MERALCO* established the *MERALCO* Rescue Academy, an emergency preparedness and response learning platform for employees and their families. Training offerings include Family Preparedness Planning, Basic Life Support and First Aid, Fire Safety and Response, and Survival Bootcamp courses. In 2025, 11 training batches were conducted, with 378 participants completing the program. The Company also conducts regular emergency drills and simulation exercises—from Duck-Cover-Hold drills to inter-agency simulations for major seismic events—

to test readiness, strengthen Incident Management Team response, and enhance coordination with partner agencies to ensure effective and organized life-saving response during emergencies.

Environment Management

Ensuring compliance with environmental regulations is a critical aspect of *MERALCO*'s operations. *MERALCO* remains aligned with the requirements set by the Department of Environment and Natural Resources - Environmental Management Bureau ("*DENR-EMB*"), Laguna Lake Development Authority ("*LLDA*") and other environment regulatory bodies. Failure to understand and comply with any changes in their regulations can result in violations and monetary penalties. In 2025, *MERALCO* secured 180 permits, consisting of 45 new permits and 135 renewals/amendments. Additionally, *MERALCO* submitted 1,341 environmental monitoring reports to ensure ongoing environmental compliance.

To further enhance the environmental management knowledge and skills of *MERALCO*'s Pollution Control Officers and Managing Heads, *MERALCO* conducted 14 training sessions. Of these, six (6) focused on regulatory compliance, while eight (8) addressed various environmental programs.

Effective waste management plays a key role in *MERALCO*'s environmental strategy. In 2025, the Company generated a total of 1,692 metric tons ("*MT*") of hazardous waste, including used oil, electronic wastes, and lead-acid batteries. These wastes were disposed of through a *DENR-EMB*-registered transporter and treater. *MERALCO* also generated 4,901 *MT* of non-hazardous solid waste, achieving a 98% diversion rate. Through its participation in the Philippine Business for Social Progress (PBSP) X-Trash Challenge, *MERALCO* collected and recycled 54.95 *MT* of plastics, paper, and metal, partnering with certified recycling companies for proper disposal.

MERALCO is committed to optimizing its water and electricity usage. Through its Resource Conservation and Efficiency Program, initial targets of a 2% reduction in electricity consumption and a 5% reduction in water consumption were established as indicative benchmarks to gauge performance, rather than mandatory targets. Consumption reduction initiatives continue to be implemented across all operating facilities, with conservation practices in place and performance being continuously monitored. For the year 2025, overall water consumption increased by 0.6% and electricity consumption was reduced by 4%.

Disaster Resiliency

As a lifeline utility, *MERALCO* fully recognizes its critical role in safeguarding the continuity of essential services, especially during times of disaster and disruption. Guided by this responsibility, the Company continues to strengthen its organizational resilience by enhancing its emergency management and business continuity governance to ensure the reliable and timely delivery of services despite disruptions.

For almost eight (8) years, *MERALCO* has consistently adopted and institutionalized the principles of *DRRM*, reinforcing its alignment with national policies and active support for government-led resilience initiatives. In 2025, *MERALCO* conducted *DRRM* orientations and Basic Incident Command System courses in coordination with the Office of Civil Defense and the Pasig *DRRM* Office. In addition, four (4) training sessions and webinars covering fire safety, security risks, and the reservist program were conducted. All of these were attended by more than 2,300 participants.

Building on these *DRRM* initiatives, beyond preparedness and response, *MERALCO* also ensures that the organization is prepared to recover and return to business-as-usual operations following

a disruption. To this end, the company continues to advance its adoption of ISO 22301:2019, the international standard for Business Continuity Management System, which guides the organization in systematically preparing for, responding to, and maintaining the necessary controls and capabilities to sustain operations during disruptions. In 2025, *MERALCO* completed four (4) ISO 22301:2019 training courses covering the standard, Business Impact Analysis, Risk Assessment, Business Continuity Plans, documentation, and Internal Audit. Attended by 105 participants, the courses equipped designated Business Continuity Management leads and implementers with the knowledge and skills needed to plan and implement measures that strengthen the organization's resilience.

Recognizing that organizational resilience is anchored on people, *MERALCO* is also investing in various learning and engagement activities. In July 2025, in observance of National Disaster Resilience Month, the Company organized an integrated conference bringing together three critical disciplines—*ESH*; Security; and Business Continuity Management. The two-day event equipped employees and stakeholders with practical insights, strategies, and best practices to address evolving risks across safety, health, environmental protection, security, and business continuity. A total of 789 employees across the franchise attended the two-day conference.

To reinforce awareness and sustain a culture of preparedness, *MERALCO* also implemented a series of awareness campaigns. In 2025, 11 communication materials were released to reinforce employee readiness during natural disasters, along with information dissemination campaigns on cybersecurity, personal security, and other emerging human-induced threats, aimed at promoting proactive practices and heightened risk awareness across the organization.

Beyond strengthening awareness and knowledge through these initiatives, *MERALCO* also conducts simulation exercises to test the organization's response and recovery capabilities. In 2025, a tabletop exercise and a full-scale earthquake simulation were conducted, alongside the regular Duck, Cover, and Hold and evacuation drills. Both activities involved multiple offices, the activation of several business continuity plans, and more complex scenarios—marking the first time such exercises covered not only response actions but also the recovery phase. Furthermore, *MERALCO* carried out additional drills to reinforce its operational, information technology (IT), and cyber resilience, ensuring comprehensive preparedness across other critical organizational processes. In 2025, the organization completed nine (9) operational contingency plan and system recovery drills, four (4) IT disaster recovery tabletop exercises, one (1) cybersecurity crisis simulation, and multiple call tree drills. Together, these initiatives underscore the organization's commitment to continuous improvement and resilience.

Number of Employees

As at December 31, 2025, *MERALCO* has a total of 6,175 regular employees (Managerial/Executive - 1,822, Supervisory/Rank and File – 4,353). The Supervisory and Rank and File employees are covered by two (2) unions, namely, First Line Association of *MERALCO* Supervisory Employees (“*FLAMES*”) and *MERALCO* Employees and Workers Association (“*MEWA*”). *MERALCO* has existing Collective Bargaining Agreements with these unions expiring on November 30, 2027 (*FLAMES*) and November 30, 2028 (*MEWA*). *MERALCO* does not expect that there will be significant hiring nor reduction of employees in the next 12 months.

Item 2. Properties

MERALCO's assets primarily consist of utility plant assets that form part of its Regulatory Asset Base ("*RAB*"), comprising both electric and non-electric capital assets. *MERALCO* also holds properties intended for future substations or branch sites, as well as retired office or sector sites, which are classified as Investment Properties in the consolidated statement of financial position.

MERALCO's Pasig City facilities house critical systems supporting electric distribution operations, which are the network systems, telecommunications, logistics, customer retail services, and other support functions. As of December 31, 2025, *MERALCO* operated, in addition to its head office, 10 network sector offices, 39 business centers, and 16 customer centers or extension offices. Its infrastructure includes 150 substations with a total capacity of 23,646 MVA, 1,020 sub-transmission and distribution circuits, more than 44,500 circuit-kilometers of lines, and 243,713 distribution transformers with a combined capacity of 20,671 MVA.

Clark Electric's assets consist of sub-transmission and distribution facilities, buildings, and improvements within the Clark Special Economic Zone (CSEZ). Its distribution system includes six (6) substations with an aggregate capacity of 383 MVA, 2,304 distribution transformers, and approximately 282 kilometers of network lines. With this capacity, *Clark Electric* is well positioned to meet customer power requirements over the next three to five years.

As of end-2025, *Clark Electric's* distribution network was valued at ₱1.740 billion, reflecting continued investment in system reliability and service quality. Planned outages were significantly reduced during the year, while unplanned interruptions averaged 1.86 and system losses were 1.83%, well below the regulatory cap. To further enhance service reliability and operational efficiency, *Clark Electric* is implementing smart grid initiatives, including Remote-Controlled Line Reclosers ("*RCLRs*") and Online Condition Monitoring Systems, to optimize its Advanced Distribution Management System ("*ADMS*").

The properties of *MERALCO* and *Clark Electric* are located within their respective franchise areas to support efficient operations and service delivery. The Company maintains these assets in line with established asset management practices and are adequately insured.

None of the assets of *MERALCO* are pledged or otherwise encumbered as security for long-term debt. *Clark Electric* and Shin Clark Power are debt-free.

MGen, through its subsidiaries, *GBPC*, *MGreen*, Atimonan Land Ventures Development Corporation ("*ALVDC*"), Calamba Aero Power Corporation's ("*CAPC*"), owns a total of 951 MW of power generating thermal and solar power plants, as well as several parcels of land for the development and construction of power plant projects. *GBPC* and its subsidiaries own coal and diesel power plants, including parcels of land and buildings, in the Visayas and Mindanao islands. *MGreen* and its subsidiaries own solar power plants, including several parcels of land and buildings in Bulacan, Ilocos Norte, Rizal, Batangas, Tarlac and Nueva Ecija. Through, *MTerra Solar*, it is developing a 3,500 MWdc solar power plant with a 4,500 MWh battery energy storage system. *ALVDC* owns a land located in Atimonan, Quezon, which is intended to be used by *A1E* for its power plant project while the land of *CAPC* is held for future power plant project in Calamba, Laguna.

Certain power plant assets developed or constructed under project-financing arrangements, however, are pledged as collateral for the related borrowings. These include the power plant assets of *PHRI*, *First Bulacan*, Solar Philippines Calatagan Corporation ("*SP Calatagan*"), *Greenenergy*, *GSEI*, and *Terra Solar*. The tracts of land held by Terra Nueva, Inc., on which the solar power plant of Terra Solar

Philippines, Inc. is being constructed, are also pledged as security for the long-term debt drawn to finance the acquisition of the land

No other material mortgages, pledges, liens, or encumbrances have been identified.

The *MERALCO Group* has various lease arrangements as a lessee, with contract terms ranging from one (1) year to 30 years, primarily covering office premises, payment offices, and substation sites and towers. These lease contracts typically provide renewal options, subject to the conditions specified in the respective agreements. Rent expense incurred by the *MERALCO Group* amounted to ₱808 million in 2025, ₱787 million in 2024, and ₱842 million in 2023.

Capital investments of the *MERALCO Group* are guided by a Board approved annual capital expenditure ("CAPEX") program, which largely covers planned electric capital projects for the power distribution, expansion of rooftop solar business, and major power generation initiatives. Generation related investments include *A1E's* power plant project in Atimonan, Quezon, several solar power developments, namely 450 *MWac* in Bugallon, Pangasinan and a 3.5 GWp with a 4,500 *MWh* Battery Energy Storage System ("*BESS*") under Terra Solar, 670 *MW* (gross) hydrogen-ready combined cycle gas turbine facility in Jurong Island, Singapore, and a 49 *MW BESS* project in Toledo, Cebu.

Capital expenditures for the *DU* are directed toward meeting the requirements of areas with high concentrations of core customers, addressing normal system deficiencies, relieving loading constraints on existing facilities, and implementing practical and cost-effective network improvements. These capital investments are financed through a combination of cash generated from operating activities and proceeds from financing activities of *MERALCO Group*.

Item 3. Legal Proceedings

In accordance with the Securities Regulation Code Implementing Rules and Regulations, the following are the material legal proceedings to which the registrant (also referred to as, *MERALCO*) is a party, or to which any of their property is a subject, including pending claims for damages against the registrant exceeding ten percent (10%) of its current assets:

- 1. In the matter of the Joint Application for Approval of the Settlement Agreement between Manila Electric Company ("*MERALCO*") and National Power Corporation ("*NPC*"), with Prayer for Provisional Authority, National Power Corporation and Manila Electric Company, Applicants**
ERC Case No. 2004-109
(Filed by NPC and *MERALCO* on April 15, 2004)

This is a joint application filed by *MERALCO* and the *NPC* for the approval of their Settlement Agreement ("*SA*") which resolved their dispute concerning their 10-year Contract for Supply of Electricity ("*CSE*").

Under the *SA*, *NPC* acknowledged and accepted the losses incurred by *MERALCO* due to *NPC*'s act of serving directly connected customers in violation of *MERALCO*'s franchise rights, and for transmission line delays affecting *MERALCO*'s Independent Power Producers ("*IPPs*"). On the other hand, *MERALCO* shall pay *NPC* the net settlement amount of ₱14,320 million, representing *NPC*'s minimum charges corresponding to the fixed costs it incurred for the period 2002-2004. Variable costs, such as fuel and similar operating expenses that were not incurred by *NPC*, were not included in the minimum charge computation. Proceedings in this case remain suspended. However, with the final resolution on the validity of the *SA* by the Supreme Court ("*SC*") discussed below, *NPC* and *PSALM* filed a Joint Motion for Substitution with Motion to Revive. *MERALCO* is awaiting further action by the *ERC*.

MERALCO v. NPC, Power Sector Assets and Liabilities Management Corporation ("*PSALM*"), and the Republic of the Philippines, represented by the Office of the Solicitor General
S.C.A. Case No. 3392, RTC Pasig City, Branch 71
(Filed on November 23, 2009)

MERALCO v. NPC, PSALM, and the Republic of the Philippines, represented by the Office of the Solicitor General
CA-GR CV No. 99110, Court of Appeals

Republic of the Philippines v. *MERALCO v. NPC, PSALM*
GR No. 212268, Supreme Court

In connection with the *SA* between *MERALCO* and *NPC*, *MERALCO* filed a petition seeking the declaration by the Regional Trial Court ("*RTC*") Pasig that said *SA*, independent of the pass-through provision which is reserved for approval by the *ERC*, is valid and binding.

The *RTC* Pasig rendered a Decision dated May 29, 2012 declaring the *SA*, independent of the pass-through provision which is reserved for *ERC* approval, valid and binding. The Office of the Solicitor General ("*OSG*") filed an appeal before the Court of Appeals ("*CA*") which affirmed the *RTC* Pasig Decision in a Decision dated April 15, 2014. The *OSG* then filed a Petition for Review with the *SC* which, in a Resolution dated September 28, 2022, denied the Petition and affirmed the validity of the *SA*. In a

Resolution dated April 3, 2024, the SC denied the Motion for Reconsideration filed by the OSG and Entry of Judgment has been issued.

2. In the Matter of the Application for the Approval of the Unbundled Rates Pursuant to the Provision of Republic Act No. 9136, MERALCO, Applicant
ERC Case No. 2001-900 RC
(Filed on October 30, 2001)

In connection with the decision of the SC in G.R. Nos. 166769 and 166818, where the *ERC* was directed to request the Commission of Audit (“COA”) to undertake a complete audit of the books, records and accounts of *MERALCO*, the COA submitted its Report No. 2009-01 on the rate audit of the unbundled charges of *MERALCO* for calendar years 2004 to 2007 to the *ERC*. In an Order dated June 21, 2011, the *ERC*, acting on the COA Audit Report, resolved to maintain and affirm its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 20, 2003 in the original unbundling case.

An intervenor, National Association of Electricity Consumers for Reforms, Inc. (“*NASECORE*”), questioned the Order dated June 21, 2011. The *ERC* denied the motion for reconsideration in an Order dated February 4, 2013.

NASECORE v. ERC and MERALCO
C.A.-G.R. SP No. 129052
(Petition dated April 2, 2013)

NASECORE v. ERC, MERALCO and the COA
G.R. No. 226443
(Petition dated September 30, 2016)

NASECORE filed a Petition for Review before the CA questioning the June 21, 2011 and February 4, 2013 Orders of the *ERC*. In a Decision dated February 29, 2016, the CA denied the petition filed by *NASECORE*. *NASECORE*'s motion for reconsideration was denied in a Resolution dated August 18, 2016.

NASECORE then filed a Petition for Review on Certiorari with the SC to assail the CA Decision and Resolution. On November 13, 2019, *MERALCO* received a Decision dated October 8, 2019 partially granting the Petition filed by *NASECORE*, which among other things, (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s Regulatory Asset Base (“*RAB*”); and (ii) remanded the case to *ERC* to determine, within 90 days from finality of the Decision. *MERALCO*, the *DU* intervenors and the *ERC* filed their respective motions for reconsideration. The SC Decision is now final and executory.

The *ERC* adopted its policy direction in compliance with the SC Decision under *ERC* Resolution No. 19, Series of 2025. The *ERC* clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other *DUs*, regulatory periods or affect final *ERC* decisions. The *ERC* also adopted the trending method for valuing *MERALCO*'s *RAB* for the affected period. A separate Order will be issued to *MERALCO* to submit a revised *RAB* valuation for the covered period using the trending method. The *ERC* will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. Pursuant to the *ERC* Resolution, the *ERC* issued an Order dated February 27, 2026, directing *MERALCO* to submit a new asset valuation report using the trending method for the period covered by the SC Decision. *MERALCO* is currently preparing its compliance with the Order.

3. In the Matter of the Application for Refund of Overcharge (sic) Distribution Rates in the Residential Rates of ₱39 Billion in 2004-2007.

ERC Case No. 2008-092 CC

(Filed by the Applicant on July 15, 2008)

This application was filed by a *MERALCO* customer, seeking the refund of a total of ₱39 billion to residential customers on the ground that *MERALCO* allegedly overcharged its distribution costs (distribution, metering, supply and systems loss charges) for the period of 2004-2007. *MERALCO* received the Joint Memorandum filed by the *NASECORE*, Federation of Village Association (“*FOVA*”) and Federation of Las Piñas Village Association (“*FOLVA*”) on October 22, 2008. *MERALCO* filed its Memorandum on October 24, 2008, while it received the customer’s Memorandum on October 28, 2008. On September 14, 2010, the *ERC* issued a Decision dismissing the case. The customer filed a motion for reconsideration which, as at February 25, 2026, is pending resolution by the *ERC*.

4. In the Matter of the Application for Approval of: a) an Interim Average Rate (“*IAR*”); and b) Translation of the *IAR* into a Distribution Rate Structure for *MERALCO*’s Various Customer Classes, with Prayer for the Issuance of a Provisional Authority, *MERALCO*, Applicant.

ERC Case No. 2015-112 RC

(Filed on June 11, 2015)

On June 11, 2015, *MERALCO* filed its application for the approval of its proposed *IAR* of ₱1.3939 per kWh and translation thereof into rate tariffs by customer category. On July 10, 2015, the *ERC* provisionally approved an *IAR* of ₱1.3810 per kWh and the rate translation per customer class, which was reflected in the customer bills starting July 2015.

In a Decision dated June 16, 2022, which was received by *MERALCO* on July 13, 2022, the *ERC* approved a revised and final *IAR* of ₱1.3522 per kWh which shall be implemented as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The *ERC* likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the *ERC*-approved *IAR* of ₱1.3522 per kWh until otherwise directed. *MERALCO* implemented the Decision starting its August 2022 billing. The Decision is now final and executory.

5. In the Matter of the Application for Approval of: a) Confirmation of the True-Up Calculation of the Actual Weighted Average Tariff (“*AWAT*”) vis-à-vis *ERC*-Approved Average Rate Implemented for the Lapsed Regulatory Years; and b) Approval of the Final Refund Scheme to Account for the Lapsed Regulatory Years, with Prayer for Provisional Authority, *MERALCO*, Applicant.

ERC Case No. 2020-043 RC

(Filed on December 23, 2020)

Alfredo J. Non vs. *ERC* and *MERALCO*

CA-G.R. SP No. 184742

(Filed on July 13, 2024)

Romeo Junia, Power for People Coalition (P4P) Convenor Gerard Arances, Konlyumer National Coordinator Victor Morillo, Partido

**Lakas ng Masa President Leodegario De Guzman, and
SANLAKAS, represented by Marie Marguerite M. Lopez vs. ERC,
represented by its Chairperson and Chief Executive Officer,
Monalisa Dimalanta, and MERALCO**

CA G.R SP No. 185435
(Filed on August 12, 2024)

NASECORE vs. ERC, MERALCO, and Commission on Audit

G.R. No. 274704
(Filed on July 29, 2024)

On December 23, 2020, *MERALCO* filed an application seeking: (1) confirmation of the true-up calculation of *AWAT* vis-à-vis the *ERC*-approved average rate for the lapsed regulatory years ("RY"); and (2) approval of the final refund scheme to account for such lapsed regulatory years. The initial application covered the period from June 30, 2015 to November 2020, during which *MERALCO* implemented the *IAR*.

In an Order dated January 27, 2021, the *ERC* granted *MERALCO* provisional authority to implement the refund. Accordingly, the refund commenced with the March 2021 billing.

Subsequently, the *ERC* expanded the refund period to include December 2020 to December 2021. As a result, *MERALCO* was directed to refund a total amount of ₱4,837 million, corresponding to an average refund rate of ₱0.1064 per kWh, covering the period from December 2020 to December 2021. The refund was implemented beginning March 2022 billing.

Thereafter, an additional amount of ₱21,769 million, equivalent to an average refund rate of ₱0.4790 per kWh, covering the period from July 2015 to June 2022 was ordered to be refunded, as well. *MERALCO* implemented the Decision starting with its July 2022 billing, and the refund amounts were fully completed by May 2023 billing. *MERALCO* informed the *ERC* that the foregoing orders resulted in an over-refund of ₱860 million and proposed the recovery of such amount on a fixed rate per kWh consumption over 12 months. As of December 31, 2025, the *ERC* has not responded to *MERALCO*'s letter.

In an Order dated January 25, 2024, which *MERALCO* received on June 13, 2024, the *ERC* denied the motions for reconsideration filed by other intervenors and affirmed its June 16, 2022 Decision. Thereafter, one intervenor-consumer filed a Petition for Review with the *CA*, while another intervenor-consumer filed a Petition for Certiorari with the *CA*. In addition, on August 1, 2024, *MERALCO* received a copy of a Petition for Certiorari filed by a consumer group before the *SC*.

As of February 25, 2026, all Petitions remain pending before the *CA* and the *SC*.

6. **In Re Petition for Dispute Resolution. *MERALCO* v. Philippine Electric Market Corporation ("*PEMC*")**, National Transmission Corporation (*TransCo*), National Power Corporation ("*NPC*") and Power Sector Asset and Liabilities Management Corporation ("*PSALM*")

ERC Case No. 2008-083 MC

(Filed on September 9, 2008)

PSALM* vs. *ERC*, *MERALCO* and *PEMC

CA GR. SP. No. 132446

(Petition received on October 24, 2013)

PSALM* vs. *ERC*, *MERALCO* and *PEMC

G.R. No. 219977

(Petition received on October 27, 2015)

This is a petition filed by *MERALCO* for dispute resolution against *PEMC*, *TransCo*, *NPC* and *PSALM* as a result of the congestion in the transmission system of *TransCo* arising from the outage of the San Jose-Tayabas 500 kV Line 2 on June 22, 2008, followed by the outage of the 500 kV 600 MVA Transformer Bank #2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The petition seeks, among others, to direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

In a Decision dated March 10, 2010, the *ERC* granted *MERALCO*'s petition and ruled that there is double charging of the transmission line cost on *MERALCO* by *NPC* for the Transition Supply Contract ("*TSC*") quantities to the extent of 2.98% loss factor, since the start of the *TSC* in November 2006. Thus, *NPC* was directed to refund/collect line rental adjustment to/from *MERALCO*. In the meantime, the *ERC* issued an Order on May 4, 2011 allowing *PEMC* to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the *WESM*. *PEMC* has filed its compliance submitting its alternative methodology.

In an Order dated March 4, 2013, the *ERC* approved the methodology proposed by *MERALCO* and *PEMC* in computing the double charged amount on line losses by deducting 2.98% from the *NPC*-Time-of-Use ("*TOU*") amount. Accordingly, the *ERC* determined that the computed double charge amount to be collected from *NPC* is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the *NPC*-*TOU* rates imposed on *MERALCO*. In this regard, *NPC* was directed by the *ERC* to refund said amount by remitting to *MERALCO* the equivalent amount of ₱73.944 million per month until the over-recoveries are fully refunded. In said Order, the *ERC* likewise determined that the amount to be collected from the Successor Generating Companies ("*SGCs*") is ₱4.7 billion. Additionally, *MERALCO* was directed to file a petition against the following *SGCs*: Masinloc Power Partners Co. Ltd. ("*MPPCL*"), Aboitiz Power Renewables, Inc. ("*APRI*"), TLI, San Miguel Energy Corporation ("*SMEC*") and Sem-Calaca Power Corporation ("*SCPC*"), within 30 days from receipt thereof, to recover the line loss collected by them. On April 30, 2013 and May 8, 2013, *PSALM* and *NPC*, respectively, filed motions seeking reconsideration of the March 4, 2013 Order.

In an Order dated July 1, 2013, the *ERC* issued the following clarifications/resolutions: 1) *SPPC* should be included as one of the *SGCs* against whom a petition for dispute resolution should be filed by *MERALCO*; 2) Amount to be refunded by *NPC* is not only ₱5.2 billion but also the subsequent payments it received from *MERALCO* beyond August 2012 until the actual cessation of the collection of

the 2.98% line loss charge in its *TOU* rates and Petition to be filed by *MERALCO* against the *SGCs* should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; 3) "*SCPC Ilijan*" pertains to *SPPC* instead. Thus, the refundable amount of ₱706 million pertaining to "*SPPC Ilijan*" should be added to *SPPC*'s refundable amount of ₱1.1 billion; 4) Grant the "Motion for Extension" filed by *MERALCO* and directed *MERALCO* to file a petition against the following *SGCs*: *MPPCL*, *APRI*, *TLI*, *SMEC*, *SCPC* and *SPPC*, otherwise, it shall be the one liable to refund the subject amount to its customers; and 5) deny the respective Motions for Reconsideration ("MR") filed by *NPC* and *PSALM*.

On October 24, 2013, *MERALCO* received *PSALM*'s Petition for Certiorari with the CA (With Urgent Temporary Restraining Order and/or Writ of Preliminary Mandatory Injunction Applications) to question the March 4, 2013 and July 1, 2013 Orders of the *ERC*. On December 1, 2014, the CA issued a decision dismissing the Petition for Certiorari filed by *PSALM* against the *ERC*, *MERALCO* and *PEMC* and affirming *ERC*'s ruling on the refund of the ₱5.2 billion of transmission line losses double charged by *PSALM* and *NPC*. On January 30, 2015, *PSALM* filed its *MR* of the December 1, 2014 Decision of the CA. In a Resolution dated August 11, 2015, the CA denied *PSALM*'s *MR*.

On October 27, 2015, *MERALCO* received *PSALM*'s Petition for Review with the SC. The Petition has been given due course and the parties have filed their respective memoranda. As at February 25, 2026, *MERALCO* is still awaiting further action of the SC on the Petition.

Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SMEC* and *SCPC*
ERC Case No. 2013-077 MC

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SMEC* and *SCPC* in compliance with the March 4, 2013 and July 1, 2013 Orders of the *ERC*. Said Petition sought the following reliefs: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion inclusive of the ₱758 million line loss amount for the period September 2012 to June 25, 2013, from said *SGCs*; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, and when the same are received from the *SGCs*, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund to the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGCs*' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion. As at February 25, 2026, *MERALCO* is awaiting the *ERC*'s resolution of the *SGCs*' Joint Motion to Dismiss.

7. Bayan Muna Representatives Neri Javier Colmenares v. *ERC*
NASECORE*, et. al. v. *MERALCO* and *ERC
SC G.R. Nos. 210245 and 210255
Filed: December 19, 2013

On December 19, 2013, several party-list representatives in Congress filed a Petition docketed as G.R. 210245 before the SC questioning the *ERC*'s approval of *MERALCO*'s proposed staggered recovery of the increase in generation charge for the November 2013 supply month, allegedly for lack of due process. The increase in the generation charge was from ₱5.6673 per kWh in the November 2013 billing to ₱9.1070 per kWh for the December 2013 billing which *MERALCO* proposed to recover in three (3) tranches. A similar Petition was filed on December 20, 2013 challenging *MERALCO*'s automatic rate adjustments and increases, also allegedly for lack of due process. This Petition was docketed as

G.R. 210255. Both Petitions prayed for the issuance of Temporary Restraining Order ("TRO") and Writ of Preliminary Injunction pending resolution of the case.

On December 23, 2013, the SC issued an Order consolidating the two (2) Petitions and granting the application for TRO effective immediately and, for 60 days, enjoining (1) *ERC*, its agents, representatives, or persons acting in its place and stead, from implementing its December 9, 2013 Order and acting further on the letter request of *MERALCO* dated December 5, 2013; and (2) *MERALCO*, its agents, representatives, or persons acting in its place and stead, from increasing the rates it charges to its consumers based on the matters it raised in its December 5, 2013 letter. Said Order likewise set the cases for oral arguments on January 21, 2014 and required respondents *ERC* and *MERALCO* to file their respective Comments on the cases. On January 8, 2014, *MERALCO* filed its Consolidated Comment/Opposition with Counter-Petition. In keeping with the spirit and intent of the SC, *MERALCO* maintained the pass-through charges at the November 2013 billing level for its January 2014 billing to customers.

On January 10, 2014, *MERALCO* received a related Petition for Certiorari, Prohibition and Mandamus filed before the SC by Rep. Hicap (Anak Pawis), et. al, docketed as G.R. No. 210334. In a Resolution dated August 1, 2023, the SC dismissed the Petition.

On January 21, 2014, *MERALCO* received another related Petition, dated January 16, 2014, which was filed before the SC by Mr. Augusto L. Syjuco, Jr. in his capacity as taxpayer and *MERALCO* customer. During the January 21, 2014 hearing, the SC, among other things, set the cases for additional hearings on February 4 and 11, 2014.

On February 18, 2014, the SC extended the TRO for another 60 days, or until April 22, 2014, and expanded the coverage to include the generation companies, PEMC and NGCP to enjoin them from collecting from *MERALCO*. In its Resolution dated April 22, 2014, the SC extended the TRO indefinitely.

In a Decision promulgated on August 3, 2022, the SC affirmed the December 9, 2013 *ERC* letter approving *MERALCO*'s proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the *ERC* March 3, 2014 Order which voided the Luzon WESM prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The *ERC* and the petitioners filed motions for reconsideration which were denied with finality in the SC Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, *MERALCO* filed a letter with the *ERC* on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. In a letter dated December 11, 2023, the *ERC* invited *MERALCO* and Independent Electricity Market Operation of the Philippines ("IEMOP") to a meeting on January 4, 2024 to discuss its proposed implementation of the Decision. In a letter dated March 12, 2024, as directed by the *ERC*, *MERALCO* and IEMOP informed the *ERC* that it has jointly determined the amounts to be collected by IEMOP from *MERALCO* with respect to the November and December 2013 supply periods. As at February 25, 2026, *MERALCO* is awaiting the *ERC*'s response on this matter.

ATTY. ISABELO JOSEPH P. TOMAS II, in his capacity as the Investigating Officer of the Investigatory Unit Constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 v. Manila Electric Company (MERALCO) and Therma Mobile, Inc. (TMO)

ERC Case No. 2015-025 MC

Complaint dated May 9, 2015

Manila Electric Company v. Energy Regulatory Commission and Director Alfredo R. Vergara, Jr. and Engr. Nelson D. Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulatory Commission

CA-G.R. SP No. 152612

(consolidated with the Petitions filed by TMO and APRI docketed as

CA-GR SP Nos. 152588 and 152613)

Petition filed on September 19, 2017

Energy Regulatory Commission v. Therma Mobile, Inc., Manila Electric Company, and AP Renewables, Inc.

G.R. Nos. 244449 and 244455-56

On December 26, 2013, the *ERC* constituted the Investigating Unit (“IU”) under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the WESM during the supply months of November 2013 and December 2013. *MERALCO* participated in the proceedings and submitted a Memorandum.

An investigating officer of the IU filed a Complaint dated May 9, 2015 against *MERALCO* and *TMO* for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the *EPIRA* and Rule 11, Section 1 and 8(e) of the *EPIRA* IRR. In an Order dated June 15, 2015 the *ERC* directed *MERALCO* to file its comment on the Complaint. *MERALCO* and *TMO* have filed their respective answers to the Complaint.

MERALCO likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by *TMO* in its Manifestation and Motion filed on July 28, 2016. *MERALCO* maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the Philippine Competition Commission (“PCC”) which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, *MERALCO* filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant’s pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the *ERC* denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. *MERALCO* filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the *ERC* denied the motion to dismiss and asserted jurisdiction over the Complaint. *MERALCO* filed its MR to the Order on February 23, 2017. In an Order dated June 20, 2017, the *ERC* denied the MR. On September 19, 2017, *MERALCO* filed a Petition for Certiorari with the CA. *TMO* also filed a separate Petition for Review on Certiorari with the CA. In a Resolution dated January 10, 2018, the CA ordered the consolidation of the petitions of *TMO* and *MERALCO*. In a Decision dated May 23, 2018, the CA denied the consolidated Petitions filed by

MERALCO, TMO, and APRI, and ruled that the jurisdiction to resolve the IU cases remains with the *ERC* because the Philippine Competition Act (“PCA”) does not apply retroactively.

On June 20, 2018, *MERALCO* filed an MR with the CA. The *ERC* likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the PCC over cases involving alleged anti-competitive conduct supposedly because the PCA did not repeal Section 45 of the *EPIRA*.

In a January 28, 2019 Resolution, the CA denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the PCC now holds original, exclusive, and primary jurisdiction over all competition-related cases, the CA reiterated its view that the PCA has no retroactive effect. The *ERC* elevated the CA Decision to the SC. *MERALCO*, TMO and APRI have all filed their respective manifestations before the SC. In a Resolution dated September 29, 2021, the SC affirmed the CA in that the *ERC* had jurisdiction over these cases as they were filed before the enactment of the PCA. However, the SC did not rule on whether the PCC and the *ERC* now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the *ERC* called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, *MERALCO* filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the SC. The *ERC* then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. *MERALCO* filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (a) resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (b) cancel the August 27, 2021 Pre-trial conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the *ERC* stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the *ERC* will first resolve *MERALCO*’s motions. The *ERC* also issued an open court order denying the motion of the *ERC* IU that the case be resolved through the submission of the position papers and other supporting documents. The *ERC* IU filed a Motion for Reconsideration to which *MERALCO* filed an opposition. As at February 25, 2026, *MERALCO* is awaiting further action by the *ERC* on the matter.

**8. Recovery of the Differential Generation Charge for the December 2013 supply month
ERC Case No. 2014-013 RC
(Filed on February 17, 2014)**

Following the Supreme Court’s clarification that the Temporary Restraining Order (TRO) in G.R. Nos. 210245 and 210255 covered only the December 2013 billing, *MERALCO* filed with the *ERC* to recover the incremental generation charge for the December 2013 supply month (January 2014 billing). The Application sought recovery of the difference between the actual generation charge and the amount billed for January 2014. Specifically, *MERALCO* prayed for authority to recover fully a total of P9.0 billion billed by the generators without prejudice to the final resolution by the SC of the pending case; pending Omnibus Motion with the *ERC* and findings of the *ERC* Investigation Unit.

On 11 March 2014, *MERALCO* received the *ERC*’s Order, which declared the Luzon WESM prices void during the November and December 2013 supply months and imposed regulated prices in lieu thereof.

Consequently, on March 25, 2014, *MERALCO* filed an Amended Application, taking into account the *ERC* Order and the recalculated bills for the December 2013 supply month as determined by the Philippine Electricity Market Corporation (PEMC).

The *ERC* is expected to issue an Order once these pending issues are resolved.

As of February 25, 2026, *MERALCO* remains awaiting further action from the *ERC* on the Application.

9. **SMEC, SPPC, SPDC, SMC Powergen and Petron v. *ERC* and PEMC, SNAP-Magat and SNAP-Benguet v. *ERC* and PEMC 1590 v. *ERC* and PEMC APRI v. *ERC*, Team Energy v. *ERC* and PEMC Sem Calaca v. *ERC* and PEMC MPPCL v. *ERC* TLI v. *ERC* TMO v. *ERC* Northwind v. *ERC***
CA-GR SP No. 133506, 138056, 138105, 138120, 138121, 138151, 138188, 138223, 138272, 138470
Court of Appeals

***ERC* v. SMEC, SPPC, SPDC, SMC Powergen and Petron, 1590, APRI, SEM Calaca, MPPCL, TLI, TMO, Northwind**
S.C. GR No. 246621-30
Supreme Court

***MERALCO* v. SMEC, SPPC, SPDC, SMC Powergen and Petron, 1590, APRI, SEM Calaca, MPPCL, TLI, TMO, Northwind**
S.C. GR No. 247352-61
Supreme Court

In a Decision dated November 7, 2017, the Court of Appeals (CA) nullified the *ERC* Orders that had voided the Luzon WESM prices for the November and December 2013 supply months and reinstated the WESM prices for the said period.

The *ERC* and *MERALCO* each filed their respective motions for reconsideration, while several consumer groups likewise filed motions to intervene and motions for reconsideration. In a Resolution dated March 29, 2019, the CA denied all motions for reconsideration and affirmed its November 7, 2017 Decision.

Thereafter, *MERALCO* and the *ERC* separately filed Petitions for Review on Certiorari with the Supreme Court assailing the CA Decision and Resolution. In a Resolution dated November 4, 2020, the Supreme Court consolidated the petitions for joint disposition.

As of February 25, 2026, the consolidated cases remain pending before the SC.

10. **In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2016, with Prayer for Provisional Authority, Manila Electric Company, Applicant**

ERC Case No. 2015-016 RC

(Filed on February 9, 2015)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2017, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2016-017 RC

(Filed on March 8, 2016)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2018, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2017-027 RC

(Filed on April 3, 2017)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2019, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2018-032 RC

(Filed on April 30, 2018)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2020, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2019-050 RC

(Filed on July 1, 2019)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2021, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2020-028 RC

(Filed on September 28, 2020)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2022, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2021-060 RC

(Filed on July 27, 2021)

Absent the final rules governing the lapsed period from RY 2016, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the RYs beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. For forecast *CAPEX* after June 30, 2022, the proposals were filed as part of *MERALCO*'s regulatory reset applications.

Except with respect to partial approval by the *ERC* of the RY 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for RY 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 25, 2026, *MERALCO* is awaiting the final resolution and approval of the *ERC*.

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

- 11. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2016, with Prayer for Provisional Authority, Manila Electric Company, Applicant**
ERC Case No. 2015-016 RC
(Filed on February 9, 2015)

Since the *ERC* has yet to issue the rules governing the reset for the Fourth Regulatory Period, *MERALCO* needed to secure approval of its *CAPEX* program before the end of the 3rd Regulatory Period on June 30, 2015. In view thereof, and pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act, *MERALCO*, on February 9, 2015, filed an application for approval of authority to implement its *CAPEX* program for RY 2016 (July 1, 2015 to June 30, 2016).

On June 15, 2016, *MERALCO* received a copy of the *ERC* Decision dated April 12, 2016 which partially approved *MERALCO*'s *CAPEX* program for RY 2016 amounting to ₱15.4 billion, subject to certain conditions. An intervenor has filed a Motion for Reconsideration of the Decision which is pending before the *ERC*. On July 25, 2016, *MERALCO* has filed its opposition to the Motion for Reconsideration. As at February 25, 2026, the *ERC* has yet to rule on the Motion for Reconsideration.

- 12. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2017, with Prayer for Provisional Authority, Manila Electric Company, Applicant**
ERC Case No. 2016-017 RC
(Filed on March 8, 2016)

On March 8, 2016, *MERALCO* filed an application for approval of authority to implement its *CAPEX* program for RY 2017 (July 1, 2016 to June 30, 2017) pursuant to the Public Service Act. On July 26, 2016, *MERALCO* received the Order dated May 5, 2016, granting *MERALCO* provisional authority to implement the nine (9) major projects and 37 residual projects, subject to certain conditions. On August 16, 2016, *MERALCO* filed a Motion for Partial Reconsideration on the requirement to submit an accounting of the depreciation fund. Hearings on the application have been completed. On September 14, 2016, *MERALCO* filed a Motion for Resolution. Subsequently, on April 25, 2017, *MERALCO* filed a Very Urgent Motion for Resolution of the application. Thereafter, on October 18, 2017,

MERALCO filed a Manifestation and Urgent Motion for Resolution. On November 9, 2017, *MERALCO* filed a Manifestation with Third Urgent Motion to Resolve the Application. *MERALCO* is awaiting the final decision of the *ERC*.

In the meantime, *MERALCO* filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the *ERC*. In compliance with the directive of the *ERC* to provide additional data to assist in the evaluation of the Application, *MERALCO* filed its Compliance on February 17, 2020. As at February 25, 2026, *MERALCO* is awaiting the final decision of the *ERC*.

13. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2018, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2017-027 RC
(Filed on April 3, 2017)

On April 3, 2017, *MERALCO* filed an application for approval of authority to implement its CAPEX program for RY 2018 (July 1, 2017 to June 30, 2018) pursuant the Public Service Act. Hearings have been completed and *MERALCO* is awaiting the final decision of the *ERC*. In the meantime, *MERALCO* filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the *ERC*. In compliance with the directive of the *ERC* to provide additional data to assist in the evaluation of the Application, *MERALCO* filed its Compliance on February 17, 2020. In an Order dated June 5, 2020, *MERALCO* was directed to submit additional information regarding certain projects. On September 1, 2020, *MERALCO* filed its Partial Compliance and Manifestation with Motion for Extension. On November 3, 2020, *MERALCO* filed its Manifestation and Urgent Motion for Resolution. As at February 25, 2026, *MERALCO* is awaiting the final *ERC* decision.

14. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2019, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2018-032 RC
(Filed on April 30, 2018)

On April 30, 2018, *MERALCO* filed an application for approval of authority to implement its ₱21.0 billion CAPEX program for RY 2019 (July 1, 2018 to June 30, 2019) pursuant to the Public Service Act. Hearings on the case are ongoing. In the meantime, *MERALCO* filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the *ERC*. In an Order dated June 5, 2020, *MERALCO* was directed to submit additional information regarding certain projects. On September 1, 2020, *MERALCO* filed its Partial Compliance and Manifestation with Motion for Extension. On November 3, 2020, *MERALCO* filed its Manifestation and Urgent Motion for Resolution and is awaiting final decision. As at February 25, 2026, *MERALCO* is awaiting the final *ERC* decision.

15. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2020, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2019-050 RC
(Filed on July 1, 2019)

On July 1, 2019, *MERALCO* filed an application for approval of authority to implement its ₱15.5 billion CAPEX program for RY 2020 (July 1, 2019 to June 30, 2020) pursuant to the Public Service Act. Hearings on the case are ongoing. In the meantime, *MERALCO* filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the *ERC*. As at February 25, 2026, *MERALCO* is awaiting further action of the *ERC* on this matter.

16. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2021, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2020-028 RC
(Filed on September 28, 2020)

On September 28, 2020, *MERALCO* filed an application for approval of authority to implement its ₱20.7 billion CAPEX program for RY 2021 (July 1, 2020 to June 30, 2021) pursuant to the Public Service Act. Hearings have been completed. As at February 25, 2026, *MERALCO* has filed its Formal Offer of Evidence ("FOE") and is awaiting final resolution of the *ERC*.

17. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2022, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2021-060 RC
(Filed on July 27, 2021)

On July 27, 2021, *MERALCO* filed an application for approval of authority to implement its ₱24.6 billion CAPEX program for RY 2022 (July 1, 2021 to June 30, 2022) pursuant to the Public Service Act. Hearings have been completed. As at February 25, 2026, *MERALCO* has filed its FOE and is awaiting final resolution of the *ERC*.

**18. Bayan Muna Chairman Neri Colmenares and Bayan Muna Representative Carlos Zarate v. Department of Energy, et al.,
G.R. No. 248887
Supreme Court En Banc
Petition dated September 5, 2019**

Bayan Muna Chairman Neri Colmenares and Representative Carlos Zarate filed a Petition for Certiorari and Prohibition with Application for the Issuance of a Writ of Preliminary Injunction and/or TRO dated September 5, 2019 before the SC against the *DOE*, *MERALCO*, and other DUs with published competitive selection process ("CSP") bids in the *DOE* website.

Petitioners sought to: (a) nullify the *DOE* Department Circular No. 2018-02-003 ("2018 *DOE* Circular") or, in the alternative, nullify Section 16.1 and the provisions related thereto or resulting

therefrom; (b) prohibit DUs from implementing the CSP under the 2018 *DOE* Circular; (c) restrain the implementation of the 2018 *DOE* Circular pending the resolution of the Petition. Petitioners claim that the 2018 *DOE* Circular, which repealed *DOE* Department Circular 2015-06-0008 (“2015 *DOE* Circular”), is void for violating various policies and provisions intended to protect consumers under the *EPIRA* and under the Constitution. On December 17, 2019, *MERALCO* filed its Comment to the Bayan Muna Petition. As at February 25, 2026, *MERALCO* is awaiting further action of the SC on this matter.

However, on October 23, 2023, with the effectivity date of the new *ERC* CSP Guidelines (*ERC* Resolution No. 16, Series of 2023), the 2018 *DOE* Circular has been repealed. Thus, the main issue of the petitioners in this case should be considered moot already.

19. In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme for the Fifth Regulatory Period (2023 to 2026) in Accordance With the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR), As Amended, With Prayer For Provisional Authority

ERC Case No. 2022-015 RC

Docketed on March 16, 2022

In accordance with the RDWR, on March 16, 2022, *MERALCO* filed its application for approval of its Annual Revenue Requirement (“ARR”) and Performance Incentive Scheme (“PIS”) for the Fifth Regulatory Period (“RP”) or Regulatory Years (“RY”) 2023 to 2026.

On September 28, 2023, *MERALCO* filed an Urgent Omnibus Motion to: (a) withdraw the Application; (b) allow *MERALCO* to re-file its 5th *RP* Application to cover the period from *RY* 2025-2028 and (c) consider *RY* 2023 and *RY* 2024 as lapsed period and use ₱1.3522 per *kWh* as the final rate during this period.

On May 3, 2024, *MERALCO* received *ERC* Order dated May 3, 2024 restarting the proceedings in the case without prejudice to the resolution of pending incidents. Thereafter, on May 10, 2024, *MERALCO* received the *ERC* Order dated April 16, 2024 which (a) denied *MERALCO*’s Omnibus Motion to Withdraw and Re-file Application; and (b) directed proceeding with the original application based on the last two (2) remaining year. The Order was without prejudice to the *ERC*’s treatment of the “lapsed period of the 5RP” (*RY*2023-24).

From May 13 to 14, 2024, hearing resumed with *MERALCO* strongly opposed proceeding with the Application. Hearings were eventually suspended to await resolution of pending incidents.

On May 27, 2024, *MERALCO* filed its Motion for Partial Reconsideration to the *ERC* Order dated Apr 16, 2024. *MERALCO* posited that continuing with the proceedings in the instant Application at this point of time lacks factual and legal basis as proceeding with the application is not aligned with the RDWR which *MERALCO* used as basis for filing the Application. The Order cannot amend the RDWR without violating *MERALCO*’s right to due process.

On June 10, 2024, the *ERC* conducted a clarificatory hearing together with their third-party consultant regarding the submitted RAB report. On July 10, 2024, *MERALCO* submitted a partial compliance submitting its clarification to some of the issues raised by the *ERC*.

In an Order dated October 30, 2024, the *ERC* resolved the various pending motions of *MERALCO* and intervenors. The *ERC* granted *MERALCO*’s motion to withdraw and refile its 5RP

Application in accordance with the rules to be adopted by the *ERC*. *MERALCO*'s 5RP was further modified to cover RYs 2025-2028 (July 1, 2024, to June 30, 2028). The Order dated October 30, 2024 was then questioned by other intervenors. In an Order dated December 17, 2024, the *ERC* denied the motions for reconsideration filed by intervenors. The *ERC* further resolved to declare the period from July 1, 2022 to June 30, 2025 under *MERALCO*'s original 5RP as Lapsed and directed *MERALCO* to file within thirty (30) days from receipt its application for the true up of its Maximum Average Price versus Actual Weighted Average Tariff covering the period declared as lapsed, subject to evaluation, confirmation and approval of the *ERC*. As at February 25, 2026, *MERALCO* is preparing its application in compliance with the Order.

20. In the Matter of the Application for Authority to Issue Bonds or Evidence of Long-Term Indebtedness and to Mortgage, Pledge, or Encumber Property for this Purpose, with Prayer for Provisional Authority

ERC Case No. 2019-029 MC
Filed on October 28, 2019

In compliance with the provisions of the Public Service Act, on October 28, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to: (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. Hearings have been completed and *MERALCO* submitted its FOE. On January 25, 2021, *MERALCO* filed a Manifestation with Urgent Motion for Resolution. *MERALCO* filed a Motion to Withdraw the Application which was granted by the *ERC* in its Order dated September 8, 2025.

21. Neri J. Colmenares, et. al. v. ERC, COA, MERALCO

G.R. No. 246422
Supreme Court
Petition for Certiorari dated April 27, 2019

Petitioners filed the instant Petition for Certiorari to question the legality of the collection of bill deposits by *MERALCO*. The Petition likewise questioned the interest rate earned by the bill deposit. On January 24, 2025, *MERALCO* received an SC Decision dated October 8, 2024 dismissing a Petition, which prayed to declare the provisions for bill deposits in the Magna Carta, as illegal and void and that *MERALCO* and other DUs be permanently prohibited from imposing and collecting bill deposit from captive customers.

22. In the Matter of Alleged Violation of the Advisories issued by the ERC during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ).

ERC Case No. 2020-001 SC
Energy Regulatory Commission
Show Cause Order received June 2, 2020

On June 2, 2020, *MERALCO* received a copy of the Show Cause Order issued by the *ERC* directing *MERALCO* to submit its explanation on why it should not be held liable for alleged violations of the Honorable Commission's directives as contained in: (1) Item No. 3 of the March 26, 2020 Advisory, Item No. 4 of April 15, 2020 Advisory and Item No. 5 of May 5, 2020 Advisory; (2) Item No. 6 of April 15, 2020 Advisory; and (3) Item No. 2 of May 5, 2020 Advisory. In a Decision dated August 20, 2020, the *ERC* ordered *MERALCO* to pay a fine of ₱19 million and directed that the

Distribution, Supply and Metering (“DSM”) charges be set to zero for lifeline customers. On September 11, 2020, *MERALCO* paid the ₱19 million fine and filed a Motion for Partial Reconsideration with respect to the directive to set the DSM charges to zero for lifeline customers. *MERALCO* implemented the directive to set the DSM charges to zero for lifeline customers in its October 2020 billing to customers subject to the resolution of its Motion for Partial Reconsideration. As at February 25, 2026, the Motion for Partial Reconsideration is pending with the *ERC*.

23. In Re: Non-Compliance to the Directive to Submit Data on the Validation of Actual/Historical Expenditure

ERC Case No. 2020-106 SC

Energy Regulatory Commission

Show Cause Order received December 15, 2020

In reference to the validation of the actual or historical expenditure of private DUs being undertaken by the *ERC* through its appointed consultant, Royal Asia Appraisal Corporation (“RAAC”), the *ERC* sent a letter dated January 17, 2020 directing *MERALCO* to submit specific data regarding the actual/historical expenditure covering the last approved regulatory period, or *MERALCO*’s Third Regulatory Period (July 1, 2011 to June 30, 2015), on or before February 24, 2020.

On August 4, 2020, *MERALCO* received a letter dated July 30, 2020 from the *ERC* granting *MERALCO*’s request for extension to defer its submission, but only until August 2020, or 27 days from its receipt of the letter, without further extension. Unfortunately, despite exerting its best efforts, *MERALCO* was only able submit its partial but substantial compliance through a letter dated August 31, 2020, which was sent by electronic mail on September 1, 2020, given the magnitude of the detailed information required. As such, *MERALCO* could only submit information covering the Third Regulatory Period as well as other system statistics. However, *MERALCO* undertook to submit the remaining information within the next three (3) months. On November 2020, the *ERC* sent a letter dated 29 October 2020 inviting *MERALCO* and its concerned officers to a virtual clarificatory meeting to clarify *MERALCO*’s submission and discuss the Honorable Commission’s initial review thereon on November 23, 2020. Similarly, the Honorable Commission informed *MERALCO* that it shall allow the submission of additional information as required during the meeting as well as answers to the clarificatory questions no later than five (5) business days from the date of the clarificatory meeting.

Through a letter dated November 30, 2020, which was sent via electronic mail on December 1, 2020, *MERALCO* submitted the expenditure data for the period from July 1, 2015 to September 30, 2019 as well as the additional information requested by the *ERC* during the November 23, 2020 clarificatory meeting.

In a letter dated December 15, 2020, which was received by *MERALCO* via electronic mail on December 24, 2020, the *ERC* acknowledged *MERALCO*’s submission of expenditure data as of September 30, 2019 as well as the additional information requested during the clarificatory meeting held on November 23, 2020. On December 15, 2020, *MERALCO* received a copy of the Show Cause Order issued by the *ERC* requiring *MERALCO* to submit an explanation on why no administrative penalty should be imposed for its (1) delayed submission of data covering its last approved regulatory period; (2) no lapsed data submitted; (3) incomplete templates; and (4) inadequate supporting information on certain items required by the *ERC*. *MERALCO* filed its Compliance on January 14, 2021. As at February 25, 2026, *MERALCO* is awaiting further action of the *ERC* on the matter.

24. In Re: Refusal to Refund Bill Deposit in Accordance with Magna Carta and DSOAR
ERC Case No. 2023-078 SC
Energy Regulatory Commission
Show Cause Order received June 14, 2023

On June 14, 2023, *MERALCO* received the Show Cause Order dated April 12, 2023, directing *MERALCO* to submit, within 15 days from receipt thereof, its verified explanation and show cause why no administrative penalty should be imposed upon it for its alleged failure to refund to its consumers the amount of bill deposit and accrued interests, in violation of Article 7 in relation to Article 28 of the Magna Carta for Residential Electricity Consumers ("Magna Carta") and paragraph 3.4.1 of the Distribution Services and Open Access Rules ("DSOAR"). The case stemmed from complaints made by several customers who were not able to receive their refunds as the *ERC* suspended the annual update of bill deposit during the pandemic. As part of the Show Cause Order, *MERALCO* was directed to refund the bill deposit of the customers who filed complaints.

MERALCO explained that it did not violate the relevant provisions of the Magna Carta and DSOAR as its alleged failure to refund the bill deposit and interest to the customers was brought about by the suspension of the adjustment of bill deposit update during the effectivity of the advisory during the pandemic which suspended the annual update of the bill deposit. The suspension of the adjustment of bill deposits necessarily included the suspension of both the refund and collection of excess or insufficient bill deposit as well as the crediting of the corresponding interest.

On June 26, 2023, *MERALCO* filed a Compliance and Manifestation that, without prejudice to the final resolution of the Show Cause Order, it proceeded with the implementation of the directive for the refund of the bill deposits of customers who filed complaints. *MERALCO* will refund the full amount in their July 2023 bills. However, the refund can be made in full upon submission of certain documentary requirements.

In the case of another customer, upon verification of the records of the previous discussions before this Honorable Commission's Consumer Affairs Service ("CAS"), it appears that the case is not simply for Annual Update of Bill Deposit ("AUBD"). As confirmed during the mediation proceedings, the registered customer for the account the developer of the condominium unit. As communicated with the customer, the case will involve termination of the account by the developer and creation of a new account in the customer's name. Accordingly, the refund of the deposit and transfer of service in the name of the customer shall be processed upon the submission of the documentary requirements. *MERALCO* is still awaiting the submission of the documentary requirements for it to be able to process the refund of deposits and consequent transfer of service.

MERALCO filed its verified Compliance and Explanation on July 4, 2023. As at February 25, 2026, *MERALCO* is awaiting further action of the *ERC*. In the meantime, *MERALCO* has proceeded with the refund to these customers who filed complaints, *MERALCO* is still in coordination with the customers for the completion of the documentary requirements.

25. Prime Energy Resources Development B.V., Prime Oil and Gas, UC38 LLC and PNOC Exploration Corp. vs. MERALCO

Complaint for Temporary Restraining Order and/or Writ of Preliminary Injunction and Permanent Injunction

Civil Case No. 1039

Regional Trial Court ("RTC") – Taguig City

On July 30, 2024, Prime Energy Resources Development B.V., Prime Oil and Gas, UC38 LLC and PNOC Exploration Corp. ("Prime, et. al.") filed a Complaint for Temporary Restraining Order ("TRO")/Writ of Preliminary Injunction and Permanent Injunction seeking to enjoin *MERALCO* from continuing the conduct of activities in relation to its CSPs for the 600 MW baseload supply and the 400 MW mid-merit supply. Prime, et. al. anchored their claim on the supposed failure of *MERALCO* to observe the preference for indigenous natural gas in the Terms of References of the said CSPs, thus, due to this supposed failure, Prime, et. al. claims that it would stand to suffer irreparable damage if the two (2) CSPs would proceed as is. On July 31, 2024, *MERALCO* received a 72-hour TRO issued by the Executive Judge of the RTC of Taguig City, enjoining *MERALCO* from further conducting CSP activities. On August 2, 2024, *MERALCO* received the Order from the RTC of Taguig City, extending the TRO up to 20 days.

On August 19, 2024, the RTC of Taguig City issued an Order dismissing the complaint for lack of jurisdiction and rendering the TRO without force and effect. On October 29, 2024, the RTC issued an Order noting *MERALCO*'s Manifestation *Ad Cautelam* re: *ERC* Jurisdiction and Finality of Dismissal Order (filed on 2 September 2024), which informed the RTC that the bidding under 600 MW CSP had proceeded and the Pre-Bid Conference for the 400 MW CSP had been scheduled. Entry of judgment has been issued.

26. In the Matter of the Application for Approval of the Power Supply Agreement between MERALCO and South Premiere Power Corp. with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information

Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment

ERC Case No. 2019-081

27. In the Matter of the Application for Approval of the Power Supply Agreement between MERALCO and San Miguel Energy Corporation (now known as Sual Power Inc. [SPI]) with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information

Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment

ERC Case No. 2019-083

Court of Appeals, CA-G.R. SP No. 176036 and 176037

Supreme Court G.R. No. 267518 and 271341

28. In the Matter of the Application for Approval of the Power Supply Agreement between MERALCO and ACEN Corporation (formerly known as AC Energy Philippines, Inc.) (ACEN) with Prayer for

Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information

Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-078

29. In the Matter of the Application for Approval of the Power Supply Agreement between MERALCO and ACEN Corporation (formerly known as AC Energy Philippines, Inc. (ACEN) with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information

Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-079

On September 13, 2019, after being declared the winning power suppliers in a CSP, MERALCO signed three (3) PSAs for baseload capacity with AC Energy for 200 MW, SPI for 330 MW, and SPPC for 670 MW. On October 22, 2019, the joint applications for approval of these three (3) baseload PSAs were filed before the ERC. On December 23, 2019, the ERC granted provisional authority to implement MERALCO's three (3) PSAs for baseload capacity with AC Energy, SPPC and SPI. In its Orders dated November 26, 2020, the ERC granted interim relief authorizing continued implementation of the PSAs, until revoked or until the issuance of a final decision by the ERC.

On April 18, 2022, SPI and SPPC issued to MERALCO Notices of Change in Circumstances, claiming that the worsening conflict between Russia and Ukraine and other geopolitical and economic factors related and/or emanating therefrom had impacted SPI and SPPC's capability to perform their obligations under the respective PSAs in terms of unexpected increase in fuel cost. Thus, on May 12, 2022, SPI and SPPC (joined by MERALCO) filed Joint Motions for Price Adjustment with the ERC. On October 3, 2022, the ERC promulgated its Orders dated September 29, 2022, denying the Joint Motions for Price Adjustment. On October 5, 2022, SPI and SPPC notified MERALCO that it will continue with its obligations under their respective baseload PSAs with MERALCO under protest and without prejudice to their rights and remedies under pertinent laws and contract. On November 4, 2022, SPI and SPPC filed Petitions for Certiorari with prayer for issuance of TRO and Writ of Preliminary Injunction ("WPI") with the CA, assailing the ERC Orders dated September 29, 2022. On November 25, 2022, the CA issued a TRO for the SPPC case, hence, after the TRO bond was posted by SPPC, on December 7, 2022, SPPC stopped accepting MERALCO nominations. On January 25, 2023, the CA issued a WPI for the SPPC case, which shall remain in effect until the main case is finally decided. Meanwhile, for the SPI case, on January 13, 2023, the CA denied SPI's prayer for TRO and WPI. On February 10, 2023 and February 13, 2023, ERC and MERALCO, respectively, filed its Motion for Reconsideration of the CA's issuance of WPI for the SPPC case. On April 3, 2023, the CA promulgated its Resolution denying the Motions for Reconsideration filed by ERC and MERALCO vis-à-vis the CA's issuance of WPI for the SPPC case. On June 22, 2023, the ERC filed with the SC a Petition for Certiorari with prayer for TRO/WPI, assailing the CA's issuance of WPI for the SPPC case.

On July 14, 2023, MERALCO received the CA's Joint Decision dated June 27, 2023 (the "Joint Decision") that, among others: (a) annulled/set aside the ERC Orders which: (i) denied the Joint Motions for Price Adjustment and (ii) directed MERALCO to exhaust all options to preserve the PSAs; (b) granted SPPC's and SPI's Motions for Price Adjustment (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (c) made permanent the Preliminary Injunction issued in favor of SPPC. Starting on December 7, 2022 and July 24, 2023,

SPPC and *SPI*, respectively, have ceased supplying energy under its baseload *PSAs* with *MERALCO*. Subsequently, *SPI* and *SPPC* issued to *MERALCO* Notices of Change in Circumstances dated August 18, 2023 claiming additional adjustment. In *MERALCO*'s letters to *SPI* and *SPPC*, both dated January 30, 2024, *MERALCO* advised *SPI* and *SPPC* to avail itself of legal remedies available to it under the law considering that it finds no basis under contract to join *SPI* and *SPPC* in the filing with the *ERC* since the *PSAs* had already been terminated.

In a Resolution dated December 28, 2023, the *CA* denied the Motions for Reconsideration (“*MR*”) filed by the and Respondent-Intervenor *NASECORE*. Finding no merit in the arguments, the *CA* ruled that the grounds raised by *ERC* and *NASECORE* in their respective *MRs* had already been thoroughly considered by the *CA* in its Joint Decision and it had clearly provided the basis for its rulings, thus, the *MRs* were denied. On February 28, 2024, the *ERC* elevated the matter with the *SC* by filing a Petition for Review on Certiorari. On April 3, 2024, the *SC* issued a Resolution denying the *ERC*'s Petition for Certiorari for failure to show that the *CA* committed any reversible error. On June 5, 2024, the *ERC* filed a Motion for Reconsideration. Also on April 3, 2024, the *SC* issued a Resolution dismissing the *ERC*'s separate Petition for Certiorari (assailing the *TRO/WPI* issued by the *CA*) for being moot and academic. On June 27, 2024, the *ERC* filed a Motion for Reconsideration. As at September 13, 2024, the *SC* has not issued an order directing respondents *SPPC*, *SPI*, *MERALCO* and *NASECORE* to submit their respective comments to the *ERC*'s motions for reconsideration.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC*, claiming that the abrupt and extraordinary surge in coal prices in 2022, which worsened due to the Russia and Ukraine conflict and other geopolitical and economic factors related to and/or emanating therefrom had impacted *AC Energy*'s financial capability to perform its obligations under the *PSA* in terms of unexpected surge or increase in fuel cost. Thus, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving ₱618 million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* to show the financial impact of the *CIC* to *ACEN* for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving an additional ₱910 million. On 2 September 2024, *MERALCO* received a Notice of Termination from *AC Energy*. To inform the *ERC* of this Notice of Termination, *MERALCO* filed a Manifestation and Urgent Motion to Resolve to the *ERC* on September 4, 2024 and September 16, 2024, respectively.

On October 28, 2024, *MERALCO* received *AC Energy*'s second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its bilateral contract quantities (*BCQ*) under the *PSA* effective November 2, 2024. In response, *MERALCO* urged *AC Energy* through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment pending before the *ERC* for the benefit of the consuming public. Apart from the letter to *AC Energy*, *MERALCO* also filed with the *ERC* Urgent 3rd Motion to Resolve dated October 29, 2024.

However, without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO*'s nominations to *AC Energy*, the latter ceased declaring *BCQs* to *MERALCO* under the subject *PSAs*. As at February 25, 2026, the *ERC* has yet to act on the motion.

FGHPC, AC Energy and SPPC – Mid-merit PSAs

On September 16, 2019, after being declared the winning power suppliers in a *CSP*, *MERALCO* signed three (3) *PSAs* for mid-merit capacity with *FGHPC* for 100 *MW*, *AC Energy* for 110 *MW*, and

SPPC for 290 MW. On October 22, 2019, the joint applications for approval of these three (3) *PSAs* were filed before the *ERC*. On January 30, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s *PSA* for mid-merit capacity with *AC Energy*. On March 16, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s other *PSAs* for mid-merit capacity with *FGHPC* and *SPPC*. In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSAs*, until revoked or until the issuance of a final decision by the *ERC*. As at July 29, 2024, the three (3) *PSA* applications are pending final decision by the *ERC*.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC*, claiming that the abrupt and extraordinary surge in coal prices in 2022, which worsened due to the Russia and Ukraine conflict and other geopolitical and economic factors related to and/or emanating therefrom had impacted *AC Energy*'s financial capability to perform its obligations under the *PSA* in terms of unexpected surge or increase in fuel cost. Thus, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*, involving ₱87 Million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* to show the financial impact of the *CIC* to *ACEN* for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*, involving an additional ₱132 million. On September 2, 2024, *MERALCO* received a Notice of Termination from *AC Energy*. To inform the *ERC* of this Notice of Termination, *MERALCO* filed a Manifestation and Urgent Motion to Resolve to the *ERC* on September 4, 2024 and September 16, 2024, respectively.

On October 28, 2024, *MERALCO* received *AC Energy*'s second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its bilateral contract quantities (*BCQ*) under the *PSA* effective November 2, 2024. In response, *MERALCO* urged *AC Energy* through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment pending before the *ERC* for the benefit of the consuming public. Apart from the letter to *AC Energy*, *MERALCO* also filed with the *ERC* Urgent 3rd Motion to Resolve dated October 29, 2024. However, without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO*'s nominations to *AC Energy*, the latter ceased declaring *BCQs* to *MERALCO* under the subject *PSAs*. As at February 25, 2026, the *ERC* has yet to act on the motions.

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

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

(1) Market Information

The principal market where *MERALCO*'s common equity is traded in the Philippine Stock Exchange. The quarterly high and low sales prices for the fiscal years 2025 and 2024 and first quarter 2026 are as follows:

FROM	TO	HIGH	LOW
		Share Price (in ₱)	Share Price (in ₱)
01/01/26	03/31/26	640.00	575.00
10/01/25	12/31/25	618.00	531.00
07/01/25	09/30/25	560.00	515.50
04/01/25	06/30/25	584.00	517.50
01/01/25	03/31/25	550.00	448.00
10/01/24	12/31/24	503.50	439.00
07/01/24	09/30/24	457.80	366.40
04/01/24	06/30/24	379.80	345.00
01/01/24	03/31/24	399.80	350.00

The share price of *MERALCO* at close of trading on March 31, 2026 was ₱617.50 per share.

(2) Holders

As of March 31, 2026, the Company has 39,970 stockholders.

Top 20 Stockholders as of March 31, 2026

	STOCKHOLDER NAME	NATIONALITY	NUMBER OF SHARES	%
1.	BEACON ELECTRIC ASSET HOLDINGS, INC.	FILIPINO	394,059,235	34.96
2.	JG SUMMIT HOLDINGS, INC.	FILIPINO	297,189,397	26.37
3.	METRO PACIFIC INVESTMENTS CORPORATION	FILIPINO	140,906,807	12.50
4.	PCD NOMINEE CORP – FILIPINO		106,567,389	9.46
5.	PCD NOMINEE CORP – NON-FILIPINO		60,233,619	5.34
6.	SAN MIGUEL GLOBAL POWER HOLDINGS CORPORATION	FILIPINO	46,596,596	4.13
7.	FIRST PHILIPPINE HOLDINGS CORPORATION	FILIPINO	44,382,436	3.94
8.	MANTES CORPORATION	FILIPINO	2,486,427	0.22
9.	LUCIO W. YAN	FILIPINO	403,208	0.04
10.	CHARLOTTE CUA CHENG	FILIPINO	314,534	0.03
11.	ALBERT FERREROS DEL ROSARIO &/OR MARGARET GRETCHEN DE VENECIA DEL ROSARIO	FILIPINO	291,140	0.03
12.	AVESCO MARKETING CORPORATION	FILIPINO	284,427	0.03

	STOCKHOLDER NAME	NATIONALITY	NUMBER OF SHARES	%
13.	B. P. INSURANCE AGENCY, INC.	FILIPINO	281,079	0.02
14.	SERGIO ONG OR SHIRLEY OLANO	FILIPINO	245,460	0.02
15.	MAKATI SUPERMARKET CORPORATION	FILIPINO	240,308	0.02
16.	ALBERT FERREROS DEL ROSARIO AND/OR MARGARET GRETCHEN DE VENECIA DEL ROSARIO	FILIPINO	182,500	0.02
17.	LAARNI NIEMAN ENRIQUEZ	FILIPINO	164,388	0.01
18.	AGIKIK CORPORATION	FILIPINO	120,100	0.01
19.	BP INSURANCE AGENCY, INC.	FILIPINO	116,730	0.01
20.	RAUL JOSEPH CONCEPCION	FILIPINO	112,431	0.01

(3) Dividends

Following are the cash dividends declared by *MERALCO's BOD* in favor of *MERALCO* common shares for the two (2) most recent years ended December 31, 2025 and 2024:

YEAR	RATE PER SHARE	RECORD DATE	PAYMENT DATE
2025	₱13.736	March 12, 2025	April 4, 2025
	11.328	August 27, 2025	September 22, 2025
2024	11.235	March 27, 2024	April 24, 2024
	10.295	August 28, 2024	September 23, 2024

On February 25, 2026, the BOD of *MERALCO* approved the declaration of cash dividends of ₱16.672 per share to all shareholders of record as of March 26, 2026, payable on April 20, 2026.

MERALCO's loan agreements contain restrictions on payments of cash dividends to common stockholders subject to meeting certain financial measures, which *MERALCO* complied with.

MERALCO strictly adheres to its dividend policy approved by the BOD in 2010, which prescribes the regular payment of dividends equivalent to fifty percent (50%) of consolidated core net income. This may be supplemented by special dividends determined on a “look-back” basis. The declaration and payment of special dividends are subject to the availability of unrestricted retained earnings and free cash.

In 2025, *MERALCO* paid cash dividends of ₱25.06 per share to its shareholders.

(4) Recent Issuance of Securities Constituting an Exempt Transaction

None.

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

The following discussion and analysis of financial position and results of operations of Manila Electric Company ("*MERALCO*") and its subsidiaries, collectively referred to as the "*MERALCO Group*" should be read in conjunction with the audited consolidated financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025. The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards ("*PFRS*") Accounting Standards.

The financial information appearing in this report and in the accompanying audited consolidated financial statements is presented in Philippine peso, *MERALCO Group's* functional and presentation currency, as defined under *PFRS* Accounting Standards. The exchange rate used to translate U.S. dollar to Philippine peso in this report and in the accompanying audited consolidated financial statements is US\$1.00 to ₱58.79, the closing rate as at December 29, 2025 quoted through the Philippine Dealing System.

Financial Highlights and Key Performance Indicators

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

	As at December 31		Increase (Decrease)	
	2025	2024	Amount	%
Condensed Statements of Financial Position				
Total assets	₱823,879	₱617,958	₱205,921	33
Current assets	213,224	179,616	33,608	19
Cash and cash equivalents	109,317	84,480	24,837	29
Equity attributable to equity holders of the parent company	173,137	144,599	28,538	20
Total debt	230,046	94,776	135,270	143
Current liabilities	252,050	236,374	15,676	7
Total liabilities	600,355	432,076	168,279	39

	For the Years Ended December 31			% Change	
	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
Condensed Statements of Income					
Revenues	₱497,325	₱470,362	₱443,612	6	6
Costs and expenses	448,852	425,446	407,279	6	4
Other income, net of expenses	15,119	11,768	10,456	28	13
Income before income tax	63,592	56,684	46,789	12	21
Net income	50,842	46,470	38,678	9	20
Net income attributable to equity holders of the parent	51,130	45,859	38,023	11	21
Core net income ("CCNI") ¹	50,570	45,142	37,110	12	22
Earnings per share ("EPS"), attributable to equity holders of the parent	45.36	40.69	33.74	12	21
Core EPS ²	44.87	40.06	32.93	12	22

	For the Years Ended December 31			% Change	
	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
Condensed Statements of Cash Flows					
Net cash provided by operating activities	72,077	42,010	57,974	72	(28)
Net cash provided by (used in)					
investing activities	(159,152)	(18,763)	1,569	748	(1,296)
Net cash provided by (used in) financing activities	112,520	(21,591)	(32,605)	(621)	(34)
Operational Data					
Number of customers (in thousands):					
Residential	7,598	7,432	7,231	2	3
Commercial	607	595	581	2	2
Industrial	11	11	11	-	-
Streetlight	5	5	5	-	-
Electricity sales volume (in GWh)	53,997	54,325	51,044	(1)	6
System loss (in percentage):					
MERALCO	5.85	5.99	5.88	(2)	2
Clark Electric Distribution Corporation (“Clark Electric”)	1.83	2.28	1.92	(20)	19

¹ Reported net income, adjusted to exclude the effect of foreign exchange gains or losses, impairment charges and reversals, mark-to-market adjustments and other one-time, non-recurring transactions, net of tax effect of the foregoing adjustments.

² Core net income divided by the number of common shares outstanding.

The Key Performance Indicators (“KPI”) of MERALCO are as follows:

Financial KPI	Definition	For the Years Ended December 31		
		2025	2024	2023
Core EBITDA	CCNI excluding depreciation and amortization, interest and other financial charges, interest and other financial income, and provision for income tax	₱86,356	₱74,916	₱64,368
Debt to Equity	$\frac{\text{Total debt}}{\text{Equity attributable to equity holders of the parent company}}$	1.33	0.66	0.81
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.85	0.76	0.70
Net Profit Margin	$\frac{\text{Net income attributable to equity holders of the parent company}}{\text{Revenues}}$	10%	10%	9%
Return on Equity	$\frac{\text{Net income attributable to equity holders of the parent company}}{\text{Equity attributable to equity holders of the parent company}}$	30%	32%	31%
Asset Turnover	$\frac{\text{Revenues}}{\text{Average total assets}}$	69%	78%	80%

OVERVIEW

MERALCO is the Philippines' largest electric power distribution company, with franchise area covering 9,685 square kilometers. It provides power to over 8.2 million customer accounts in 39 cities and 72 municipalities, which include Metro Manila, all of the provinces of Rizal, Cavite and Bulacan, and parts of the provinces of Pampanga, Batangas, Laguna and Quezon.

The operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- **Power**

The power segment consists of (a) electricity distribution, (b) power generation and (c) retail electricity supply ("*RES*").

Electricity distribution – This principally covers the distribution of electricity and the supply of power on a pass-through basis to captive customers within the franchise areas of *MERALCO*, *Clark Electric* and *Shin Clark Power Corporation* ("*Shin Clark Power*"). Electricity distribution within *MERALCO* franchise area accounts for approximately 50% of the country's total power requirements. *Clark Electric*'s franchise area covers the Clark Special Economic Zone and its sub-zones, while *Shin Clark Power*'s franchise covers the New Clark City ("*NCC*").

Shin Clark Power Holdings, Inc. ("*Shin Clark Holdings*"), pursuant to a Joint Venture Agreement ("*JVA*") with *BCDA*, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress to *BCDA* under Republic Act No. 11420, and was subsequently assigned to *Shin Clark Power* in exchange for a 10% equity interest. *Shin Clark Power* is incorporated and registered with the Securities and Exchange Commission ("*SEC*"), and has a Certificate of Public Convenience and Necessity issued by the Energy Regulatory Commission ("*ERC*") to operate as a *DU* for a period of 25 years.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through Comstech Integration Alliance, Inc. ("*Comstech*") under an Investment Management Contract ("*IMC*"). It also has a similar arrangement for the management of the electric distribution facilities in the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with the Philippine Economic Zone Authority ("*PEZA*").

Power generation – The *MERALCO Group* has a combined net generating capacity of 5,069.7 *MW* of coal, liquid natural gas, renewable energy, and diesel-fired power plants located in the Philippines and Singapore. In addition, it is developing a total of 3,950 *MWp* of solar capacity as of December 31, 2025.

This portfolio includes the 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon operated by San Buenaventura Philippines Ltd. Company ("*SBPL*"), in which Meralco PowerGen Corporation ("*MGen*") has a 51% interest.

Global Business Power Corporation ("*GBPC*") owns 831 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. This includes the 2 x 108.5 *MW* (net) Circulating Fluidized Bed ("*CFB*") plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy*").

GBPC has a 50% less one share interest in Alsons Thermal Energy Corporation (“ATEC”), which holds a 100% interest in *Sarangani Energy*.

MGreen, a wholly owned subsidiary of *MGen*, is engaged in the development, construction and operation of solar power facilities. *MGreen* holds a 60% equity interest in *First Bulacan*, which owns and operates a 55 MWac utility-scale solar facility in San Miguel, Bulacan, under an ERC-approved PSA with *MERALCO* for a period of 20 years until April 2041.

In 2025, *MGreen* inaugurated the 52.7 MWac solar power plant of Greenergy For Global Inc. (“*Greenergy*”) and the 19.8 MWac solar power plant of Greentech Solar Energy, Inc.’s (“*GSEI*”).

SP New Energy Corporation (“*SPNEC*”), through its subsidiaries Terra Solar Philippines, Inc. (“*MTerra Solar*”) (60%) and Terra Nueva, Inc. (“*TNI*”) (100%), are developing a 3.5-GWp solar power plant facility with a 4,500-MWh battery energy storage system. The project with the first phase involving 2,500 MWdc is expected to begin commercial operations in 2026 while the balance is due to be completed in 2027. *SPNEC* is 69.25% owned by *MGreen*.

MGen also secured confirmation from the DOE that the 1,200-MW ultra supercritical coal-fired power project of Atimonan One Energy, Inc.’s (“*A1E*”) remains a Committed Project and is outside the coverage of the coal moratorium policy.

PH Renewables Inc. (“*PHRI*”), in partnership with Mitsui & Co.’s local unit Mit-Renewables Philippine Corporation, owns and operates the 80.1 MWac solar plant in Baras, Rizal (“*Baras Solar Plant*”). Separately, Nuevo Solar Energy Corporation (“*NSEC*”), a joint venture between *MGreen* and *Vena Energy*, owns and operates a 68.7 MWac solar plant project in Ilocos Norte.

MGreen also entered into an investment agreement with *Vena Energy*, for the development, construction and operation of a 450 MWac solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation (“*Barracuda Energy*”). Construction commenced in the fourth quarter of 2024 and is expected to begin commissioning in the first quarter of 2026.

In addition, *MGen* and Therma NatGas, Inc. (“*TNGP*”) entered into an Investment Agreement with the parties owning 60% and 40% interests in Chromite Gas Holdings, Inc. (“*Chromite Holdings*”), respectively.

Outside the Philippines, *MGen* holds a combined 58% (direct and indirect) interest in PacificLight Power Pte Ltd. (“*PacificLight Power*”), which owns and operates a 2 x 400 MW LNG-fueled combined cycle power plant on Jurong Island, Singapore. In May 2025, *PacificLight Power* completed and commissioned a 100 MW fast-start LNG facility to provide ancillary services under a 25-year contract with Singapore’s Energy Market Authority (“*EMA*”). In January 2025, *PacificLight Power* was awarded the right to develop a hydrogen-ready Combined Cycle Gas Turbine (“*CCGT*”) facility with a capacity of at least 600 MW, scheduled to commence commercial operations in January 2029.

RES – This business segment sources and supplies electricity to qualified contestable customers. As distribution utilities, *MERALCO* and *Clark Electric* are also licensed to operate as local retail electricity suppliers within their respective franchise areas through their separate business units, *MPower* and *Cogent Energy*. Under the RCOA framework, qualified contestable customers may procure electricity from any licensed retail electricity supplier, including *MPower* and *Cogent Energy*.

Affiliate RES entities include Vantage Energy Solutions and Management, Inc. (“*Vantage*”) and Phoenix Power Solutions, Inc. (“*Phoenix Power*”), wholly owned subsidiaries of *MERALCO*;

MeridianX Inc. (“*MeridianX*”), a wholly owned subsidiary of *Comstech*; and MGen Retail Electricity Supplier Corporation (“*MGen RES*”), formerly Global Energy Supply Corporation (“*GESC*”), a wholly owned subsidiary of *GBPC*, are affiliate *RES*s. Clarion Energy Management Inc. (“*Clarion*”), a wholly owned subsidiary of *Clark Electric*, was issued its *RES* license by the *ERC* on December 12, 2025, following the re-filing of its application and submission of updated requirements.

- Other Services

The other services segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, Miescor Builders, Inc. (“*MBI*”), Miescor Logistics, Inc. (“*MLI*”) and Customer Frontline Solutions, Inc. (“*CFSI*”) (collectively known as “*MIESCOR Group*”), Corporate Information Solutions, Inc. (“*CIS*”), eMeralco Ventures, Inc. (“*e-MVI*”), Paragon Vertical Corporation (“*Paragon*”) and Radius Telecoms, Inc. (“*Radius*”) (collectively referred to as “*e-MVI Group*”), *Comstech*, Lighthouse Overseas Insurance Limited (“*LOIL*”), Meralco Financial Services, Inc. (“*Finserve*”), Meralco Energy, Inc. (“*MServ*”), MSpectrum, Inc. (“*Spectrum*”) and Movem Electric Inc. (“*Movem*”).

Below is the summary of *MERALCO Group*'s business segments:

BUSINESS SEGMENTS	
Power	Other Services
Electricity distribution • <i>MERALCO</i> • <i>Clark Electric</i> • <i>Shin Clark Power</i> Power generation • <i>MGen</i> and subsidiaries RES • <i>MERALCO</i> through <i>MPower</i> business unit • <i>Clark Electric</i> through <i>Cogent Energy</i> business unit • <i>Clarion</i> • <i>MGen RES</i> • <i>MeridianX</i> • <i>Phoenix Power</i> • <i>Vantage</i>	• <i>CIS</i> • <i>Comstech</i> • <i>e-MVI Group</i> • <i>Finserve</i> • <i>LOIL</i> • <i>MIESCOR Group</i> • <i>MServ</i> • <i>Spectrum</i> • <i>Movem</i>

RESULTS OF OPERATIONS

The consolidated results of operations and the contribution of each business segment to *MERALCO Group's* revenues, costs and expenses, other income, and net income for the years ended December 31, 2025 and 2024 are discussed below.

For the Year Ended December 31, 2025				
	Power	Other Services	Inter-segment Transactions	Consolidated
<i>(Amounts in millions)</i>				
Revenues	₱485,547	₱21,190	(₱9,412)	₱497,325
Costs and expenses	438,263	18,604	(8,015)	448,852
Other income (expense) - net	16,457	195	(1,533)	15,119
Net income attributable to equity holders of the parent	50,847	(5)	288	51,130

For the Year Ended December 31, 2024				
	Power	Other Services	Inter-segment Transactions	Consolidated
<i>(Amounts in millions)</i>				
Revenues	₱456,918	₱18,767	(₱5,323)	₱470,362
Costs and expenses	415,527	15,118	(5,199)	425,446
Other income (expense) - net	11,118	(454)	1,104	11,768
Net income attributable to equity holders of the parent	44,673	1,797	(611)	45,859

2025 compared with 2024

REVENUES

The composition of *MERALCO Group's* consolidated revenues by business segment is shown below.

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
<i>(Amounts in millions)</i>						
Power	₱485,547	98	₱456,918	97	₱28,629	6
Other services	21,190	4	18,767	4	2,423	13
Inter-segment transactions	(9,412)	(2)	(5,323)	(1)	(4,089)	77
Total	₱497,325	100	₱470,362	100	₱26,963	6

Consolidated revenues increased by 6% to ₱497,325 million from ₱470,362 million. The combined higher pass-through generation and transmission charges and increased revenue contributions from *MGen* from its participation in the reserve market, and increased sales volumes of the retail electricity supply business drove the higher revenues in 2025. Distribution revenues were lower with the 2% decrease in energy sold.

Other services revenue grew by 13% to ₱21,190 million from ₱18,767 million, largely due to higher revenues from *MIESCOR* and *Bayad*. The revenues in 2025 excluded *MIDC* contribution with its deconsolidation beginning October 2024.

Power

Revenues of the power business are from electricity distribution, *RES* and power generation. *MERALCO*, *Clark Electric* and *Shin Clark Power* distribute electricity to captive industrial, commercial and residential customers within their respective franchise areas. Meanwhile, *MPower*, *Cogent Energy*, *Vantage*, *MeridianX* and *MGen RES* supply electricity to their qualified contestable customers. Power generation revenues are from *GBPC*, *First Bulacan*, *PHRI*, *SP Calatagan*, Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*"), *Greenergy* and *GSEI*.

Power revenues for the year ended December 31, 2025 was at ₱485,547 million, reflecting a 6% increase from ₱456,918 million last year. This was primarily driven by higher pass-through generation and transmission charges, stronger revenue contributions from the reserve market and increased sales volume from the *RES* business.

MERALCO's average retail rate increased by 12% to ₱11.81 per *kWh* as of end-December 2025 from ₱10.54 per *kWh* in 2024.

Generation charge, which accounted for 64% of the total retail rate of *MERALCO*, increased by 15%, mainly due to higher fuel costs of the gas plants dispatched. The generation charge in 2025 also included contract price adjustments for South Premiere Power Corp. ("*SPPC*") and Sual Power, Inc. ("*SPI*") to recover additional fuel costs, as well as the recovery of previously deferred fuel-related charges of the First Gas Sta. Rita and San Lorenzo plants, all of which were approved by the *ERC*. The combined impact of these items amounted to ₱0.22 per *kWh*.

Transmission charge, representing 8% of the average retail rate, increased by 31%, primarily with the higher ancillary service charges arising from additional reserve capacity sourced by the National Grid Corporation of the Philippines ("*NGCP*") from the reserve market. Ancillary service charges billed by *NGCP* for the period February to April 2025 also included previously deferred reserve market charges, the collection of which had been suspended by the *ERC* in March 2024. In addition, starting July 2025, the *ERC* approved the *NGCP*'s higher Maximum Annual Revenue ("*MAR*") and billing of under-recoveries for the period from 2016 to 2022.

MERALCO's actual average distribution charge in 2025 was 8% lower compared with 2024, mainly due to the implementation of the following *ERC*-approved refunds of (i) the Regulatory Reset Fee starting February 2025; and (ii) the difference between the Actual Weighted Average Tariff ("*AWAT*") and the approved lapsed period tariff for the period July 2022 to December 2024 beginning April 2025. The distribution charge accounted for 12% of *MERALCO*'s average retail rate in 2025.

The following summarizes the customer count of the electricity distribution business as at December 31, 2025 and 2024 and the corresponding electric consumption per customer class for the years ended December 31, 2025 and 2024:

Customer Class	No. of Customers <i>(in thousands)</i>		Electricity Sales <i>(in GWh)</i>		% Change	
	2025	2024	2025	2024	No. of Customers	Electricity Sales
Residential	7,598	7,432	19,060	19,455	2	(2)
Commercial	607	595	20,326	20,406	2	–
Industrial	11	11	14,465	14,318	–	1
Streetlights	5	5	146	146	–	–
Total	8,221	8,043	53,997	54,325	2	(1)

Consolidated distribution utility energy sales volumes for the year ended December 31, 2025 were lower at 53,997 GWh, compared with 54,325 GWh in 2024. *MERALCO* volumes declined by 0.7%, reflecting weaker organic demand due to extreme weather variability, increased rooftop solar installations, and a general economic slowdown. In contrast, *Clark Electric* registered 3% growth while *Shin Clark* recorded an 18% increase, contributing approximately 20 GWh and 0.7 GWh, respectively, to year-on-year sales.

Commercial volumes, which continued to account for the largest share of the *MERALCO* sales mix at 38%, reached 20,326 GWh, slightly lower than 20,406 GWh in 2024. Demand was supported by continued retail expansion of convenience stores and wholesale supermarkets, as well as consumption from quick service restaurants and cafés, and school facility upgrades. These gains were, however, insufficient to fully offset softer demand in other commercial segments.

Residential volumes, representing 35% of total sales, declined to 19,060 GWh from 19,455 GWh in 2024. While the segment registered growth during the first four (4) months of 2025, volume began to taper off in May as temperatures cooled. Lower household demand for cooling appliances, above-normal typhoon activity, weak La Niña conditions, and increased own-use rooftop installations weighed on consumption. New service energizations partially mitigated the combined impact of adverse weather conditions and softer demand.

Industrial sales, which accounted for 27% of total volumes, increased by 1% to 14,465 GWh from 14,318 GWh in the prior year. The segment remained relatively resilient, supported by stable demand from the semiconductor and construction-related sectors. These gains offset headwinds arising from operational decentralization and supply chain disruptions in the food and beverage sector, as well as slower demand from key customers in the plastics segment and embedded generation users.

At the end of 2025, the consolidated distribution utility customer base reached 8.2 million, 2% more than last year's count.

MGen delivered a total of 27,289 GWh of energy in 2025, 78% higher than in 2024, primarily driven by additional capacity from *Chromite Holdings*. Meanwhile, the *RES* business recorded combined energy sales of 7,510 GWh in 2025, up by 11% year-on-year, supported by continued customer acquisitions.

Other Services

Non-electric revenues are from (i) fees billed by *MERALCO* and *Clark Electric* for foreign attachments to distribution poles; (ii) space rental income; and (iii) revenues of subsidiaries not engaged in the power business. These non-power subsidiaries generate revenues from third-party customers through the following activities: (a) *MIESCOR Group* - EPC contracts; operations and maintenance services for transmission and telecommunications facilities; (b) *MServ* - supply and installation of powerhouse, load side equipment, and provision of energy efficiency solutions; (c) *CIS Group* - payment collection services for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* - data connectivity and internet services; and (e) *Movem* - sale of electric vehicles to enterprises supporting electric vehicle expansion, and from the provision of e-shuttle services.

Revenue of other services increased by 13% from ₱18,767 million to ₱21,190 million, mainly driven by higher revenues generated by *MIESCOR* and *Bayad*. The increase was partially offset by the deconsolidation of *MIDC* at the end of September 2024.

COSTS AND EXPENSES

Consolidated costs and expenses for the year ended December 31, 2025, amounted to ₱448,852 million, higher by ₱23,406 million compared with ₱425,446 million in 2024. The following table shows the breakdown of consolidated costs and expenses by business segment:

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	<i>(Amounts in millions)</i>					
Power	₱438,263	98	₱415,527	98	₱22,736	5
Other services	18,604	4	15,118	3	3,486	23
Inter-segment transactions	(8,015)	(2)	(5,199)	(1)	(2,816)	54
Total	₱448,852	100	₱425,446	100	₱23,406	6

Power

Costs and expenses of the power segment for the year ended December 31, 2025 amounted to ₱438,263 million, higher by ₱22,736 million compared with ₱415,527 million in 2024. The details of costs and expenses are summarized in the following table:

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	<i>(Amounts in millions)</i>					
Purchased power	₱376,977	86	₱346,239	83	₱30,738	9
Salaries, wages and employee benefits	16,881	4	14,604	4	2,277	16
Depreciation and amortization	16,064	4	15,401	4	663	4
Contracted services	11,243	2	10,072	2	1,171	12
Coal and fuel	9,022	2	11,705	3	(2,683)	(23)
Others	8,076	2	17,506	4	(9,430)	(54)
Total	₱438,263	100	₱415,527	100	₱22,736	5

Purchased power cost ("PPC") increased by 9% to ₱376,977 million from ₱346,239 million, consistent with the increase in pass-through revenues largely from higher generation and transmission charges.

Salaries, wages and employee benefits expense increased with the expansion of operations within the power generation requiring higher manpower. The increase also reflects annual merit adjustments and higher employee retirement benefit costs, driven by changes in the discount rate assumptions used in measuring defined benefit obligations.

Contracted services increased due to intensified maintenance work on *DU* facilities, as well as continued investments in IT systems and software.

Coal and fuel costs, which are primarily used by thermal plants of *GPBC* and its subsidiaries, declined by 23% for the year ended December 31, 2025, largely due to lower market prices.

Other expenses consist of business taxes and permits, provision for expected credit losses, costs of materials, transportation, net provision reversals following settlement of real property taxes and reassessment of previously recognized provisions and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the year ended December 31, 2025 amounted to ₱18,604 million, 23% higher compared with ₱15,118 million in 2024.

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	<i>(Amounts in millions)</i>					
Contracted services	₱5,722	31	₱3,379	22	₱2,343	69
Salaries, wages and employee benefits	4,840	26	4,798	32	42	1
Provision for impairment losses	1,200	6	–	–	1,200	100
Depreciation and amortization	983	5	2,132	14	(1,149)	(54)
Others	5,859	31	4,809	32	1,050	22
Total	₱18,604	100	₱15,118	100	₱3,486	23

The increase in cost and expenses of the other services business segment reflects the higher level of business activity for the year ended December 31, 2025 compared with the same period in 2024, consistent with the growth in related revenues.

Contracted services rose to ₱5,722 million from ₱3,379 million with the contracted services of *MIESCOR* Group, expansion of *MIESCOR*'s EPC, operations and maintenance activities and the corresponding rise in revenues.

Provision for impairment losses rose to ₱1,200 million following the recognition in 2025 by *Radius* of an impairment loss totaling ₱1,220 million on network assets deployed to support its RED Fiber consumer business due to under-utilization.

Depreciation and amortization expenses decreased by 54% to ₱983 million from ₱2,132 million with the deconsolidation of *MIDC* since October 2024. Total depreciation expense attributable to *MIDC* for the nine months ended September 30, 2024 amounted to ₱703 million.

OTHER INCOME (EXPENSES)

The following shows the segment other income, net of expenses:

	2025	2024	Increase/Decrease	
			Amount	%
	<i>(Amounts in millions)</i>			
Power	₱16,457	₱11,118	₱5,339	48
Other services	195	(454)	649	(143)
Intersegment transaction	(1,533)	1,104	(2,637)	(239)
Total	₱15,119	₱11,768	₱3,351	28

Other income, net of expenses, for the year ended December 31, 2025 increased by ₱3,351 million, primarily due to higher share in net earnings of associates and joint ventures. This growth was partially offset by increased interest and financial charges resulting from additional loan drawdowns during the year.

Power

Other income (expenses) of power segment consists of:

	2025	2024	Increase/Decrease	
			Amount	%
	<i>(Amounts in millions)</i>			
Equity in net earnings of associates and joint ventures	₱16,776	₱10,307	₱6,469	63
Interest and other financial charges	(8,806)	(4,543)	(4,263)	94
Interest and other financial income	4,408	3,674	734	20
Foreign exchange gains	36	178	(142)	(80)
Others	4,043	1,502	2,541	169
Total	₱16,457	₱11,118	₱5,339	48

The higher share in net earnings of associates and joint ventures was primarily driven by the acquisition of operating entities of *Chromite Holdings* on January 27, 2025. As a result, total equity in net earnings increased to ₱16.8 billion from ₱10.3 billion last year.

Interest and other financial charges increased by ₱4,263 million, primarily due to additional loan drawdowns in 2025 including the ₱75 billion loan availed in January 2025.

For the year ended December 31, 2025, the *MERALCO Group* recorded foreign exchange gains arising from the depreciation of Philippine peso against the U.S. dollar compared with December 31, 2024. The exchange rate of U.S. dollar is ₱58.79 as at December 31, 2025 compared with ₱57.85 as at December 31, 2024 (₱55.37 as at December 31, 2023).

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following table shows the breakdown of net income attributable to equity holders of the parent by business segment:

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	<i>(Amounts in millions)</i>					
Power	₱50,847	99	₱44,673	97	₱6,174	14
Other services	(5)	—	1,797	4	(1,802)	(100)
Inter-segment transactions	288	1	(611)	(1)	899	(147)
Total	₱51,130	100	₱45,859	100	₱5,271	11

Net income attributable to equity holders of the parent increased by ₱5,271 million, primarily due to steady performance of the core distribution business, increased contribution from the power generation segment, reflecting operational stability, asset efficiency, and strategic participation in co-optimized market bidding for both energy and ancillary services in the Visayas grid. Power generation delivered 78% higher energy driven by the acquisition of liquefied natural gas assets, improved availability of thermal plants in the Philippines and gas plants in Singapore, and higher revenues from the reserve market.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2025	December 31, 2024	Increase (Decrease)	
			Amount	%
<i>(Amounts in millions)</i>				
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	₱378,232	₱288,501	₱89,731	31
Investments in associates and interests in joint ventures	140,440	47,513	92,927	196
Investment properties	1,483	1,487	(4)	-
Intangible assets	40,658	41,559	(901)	(2)
Deferred tax assets - net	25,706	26,382	(676)	(3)
Other noncurrent assets	24,136	32,900	(8,764)	(27)
Total Noncurrent Assets	610,655	438,342	172,313	39
Current Assets				
Cash and cash equivalents	109,317	84,480	24,837	29
Trade and other receivables	76,726	64,697	12,029	19
Inventories	10,983	11,422	(439)	(4)
Other current assets	16,198	19,017	(2,819)	(15)
Total Current Assets	213,224	179,616	33,608	19
Total Assets	₱823,879	₱617,958	₱205,921	33
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	₱173,137	₱144,599	₱28,538	20
Non-controlling interests	50,387	41,283	9,104	22
Total Equity	223,524	185,882	37,642	20
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	186,531	54,797	131,734	240
Customers' deposits - net of current portion	39,206	33,274	5,932	18
Long-term employee benefits	13,565	16,263	(2,698)	(17)
Provisions	12,335	9,855	2,480	25
Refundable service extension costs - net of current portion	3,371	3,753	(382)	(10)
Deferred tax liabilities - net	8,432	8,769	(337)	(4)
Other noncurrent liabilities	84,865	68,991	15,874	23
Total Noncurrent Liabilities	348,305	195,702	152,603	78

	December 31, 2025	December 31, 2024	Increase (Decrease)	
			Amount	%
	<i>(Amounts in millions)</i>			
Current Liabilities				
Notes payable	36,367	34,287	2,080	6
Trade payables and other current liabilities	199,620	191,472	8,148	4
Customers' refund	2,851	2,853	(2)	-
Income tax payable	1,764	2,070	(306)	(15)
Current portion of long-term employee benefits	4,300	-	4,300	-
Current portion of interest-bearing long-term financial liabilities	7,148	5,692	1,456	26
Total Current Liabilities	252,050	236,374	15,676	7
Total Liabilities	600,355	432,076	168,279	39
Total Liabilities and Equity	₱823,879	₱617,958	₱205,921	33

CHANGES IN FINANCIAL POSITION

Utility Plant, Generation Plant and Others

The ₱89,731 million increase in utility plant, generation plant and others reflects the costs of completed and on-going construction of electric distribution-related facilities, upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by ERC's definition, and development of power plant projects, totaling ₱106,650 million. This was offset by depreciation and amortization of ₱15,566 million.

Investments in Associates and Interests in Joint Ventures

Investments in associates and interest in joint ventures increased due to (a) the recognition of ₱85.4 billion additional equity investments mainly in *Chromite Holdings*, which acquired 67% stake in two gas-fired power plants owned by San Miguel Global Power Holdings Corp., Ilijan Primeline Industrial Estate Corp. and the LNG import and regasification terminal owned by Linseed Field Corporation on January 27, 2025, and (b) recognition of equity in net earnings for the year of ₱16,731 million. The increase was offset by dividends declared by associates and joint ventures totaling to ₱9,181 million.

Other Noncurrent Assets

The decrease was due to the redemption of certain FVOC/ financial assets and lower unbilled receivables with the recognition of net over recoveries of pass-through charges for this year.

Trade and Other Receivables

Trade and other receivables increased mainly driven by higher retail rate in December 2025 compared with December 2024 due to higher generation and transmission charges. Other receivables also include subscription receivable from Actis Rubyred (Philippines) Holdings, Inc. ("Actis") amounting to ₱12.1 billion in relation to its investment in MTerra Solar.

Other Current Assets

The decrease in this account resulted from the redemption of financial assets at amortized cost.

Interest-bearing debt

Consolidated interest-bearing debts totaled ₱230 billion, which includes ₱117.7 billion in subsidiary-level borrowings. In January 2025, MERALCO utilized its ₱75 billion credit facility with major banks to finance investments and other strategic initiatives. In 2025, MTerra Solar secured project financing amounting to ₱68.6 billion, of which ₱18 billion was allocated for the repayment of a bridge loan.

Long-term employee benefits

The increase in this account (both current and noncurrent portion) was due to the long-term employee benefits expense recognized during the year.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to liabilities for customer-funded assets, generation and transmission charge over recoveries resulting from the lag in the billings and recovery from customers, and estimated liabilities for regulatory and tax matters, among others. The increase in this account was due to additional obligations recognized during the year.

2024 compared with 2023

REVENUES

The composition of MERALCO Group's consolidated revenues by business segment is shown below.

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	<i>(Amounts in millions)</i>					
Power	₱456,918	97	₱430,181	97	₱26,737	6
Other services	18,767	4	17,848	4	919	5
Inter-segment transactions	(5,323)	(1)	(4,417)	(1)	(906)	21
Total	₱470,362	100	₱443,612	100	₱26,750	6

Consolidated revenues rose by 6% to ₱470,362 million from ₱443,612 million mainly due to higher volumes sold by the distribution utility and increase in pass through transmission charge. The increase was mitigated by a) lower pass through generation average rates resulting from lower WESM prices and lesser emergency PSA, and b) lower energy fees with the decline in coal and fuel prices.

Other services revenue increased by 5% from ₱17,848 million to ₱18,767 million due to (1) transaction volume of Bayad; (2) project accomplishments of MServ; and (3) increase in completed communication towers to 1,829 as at September 2024 from 1,251 towers as at December 2023 of MIDC, offset by lower revenues from third party customers of MIESCOR. In September 2024, MIESCOR entered into a Multi-party Share Swap Agreement which resulted in a reduction of MIESCOR's equity interest in MIDC from 51% to 26.56%. The transaction resulted in the deconsolidation of MIDC on September 30, 2024.

Power

Revenues of power segment represent those from electricity distribution, RES and power generation businesses. MERALCO, Clark Electric and Shin Clark Power distribute electricity to captive industrial, commercial and residential customers while MPower, Cogent Energy, Vantage, MeridianX, Phoenix Power and GESC supply electricity to their respective contestable customers. Revenues of the power generation companies of GBPC, First Bulacan, PHRI, SP Calatagan and Solar Philippines Tarlac are included in the power segment.

Revenues of the power segment in 2024 was at ₱456,918 million, ₱26,737 million or 6% higher compared with 2023 driven by higher distributed volume and higher pass-through transmission charge.

The generation charge, which accounted for 63% of the total retail rate, went down by almost 6% with lower Wholesale Electricity Spot Market (“WESM”) prices as the Luzon supply situation improved, international coal prices declined, and generation over-recovery adjustments implemented based on the Energy Regulatory Commission’s (“ERC”) Resolution on Automatic Cost Adjustments and True-Up mechanisms of Pass-through Charges. These factors more than offset the impact of weakening of the peso to an average of ₱57.27 per US dollar in 2024 versus ₱55.63 in 2023; higher Malampaya natural gas prices at \$10.73 per GJ (versus \$9.60 per GJ in 2023); and costs related to the use of LNG by the Sta. Rita and San Lorenzo power plants. The average Malampaya natural gas price increased on account of implementation of the new Gas Sale and Purchase Agreements (“GSPAs”) as approved by the ERC on a full pass-through basis.

Transmission charge, comprising 7% of the retail rate, went up by 14% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation of the Philippines (“NGCP”) from new Ancillary Service Procurement Agreements (“ASPs”) and the Reserve Market.

MERALCO’s average retail rate was flat at ₱10.54 per kWh in 2024 from ₱10.55 per kWh in 2023 due to lower generation charge that offset increases in transmission and other charges.

The following summarizes the customer count of the electricity distribution business as at December 31, 2024 and 2023 and the corresponding electric consumption per customer class for the years ended December 31, 2024 and 2023:

Customer Class	No. of Customers (in thousands)		Electricity Sales (in GWh)		% Change	
	2024	2023	2024	2023	No. of Customers	Electricity Sales
Residential	7,432	7,231	19,455	17,781	3	9
Commercial	595	581	20,406	19,005	2	7
Industrial	11	11	14,318	14,113	–	1
Streetlights	5	5	146	145	–	1
Total	8,043	7,828	54,325	51,044	3	6

Consolidated distribution utility energy sales volumes recorded a 6% growth ending 2024 with a 54,325 GWh from 51,044 GWh in 2023. Volumes attributable to MERALCO and Clark Electric increased by 6% and 4%, respectively, while Shin Clark Power brought in additional 4 GWh.

Commercial segment had the biggest share of 38% in the energy sales mix, while residential and industrial accounted for 36% and 26%, respectively.

Commercial segment closed the year 2024 with 20,406 GWh of energy sold, 7% more than 19,005 GWh in 2023, buoyed by business expansion activities such as redevelopment of mall spaces, new store openings, and surge in office occupancy rates. Hotels, educational institutions, and restaurants also showed an upswing in demand with more in-person activities and tourist arrivals, coupled with higher demand for air-conditioning.

Residential segment grew 9% to 19,455 GWh from 17,781 GWh in 2023 as the strong El Niño phenomenon, which raised annual average temperatures by 0.45°C, triggered prolonged usage of cooling devices at home. Consistent energization of horizontal developments located in greater Metro Manila and resilient organic consumption further boosted residential sales.

On the other hand, industrial segment's sales volume improved marginally by 1% to 14,318 GWh from 14,113 GWh as the slight growth in top contributor semiconductor industry was not enough to offset the negative impact of operational disruptions and unfavorable market conditions in the steel industry and slowdown in dispatch from embedded generators. Higher production demand drove growth in sector pillars non-metallic, plastics, and food and beverage.

Meanwhile, consolidated customer count surpassed a historic 8-million mark, ending the year 2024 with 8.04 million customers, 3% higher than the 7.83 million customers recorded in 2023.

Other Services

Non-electric revenues consist mainly of businesses generated from (i) foreign attachments to the *MERALCO* and *Clark Electric* poles; (ii) space rentals; and (iii) revenues of subsidiaries not engaged in the power business, which include businesses generated from third party customers by: (a) *MIESCOR Group* from its *EPC* contracts; operations and maintenance works involving transmission and telecommunications lines; and *MIDC* for leasing of communication towers (until September 30, 2024, with deconsolidation of *MIDC* beginning October 1, 2024); (b) *MServ* for the supply and installation of powerhouse, load side equipment, and energy efficiency services; (c) *CIS Group* handling payment collections for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* with its data and internet services; and (e) *Movem* with its sales of e-vehicles to electric vehicles expansion enterprises and e-shuttle services.

Revenue of other services is higher in 2024 compared with 2023 due to (1) higher transaction volume of *Bayad*; (2) higher project accomplishments of *MServ*; and (3) increase in completed communication towers to 1,829 as at September 2024 from 1,251 towers as at December 2023 of *MIDC*, offset by lower revenues from third party customers of *MIESCOR*. In September 2024, *MIESCOR* entered into a Multi-party Share Swap Agreement which resulted in a reduction of *MIESCOR*'s equity interest in *MIDC* from 51% to 26.56%. The transaction resulted in deconsolidation of *MIDC* on September 30, 2024.

COSTS AND EXPENSES

Consolidated costs and expenses for the year ended December 31, 2024, amounted to ₱425,446 million, higher by ₱18,167 million compared with ₱407,279 million in 2023. The following table shows the breakdown of consolidated costs and expenses by business segment:

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	<i>(Amounts in millions)</i>					
Power	₱415,527	98	₱397,692	98	₱17,835	4
Other services	15,118	3	14,328	3	790	6
Inter-segment transactions	(5,199)	(1)	(4,741)	(1)	(458)	10
Total	₱425,446	100	₱407,279	100	₱18,167	4

Power

Costs and expenses of power segment for the year ended December 31, 2024 amounted to ₱415,527 million, higher by ₱17,835 million compared with ₱397,692 million in 2023. The details of costs and expenses are summarized in the following table:

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	<i>(Amounts in millions)</i>					
Purchased power	₱346,239	83	₱328,082	83	₱18,157	6
Depreciation and amortization	15,401	4	14,624	4	777	5
Salaries, wages and employee benefits	14,604	4	13,057	3	1,547	12
Coal and fuel	11,705	3	16,133	4	(4,428)	(27)
Contracted services	10,072	2	9,442	2	630	7
Others	17,506	4	16,354	4	1,152	7
Total	₱415,527	100	₱397,692	100	₱17,835	4

* Cost and expenses for the year ended December 31, 2024 included those of SPNEC following MGreen's acquisition of a controlling stake in December 2023.

Purchased power cost ("PPC") increased by 6% to ₱346,239 million from ₱328,082 million consistent with the movement in pass-through revenues which increased due to higher volume purchased as well as higher transmission charge, partly offset by lower average generation cost per kWh. The average Malampaya natural gas price increased to US\$ 10.73 per GJ in 2024 from US\$ 9.60 per GJ in 2023 due to higher oil price indices. Average Wholesale Electricity Spot Market ("WESM") prices, on the other hand, went down mainly due to the availability of Ilijan Natural Gas Plant, which was on shutdown from June 2022 to May 2023, following the end of its cooperation period with the suppliers of Malampaya gas.

Higher depreciation and amortization was due to completed projects during 2024 and consolidation of SPNEC in December 2023.

Salaries, wages and employee benefits expense increased due to employee annual merits and higher employee retirement benefits driven by adjustment in discount rate assumption used in determining the defined benefit obligation.

Coal and fuel are costs incurred by the power generation business, mainly GPBC and its subsidiaries. Coal and fuel costs decreased by 27% due to lower coal and fuel prices and scheduled outages of certain power plants.

Contracted services increased due to intensified maintenance work on DU facilities, higher cost of software maintenance and subscriptions and inclusion of expenses of SPNEC.

Other expenses consist of business taxes and permits, provision for expected credit losses, costs of materials, transportation, and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the year ended December 31, 2024 amounted to ₱15,118 million, 6% higher compared with ₱14,328 million in 2023.

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	<i>(Amounts in millions)</i>					
Salaries, wages and employee benefits	₱4,798	32	₱4,838	34	(₱40)	(1)
Contracted services	3,379	22	2,765	19	614	22
Depreciation and amortization	2,132	14	2,001	14	131	7
Others	4,809	32	4,724	33	85	2
Total	₱15,118	100	₱14,328	100	₱790	6

The increase in cost and expenses of other services business segment reflects the costs of increasing business activities for the year ended December 31, 2024 compared with 2023, consistent with the increase in related revenues. These costs pertain to (i) depreciation and amortization expenses from acquired/completed *SLB* and *BTS* towers of *MIDC* and (ii) project costs of *MIESCOR* group.

OTHER INCOME (EXPENSES)

The following shows the breakdown of other income, net of expenses, by business segment:

	2024	2023	Increase/Decrease	
			Amount	%
	<i>(Amounts in millions)</i>			
Power	₱11,118	₱10,973	₱145	1
Other services	(454)	(601)	147	(24)
Intersegment transaction	1,104	84	1,020	1,214
Total	₱11,768	₱10,456	₱1,312	13

Other income, net of expenses for the year ended December 31, 2024 increased by ₱1,312 million mainly due to higher yield from financial investments and foreign exchange gains with the depreciation of Philippine peso against the U.S. dollar in 2024, offset by lower equity in net earnings of associates and joint ventures.

Power

Other income (expenses) of power segment consists of:

	2024	2023	Increase/Decrease	
			Amount	%
<i>(Amounts in millions)</i>				
Equity in net earnings of associates and joint ventures	₱10,307	₱11,523	(₱1,216)	(11)
Interest and other financial charges	(4,543)	(4,443)	(100)	2
Interest and other financial income	3,674	3,168	506	16
Foreign exchange gains (losses)	178	(55)	233	(424)
Others	1,502	780	722	93
Total	₱11,118	₱10,973	₱145	1

Lower equity in net earnings of associates and joint ventures for the year ended December 31, 2024 compared with 2023 was driven by scheduled outages of *SBPL* and *PacificLight*.

Interest and other financial income increased by ₱506 million with higher interest rates of short-term placements compared with 2023.

The depreciation of Philippine peso against the U.S. dollar resulted in foreign exchange gains in 2024 versus foreign exchange losses in 2023. The exchange rate of U.S. dollar is ₱57.85 as at December 31, 2024 compared with ₱55.37 as at December 31, 2023.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following shows the breakdown of net income attributable to equity holders of the parent for the years ended December 31, 2024 and 2023 by business segment:

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
<i>(Amounts in millions)</i>						
Power	₱44,673	97	₱37,262	98	₱7,411	20
Other services	1,797	4	1,416	4	381	27
Inter-segment transactions	(611)	(1)	(655)	(2)	44	(7)
Total	₱45,859	100	₱38,023	100	₱7,836	21

Net income attributable to equity holders of the parent increased by ₱7,836 million due to (a) higher sales volume of the *DU* business in 2024 compared with 2023, owing to strong performance of commercial and residential segments and recovery of industrial segment, (b) higher yields from fixed income placements, (c) higher contribution from the power generation segment due to its operational stability and efficiency of its operating assets and strategic participation in co-optimized market bidding for both energy and ancillary services in the Visayas grid and d) higher contribution of the *RES* business which continued to deliver competitive priced power to contestable customers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2024	December 31, 2023 (As restated*)	Increase (Decrease)	
			Amount	%
<i>(Amounts in millions)</i>				
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	₱288,501	₱272,441	₱16,060	6
Investments in associates and interests in joint ventures	47,513	38,388	9,125	24
Investment properties	1,487	1,493	(6)	-
Intangible assets	41,559	53,634	(12,075)	(23)
Deferred tax assets – net	26,382	24,628	1,754	7
Financial and other noncurrent assets	32,900	35,228	(2,328)	(7)
Total Noncurrent Assets	438,342	425,812	12,530	3
Current Assets				
Cash and cash equivalents	84,480	82,789	1,691	2
Trade and other receivables	64,697	48,270	16,427	34
Inventories	11,422	11,130	292	3
Financial and other current assets	19,017	20,433	(1,416)	(7)
Total Current Assets	179,616	162,622	16,994	10
Total Assets	₱617,958	₱588,434	₱29,524	5
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	₱144,599	₱122,295	₱22,304	18
Non-controlling interests	41,283	45,808	(4,525)	(10)
Total Equity	185,882	168,103	17,779	11
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	54,797	62,272	(7,475)	(12)
Customers' deposits - net of current portion	33,274	34,128	(854)	(3)
Long-term employee benefits	16,263	10,263	6,000	58
Provisions	9,855	11,350	(1,495)	(13)
Refundable service extension costs - net of current portion	3,753	4,051	(298)	(7)
Deferred tax liabilities - net	8,769	9,845	(1,076)	(11)
Other noncurrent liabilities	68,991	54,698	14,293	26
Total Noncurrent Liabilities	195,702	186,607	9,095	5

	December 31, 2024	December 31, 2023 (As restated*)	Increase (Decrease)	
			Amount	%
<i>(Amounts in millions)</i>				
Current Liabilities				
Notes payable	34,287	27,583	6,704	24
Trade payables and other current liabilities	191,472	192,154	(682)	-
Customers' refund	2,853	2,846	7	-
Income tax payable	2,070	1,550	520	34
Current portion of interest-bearing long-term financial liabilities	5,692	9,591	(3,899)	(41)
Total Current Liabilities	236,374	233,724	2,650	1
Total Liabilities	432,076	420,331	11,745	3
Total Liabilities and Equity	₱617,958	₱588,434	₱29,524	5

*Restatement resulting from finalization of the fair value of the assets and liabilities of SPNEC.

**In September 2024, MIESCOR entered into a Multi-party Share Swap Agreement which resulted in a reduction of MIESCOR's equity interest in MIDC from 51% to 26.56%. The transaction resulted in the deconsolidation of MIDC.

CHANGES IN FINANCIAL POSITION

In September 2024, MIESCOR entered into a Multi-party Share Swap Agreement which resulted in a reduction of its equity interest in MIDC from 51% to 26.56%, and deconsolidation of MIDC and derecognition of its assets and liabilities in the consolidated statement of financial position.

Utility Plant, Generation Plant and Others

The ₱16,060 million increase in utility plant, generation plant and others reflects the costs of completed and on-going construction of electric distribution-related facilities, and upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by ERC's definition, and development of power plant projects totaling ₱41,198 million. This was offset by depreciation and amortization of ₱15,542 million and the effect of deconsolidation of MIDC amounting to ₱8,076 million.

Investments in Associates and Interests in Joint Ventures

Investments in associates and interest in joint ventures increased due to recognition of (a) investment in Pylon Holdings Corporation (a joint venture between MIDC and PhilTower Consortium, Inc.) of ₱6,594 million arising from the multi-party swap agreement entered into by MIESCOR and (b) equity in net earnings for the period of ₱10,267 million. This was offset by dividends declared by associates and joint ventures totaling to ₱10,253 million.

Intangible Assets

The significant decrease in this account was due to the effect of deconsolidation of MIDC which resulted in the derecognition of intangible assets amounting to ₱15,104 million.

Financial and Other Noncurrent Assets

The decrease was due to the redemption of certain FVOCI financial assets, offset by recognition of under recoveries of pass-through charges resulting from increasing generation and transmission charges in 2024.

Trade and Other Receivables

Trade and other receivables increased mainly driven by higher retail rate and sales volume in December 2024 compared with December 2023.

Interest-bearing long-term financial liabilities

The decrease in this account was due to settlement of maturing debt of ₱8,133 million and effect of deconsolidation of *MIDC* amounting to ₱9,749 million, offset by loan availments of ₱6,523 million.

Long-term employee benefits

The increase in this account was due to the long-term employee benefits expense recognized in 2024.

Notes payable

The increase in this account represents loan availments of ₱7,742 million, offset by settlement amounting to ₱1,038 million in 2024.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to liabilities for customer-funded assets and estimated liabilities for regulatory and tax related matters, among others.

LIQUIDITY AND CAPITAL RESOURCES

The following summarize the cash flows for the years ended December 31, 2025, 2024, and 2023 as well as the capitalization and other selected consolidated financial data as at December 31, 2025 and December 31, 2024:

	For the Years Ended December 31		
	2025	2024	2023
	<i>(Amounts in millions)</i>		
<u>Cash Flows</u>			
Net cash provided by operating activities	₱72,077	₱42,010	₱57,974
Net cash provided by (used in) investing activities	(159,152)	(18,763)	1,569
Net cash provided by (used in) financing activities	112,520	(21,591)	(32,605)
Net increase in cash and cash equivalents	25,445	1,656	26,938
<u>Capital Expenditures</u>	105,112	44,705	29,421
	2025	2024	
	<i>(Amounts in millions)</i>		
<u>Capitalization</u>			
Interest-bearing long-term financial liabilities			
Current	₱7,148	₱5,692	
Noncurrent	186,531	54,797	
Notes payable	36,367	34,287	
Equity attributable to equity holders of the parent company	173,137	144,599	
<u>Other Selected Financial Data</u>			
Total assets	823,879	617,958	
Utility plant, generation plant and others	378,232	288,501	
Cash and cash equivalents	109,317	84,480	

Debt Financing

The details of *MERALCO's* interest-bearing financial liabilities are discussed in Notes 17 and 27 to the consolidated financial statements.

The power plant complex of *PHRI*, *First Bulacan*, *Greenergy*, *SP Calatagan*, and *GSEI*, the land of *TNI* and the solar power plant undergoing development of *MTerra Solar*, with aggregate carrying value of ₱95,222 million as at December 31, 2025, are pledged as securities for the project finance debt.

Under their respective loan agreements, *MERALCO's* subsidiaries are required to meet certain pre-agreed financial ratios at all times until full payment of the obligations. There are also restrictions in terms of payment of dividends, distributions or other returns to its stockholders, granting additional liens on its assets, disposal of assets, entering into mergers or similar transactions or permitting a transfer of its interest and incurring additional indebtedness, among others. *GBPC* is prohibited from entering into merger or consolidation with other corporation, unless *GBPC* is the surviving entity.

As at December 31, 2025, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Equity Financing

As at December 31, 2025, *MERALCO's* capital stock consists of (*amounts in millions except par value and number of shares*):

Common stock - ₱10 par value	
Authorized - 1,250,000,000 shares	₱12,500
Issued - 1,127,271,117 shares	11,273
Treasury - 178,608 shares	(13)

The balance of previously issued preferred shares which have been called for redemption amounted to ₱1,459 million and ₱1,461 million as at December 31, 2025 and 2024, respectively. Total unclaimed dividends amounted to ₱248 million as at December 31, 2025 and 2024. Interest is no longer accrued from the time such preferred shares were called for redemption.

Treasury shares represent the subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan ("*ESPP*") in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

In September 2024, 6,196 unpaid shares awarded under the Employee Stock Purchase Plan ("*ESPP*") were approved by the *SEC* for conversion to treasury shares. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

The following are the cash dividends declared on common shares for the years ended December 31, 2025, 2024 and 2023:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
July 28, 2025	August 27, 2025	September 22, 2025	₱11.33	₱12,768
February 24, 2025	March 12, 2025	April 4, 2025	13.74	15,482
July 29, 2024	August 28, 2024	September 23, 2024	10.30	11,603
February 26, 2024	March 27, 2024	April 24, 2024	11.24	12,663
July 31, 2023	August 30, 2023	September 14, 2023	8.52	9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430

On February 25, 2026, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱16.672 a share to all shareholders of record as at March 26, 2026, payable on April 20, 2026.

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year, and (ii) special dividend determined on a “look-back” basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and availability of free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

RISK FACTORS

The significant risk factors affecting *MERALCO*’s financial position and results of operations are:

- Regulatory decisions affecting the distribution utilities’ tariff
- Recovery of development investments, new businesses and significant capital expenditures
- Sales volume and Philippine economic conditions
- Power supply and demand management
- Competition and market

Regulatory Decisions Affecting the Distribution Utilities’ Tariff

MERALCO is exposed to material regulatory uncertainty arising from timing, scope, and outcome of its next rate rebasing and related rate-setting processes. The operating results and financial condition *MERALCO*, *Clark Electric* and *Shin Clark Power* are significantly influenced by regulatory determination on the valuation of the regulatory asset base (“*RAB*”), the allowable rate of return, and the level and timing of permitted cost recoveries.

Distribution rates billed by *MERALCO* and *Clark Electric* are subject to approval by the *ERC* and are designed to allow a reasonable return on invested capital. Their approved rate structures provide for the pass-through of purchased power costs based on approved *PSAs*, recovery of system loss (“*SL*”) charges subject to an *ERC*-imposed annual cap, and the pass-through of applicable taxes and other allowable charges. *Shin Clark Power* is currently operating under *Return on Rate Base* (“*RORB*”) framework with its *RORB* rate approved by the *ERC* in an Order dated September 18, 2025.

Shin Clark Power is expected to transition to Performance-Based Regulations (“*PBR*”) under the Rationalized Rules for Setting the Distribution Wheeling Rates (“*RRDWR*”) as a Group B entrant, with its first *RP* commencing in January 2027. *MERALCO*, together with three (3) other private distribution utilities (“*DUS*”), is classified as a Group A entrant to the *PBR*.

Under the PBR regime, distribution tariffs are set once every Regulatory Period (“RP”) based on an approved rate-setting methodology that considers forecast operating and capital expenditures, as well as the regulated return on approved RAB, to ensure compliance with prescribed performance standards and service quality requirements. The PBR framework also incorporates incentives and penalty mechanisms that adjust revenues based on network and service performance outcomes. For MERALCO, the first regulatory period under PBR covers the period from July 1, 2026 to June 30, 2030 (“1RP”).

Each RP consists of four (4) Regulatory Years (“RYs”), with each RY for MERALCO running from July 1 to June 30 of the following year. Any delay, modification, or adverse determination by the ERC in the approval of rates, regulatory parameters, or performance targets could materially affect MERALCO’s ability to recover its costs, earn its approved return, and achieve forecast financial results.

For the Lapsed Period, the ERC approved an average distribution rate of ₱1.3522 per kWh. MERALCO was authorized to continue implementing this rate until otherwise directed by the ERC, net of the Regulatory Reset Fees in the amount of ₱0.0023 per kWh, which the ERC ordered to be discontinued under ERC Case No. 2025-025 RC. There can be no assurance that future rate approvals, true-ups, or regulatory resets will be granted on a timely basis or under terms consistent with MERALCO’s expectations.

Regulatory Reset Costs

On December 17, 2024, in ERC Resolution No. 18, Series of 2024, the ERC also required DUs under PBR to refund the collected regulatory reset costs from July 2015 to October 2024, including interest. In the case of MERALCO, it was directed to refund the amount of ₱987.2 million, subject to further verification by the ERC. MERALCO implemented a one-time refund of ₱0.226 per kWh in its February 2025 billing, as a separate line item in its electricity bill to customers. In addition, MERALCO was also directed to no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per kWh, representing the regulatory reset expert costs. While MERALCO complied with the directives, in a letter dated January 17, 2025, MERALCO wrote the ERC to ask for the basis for the computations and basis for the refund. As at February 25, 2026, the ERC has yet to respond to MERALCO’s letter.

Distribution Rate True-Up (“DRTU”) Applications

The ERC’s initial Orders for DRTU refunds totaling ₱48,247 million were implemented starting 2021 and have been fully refunded to the customers as of the May 2023 billing. This resulted in an excess refund of ₱862 million, which has been reported to the ERC in June 2023, including a proposed recovery mechanism. As at February 25, 2026, the ERC has not responded to MERALCO’s letter.

Several intervenors have filed petitions before the Court of Appeals (“CA”) and the Supreme Court (“SC”) questioning the decision approving the DRTU refund application. As at February 25, 2026, the petitions are pending before the CA and SC.

In compliance with the Order dated December 17, 2024, MERALCO filed an application for the confirmation of the true-up calculation of the AWAT for the period July 1, 2022 to December 31, 2024. The application also included MERALCO’s proposal to offset the recovery of the over refund implemented during the previous DRTU application. In an Order dated March 5, 2025, the ERC directed the refund of ₱19.9 billion, or an equivalent average refund rate of ₱0.1189 per kWh for all customer classes but excluded the over-refund from the previous AWAT refund implementation as this was still to be verified by the ERC. As at February 25, 2026, hearings at the ERC have been completed and MERALCO has filed its Formal Offer of Evidence.

Additionally, on September 25, 2025, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period January 1, 2025 to June 30, 2025. As at February 25, 2026, *MERALCO* is awaiting further action from the *ERC*.

Under *ERC* Resolution No. 23, Series of 2025, entitled, “A Resolution Directing All Private Distribution Utilities (“*PDUs*”) to File Their Respective *AWAT* Applications for the Lapsed Period”, the *ERC* resolved to adopt a confirmation and true-up process in determining the rates of the *PDUs* to address the lapsed period for their respective Entry Groups and defined the lapsed period for each Entry Group. The *ERC* then directed all *PDUs* to file an application for the confirmation of their *AWAT* as against their last approved rates, within sixty (60) calendar days from the effectivity of the Resolution. However, in *ERC* Resolution No. 1, Series of 2026, the *ERC* clarified the timeline for filing of the *AWAT* and directed all *PDUs* to file, within one hundred twenty (120) days from the effectivity of the *AWAT* Resolution on November 22, 2025, or until March 22, 2026. As at February 25, 2026, *MERALCO* is set to file its application covering the period from July 1, 2025 to December 31, 2025 on or before the stated deadline.

Capital Expenditure (“CAPEX”)

Absent the final rules governing the lapsed period from *RY* 2016 to *RY* 2025 rate-setting, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RYs* beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 25, 2026, *MERALCO* is awaiting the final resolution and approval of the *ERC*.

Pending *ERC*’s approval, *MERALCO* manifested several projects as “urgent” or “emergency in nature” and proceeded with the implementation of said *CAPEX*.

Regulatory Reset Process Application

MERALCO filed its reset application for the new *5RP*, covering the period from *RY* 2026 to *RY* 2029, on February 7, 2025. As the first *RY* of this reset period lapsed, *MERALCO* filed an Omnibus Motion to: (a) withdraw the application; (b) allow *MERALCO* to re-file its *5RP* Application to cover the period from *RY* 2027 to *RY* 2030; and (c) to consider *RY* 2026 as lapsed period. In an Order dated January 30, 2026, the *ERC* issued an Order allowing the withdrawal of the Application and directed *MERALCO* to file its new regulatory reset application in accordance with the *RRDWR*.

In accordance with the *RRDWR*, on February 2, 2026, *MERALCO* filed its regulatory reset application for the *1RP*, covering the period from July 1, 2026 to June 30, 2030. In an Order dated February 6, 2026, the *ERC* set the case for initial hearings on March 3 and 10, 2026, respectively.

PBR Reset for Clark Electric

Similar to *MERALCO*, *Clark Electric* is subject to operational performance and service level requirements approved by the *ERC*.

On December 3, 2025, the ERC issued ERC Resolution No. 24, Series of 2025, adopting the RRDWR for PDUs under PBR. Pursuant thereto, *Clark Electric* was reclassified from Group D to Group B. Under the RRDWR, the first RY for Group B will commence on January 1, 2027 and end on December 31, 2027.

During its lapsed period, *Clark Electric* continued to bill its customers using the last approved MAP for RY 2015. In parallel, *Clark Electric* annually filed and manifested as urgent its CAPEX requirements with the ERC to enable the timely implementation of critical infrastructure projects. As at February 25, 2026, the CAPEX applications covering RY 2015 to RY 2024 remain pending with the ERC while CAPEX application for RY 2025 to RY 2026 is still pending filing with the ERC.

Following the adoption of the RRDWR, *Clark Electric* is currently preparing its Application for the Approval of the Annual Revenue Requirement ("ARR") and the Performance Incentive Scheme ("PIS") for the first RY, including the approval of the Maximum Average Price ("MAP") for RY 2027, and the translation of the approved MAP into a distribution rate structure for its various customer classes, in accordance with the provisions of the RRDWR.

Recovery of Development Investments, New Businesses and Significant Capital Expenditures

MGen, through its subsidiaries and associates, has significant investments in the development and/construction of the following power plants:

- 3.5-GWp solar power plant with a 4,500-MWhr battery energy storage system of *MTerra Solar*
- 450 MWac solar plant in Bugallon, Pangasinan
- Hydrogen-ready Combined Cycle Gas Turbine facility in Jurong Island, Singapore
- 49-MW Battery Energy Storage System (BESS) project in Toledo, Cebu

MGreen closed an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 MWac solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation. The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by first quarter of 2026.

MGen also has a combined 58% (direct and indirect interests) in *PacificLight Power*, which owns and operates a 2 x 400 MW combined cycle turbine power plant mainly fueled by LNG in Jurong Island, Singapore. On May 14, 2025, a 100 MW fast-start LNG plant is completed and commissioned to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("EMA").

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("CCGT") facility in Jurong Island by the EMA of Singapore. The project shall be the largest single H-class CCGT plant in Singapore, with the capacity of at least 600 MW. The plant is scheduled to begin commercial operations in January 2029.

If any of these ongoing developments and constructions are not executed as planned due to reasons or factors beyond *MERALCO's* control, *MERALCO's* results of operations and financial position could be adversely affected.

Sales Volume and Philippine Economic Conditions

Consolidated distribution utility energy sales volumes for the year ended December 31, 2025 were broadly flat at 53,997 GWh, compared with 54,325 GWh in 2024. *MERALCO* volumes declined by 0.7% reflecting softer organic demand amid extreme weather variability, increasing adoption of rooftop solar installations, and a general economic slowdown. In contrast, *Clark Electric* registered a 3% increase in

sales volumes, while *Shin Clark Power* recorded an 18% year-on-year growth, contributing incremental volume of approximately 20 GWh and 0.7 GWh, respectively.

Commercial volumes, which continued to account the largest share of the sales mix at 38%, reached 20,326 GWh, slightly lower than the 20,406 GWh recorded in 2024. Demand in this segment was supported by retail expansion in convenience stores and wholesale supermarkets, growth in quick service restaurants and cafés, and upgrades in school facilities, partly offset by overall moderation in commercial activity.

Residential sales volumes, representing 35% of total energy sales, declined to 19,060 GWh from 19,455 GWh in 2024. While the segment registered growth during the first four (4) months of 2025, volume began to soften from May onwards as temperatures normalized. Household consumption declined due to reduced demand for cooling devices, the impact of above-normal typhoon activity, weak La Niña conditions and increased self-generation from rooftop solar installations. New service energizations partially mitigated the combined effects of adverse weather conditions and softer underlying demand.

Industrial sales, which comprised 27% of total volumes, increased marginally by 1% to 14,465 GWh from 14,318 GWh in 2024. The segment remained relatively stable, supported by resilient demand from the semiconductor and construction-related sectors. These gains were partially offset by operational decentralization and supply chain disruptions in the food and beverage sector, as well as weaker demand from certain customers in the plastics industry and embedded generators.

In the power generation and retail electricity supply segments, *MGen* delivered a total of 27,289 GWh of energy in 2025, representing a 78% increase from 2024, driven primarily by additional capacity from *Chromite Holdings*. The *RES* business recorded combined energy deliveries of 7,510 GWh in 2025, up by 11% year-on-year, supported by continued customer acquisitions.

At the end of 2025, the consolidated customer base reached approximately 8.2 million accounts, representing 2% increase over the prior year.

Lower electricity sales volumes pose a risk to *MERALCO*'s revenue and profitability. Recent volume declines have been driven largely by external factors, including weather variability, increased rooftop solar adoption, and broader economic conditions. A prolonged period of weak electricity demand could adversely affect financial performance, load growth assumptions, revenue recovery, and long-term investment and capacity planning.

Power Supply and Demand Management

The electricity distributed and supplied by *MERALCO Group* is sourced primarily through *PSAs* with generators and long-term *PPAs* with *IPPs*. Any supply shortfall under these *PSAs* and *PPAs* is procured from the *WESM*, which serves as the centralized trading venue where electricity is bought and sold as a commodity.

Below is the summary of *MERALCO Group's* electricity suppliers and the respective amounts of power purchased for the years ended December 31, 2025, 2024 and 2023. The details of the relevant *IPPs* and *PSAs* are disclosed and discussed in Note 30 to the consolidated financial statements:

	2025	2024	2023
	(amounts in millions)		
<i>SPPC</i>	₱62,133	₱56,649	₱36,807
<i>NGCP</i>	55,851	45,212	35,319
Excellent Energy Resources, Inc. (" <i>EERI</i> ")	51,484	—	—
First Gas Power Corporation (" <i>FGPC</i> ")	50,418	50,114	46,789
FGP Corp. (" <i>FGP</i> ")	26,438	25,162	23,490
Independent Electricity Market Operator (" <i>IEMOP</i> ")	26,116	65,294	57,420
Masinloc Power Partners Co. Ltd. (" <i>MPPCL</i> ")	20,720	14,327	10,991
<i>SPI</i>	20,085	14,801	14,603
<i>SBPL</i>	17,112	19,916	24,837
GNPower Dinginin (" <i>GNPD</i> ")	13,604	—	—
Quezon Power (Philippines) Limited Company (" <i>QPPL</i> ")	9,223	21,550	24,126
Mariveles Power Generation Corporation (" <i>MPGC</i> ")	6,793	—	—
RE Resources, Inc. (" <i>RERI</i> ")	3,299	—	—
Limay Power Inc. (" <i>LPI</i> ")	2,570	7,070	—
First NatGas Power Corp. (" <i>FNPC</i> ")	1,134	2,459	15,218
Southwest Luzon Power Generation Corporation	941	3,289	3,385
Therma Luzon, Inc. (" <i>TLI</i> ")	655	5,067	15,850
Sem-Calaca Power Corporation (" <i>Sem-Calaca</i> ")	628	620	633
<i>Solar Philippines Tarlac</i>	493	465	418
<i>NSEC</i>	436	451	263
AC Energy Philippines, Inc. (" <i>AC Energy</i> ")	—	9,016	10,586
Energy Development Corporation (" <i>EDC</i> ")	—	2,242	2,398
Others	7,151	2,830	5,115
	₱377,284	₱346,534	₱328,248

The Philippine power supply environment continues to face structural tightening arising from a combination of factors, including the continuing Malampaya gas restriction, rising fuel indices and plant outages due to delayed preventive maintenance and forced outages, and delays in the commissioning of new generation projects. These conditions collectively heighten supply risks and increase exposure to *WESM* procurement.

MERALCO's baseload capacities with *SPI* (330 *MW*) and *SPPC* (670 *MW*) were terminated following the *ERC* denial of the Joint Motions for the Price Adjustment on Notices of *CIC* of *SPI* and *SPPC*. The matter was elevated to the *CA*, which set aside *ERC's* denial. Subsequently, the *ERC* elevated the case to the *SC*. On July 4, 2024, the *SC* issued a Resolution denying the *ERC's* Motion for Reconsideration.

Thereafter, the *ERC* approved the two (2) *CIC* claims of *SPI* and *SPPC* totaling ₱34.2 billion. *CIC* 1 totaling ₱5 billion is billable to customers beginning September 2025 billing period over six (6) months until full recovery. *CIC* 2 on the other hand totaling ₱29.3 billion is recoverable over 36 months starting the March 2026 billing period. *AC Energy* and *PEDC* filed similar *CIC* claims totaling ₱1.75 billion and ₱380.6 million, respectively. On January 26, 2026, the *ERC* granted *AC Energy* and *PEDC's* Updated

and Supplemental Joint Motions for Price Adjustment and allowed *AC Energy* and *PEDC* to recover from *MERALCO* customers the amount of ₱1.75 billion and ₱380.6 million, respectively, over 12 months starting the March 2026 billing period.

The operations of *MERALCO*, *Clark Electric* and *Shin Clark Power*, in their capacity as *DUs*, as well as the *RES* business, may be adversely affected if the electricity suppliers are unable to generate and deliver contracted power. The power generation business is likewise exposed to fuel price volatility, particularly for supply contracts with fixed fuel rate arrangements, as compared to those with pass-through fuel mechanisms, resulting in heightened cost and margin pressures.

Competition

With the effectivity of the *DOE* circulars on Competitive Selection Process (“*CSP*”) and its subsequent amendments and revisions since their publication in 2018, the execution of *PSA* by *MERALCO*’s power generation business has become increasingly competitive. The *CSP* framework is intended to promote transparency, competition and greater private sector participation in ensuring adequate generation capacity to serve the captive market.

However, given the heightened competition under the *CSP* regime, there can be no assurance that *MERALCO*’s power generation business will consistently submit the most competitive bids in terms of price and other commercial parameters. As a result, *MERALCO*’s generation affiliates may not be awarded *PSAs* in certain *CSP* rounds, which could limit contracted capacities, reduce revenue opportunities, and adversely affect the financial condition and results of operations of the power generation business.

ELECTRIC POWER INDUSTRY DEVELOPMENTS AND UPDATES

The detailed discussions of the rate-making regulations and regulatory policies of the *ERC* which affect both *MERALCO*, *Clark Electric*, and *Shin Clark Power* and other significant matters affecting the power industry players are found in Notes 2 and 32 to the consolidated financial statements.

OTHER QUANTITATIVE AND QUALITATIVE DISCLOSURES

- (i) **Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in *MERALCO*’s liquidity increasing or decreasing in any material way.**

On January 27, 2025, *Chromite Holdings* completed the acquisition of 67% stake in the two (2) gas-fired power plants owned by San Miguel Global Power Holdings Corp. (“*San Miguel Global*”), the 1,200 *MW* Ilijan power plant of South Premiere Power Corporation (“*SPPC*”), and a new 1,275 *MW* combined cycle power facility of Excellent Energy Resources, Inc.’s (“*EERI*”), Ilijan Primeline Industrial Estate Corp. (“*IPIEC*”), and the *LNG* import and regasification terminal owned by Linseed Field Corporation (“*Linseed*”). The total purchase price amounted to ₱80.0 billion, including a liability amounting to ₱12.0 billion.

Also in March 2025, Actis Rubyred (Singapore) Pte. Ltd., through its wholly owned subsidiary Actis Rubyred (Philippines) Holdings, Inc. (“*Actis*”), completed its subscription of a 40% equity stake in *MTerra Solar*, subject to certain conditions, for a total consideration of ₱29.9 billion. As part of this investment deal, *Actis* infused ₱17.8 billion in cash into *MTerra Solar*. Consequently, unpaid subscription price amounting to ₱12.1 billion was recognized as subscription receivable. On December 17, 2025, *MGreen* and *Actis* entered into a Memorandum of Agreement (“*MOA*”), establishing a mechanism for certain

payments to *Actis*. As a result of these equity transactions, a ₱8.4 billion contingent liability was recognized, while the excess of ₱4.1 billion over *Actis* share in the net assets of *MTerra Solar* was recorded as an equity reserve.

(ii) Any events that will trigger direct or indirect contingent financial obligation that is material to *MERALCO*, including any default or acceleration of an obligation.

1. Mediation with National Power Corporation (“NPC”)

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity (“CSE”) with *NPC* beginning January 1, 1995, as required by the *DOE* to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The CSE, rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the early years of CSE, *MERALCO*'s total purchases from *NPC* exceeded the contract level. However, following the Asian crisis in 1997, a decline in energy demand occurred. A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003 which was filed with the *ERC* for approval. After the validity of the Settlement Agreement was questioned by the Office of the Solicitor General, the matter was elevated to the *RTC* under a petition for declaratory relief. The *RTC* Decision declaring the Settlement Agreement valid and binding, except for the pass-through provision which remains under the *ERC*'s jurisdiction, was affirmed by both the *CA* and *SC*.

In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the SA. The *OSG* filed a Motion for Reconsideration. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at February 25, 2026, *MERALCO* is preparing to file the appropriate motion for the revival of the proceedings before the *ERC* for the pass-through of such generation charge.

2. Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against NPC with the RTC-Makati to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The RTC-Makati granted a preliminary injunction on April 3, 2000, which was affirmed by the SC on March 23, 2006. MERALCO intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy. Shutdown of the 230 kV line will result in widespread and rotating brownouts within MERALCO's franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the RTC-Makati allowed MERALCO and NGCP to intervene and dissolved the injunction, and required the posting of bonds to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at February 25, 2026, MERALCO is awaiting further action from the SC on the matter.

3. RPT Assessments

On October 22, 2015, the SC ruled on an appeal of MERALCO declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from RPT under the Local Government Code ("LGC"). Thereafter, MERALCO began the process of settlement with the affected LGUs and filed for the recovery of the resulting RPT payments with the ERC.

Acting on petitions filed by PEPOA and PHILRECA, the ERC issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes)", approving the recovery of RPT, LFT and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of PBR.

Subsequently, PEPOA filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (RPT, LFT and business tax) levied by LGUs during the years prior to the Resolution to address tax arrearages; and (ii) RPT assessed by LGUs on assets located outside the DU's franchise area but are used to provide public service within the franchise area. MERALCO had submitted its comments and several public consultations were conducted. As at February 25, 2026, the Petition is pending with the ERC.

4. LFT Assessments of Municipalities

Certain municipalities have served assessment notices on MERALCO for LFT. As provided in the Local Government Code, only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, MERALCO and its legal counsel believe that MERALCO is not subject or liable for such assessments.

5. SC Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* approved *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. On December 6, 2006, the *SC En Banc* set aside and reversed the *CA* ruling saying that *COA* audit is not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA* to conduct an audit of the books, records and accounts of *MERALCO*. The *COA* then submitted its audit report to the *ERC*.

On June 21, 2011, the *ERC* maintained its Decision dated March 20, 2003, and stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. On appeal, in a Decision dated November 13, 2019, the *SC*: (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (a) the valuation of the *RAB* of *MERALCO*; and (b) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers. The *SC* Decision is now final and executory.

Under *ERC* Resolution No. 19, Series of 2025, the *ERC* adopted its policy direction in compliance with the *SC* Decision. The *ERC* clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other *DUs*, regulatory periods or affects final *ERC* decisions. The *ERC* also adopted the trending method for valuing *MERALCO*'s *RAB* for the affected period. A separate Order will be issued to *MERALCO* to submit a revised *RAB* valuation for the covered period using the trending method. The *ERC* will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. As at February 25, 2026, *MERALCO* is awaiting the *ERC*'s Order with respect to the revised *RAB* valuation.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of *MERALCO* with unconsolidated entities or other persons created during the reporting period.

There are various outstanding contingent assets and liabilities which are not reflected in the accompanying consolidated financial statements. Refer to Note 29, *Contingencies and Legal Proceedings* and Note 30, *Significant Contracts and Commitments* to the consolidated financial statements for the updates on the Company's financial obligations.

(iv) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

1. Retail Competition

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *kW* in the preceding 12 months, on a voluntary basis. On August 15, 2025, the *ERC* released Resolution No. 22, Series of 2025, entitled "A Resolution Lowering the Eligibility Threshold for Retail Competition and Open Access ("*RCOA*") and Retail Aggregation Program ("*RAP*")". In said Resolution, the *ERC* lowered the demand threshold for eligibility to the Competitive Retail Electricity Market ("*CREM*")/*RCOA* to an average monthly peak demand of at least 100 *kW* effective June 26, 2026.

On September 24, 2021, *MERALCO* received a copy of the SC Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014. The *ERC* promulgated *ERC* Resolution No. 13, Series of 2024 entitled “A Resolution Adopting the Omnibus Rules for Customer Choice Programs in the Retail Market”, which consolidated the relevant regulations of the *ERC* on the different Customer Choice Programs, i.e., *RCOA* (now *CREM*), *GEOP* and Aggregation. The Omnibus Rules became effective on September 6, 2024.

2. Petition for Dispute Resolution against Philippine Electricity Market Corporation (“*PEMC*”), National Transmission Corporation (“*TransCo*”), *NPC* and Power Sector Assets and Liabilities Management Corporation (“*PSALM*”)

A Petition for Dispute Resolution was filed by *MERALCO* against *PEMC*, *TransCo*, *NPC* and *PSALM*, as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 kV Line 2 on June 22, 2008, and the 500 kV 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*’s San Jose, Bulacan substation on July 11, 2008. The Petition sought to, among others, direct *PEMC* to adopt the *NPC-TOU* rate or the price determined through the *ERC*-approved price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

The *ERC* eventually found merit in *MERALCO*’s petition and ruled that there is double charging. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. Discussions ensued on the methodology for segregation of line rental into congestion cost and line losses from the start of the *WESM* operation. Amounts of refunds were determined and *NPC* was directed to refund amounts collected for the period November 2006 to August 2012. Additionally, *MERALCO* was directed to file a petition against several successor generating companies (“*SGCs*”) to recover the line loss collected by them. Among subsequent filings was a Petition for Review on Certiorari (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) filed by *PSALM*. The *CA* dismissed the Petition for Certiorari and upheld the decision on the *ERC* with respect to the double charging. Another *MR* filed by *PSALM* was also denied by the *CA* with *PSALM* elevating the case to the SC. The motion has been given due course and is awaiting further action of the SC on the Petition as of February 25, 2026.

3. Petition for Dispute Resolution Against *SPPC*, *MPPCL*, Aboitiz Power Renewables, Inc. (“*APRI*”), *TLI*, *SPI* and *Sem-Calaca*

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca*. Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGCs*; and 2) approval of *MERALCO*’s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGCs*, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGCs*’ Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGCs* Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*’s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition

to the SGC's Manifestation and Motion. On October 24, 2013, *MERALCO* received the SGC's Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the SGC's filed their Sur-Rejoinder dated November 4, 2013. As at February 25, 2026, the Joint Motion to Dismiss is pending resolution by the *ERC*.

4. Petition for Dispute Resolution with *NPC* on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 25, 2026, the Petition is pending resolution by the *ERC*.

5. SC TRO on *MERALCO*'s December 2013 Billing Rate Increase

After several hearings, petitions and motions, on August 3, 2022, the SC affirmed the December 9, 2013 letter of the *ERC* approving *MERALCO*'s proposal to implement a staggered collection over three (3) months and also voided the *ERC*'s March 3, 2014 Order imposing a regulated rate for the said period. A subsequent *MR* was denied with finality by the SC on October 11, 2022.

With the foregoing, *MERALCO* and *IEMOP* completed the reconciliation of the final amount to be recovered and a joint letter has been sent to the *ERC* on March 12, 2024 for implementation of the SC Decision. As of February 25, 2026, the parties are awaiting the decision of the *ERC* on the recovery of such pass-through charges.

6. *ERC* Investigating Unit ("*IU*") Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013.

Several proceedings ensued at the *ERC*, *CA* and the *SC*. In a resolution dated September 29, 2021, the *SC* affirmed with the *CA* that the *ERC* has jurisdiction over the cases. In the meantime, the *ERC* resumed hearing to discuss updates and developments related to the case. Pre-trial conferences have been conducted and the *ERC* is in the process of resolving the pending motions filed by the GenCos and *MERALCO*. As of February 25, 2026, the parties are awaiting further action by the *ERC*.

7. Ombudsman Case Against Directors

Certain consumer groups charged the *MERALCO* directors and the *ERC* with alleged conspiracy on the misappropriation of bill deposits received from consumers. On May 18, 2018, the criminal complaint for syndicated estafa was dismissed but the case was referred to the *COA* for conduct of audit with respect to compliance therewith. A subsequent *MR* filed by the same consumer group was denied by the *SC*. Thereafter, the same consumer group filed an Urgent Motion for Immediate Execution dated September 21, 2018 praying that the Ombudsman issue a Writ of execution to implement the Resolution dated May 18, 2018. As at February 25, 2026, the matter is still pending.

8. SC Decision on the ₱0.167 per kWh Refund

Following the SC's final ruling that directed *MERALCO* to refund affected customers ₱0.167 per kWh for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*'s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers the opportunity to claim their refund, and, so as not to disrupt the SC Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*'s Motion authorizing *MERALCO* to continue the implementation of the SC Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme for the unclaimed refund. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* of its action taken with respect to all the unclaimed amounts of the SC Refund. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the SC Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the SC Refund process and balance was performed by an independent firm of accountants in 2021. As at February 25, 2026, there has been no further action from the *ERC*.

9. Overpayment of Income Tax related to SC Refund

After several rounds of motions and appeals in the Court of Tax Appeals ("CTA"), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA en Banc*'s Amended Decision on July 12, 2012 via a Petition for Review with the SC.

On October 2, 2024, the SC 2nd Division issued a Resolution granting the *BIR*'s appeal, which reversed and set aside the *CTA En Banc*'s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the SC for reconsideration of the said Resolution. As at February 25, 2026, the Omnibus Motion is pending resolution by the SC.

(v) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

Not applicable.

(vi) Any seasonal aspects that had a material effect on the financial condition or results of operations.

Seasonality of Operations and Growth Drivers

Approximately 97% of *MERALCO Group's* operating revenues pertain to electricity sold and distributed by *MERALCO* and *Clark Electric* and revenues from power generation business of *MGen*.

The electricity sales of *MERALCO*, *Clark Electric* and *Shin Clark Power* exhibit a clear pattern of quarterly seasonality. First quarter *kWh* sales are typically below the annual average, reflecting cooler weather conditions and softer consumer demand following heightened spending during the fourth quarter of the prior year. Second-quarter *kWh* sales are generally higher than the annual average, driven by several factors: increased electricity consumption of households and commercial establishments during the summer months; higher industrial production to replenish inventories and prepare for the opening of classes; and, increased construction activity taking advantage of favorable weather conditions. In the third quarter, manufacturing industries serving export markets typically operate at peak production levels as they rush to meet overseas shipping deadlines. At the same time, industries catering to the domestic market begin ramping up production in preparation for the Christmas season. Fourth quarter sales are generally around the annual average. Industrial activity moderates, while households and commercial establishments reduce cooling loads toward the latter part of the year. Given this seasonal pattern, a higher proportion of *MERALCO's* and *Clark Electric's* revenues is typically generated in the second half of the year. Beyond quarterly seasonality, year-on-year movements in *kWh* sales are influenced by broader macroeconomic and environment factors. Electricity sales generally increase during periods of economic growth, low inflation and lower electricity rates, as well as during extended periods of high temperatures, such as those experienced during “*El Niño*” episodes.

The following table sets forth *MERALCO Group* quarterly sales in *GWh* for the years ended December 31, 2025, 2024 and 2023.

Period	2025	2024	2023
First Quarter	12,493	12,307	11,287
Second Quarter	14,598	14,647	13,505
Third Quarter	13,628	13,918	13,372
Fourth Quarter	13,278	13,453	12,880
Total	53,997	54,325	51,044

The power generation business generally follows the seasonality of the distribution utility business. The businesses of all other subsidiaries are not highly seasonal.

(vii) Any known trends, demands, commitments, events or uncertainties that will have a material impact of the issuer's liquidity.

Management is not aware of any known trends, demands, commitments, events or uncertainties that may deem potentially have a material impact on *MERALCO Group's* liquidity as at December 31, 2025, other than those already disclosed in this report and in the consolidated financial statements.

(viii) Discussion of *MERALCO's* and its majority-owned subsidiaries top five (5) key performance indicators. It shall include a discussion of the manner by which *MERALCO* calculates or identifies the indicators presented on a comparable basis.

Listed hereunder are *MERALCO's* five (5) major subsidiaries namely *Clark Electric*, *MGen*, *MIESCOR*, *e-MVI* and *CIS*. The following table summarizes their key financial performance and indicators as at and for the years ended December 31, 2025 and 2024.

Financial Highlights and Ratios¹ of Major Subsidiaries
As at and for the years ended December 31, 2025 and 2024
(Amounts in million except for financial ratios and % change)

	Clark Electric			MGen			MIESCOR			e-MVI			CIS		
	2025 65%	2024 65%	% change	2025 100%	2024 ³ 100%	% change	2025 100%	2024 100%	% change	2025 100%	2024 100%	% change	2025 100%	2024 100%	% change
Percentage of ownership															
Condensed Statements of Financial Position															
Total assets	P4,714	P4,373	8	P402,524	P215,740	87	P18,924	P15,737	20	P3,866	P5,396	(28)	P8,267	P8,686	(5)
Current assets	2,219	1,893	17	61,421	44,303	39	11,283	8,191	38	1,766	1,295	36	8,138	8,487	(4)
Cash and cash equivalents	1,757	1,487	18	30,559	24,128	27	3,069	1,304	135	1,173	568	107	4,211	3,006	40
Equity	2,505	2,641	(5)	189,092	91,051	108	11,417	9,931	15	1,365	2,075	(34)	522	1,028	(49)
Total debt ²	-	-	-	116,781	52,342	123	184	322	(43)	525	669	(22)	-	-	-
Current liabilities	1,089	834	31	38,302	32,351	18	7,021	5,377	31	1,578	1,421	11	7,635	7,523	1
Financial Ratios															
Debt-to-equity ratio	-	-	-	0.62	0.57	7	0.02	0.03	(50)	0.38	0.32	19	-	-	-
Current ratio	2.04	2.27	(10)	1.60	1.37	17	1.61	1.52	5	1.12	0.91	23	1.07	1.13	(6)
Condensed Statements of Income															
Revenues	4,434	3,780	17	31,327	32,091	(2)	11,369	8,636	32	2,365	2,440	(3)	2,194	2,190	-
Costs and expenses	4,034	3,425	18	27,269	25,405	7	9,492	8,094	17	3,430	2,314	48	2,075	2,069	-
Net income (loss)	457	448	2	17,826	13,382	33	1,415	(259)	646	(1,099)	80	(1,474)	143	152	(6)
Financial Ratios															
Profit margin	10.3%	11.9%	(13)	56.9%	41.7%	36	12.4%	(3.0%)	(515)	(46.5%)	3.3%	(1,517)	6.5%	6.9%	(6)
Return on equity	18.2%	17.0%	8	9.4%	14.7%	(36)	12.4%	(2.6%)	(575)	(80.5%)	3.9%	(2,188)	27.4%	14.8%	85
Asset turnover	0.98	0.90	9	0.10	0.16	(36)	0.66	0.40	65	0.51	0.43	19	0.26	0.28	(7)

¹ The manner of computing the financial ratios for subsidiaries is the same with that of MERALCO's as presented in Financial Highlights and Key Performance Indicators.

² Total Debt is composed of notes payable and interest-bearing long-term financial liabilities, current and noncurrent portions.

³ In September 2024, MIESCOR entered into a Multi-party Share Swap Agreement which resulted in a reduction of MIESCOR's equity interest in MIDC from 51% to 26.56%. The transaction resulted in the deconsolidation of MIDC.

ANNEX – Aging of Trade and Other Receivables

As at December 31, 2025

(Amounts in millions)

	T o t a l	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables - energy	₱56,914	₱15,864	₱3,868	₱16,755	₱20,427
Other trade receivables - service contracts	14,938	8,884	348	279	5,427
Gross trade receivables	71,852	24,748	4,216	17,034	25,854
Non-trade receivables	14,550	13,843	272	-	435
Total receivables	86,402	38,591	4,488	17,034	26,289
Allowance for expected credit losses	(9,676)	(151)	(446)	(967)	(8,112)
Net receivables	₱76,726	₱38,440	₱4,042	₱16,067	₱18,177

Item 7. Financial Statements

Refer to Index to Financial Statements

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There are no changes in and disagreements with accountants on accounting and financial disclosures.

External Audit Fees

The External Auditors

The shareholders of *MERALCO* have reappointed SGV as its external auditors for the year ended December 31, 2025 during the annual stockholders' meeting on May 27, 2025. The signing partner of SGV for *MERALCO* is Mr. Roel E. Lucas.

(a) Audit and Audit-Related Fees

SGV was engaged to audit the annual financial statements of *MERALCO* and subsidiaries and perform related reviews. The consolidated fees, exclusive of value added tax were incurred as follows:

	2025	2024
	(Amounts in millions)	
Financial statements audit	₱26.9	₱24.8
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the <i>ERC</i> and Audit of universal charge reports as required by <i>PSALM</i>	₱11.0	₱2.0

(b) Tax Fees

Not applicable.

(c) The Audit Committee's approval of policies and procedures for the above services

The Audit Committee approves the terms of engagement and scope of services of the independent auditors, as endorsed by Management. Any non-audit services require prior approval of the Audit Committee before engagement.

(d) Describe disagreements, if there were any, with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter of the disagreement(s) in connection with this report.

Not applicable.

(e) If there were any disagreements as described in subparagraph (2), the registrant shall request the former accountant to furnish the registrant with a letter addressed to the Commission stating whether it agrees with the statements made by the registrant and, if not, stating the

respects in which it does not agree. The registrant shall file the former accountant's letter as an exhibit to the report or registration statement containing this disclosure.

Not applicable.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

As of March 31, 2026, the names of the incumbent Directors, nominees for election as directors and Executive Officers of *MERALCO* and their respective ages, citizenship, current positions, periods of service and business experiences during the past five (5) years are as follows:

Directors

MANUEL V. PANGILINAN

Filipino, 79 years old

Chairman, Board of Directors

Chairman, Executive Committee

Chairman, Remuneration and Leadership Development Committee

Chairman, Sustainability Committee

Chief Executive Officer

Director since May 26, 2009

Education and Training:

- BA Economics, Ateneo De Manila University
- Master's in Business Administration, Wharton School of Finance and Commerce University of Pennsylvania

Membership on the Board of Listed Companies:

- PLDT Inc., *Chairman, President and Chief Executive Officer*
- Philex Mining Corporation, *Chairman*
- PXP Energy Corporation, *Chairman*
- Roxas Holdings, Inc., *Vice-Chairman*
- SP New Energy Corporation, *Chairman*
- Axelum Resources Corporation, *Director*

Membership on the Board of Non-Listed Companies, Foundations and other Organizations:

- Associated Broadcasting Corporation [TV5], *Chairman*
- Beacon Electric Asset Holdings, Inc., *Chairman*
- First Pacific Company Limited, *Chief Executive Officer and Managing Director*
- Global Business Power Corporation, *Chairman*
- Kayana Solutions, Inc., *Chairman*
- Landco Pacific Corporation, *Chairman*
- Light Rail Manila Corporation, *Chairman*
- Maynilad Water Services, Inc., *Chairman*
- Mediaquest Holdings, Inc., *Chairman*

- Meralco Power Foundation, *Chairman*
- Meralco PowerGen Corporation, *Chairman*
- METPower Ventures Partners, *Chairman*
- MetroPac Water Investments Corporation, *Chairman*
- Metro Pacific Agro Ventures, Inc., *Chairman*
- Metro Pacific Foundation, *Chairman*
- Metro Pacific Health Corporation, *Chairman*
- Metro Pacific Investments Corporation, *Chairman, President and Chief Executive Officer*
- Metro Pacific Tollways Corporation, *Chairman*
- MVP Sports Foundation, Inc., *Chairman*
- NLEX Corporation, *Chairman*
- One Meralco Foundation, Inc., *Chairman*
- Philippine Business for Education
- Philippine Business for Social Progress, *Chairman*
- Philippine Disaster Resilience Foundation (PDRF), *Co-Chairman*
- PLDT Communications and Energy Ventures, Inc., *Chairman, President and CEO*
- PLDT-Smart Foundation, Inc., *Chairman*
- PT Indofood Sukses Makmur Tbk (Indonesia), *President Commissioner*
- Samahang Basketbol ng Pilipinas, *Chairman Emeritus*
- San Beda College, *Chairman*
- Smart Communications, Inc., *Chairman*
- Stratbase Albert del Rosario Institute, *Co-Chairperson of the Board of Trustees*
- Terra Solar Philippines, Inc., *Chairman*
- US-Philippines Society, *Co-Chairman*

In recognition of his contributions to the nation, Manuel V. Pangilinan was conferred the rank of Lieutenant Colonel (Reserve) by the Philippine Air Force, pursuant to a promotion list approved by the President of the Philippines in July 2021. In 2010, he was awarded the Order of Lakandula, Rank of Bayani, by the Office of the President of the Philippines.

Mr. Pangilinan has received multiple honorary doctorate degrees from leading academic institutions in the Philippines, including an Honorary Doctorate in Management from the Asian Institute of Management (2016); an Honorary Doctorate in Science from Far Eastern University (2010); and honorary doctorates in Humanities from Holy Angel University (2008), Xavier University (2007), and San Beda College (2002).

LANCE Y. GOKONGWEI

Filipino, 59 years old

Vice-Chairman, Board of Directors

Vice-Chairman, Executive Committee

Member, Finance Committee

Member, Remuneration and Leadership Development Committee

Member, Sustainability Committee

Director since December 16, 2013

Education and Training:

- BS Finance, Wharton School of Finance and Commerce University of Pennsylvania
- BS Applied Science, Penn Engineering School, University of Pennsylvania

Membership on the Board of Listed Companies:

- Altus Property Ventures, Inc.
- Cebu Air, Inc., *Chairman*
- JG Summit Holdings, Inc., *President and Chief Executive Officer*
- Oriental Petroleum and Minerals Corporation
- Robinsons Land Corporation, *Chairman*
- Robinsons Retail Holdings, Inc.
- Shakey's Asia Pizza Ventures, Inc.
- Singapore Land Group Limited
- SP New Energy Corporation
- Universal Robina Corporation, *Chairman*

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- AB Capital and Investment Corporation
- Ateneo de Manila University, *Trustee and Chairman of the Finance Committee*
- Gokongwei Brothers Foundation, Inc., *Chairman and Trustee*
- JG Summit Olefins Corporation, *Chairman*
- World Economic Forum, Global Leaders for Tomorrow Program

JUNE CHERYL A. CABAL-REVILLA

Filipino, 52 years old

Chairperson, Finance Committee

Member, Audit Committee

Member, Nomination and Governance Committee

Member, Sustainability Committee

Director since May 30, 2023

Education and Training:

- Bachelor of Science in Accountancy, De La Salle University
- Master's in Business Management, Major in Finance, Asian Institute of Management
- Executive Program, Stanford Graduate School of Business
- Sustainability Management, Swedish Institute Management Program
- Innovative Dynamic Education and Action for Sustainability, MIT Sloan School of Management

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- AF Payments, Inc.
- Asia Institute of Management
- Beacon Electric Asset Holdings, Inc.
- De La Salle University
- Gabay Guro, *Chairman*
- Indra Philippines, Inc.
- Landco Pacific Corporation, *Vice-Chairman*
- Light Rail Manila Corporation
- Maynilad Water Services, Inc.
- Meralco PowerGen Corporation
- Met Power Corporation
- Metro Pacific Hospital Holdings, Inc.
- Metro Pacific Health Tech Corporation - *President and Chief Executive Officer*
- Metro Pacific Investments Corporation, Executive Vice President, *Chief Finance, Sustainability & Risk Officer*
- Metro Pacific Investments Foundation, Inc.
- Metro Pacific Agro Ventures
- Metro Pacific Tollways Corporation
- Metro Pacific Water Investments Corporation
- MPIC Beneficial Trust Fund
- Philippine Coastal Storage and Pipeline Corporation
- Philippine Disaster Resilience Foundation, *Trustee and Chief Finance Officer*
- Philippines-Japan Economic Cooperation Committee, Inc.
- TOYM Foundation, *President*

Ms. Revilla is also an appointed member of the Financial Reporting and Sustainability Standards Council of the Philippines. She is also a Founding Member of the Asia Pacific Chapter of the Accounting for Sustainability Chief Financial Officers Leadership Network established by the Prince of Wales.

LYDIA B. ECHAUZ

Filipino, 78 years old

Member, Finance Committee

Member, Audit Committee

Member, Nomination and Governance Committee

Independent Director since May 25, 2021

Education and Training:

- Bachelor of Arts, Major in Economics and Mathematics, St. Theresa's College
- Master's in Business Administration, Ateneo de Manila University
- Doctor of Business Administration, De La Salle University

Membership on the Board of Listed Companies:

- D&L Industries, Inc., *Independent Director*
- Shell Pilipinas Corporation, *Independent Director*
- SP New Energy Corporation, *Independent Director*

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- Akademyang Filipino Association Inc., *Trustee*
- FERN Realty Corporation
- Henry Sy Foundation, Inc. *Executive Director*
- Mano Amiga Academy, *Trustee*
- Museo del Galeon Foundation, Inc., *Trustee*
- NBS Educational Services, Inc., *Vice-Chairperson*
- Riverside College Inc.
- SM Foundation, Inc., *Independent Trustee*

RAY C. ESPINOSA

Filipino, 69 years old

President and CEO from May 28, 2019 to May 30, 2023

Member, Risk Management Committee

Member, Related Party Transactions Committee

Director since May 26, 2009

Education and Training:

- BS General Studies, University of Santo Tomas
- Bachelor of Laws, Ateneo De Manila University
- Master of Laws, University of Michigan Law School

Membership on the Board of Publicly Listed Companies:

- EEI Corporation, *Independent Director*
- Lepanto Consolidated Mining Company, *Lead Independent Director*
- PLDT Inc.
- PXP Energy Corporation

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- AGN Philippines, Inc., *Co-Chairman*
- Aurora Managed Power Services Inc., *Chairman*
- BTF Holdings, Inc.
- Beacon Electric Asset Holdings, Inc.
- Bell Telecommunication Philippines, Inc., *Co-Chairman*
- Bow Arken Holding Company, Inc., *Co-Chairman*
- Brightshare Holdings Corporation, *Co-Chairman*
- CIS Bayad Center, Inc., *Chairman*
- Cobaltpoint Telecom, Inc., *Co-Chairman*
- Concreat Holdings Philippines, Inc., *Independent Director*
- Connectivity Unlimited Resource Enterprise Inc.
- Corporate Information Solutions, Inc., *Chairman*
- Dominer Pointe, Inc., *Co-Chairman*
- Eastern Telecommunications Philippines, Inc., *Co-President*
- Enterprise Investments Holdings, Inc.
- e-Meralco Ventures, Inc., *Chairman*
- ePLDT, Inc.

- e Telco, Inc., *Co-Chairman*
- ESPI Real Estate Ventures Inc., *President*
- Excellent Energy Resources, Inc.
- First Agri Holdings Corporation, *President*
- First Coconut Manufacturing Inc., *Vice-Chairman*
- First Delta Group Security Services, Inc.
- First Pacific Leadership Academy, Inc., *Trustee*
- Hi Frequency Telecommunications, Inc., *Co-Chairman*
- Ilijan Primeline Industrial Estate Corporation
- Liberty Telecom Holdings, Inc., *Co-Chairman*
- Linseed Field Corporation
- Maya Bank Inc.
- Mediaquest Holdings, Inc.
- Meralco PowerGen Corporation, *Vice-Chairman*
- Meridian Power Ventures Limited
- Metro Pacific Assets Holdings, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Resources, Inc.
- MPioneer Insurance, Inc., *Chairman*
- Multi Technology Investments Holdings, Inc., *Co-Chairman*
- MVP Rewards and Loyalty Solutions Inc.
- New Century Telecoms, Inc., *Co-Chairman*
- One Meralco Foundation, Inc., *Vice-Chairman and Trustee*
- Pacific Aurora Plantation Corp., *Vice-Chairman*
- Pacific Global One Aviation Company, Inc.
- PacificLight Power PTE Ltd. (Singapore Company)
- PacificLight Renewables Pte. Ltd. (Singapore Company)
- Paragon Vertical Corporation, *Chairman*
- Perchpoint Holdings, Inc., *SotCo-Chairman*
- PH Broadband Networks Holdings, Inc., *Co-Chairman*
- PH Communications Holdings Corporation
- Philippine Telecommunications Investment Corp., *Director and Corporate Secretary*
- Pilipinas Global Network Limited
- Pilipinas Pacific Telecom Holdings, Inc., *Assistant Corporate Secretary*
- PLDT - Beneficial Trust Fund, *Vice-Chairman and Trustee*
- PLDT Capital PTE Ltd.
- PLDT Communications and Energy Ventures, Inc., *President*
- PLDT Digital Investments PTE Ltd.
- PLDT Global Investments Corporation
- PLDT Global Investments Holdings, Inc.
- PLDT Online Investments PTE Ltd.
- Power Smart Capital Limited

- Radius Telecoms, Inc., *Chairman*
- Roxas Power Corporation
- Skyphone Logistics, Inc., *Co-Chairman*
- Somete Logistics & Development Corporation, *Co-Chairman*
- South Premiere Power Corporation
- Smart Communications, Inc.
- Talas Data Intelligence Inc.
- Telecommunications Service Providers, Inc.,
- Telecommunication Technologies Philippines, Inc., *Co-Chairman and Co-President*
- Tori Spectrum Telecom, Inc., *Co-Chairman*
- Two Cassandra - CCI Conglomerate, Inc., *Co-Chairman*
- Two Rivers Pacific Holdings Corporation
- Vega Telecom, Inc., *Co-Chairman*
- WREIT, Inc., *Independent Director*

Position and Membership in Other Organizations:

- Member of the Integrated Bar of the Philippines, Philippine Bar Association, and Inter-Pacific Bar Association

JAMES L. GO

Filipino, 87 years old

Member, Executive Committee

Member, Audit Committee

Member, Finance Committee

Member, Risk Management Committee

Member, Related Party Transactions Committee

Member, Nomination and Governance Committee

Director since December 16, 2013

Education and Training:

- BS Chemical Engineering, Massachusetts Institute of Technology
- Master's in Chemical Engineering, Massachusetts Institute of Technology

Membership on the Board of Listed Companies:

- JG Summit Holdings, Inc., *Chairman*
- Oriental Petroleum and Minerals Corporation, *Chairman and Chief Executive Officer*
- Robinsons Land Corporation, *Chairman Emeritus*
- Universal Robina Corporation, *Chairman Emeritus*
- Robinsons Retail Holdings, Inc., *Vice-Chairman*
- PLDT Inc.

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- JG Summit Olefins Corporation, *Chairman Emeritus*
- Gokongwei Brothers Foundation, Inc., *President and Trustee*
- Meralco PowerGen Corporation

Position and Membership in Other Organizations and Corporations:

- Board Adviser, Cebu Air, Inc.

PATRICK HENRY C. GO

Filipino, 56 years old

Chairman, Risk Management Committee

Member, Audit Committee

Member, Nomination and Governance Committee

Member, Related Party Transactions Committee

Member, Sustainability Committee

Director since January 29, 2024

Education and Training:

- Bachelor of Science Degree in Management - Ateneo De Manila University
- General Management Program - Harvard Business School

Membership on the Board of Listed Companies:

- JG Summit Holdings, Inc., Executive Director
- Universal Robina Corporation, Executive Vice-President
- Robinsons Land Corporation

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- JG Summit Olefins Corporation
- Meralco PowerGen Corporation
- Merbau Corporation, President and Chief Executive Officer
- Peak Fuel Corporation
- Gokongwei Brothers Foundation, Inc., Trustee and Treasurer
- Caballes-Go Securities Inc., Chairman

JOSE MA. K. LIM

Filipino, 73 years old

Member, Executive Committee

Member, Finance Committee

Member, Audit Committee

Member, Risk Management Committee

Member, Related Party Transactions Committee

Member, Nomination and Governance Committee

Director since May 29, 2012

Education and Training:

- BA Philosophy, Ateneo De Manila University
- Master's in Business Administration, Asian Institute of Management

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- AF Payments Inc.
- Global Business Power Corporation
- Indra Philippines

- KM Infrastructure Holdings, Inc.
- Landco Pacific Corporation
- Light Rail Manila Corporation
- Light Rail Manila Holdings, Inc.
- Maynilad Water Holding Company, Inc.
- Maynilad Water Services, Inc.
- Medical Doctors, Inc.
- Meralco PowerGen Corporation
- Metro Pacific Health Tech Corporation
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation, *Strategic Adviser*
- Metro Pacific Investments Foundation Inc., *Trustee*
- Metro Pacific Management Services, Inc.
- Metro Pacific Light Rail Corporation
- Metro Pacific Tollways Corporation, *President & CEO effective March 1, 2025*
- MetPower Ventures Partners Holdings, Inc., *Chairman*
- Metro Strategic Infrastructure Holdings Incorporated, *Chairman*
- NLEX Corporation
- Philippine Telecommunications Investment Corp.

Position and Membership in Other Organizations and Corporations:

- Founding Member of the Shareholders Association of the Philippines
- Member, Management Association of the Philippines

ARTEMIO V. PANGANIBAN

Filipino, 89 years old

Lead Independent Director

Chairman, Audit Committee

Member, Executive Committee

Member, Related Party Transactions Committee

Member, Risk Management Committee

Independent Director since May 27, 2008

Education and Training:

- Associate in Arts Degree ("With Highest Honors"), Far Eastern University
- Bachelor of Laws ("Cum Laude"), Far Eastern University
- Doctor of Laws ("Honoris Causa"), University of Iloilo/Far Eastern University/University of Cebu/Angeles University/ Bulacan State University

Membership on the Board of Listed Companies:

- Asian Terminals, Inc., *Independent Director*
- GMA Holdings, Inc., *Independent Director*
- GMA Network, Inc., *Independent Director*
- JG Summit Holdings, Inc., *Independent Director*
- Jollibee Foods Corporation
- Petron Corporation, *Independent Director*

- PLDT Inc., *Lead Independent Director*
- RL Commercial REIT, Inc., *Independent Director*

Adviser to the Board of the following Listed Companies:

- Double Dragon Properties Corp.
- Merry Mart Consumer Corp.
- Metropolitan Bank and Trust Co.

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- Asian Hospital Inc., *Independent Director*
- Claudio Teehankee Foundation, *Vice-Chairman, Board of Trustees*
- Foundation for Liberty and Prosperity, *Chairman of the Board of Trustees*
- Manila Metropolitan Cathedral-Basilica Foundation, Inc., *President*
- Metro Pacific Investments Corporation, *Independent Advisor*
- Metro Pacific Tollways Corporation, *Independent Director*
- Philippine Judges Foundation, *Chairman of the Board of Trustees*
- State Investment Corporation, *Independent Director*
- State Properties Corporation, *Independent Director*
- Tan Yan Kee Foundation, *Trustee*

Position and Membership in Civic Organizations, Foundations and Corporations:

- Chairman of the Board of Advisers of Metrobank Foundation
- Chairman of the Philippine Center for Diabetes Education Foundation, Inc.
- Chairman Emeritus of the Philippine National Committee of the Asean Law Association
- Columnist of the Philippine Daily Inquirer
- Retired Chief Justice of the Supreme Court of the Philippines
- President of the Association of Retired Justices of the Supreme Court of the Philippines
- President, AIM-RVR Center

PEDRO EMILIO O. ROXAS

Filipino, 69 years old

Chairman, Related Party Transactions Committee

Chairman, Nomination and Governance Committee

Member, Audit Committee

Member, Finance Committee

Member, Risk Management Committee

Member, Remuneration and Leadership Development Committee

Member, Sustainability Committee

Independent Director since May 25, 2010

Education and Training:

- BS Business Administration, University of Notre Dame Indiana, USA

Membership on the Board of Listed Companies:

- Roxas and Company, Inc., Chairman
- Roxas Holdings, Inc., Chairman

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- Brightnote Assets Corporation
- Club Punta Fuego, Inc., Chairman
- Global Business Power Corporation, Independent Director
- Meralco PowerGen Corporation, Independent Director
- Metro Pacific Investment Corporation, Independent Advisor
- Roxaco Land Corporation, Chairman
- Chromite Gas Holdings, Inc. Independent director

VICTORICO P. VARGAS

Filipino, 74 years old

Member, Finance Committee

Member, Remuneration and Leadership Development Committee

Director since May 28, 2019

Education and Training:

- BS Psychology, University of Santo Tomas

Membership on the Board of Non-Listed Companies:

- Association of Boxing Alliances in the Philippines, *Chairman*
- Beacon Electric Asset Holdings, Inc.
- Beacon PowerGen Holdings, Inc.
- CIS Bayad Center, Inc.
- Signal TV, Inc.
- First Pacific Leadership Academy, *President and member of the Board of Trustees*
- Hastings Holdings, Inc., *Chairman*
- Ideaspac Foundation, *Trustee*
- Kayana Solutions, Inc., *Chairman*
- Media5 Marketing Corporation, *Chairman*
- Metro Pacific Tollways Corporation
- Metro Pacific Investment Corp.
- MGen Global Power
- MQuest Ventures, Inc.
- MVP Sports Foundation, Inc., *Trustee*
- Philippines Basketball Association, *Chairman (Season 2017 to present)*
- Philstar Daily, Inc., *Chairman*
- PhilStar Global, Inc., *Chairman*
- PhilPop Music Fest Foundation, *President*
- Pilipino Star Ngayon, Inc., *Chairman*
- Pilipino Star Printing, *Chairman*
- PLDT Clark Telecom, Inc.
- PLDT Global, Inc., *Chairman*
- PLDT Smart Foundation, *Trustee*

- PLDT Subic Telecom, Inc.
- Smart Communications, Inc.
- Talas Data Intelligence, Inc., *President & CEO*
- TV5 Network, Inc.

Position and Membership in Other Organizations, Foundation and Corporations:

- First Pacific Company Limited, *Associate Director*
- Head of Leadership Transition Office of the PLDT Group, Office of the Chairman
- Officer in Charge (OIC) of MediaQuest Holdings, Inc. and its affiliated companies
- Samahang Basketbol ng Pilipinas, *President* and *Former Vice President and Vice Chairman*
- Association of Boxing Alliances in the Philippines (ABAP), *Honorary Chairman*
- Asian Boxing, *Executive Board Member*
- World Boxing Council, *Executive Board Member*
- Olympics 2028, *Chef de Mission*
- Philippine Olympic Committee, *Immediate Past President*
- Maynilad Water Services, Inc., *Former President and Chief Executive Officer*

Executive Officers

SIMEON KEN R. FERRER

Filipino, 69 years old

Corporate Secretary (since May 26, 2009)

Atty. Ferrer is an Independent Director of Grand Plaza Hotel Corporation, a company listed on the Philippine Stock Exchange. He also serves as the Corporate Secretary of another public company, Century Peak Holdings Corporation (formerly Century Peak Metals Holdings Corporation) and he continues to serve as Director or Corporate Secretary of various non-public companies.

He is Of Counsel at SyCip Salazar Hernandez & Gatmaitan until May 31, 2026, having recently retired as Senior Partner and Head of the Firm's Corporate Services Department. He is a member of the Integrated Bar of the Philippines and the Philippine Bar Association, and a Fellow of the Institute of Corporate Directors.

Atty. Ferrer is an SEC-accredited lecturer on corporate governance and is a member of the faculty of the School of Law of the Ateneo de Manila University. He is also the International Alumni Contact for the Philippines of the University of Michigan Alumni Association.

Atty. Ferrer completed his Bachelor of Science degree in Business Economics and Bachelor of Laws degree at the University of the Philippines and obtained his Master of Laws degree from the University of Michigan as a DeWitt Fellow.

RONNIE L. APEROCHO

Filipino, 57 years old

Executive Vice President and Chief Operating Officer (since July 1, 2023)

Mr. Ronnie L. Aperocho leads *MERALCO's* strategic initiatives for a sustainable and smarter power grid.

He is a licensed Professional Electrical Engineer (PEE) and an ASEAN Chartered Professional Engineer (ACPE). He graduated from Mindanao State University (MSU) and topped the October 1991 Electrical Engineering licensure examination. He also earned his Master of Business Administration from the J.L. Kellogg School of Management of Northwestern University and the Hong Kong University of Science and Technology.

In 2024, Mr. Aperochó was honored by the Professional Regulation Commission (PRC) as the Most Outstanding Electrical Engineer in the Philippines. The following year, in 2025, MSU conferred upon him the inaugural Rawaten Alumni Award for the College of Engineering – “*rawaten*”, a Maranao word meaning “*model*”.

Mr. Aperochó served as the Chairman of the Technical Committee of the Association of Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP) from 2022 to 2023, and as Secretary-General of the AESIEAP Philippine Coalition in 2021.

MARIA LUISA V. ALVENDIA

Filipino, 63 years old

Senior Vice President (since January 1, 2024)

Chief Supply Chain Officer

Prior to being appointed to her current role, Ms. Alvendia served as the Chief of Staff to the President and Chief Executive Officer, and Supply Chain Advisor of the Company. Before joining *MERALCO*, she was the Chief of Staff to the Chief Corporate Services Officer of PLDT, Inc. (PLDT) and Smart Communications, Inc. (SMART), and Group Head of PLDT and SMART Supply Chain Planning and Procurement. With her industry-recognized supply chain expertise, she became a Director of the Philippine Institute of Supply Management. She also led various Supply Chain process improvements and system implementation for different companies and held global procurement roles.

She was recently tasked to head the newly created Corporate Program Management Office (CPMO), concurrent to her role as Chief Supply Chain Officer. As head of CPMO, she provides strategic direction and is accountable for ensuring alignment of all transformation programs with corporate strategy and governance standards.

Ms. Alvendia holds a Bachelor of Science degree in Psychology from the University of the Philippines.

ROQUE D. BACANI

Filipino, 50 years old

Senior Vice President and Chief Information Officer (since January 1, 2026)

Mr. Rocky Bacani is the Chief Information Officer of the Company. Prior to his appointment in his current role, he served as the Head of *MERALCO*'s Information, Communication, Technology and Transformation from October 2019. He also serves as Chief Technology Officer of Kayana Solutions, Chief Technology Advisor and Member of the Board of Directors of CIS Bayad Center, Inc., and Chief Technology Advisor of Radius Telecoms, Inc. He has over 28 years of experience in the field of information technology and telecommunications.

Prior to joining *MERALCO*, he took on concurrent roles as Vice President and Head of Group IT Corporate Technology and Head of Data Management Office of Smart Communications, Inc. and

PLDT, Inc. He was also a former Chief Technology Officer of Talas Data Intelligence Inc. (a wholly owned subsidiary of PLDT).

ARNEL PACIANO D. CASANOVA

Filipino, 56 years old

Senior Vice President (since July 1, 2023)

Head, Strategic DU Partnerships

Atty. Casanova leads the growth and expansion of the Company's distribution business through new acquisitions and joint venture partnerships with other private investor-owned distribution utilities and electric cooperatives (ECs) across the country.

Prior to joining *MERALCO*, Atty. Casanova is the founder of New Clark City, the first master-planned smart and green metropolis in the Philippines during his term as President and CEO of *BCDA*. He led *AECOM*, the NYSE listed and Fortune 500 engineering consulting business in the Philippines, designing the first subway stations of the country, the new Philippine Senate and numerous infrastructure and property development projects. His almost 30-year career includes rising from the ranks to become the youngest President and Chief Executive Officer of the *BCDA*. He was part of the team that developed the Bonifacio Global City (BGC) from its beginnings and the development of the Clark and Subic special economic zones. He was part of the leadership team that built the Subic-Clark Expressway and led the award of its O&M contract. He led the successful recovery of government prime real estate by winning a number of high-profile cases in the Supreme Court. He served as the Chairman of Governance and Human Resource Committee and Member of the Board of Trustees of the Center for Agriculture and Rural Development, Inc. (CARD, Inc.). He was President and CEO of Ablr Pte. Ltd., a Singapore registered advisory firm with expertise on PPP, green cities, smart infrastructure, and sustainable real estate developments.

He also serves in the Board of Eton Properties, Inc., Alcantron Corporation, and Solar Village Foundation, Inc. He is a major shareholder of Fadz Casanova, Inc. and Trustee of St. Louise De Marillac College. He is a member of Makati Business Club, Management Association of the Philippines and Chairman of the Infrastructure and Logistics Committee of the American Chamber of Commerce of the Philippines. He serves as an Advisor to the Board of Comstech Integration Alliance, Inc.

He is a recipient of two prestigious awards in public service given by two Philippine Presidents – the Philippine Legion of Honor Medal for his work as peace negotiator in the peace talks with RAM military rebels and with the MILF rebel groups during the Ramos presidency and the Presidential Medal of Merit for his exemplary service in *BCDA* during the Aquino presidency. He is active in development work as well as a volunteer serving Filipino migrant workers and social entrepreneurs across the globe. Aside from serving former Philippine Presidents, he advised governments and international leaders in development including Bhutan and Armenia to challenging places such as Afghanistan and North Korea. He is an active fellow of Asia Society's Young Leaders.

Atty. Casanova is an expert in the fields of real estate law, Public-Private Partnership and infrastructure, urban planning and real estate and public finance. He teaches in the University of the Philippines College of Law and earned his Master of Public Administration in Harvard University's Kennedy School of Government as a Mason Fellow and World Bank scholar. He was chosen as The Most Outstanding Alumni of the Decade by the School of Urban and Regional Planning of the University of the Philippines and writes a weekly column in Manila Times titled "City Builder."

REDEL M. DOMINGO

Filipino, 57 years old
Senior Vice President (since January 1, 2026)
Head, MPower

Outside of the *MERALCO Group*, Mr. Domingo is the Vice Chairman and Executive Director of Lifestream Ministries, Inc. – Capital City Foursquare Church since 2004. He is also the Executive Vice President of the Society of Philippine Electrotechnical Constructors and Suppliers, Inc. since 2022.

Mr. Domingo, a Professional Electrical Engineer (PEE), graduated from the Nueva Ecija University of Science and Technology (NEUST) with a Bachelor of Science degree in Electrical Engineering. He completed his Master's degree in Electrical Engineering from the University of the Philippines-Diliman.

FERDINAND O. GELUZ

Filipino, 61 years old
Senior Vice President (since July 1, 2023)
Head, DU Subsidiaries and Strategic Partnerships

Over the course of his distinguished career at *MERALCO*, Mr. Geluz held key leadership roles across various functional groups, including Chief Revenue Officer, Customer Retail Services, Supply Chain and Logistics Management, and Distribution Services. His extensive experience spans core utility operations, customer management, and strategic initiatives.

Mr. Geluz currently serves as Chairman of several *MERALCO* subsidiaries, namely Meralco Industrial Engineering Services Corporation, Meralco Energy, Inc., MSpectrum, Inc., and Movem Electric, Inc. He also serves as Director of other *MERALCO* subsidiaries and affiliates, including One Meralco Foundation, Clark Electric Distribution Corporation, Bayad, Radius Telecoms, Meralco Power Academy, and Aclara Meters Philippines, Inc.

Mr. Geluz is a licensed Professional Electrical Engineer (PEE) and an ASEAN Chartered Professional Engineer (ACPE). He earned his Bachelor of Science degree in Electrical Engineering from the University of the Philippines.

He placed 6th in the Registered Electrical Engineer Licensure Examination and was conferred the 2019 Professional Degree Award in Electrical Engineering by the UP Alumni Engineers. In 2024, he was recognized as the Outstanding Electrical Engineer in the field of Management by the Institute of Integrated Electrical Engineers of the Philippines, Inc.

MELANIE T. OTEYZA

Filipino, 55 years old
Senior Vice President (since January 1, 2024)
Chief Audit Executive

Ms. Oteyza brings a wealth of experience in Corporate Governance and Internal Audit to her role as the Company's Chief Audit Executive. Formerly a Director at Rajawali Corpora in Indonesia, she managed Corporate Governance and Internal Audit functions. Ms. Oteyza held key positions, serving as the Ethics Committee Chairman, Audit and Risk Committee Deputy Chairman, and a Member of the HR and IT Board Committees for RC Holding.

In Singapore, Ms. Oteyza assumed the role of Audit Director at Singapore Telecommunications Limited Inc. (SingTel), overseeing international investments, joint ventures, and regional mobile associates in Africa and the Asia Pacific for the SingTel group. She has held executive positions such as Assistant Vice President for Internal Audit at San Miguel Corporation and Country Audit Head for National Foods Limited, managing internal audit activities across Australia and other international entities in the Asia Pacific region. Her extensive career also includes roles as Audit Center Head at PLDT Inc. and Internal Audit Executive at Digital Telecommunications Philippines Inc. She has contributed her expertise to renowned assurance and consulting firms such as Protiviti Singapore and SyCip Gorres Velayo & Co. (previously a Member Firm of Arthur Andersen).

Ms. Oteyza served as a distinguished member of the Board of Governors for the Singapore Institute of Internal Auditors (IIA) and as a Board and Director for the Philippine Institute of Internal Auditors. Additionally, she played a pivotal role as a Certified Internal Auditor (CIA) Reviewer and Trainer at the Institute of Internal Auditors – Philippines (IIAP).

Educationally accomplished, Ms. Oteyza holds a Bachelor of Science Degree in Commerce, Major in Accounting, with Magna Cum Laude honors, and was recognized as a PICPA Awardee for Academic Excellence. She was granted a full scholarship by SGV in acknowledgment of her outstanding academic achievements. Ms. Oteyza pursued further studies and earned her Master's degree in Business Administration from the University of Santo Tomas, graduating Summa Cum Laude, the highest academic distinction. She also completed the Executive Management Leadership Program at the Asian Institute of Management, earning the Superior Performance Award.

A Certified Public Accountant, Ms. Oteyza also holds international certifications from IIA USA, including the Certified Internal Auditor (CIA) and William S. Smith Awardee, Certification in Risk Management Assurance (CRMA), Certification in Self-Control Assessment (CCSA), and Qualified Validator in Quality Assurance for Internal Audit. In December 2023, she attained the Certification in Information Systems Auditor (CISA) issued by the Information Systems Audit and Control Association (ISACA). Notably, Ms. Oteyza achieved the Qualification in Internal Audit Leadership (QIAL) from IIA USA in December 2022, making her the only Filipino recipient to join the global circle of Chief Audit Executives with this premier designation.

She also successfully passed the Professional Directors Program (PDP) examination and completed the PDP Program of the Institute of Corporate Directors (ICD) in September 2019, where she is currently a Graduate Member and a Teaching Faculty. Actively engaged, Ms. Oteyza actively contributes to the Corporate Governance Standards and Thought Leadership Committees of ICD. She also supports ICD's initiatives to advance corporate governance practices, particularly through her involvement in the Annual Corporate Governance Report (ACGR) assessment for publicly listed companies.

CHARINA P. PADUA

Filipino, 57 years old

Senior Vice President (since January 1, 2026)

Head, Customer Relations and Services

Ms. Charina P. Padua currently serves as Head of Customer Relations and Services (formerly Customer Retail Services) of the Company. With over three decades of extensive leadership experience in the energy sector, Ms. Padua now oversees critical business functions, including customer service, commercial strategy, sales, marketing, and product development.

Throughout her career at *MERALCO*, she has held pivotal roles, including Vice President and Head of Commercial Operations, overseeing key back-end customer processes; Vice President and Head of Home and MicroBiz – North Business Area, leading customer service operations and stakeholder engagement in North Metro Manila and Bulacan; and Assistant Vice President and Head of Customer Payments, ensuring timely collections from major accounts. Earlier in her career, she was Assistant Vice President & Head of Corporate Planning, where she directed the organization's strategic planning and performance management framework.

Ms. Padua served as a Trustee of the Meralco Savings and Loans Association from 2013 to 2016 and 2021 to 2023. She is currently member of the Board of Directors of Movem Electric, Inc. (since October 2023) and Customer Frontline Solutions (CFS) (since September 2025).

Ms. Padua holds a Bachelor of Science degree in Business Economics (BSBE) from the University of the Philippines - Diliman and an Executive Master's in Business Administration (EMBA) from the Asian Institute of Management (AIM).

WILLIAM S. PAMINTUAN

Filipino, 64 years old

Senior Vice President

Chief Legal Counsel and Assistant Corporate Secretary (since January 2012)

Compliance Officer and Head, Legal, Corporate Governance and Compliance Office, and Data Privacy Office

Atty. Pamintuan is the Corporate Secretary of the following companies: First Pacific Leadership Academy, Meralco Industrial Engineering Services Corporation, Meralco Power Foundation, Inc., Meralco PowerGen Corporation, and MRAIL, Inc.

He also serves as Director of the following companies: Aclara Meters Philippines, Inc., Aurora Managed Power Services, Inc., Comstech Integration Alliance, Inc., e-Meralco Ventures, Inc., Indra Philippines, Inc., Lighthouse Overseas Insurance Limited, Meralco Energy, Inc., Meridian Atlantic Light Company Ltd., Meridian Power Ventures, Ltd., MIESCOR Infrastructure Development Corporation, Movem Electric, Inc., MPioneer Insurance, Inc., Paragon Vertical Corporation, and Pylon Holdings Corporation.

Atty. Pamintuan serves as the Chairman of the Board of PMHC Lalawinan Inc., PMHC Pulanai Inc., and Pure Meridian Hydropower Corporation.

He is also a trustee of the Meralco Pension Fund, and is a member of the Board of the Board of Governors of the Philippine Basketball Association.

He served as Vice Chair of the MAP Energy Committee. He was a former Trustee of the Shareholders' Association of the Philippines, Inc. He served as Officer-in-Charge and Acting President of Meralco Energy, Inc. He was a former Corporate Secretary and Senior Vice President of Digital Telecommunications Phils., Inc. and Digitel Mobile Phils., Inc. He was a General Manager of Digitel Crossing, Inc. He was a former Assistant Corporate Secretary of Cebu Pacific Inc.

Atty. Pamintuan is a member of the board of directors of the University of the Philippines Alumni Association (UPAA) and UP Vanguard, Inc. He is a member of the Management Association of the

Philippines (MAP), Integrated Bar of the Philippines (IBP), and Philippine Bar Association (PBA). He is also a member of ICC Philippines-Arbitration and ADR Commission.

Atty. Pamintuan holds a Bachelor of Arts degree in Political Science and a Bachelor of Laws degree from the University of the Philippines.

FROILAN J. SAVET

Filipino, 58 years old

Senior Vice President (since January 1, 2026)

Head, Networks

Mr. Savet is a Director of MIESCOR Builders, Inc., MIESCOR Logistics, Inc., MSpectrum, Inc., and Clark Electric Development Corporation. His other professional affiliations include serving as the principal representative of the Private *DU* Sector to the Philippine Electricity Market Corporation (PEMC) Technical Committee as part of the WESM Governance Committees and Interim Grid Management Committee (IGMC), and as a member representative of the Consortium of PEPOA, *MERALCO*, and PHILRECA for the Energy Virtual One-Stop Shop (EVOSS) Steering Committee. He was also appointed as a member of PRC's Career Progression and Specialization Program-Credit Accumulation and Transfer System (CPSP-CATS) Committee of Electrical Engineering since February 2021.

He was a Director of the Distribution Management Committee, Inc. from 2014 to 2019. Furthermore, he was the Vice Chairman and Committee Member of the Third-Party Bids and Awards Committee (TPBAC), overseeing *MERALCO*'s Competitive Selection Process for its Power Supply Agreements, until 2023. He also served as an Independent Trustee in the Board of Meralco Savings and Loans Association from May 2021 until May 2023. He is a Professional Electrical Engineer and has been recognized as an ASEAN Chartered Professional Engineer since November 2018.

In 2023, he was recognized by both the University of the Philippines Alumni Engineers (UPAE) and the Mapua Electrical Engineering Alumni Association, Inc. (MEEAA) as the Electrical Engineering awardee for his exceptional professional achievements and significant contributions to the field of electrical engineering. He was further distinguished in 2024 as he was awarded by Mapua University and the National Association of Mapua Alumni (NAMA) as The Outstanding Mapua (TOM) for the field of Electrical Engineering. Most recently, he was inducted into the prestigious College of Fellows of the Institute of Integrated Electrical Engineers of the Philippines, Inc.'s (IIEE).

JOSE RONALD V. VALLES

Filipino, 55 years old

Senior Vice President (since January 1, 2024)

Head, Regulatory Management

Atty. Valles is a member of the Board of Directors of Clark Electric Distribution Corporation and Philippine Electricity Market Corporation.

He holds a Bachelor of Science degree in Commerce Major in Management of Financial Institutions from the De La Salle University, a Juris Doctor's degree from San Beda University – College of Law, and a Master's degree in Business Economics from the University of Asia and the Pacific. He attended the Public Utility Research Center World Bank International Training Program on Utility Regulation and

Strategy at the University of Florida and the Global Strategic Leadership Program by Wharton University of Pennsylvania and First Pacific Leadership Academy.

BETTY C. SIY-YAP

Filipino, 64 years old

Chief Finance Officer (since July 2009)

Ms. Siy-Yap serves as a director of several subsidiaries and affiliates in the power generation, distribution utilities, energy services, and infrastructure sectors. She is President of Lighthouse Overseas Insurance Limited and a trustee of the Meralco Pension Fund and One Meralco Foundation, Inc.

She is an Independent Director of COL Financial Group, Inc., a publicly listed company and Union Galvasteel Corporation. She is a member of the Board of Trustees of Immaculate Conception Academy and Chairperson of the Audit Committee of the Ateneo de Manila University.

Ms. Siy-Yap previously served as a member of the Market Governance Board of the Philippine Dealing Exchange Corp., and as Vice Chairman and member of the Board of Accountancy of the Professional Regulation Commission. She was a Partner of SyCip Gorres Velayo & Co. (a member firm of Ernst & Young Global) from 1995 to 2009.

She holds a Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines and a Master of Business Administration degree from the J.L. Kellogg School of Management of Northwestern University.

JOSE RONALD V. VALLES

Filipino, 55 years old

Senior Vice President (since January 1, 2024)

Head, Regulatory Management

Atty. Valles is a member of the Board of Directors of Clark Electric Distribution Corporation and Philippine Electricity Market Corporation.

He holds a Bachelor of Science degree in Commerce Major in Management of Financial Institutions from the De La Salle University, a Juris Doctor's degree from San Beda University – College of Law, and a Master's degree in Business Economics from the University of Asia and the Pacific. He attended the Public Utility Research Center World Bank International Training Program on Utility Regulation and Strategy at the University of Florida and the Global Strategic Leadership Program by Wharton University of Pennsylvania and First Pacific Leadership Academy.

BENNETTE D. BACHOCO

Filipino, 57 years old

First Vice President (since January 1, 2024)

Head, DU Finance and Financial Planning and Reporting

Ms. Bachoco is a Director of MIESCOR Builders Inc., Customer Frontline Solutions, Inc., and Meralco Financial Services Corporation. She is also an agent of the Meralco Pension Fund.

Prior to joining *MERALCO*, she was a Partner of SyCip Gorres Velayo & Co. (a Member Firm of Ernst & Young Global) and was a former Senior Vice President for Finance of Trans-Asia Oil and Energy Development Corporation.

Ms. Bachoco holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's degree in Business Management from the Asian Institute of Management.

JERRY B. LAO

Filipino, 55 years old

First Vice President (since January 1, 2026)

Head, Facilities, Safety and Security Management

Mr. Lao has been employed by *MERALCO* for 32 years and was the former Head of Networks Project Portfolio Management from February 16, 2023 until November 15, 2023. Prior to this assignment, he led the Central Distribution Services Team until February 15, 2023. He served as the Company's head of the San Pablo, Balintawak, Manila, and Pasig sectors for 9 years. He served as the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc. from 2018 to 2019. He has been a member of the *MERALCO* Kuryenteng Ligas (KLigas) Awards Program since 2017. He was also appointed as a Director of MIESCOR Logistics, Inc. on August 14, 2024.

Mr. Lao obtained his Bachelor of Science Degree in Electrical Engineering from Holy Angel University and is a Professional Electrical Engineer.

HANS JOACHIM R. MONTENEGRO

Filipino, 51 years old

First Vice President (since October 3, 2025)

Chief Human Resources Officer and Head of Corporate Services

Mr. Montenegro has over 25 years of experience in the Human Resources (HR) field across all areas of Human Resources. He has also held roles in General Management, Operations, Business Development and Project Delivery.

As the Chief Human Resources Officer of the Company, he is responsible for all HR related matters for the main Distribution organization as well as governance and alignment with all *MERALCO* subsidiaries (Meralco Industrial Engineering Services Corporation, Meralco Energy, Inc., MPower, MSpectrum, Radius, Bayad). He was recently elected as the Chairman of Customer Frontline Solutions, Inc., and also serves as a Director of MIESCOR Logistics, Inc.

Prior to joining *MERALCO*, he was Chief HR Officer for Kayana Solutions which is the new Data and AI entity created for the MVP group of companies, tasked with aggregating the data of over 80 million customers across the group. Hans was responsible for setting up the organizational structure as well as hiring key talent that would help drive this new business.

Before joining Kayana, Mr. Montenegro was a Managing Director in Accenture Philippines, holding two roles namely; 1) Head of the HR Business vertical which managed all the external customers of Accenture around the world who had chosen to outsource their HR operations to the Philippines and 2) Head of Transition and Mobilization which is the team that handles the transfer of outsourced work

from a client to an Accenture offshore team. This role covered all Asia offices of Accenture but dealt with global clients.

Mr. Montenegro was also with Manulife for 8 years before Accenture, first as their Head of HR for Manulife Business Process Services in Quezon City before being moved to the Hong Kong Regional Office as the Regional HR Business Partner to the C-suite. His last role with Manulife was as COO of Manulife IT Delivery Center which was a new entity he was tasked to establish in Manila and functioned as the in-house software and IT shared service hub for Manulife Asia and Canada.

His other roles prior to Manulife were HR Director for Convergys Philippines, Country Manager and Head of Business Development for NorthgateArinso, and HR Director for ABC5.

Mr. Montenegro completed his Master of Arts in Counseling, Emphasis in Career Development at Santa Clara University in California, USA. He also completed his BS Psychology undergraduate degree at Ateneo De Manila University.

ROSS RAYMOND B. RAVELO

Filipino, 48 years old
First Vice President (since January 1, 2022)
Chief Sustainability Officer

Mr. Ravelo is a Director of MSpectrum, Inc. He previously served as President and CEO of Movem Electric, Inc. (2023–2026), eSakay, Inc. (2018–2023), MSpectrum, Inc. (2016) and Radius Telecoms, Inc. (2011–2016). Apart from serving as a Director on the Boards of the aforementioned companies, he was likewise a member of the Boards of MGen Renewable Energy, Inc. and Powersource First Bulacan Inc.

Prior to joining *MERALCO*, he was with McKinsey & Company's Washington, D.C. office, where he led strategy development initiatives and operational performance transformations for leading companies across North America, Latin America, Europe, and Southeast Asia, covering a wide range of industries.

Mr. Ravelo holds a Bachelor of Science degree, Magna cum Laude, in Management Engineering from the Ateneo de Manila University. He earned his Master's degree in Business Administration at The Wharton School of the University of Pennsylvania where he was a Joseph Wharton Fellow and an Omnicom Communication Fellow. Mr. Ravelo is also a former Trustee of the Wharton-Penn Alumni Association, Inc.

FRANCIS EUSTON R. ACERO

Filipino, 48 years old
Vice President (since January 1, 2022)
Data Privacy Officer

Atty. Acero joined the Company in November 2019. He serves as the Data Privacy Officer for the *MERALCO* Distribution Utility and all of *MERALCO*'s subsidiaries. Before his role at *MERALCO*, he was the Division Chief of the Data Security and Technical Standards Division and the Complaints and Investigation Division at the National Privacy Commission, from March to October 2019 and since August 2016, respectively. In these roles, he actively contributed to the Implementing Rules and Regulations of the Data Privacy Act and other issuances from the National Privacy Commission.

While serving as the Data Protection Officer for *MERALCO* and its subsidiaries, Atty. Acero also serves as the Vice President of the National Privacy Commission's Data Privacy Council, the official advisory body to the Office of the Privacy Commissioner.

Atty. Acero earned his Bachelor of Arts degree in Journalism from the University of the Philippines and his Juris Doctor from Ateneo de Manila University.

IRENEO B. ACUÑA

Vice President (since January 1, 2013)

Head, Utility Partnerships

Mr. Acuña heads the Utility Partnerships, which is responsible for the development of business opportunities in electricity distribution.

He is a Director of Comstech Integration Alliance Inc., Customer Frontline Solutions, Inc., Meridian Power Ventures Limited, and Power Distribution Services (Ghana).

He graduated with a Bachelor of Science degree in Electrical Engineering from Far Eastern University-Institute of Engineering. He completed his Executive Master's in Business Administration from the Asian Institute of Management (with Distinction).

LUISITO B. ACUÑA

Filipino, 57 years old

Vice President (since January 1, 2026)

Head, Head of DU-Supply Chain Management

Mr. Acuña oversees six teams covering Category Management, Materials Management, Contract Management, and Supply Chain Operations Support. He is responsible for leading strategic sourcing initiatives, managing supplier relationships, ensuring compliance with procurement policies, and optimizing material flows to support *MERALCO*'s operational and financial objectives.

He also serves as Chairman of *MERALCO*'s Bids and Awards Committee, where he provides leadership in the evaluation and approval of procurement activities to ensure transparency, fairness, alignment with corporate governance standards, and compliance with the *ERC* procurement guidelines. In addition to his core responsibilities, he spearheads special projects aimed at modernizing procurement processes, strengthening contract management frameworks, and enhancing organizational resilience.

An electrical engineer by profession, he brings over 30 years of experience in supply chain management and four years in equipment management. He began his career at *MERALCO* as a staff engineer, where he gained technical and operational expertise before becoming a procurement engineer. Over the years, he steadily advanced through leadership positions, serving as team leader and manager before rising to his current role as Head of Supply Chain Management.

He graduated Cum Laude from Far Eastern University with a degree in Electrical Engineering and is a Registered Electrical Engineer. He further enhanced his leadership and technical expertise through *MERALCO*'s New Frontier Program, which was conducted in partnership with Harvard Business School, as well as the *MERALCO* Power Engineering Program in his early years in *MERALCO*.

He has attended various local and overseas factory accreditation and factory inspection programs and also participated in international industry seminars and conferences, including Enlit and the Mobile World Congress in Europe. He likewise attended numerous professional seminars and training programs that strengthened his expertise in supply chain management.

EDDIE JOHN V. ADUG

Filipino, 56 years old

Vice President (since January 1, 2026)

Head, Retail Sales

Mr. Aduag has over 35 years of experience in the Philippine power industry, with extensive expertise in retail electricity sales, key account management, and commercial operations within the Competitive Retail Electricity Market (CREM).

He currently serves as Head of Retail Sales of MPower, the Company's local Retail Electricity Supplier, where he leads the retail sales business within the *MERALCO* franchise area. His responsibilities include sales strategy development, customer acquisition, key account management, and revenue growth, ensuring compliance with Energy Regulatory Commission's regulations and alignment with the *ROA* framework. He oversees relationships with commercial, industrial, and institutional contestable customers and supports strategic market initiatives.

Prior to his current role, he was Strategic Account Manager of MPower from 2013 to 2021, handling retail sales, sales services, and customer relationship management. During this period, he led a special project overseeing retail sales activities in the Visayas as part of *MERALCO*'s pioneering expansion of its Retail business outside its franchise area through its affiliate Retail Electricity Supplier, Vantage Energy. Earlier, he served as one of *MERALCO*'s Relationship Managers from 2002 to 2013, managing corporate key accounts. He also held various technical and operational roles within *MERALCO*, including Branch Engineer, Project Engineer, and Design Engineer, gaining extensive experience in distribution system design, project-covered applications, and stakeholder coordination with business associations and local government units.

Mr. Aduag graduated with a Bachelor of Science degree in Electrical Engineering from Mapua Institute of Technology and is a licensed Assistant Electrical Engineer. He also completed the Management Development Program at the Asian Institute of Management.

JOSEPH L. AMOSCO

Filipino, 57 years old

Vice President (since January 1, 2022)

Head, Energy Management, MPower

Mr. Amosco heads the Energy Management organization of the Retail Electricity Supply unit of the Company. He previously held headship positions in the Energy Sourcing Office of *MERALCO* and was part of the Management Team who established Meralco Energy, Inc.

He holds a Bachelor of Science degree in Mechanical Engineering from De La Salle University, a Bachelor of Science degree in Electrical Engineering and ranked 6th in the 1991 Mechanical Engineering Board Examinations. He completed his Master's in Management at the Asian Institute of Management.

ALDWIN CHRISTIAN C. ANG

Filipino, 44 years old

Vice President (since January 1, 2026)

Head, Treasury

Mr. Ang is a senior finance executive with over 19 years of experience spanning corporate treasury, project finance, risk management, capital markets, and financial advisory.

Prior to *MERALCO*, Mr. Ang held a leadership role at Asia United Bank, where he served as Vice President and Head of the FCDU Fixed Income Desk. He also served as Product Controller for Commodities at Barclays Capital in Singapore.

Mr. Ang started his career in financial services risk management at Sycip Gorres Velayo & Co. where he specialized in financial instruments valuation, IFRS compliance, and regulatory risk reviews.

He holds the Chartered Financial Analyst (CFA) designation, is a certified Financial Risk Manager (FRM) and is a Certified Public Accountant (CPA) in the Philippines. He earned degrees in Accountancy, Finance, and Management Accounting from Ateneo de Davao University and a Bachelor of Science in Management Information Systems from Ateneo de Manila University.

Mr. Ang concurrently serves as the Corporate Treasurer of the following *MERALCO* subsidiaries: Meralco Powergen Corporation and its subsidiaries, Customer Frontline Solutions, Inc., CIS Bayad Center, Inc., Meralco Industrial Engineering Services Corp., MIESCOR Builders Inc., MIESCOR Logistics, Inc. Meralco Energy Inc., MSpectrum Inc., Radius Telecoms Inc., Meralco Financial Services Corp., Comstech Integration Alliance Inc., Movem Electric Inc., and Miescor Infrastructure Development Corp.

FRANCIS DINO S. ANTONIO

Filipino, 51 years old

Vice President (since January 1, 2025)

Head, Regulatory Legal Case Management

Atty. Antonio brings with him more than 20 years of experience in the electric power industry handling regulatory legal matters of the Company.

He started at the Company in 2004 as a regulatory staff-corporate legal, handling various legal and regulatory cases. In 2008, he responded to the call of the Company to join the newly created Regulatory Legal Office, which focused on the specialized field of energy law. Said Office became the clearing house of most, if not all, decisions related to regulatory matters. Said Office also handled the most critical, highly sensitive, and significant impact cases of the Company. He rose from the ranks and became its head in 2017. Due to the evolving regulatory landscape, in December 2019, Regulatory Legal Case Management was created, which he continues to head.

Atty. Antonio holds a Bachelor of Arts-Major in Economics from San Beda College and a Bachelor of Laws from Lyceum of the Philippines-College of Law. He attended the University of Florida-Public Utility Research Center's 40th International Training Program on Utility Regulation and Strategy. He has also completed the New Frontiers Pilot Batch Management Program.

REMIGIO R. ANGELES, JR.

Filipino, 55 years old

Vice President (since January 1, 2025)

Head, South Distribution Services

Mr. Angeles is responsible for the construction, operations, and maintenance of electric distribution facilities in the southern part of the Company's franchise area which includes Provinces of Cavite, Laguna, Quezon and Batangas and Southern Metro Manila. He currently leads the task force for pole relocation projects of *MERALCO*.

With 33 years of work experience in *MERALCO*, he has been assigned to various technical offices of Networks assuming the role of an engineer as well as supervisor in engineering design, construction, maintenance and operations of electric distribution facilities, system analysis, and electric distribution asset management.

Mr. Angeles attained his Bachelor's Degree in Electrical Engineering from University of Santo Tomas. He is a licensed Registered Electrical Engineer and a lifetime member of the Institute of Integrated Electrical Engineers of the Philippines. He is a certified safety practitioner, having attended successfully the Basic Occupational Safety and Health, Construction Occupational Safety and Health, Behavioral Based Safety, and other related trainings. A certified in-house auditor for ISO 9001, 14001 and 45001.

PATRICK DAVE B. BACANI

Filipino, 55 years old

Vice President (since January 1, 2017)

Head, Sustainability Programs and Communications

Mr. Bacani has been with *MERALCO* since August 2012. He joined the Corporate Sustainability Office in September 2021. Prior to his current role, he performed various roles under Human Resources and Corporate Services. As an HR practitioner for over 25 years, Mr. Bacani served companies across various industries: 24/7, Convergys, Chevron, Change Management International, and SyCip Gorres Velayo & Co.

He holds a degree in Management major in Human Resources Management from De La Salle University - College of St. Benilde and Master's in Business Administration from De La Salle University.

JOSEPH ALLAN C. BALTAZAR

Filipino, 59 years old

Vice President (since January 1, 2016)

Head, Integrated Asset Management

Mr. Baltazar serves as Vice Chairman of the *MERALCO* Bids and Awards Committee for Power Supply Agreements and as Technical Lead of the Distributed Energy Resource Strategy Office.

He was a former Trustee of *MERALCO* Employees Fund for Charity, Inc. and former Director and Corporate Secretary of the Grid Management Committee. He was a member of the Wholesale Electricity Spot Market (WESM) Technical Committee under the Independent Electricity Market Operator of the Philippines.

Mr. Baltazar is a Professional Electrical Engineer and a graduate of Bachelor of Science in Electrical Engineering at Mapua Institute of Technology.

CHRISTOPHER REDEEMSON R. BROCALES

Filipino, 43 years old

Vice President (since January 1, 2025)

Head, Employee Relations and Shared Services HR

Atty. Brocales has extensive experience in Labor and Corporate Law, Labor Relations and Litigation, Government Affairs, and Human Resources. He currently serves as Head of Shared Services HR and Employee and Labor Relations of *MERALCO*. Concurrently, Atty. Brocales is Legal Counsel of the Meralco Employees Mutual Aid and Benefits Association, Inc. (MEMABA), and a Director of Customer Frontline Solutions, Inc. (CFS).

Prior to joining the Company, Atty. Brocales was Commission Attorney of the National Labor Relations Commission (NLRC) where he assisted the Commission in its appellate and adjudicatory functions. He also served as Legal Counsel for the Office of Senator Juan Miguel Zubiri, subsequent to his stint as Legal and Legislative Officer for the Office of Senator Gregorio Honasan. Concurrent with the latter, Atty. Brocales was Legal Officer of the Joint Congressional Power Commission (JCPC).

Atty. Brocales is a member of the Philippine Bar, completed his Bachelor of Arts Degree in Development Economics from the San Beda University – Manila, and earned Juris Doctor from the Ateneo de Manila University.

SANTE C. BUELLA

Filipino, 59 years old

Vice President (since January 1, 2022)

Head, North Distribution Services

Mr. Buella has been with *MERALCO* since September 1990. Prior to his current assignment, he served as the Head of Energy Management. He also held various key positions under the Networks organization, such as Head of Central Distribution Services, and Head of Revenue Assurance and Metering Services.

Mr. Buella holds a Bachelor of Science in Electrical Engineering degree from the Technological Institute of the Philippines - Manila.

RICARDO CARMELO D. BUENAFE

Filipino, 57 years old

Vice President (since January 1, 2022)

Head, Regulatory Risk and Compliance

Mr. Buenafe has been the Head of Regulatory Risk and Compliance Office of *MERALCO* since 2008. He has been with *MERALCO* for 34 years. Prior to his appointment in his current role, he was part of the Executive Staff of the President and Chief Operating Officer, a member of the Interruption Frequency Rate/Cumulative Interruption Time Task Force Secretariat, and Power Quality Office and Technical Quality Assurance Staff. He attended the Public Utility Research Center World Bank International Training Program on Utility Regulation and Strategy at the University of Florida.

Mr. Buenafe holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and a Master of Business Administration degree from the University of the Philippines.

ALBERTO N. CASTILLO

Filipino, 59 years old

Vice President (since January 1, 2021)

Head, Sub-Transmission Services

Mr. Castillo has been employed by *MERALCO* for 37 years. Prior to his assignment as Head of Sub-transmission Services, he led the Substation Department for five (5) years with his expertise in substation construction, operation, and maintenance works.

Mr. Castillo holds a Bachelor Science degree in Electrical Engineering from the Mapua Institute of Technology. He is also a licensed Professional Electrical Engineer.

MA. CECILIA M. DOMINGO

Filipino, 57 years old

Vice President (since January 1, 2019)

Head, Distributed Energy Resource (DER) Strategy Office (since January 1, 2026)

Ms. Domingo now heads the Distributed Energy Resource (DER) Strategy Office, and is tasked with coming up with overall roadmap, strategy, risks, and reports for DER, including aligning the program objectives across business units and advocating for energy transition initiatives within and outside the organization.

Prior to heading the DER Strategy Office, Ms. Domingo headed *MERALCO*'s Enterprise and National Government Team, looking after the needs of *MERALCO*'s top 2000 Enterprises, conglomerates, multinationals, and national government accounts. She also serves as the President and Chief Executive Officer of MSpectrum, Inc., a wholly owned subsidiary of *MERALCO* providing solar solutions to all customers of *MERALCO* and even in the whole Philippines. She started in *MERALCO* as a cadet engineer in 1990 and has been assigned in different offices and positions within the Company.

LAWRENCE S. FERNANDEZ

Filipino, 57 years old

Vice President (since January 1, 2015)

Head, Utility Economics

Mr. Fernandez served as a Director of the Philippine Economics Society and was also a Director of the Energy Efficiency Practitioners of the Philippines (formerly Energy Management Association of the Philippines). He is a member of the Renewable Energy Market Governance Committee and represents private distribution utilities. Mr. Fernandez currently chairs *MERALCO*'s Bids and Awards Committee for Power Supply Agreements ("*BAC-PSA*").

Mr. Fernandez received his Bachelor of Science degree in Mechanical Engineering from the University of the Philippines and is a licensed mechanical engineer.

MARVIN G. GONSALVES

Filipino, 58 years old

Vice President (since January 1, 2023)

Head, Revenue Assurance and Metering Services

Mr. Gonsalves has been with *MERALCO* for more than three decades and currently heads the Revenue Assurance and Metering Services (RAMS) group, overseeing system loss management and metering-related governance and execution.

He is recognized as the Company's subject matter expert in electric metering, drawing on over 35 years of experience in the Networks Metering Group. Prior to his current role, he led Networks Technology Asset Management (August 2020 to February 2021) and subsequently headed the Project Portfolio Management Office (February 2021 to February 2023).

Mr. Gonsalves has authored key technical references used in *MERALCO*'s metering practice, including "kWh Meter Measurement Uncertainty" and "Impact Prediction of Variable Renewable Energy on Distribution Systems Using AMI Technology." He also shares industry knowledge through professional engagements, including several presentations on Advanced Metering Infrastructure (AMI) for the Institute of Integrated Electrical Engineers (IIEE) Mid-year National Convention (2024).

Mr. Gonsalves was elected to the Board of Trustees of the Meralco Employees Mutual Aid and Benefits Association, Inc. (MEMABA) in 2023 and currently serves as its President, after completing a term as Chairman.

He earned his Master of Science in Electrical Engineering from the University of the Philippines–Diliman (2006) and is a PRC-licensed Professional Electrical Engineer (PEE).

DANILO R. IGNACIO⁴

Filipino, 60 years old

Vice President (since January 1, 2024)

Head, Networks Portfolio and Resource Management

Mr. Ignacio has been employed by *MERALCO* for 37 years and has held various positions in the Company. He earned his Bachelor of Science degree in Electrical Engineering in 1987 from the University of Santo Tomas. He is a registered Electrical Engineer.

ROBERTO D. ISIP, JR.⁵

Filipino, 57 years old

Vice President (since January 1, 2026)

Head, Networks Portfolio & Resource Management

Mr. Isip is currently the head of *MERALCO*'s Networks Portfolio & Resource Management (NPRM) and manages the electric capital project portfolio, spend governance, contract and outsourcing, and foreign attachment organizations of the Company for the continuous and rigorous project execution, resource discipline, and sustained support across *MERALCO*'s distribution utility system. Before assuming his current role in the Company, he was the Head of *MERALCO*'s Network Planning and Design where he

⁴ Mr. Ignacio retired from the Company on March 31, 2026.

⁵ Following the retirement of Mr. Ignacio from the Company on March 31, 2026, Mr. Isip assumed the role of Head, Portfolio and Resource Management effective April 1, 2026.

managed the electric system planning and design organizations of the Company for the continuous improvement of the *MERALCO* distribution utility system.

As a 35-year veteran of *MERALCO*, he began as a planning engineer of the Electric System Planning department for thirteen years, where he was tasked with formulating the development plans of the company's electric distribution system, sub-transmission backbone, and substation network. After this stint, he was assigned as a project manager of the Project Management Office of Networks for ten years, where he managed the implementation of key electric capital and rural electrification projects to expand the capacity and reach of the *MERALCO* system, while coordinating with various external entities such as the *DOE*, various local government units, generation companies and the National Grid Corporation of the Philippines (NGCP) to ensure successful completion. He was then promoted as the manager of Network Asset Planning and served in this role for nine years, managing the preparation of electric system development plans for system adequacy and reliability, as well as the conduct of Distribution Impact Studies for embedded generation and large customers. In this capacity he also maintained his organization's compliance with the rules and procedures of the *EPIRA* as well as various regulatory rules and policies on planning process and projects set forth by the *ERC* and the *DOE*. Over the last two years, Mr. Isip has served as the head of *MERALCO*'s Network Planning and Project Management (NPPM) and NPD departments.

Mr. Isip completed his Bachelor of Science degree in Electrical Engineering at the Mapua Institute of Technology. He is a licensed Professional Electrical Engineer (PEE), and an ASEAN Chartered Professional Engineer (ACPE). He also completed the New Frontier Middle Management Program Batch 3 of *MERALCO* in 2016. He has also been assigned to represent *MERALCO* at numerous technical international conferences, the latest of which was the CIGRE conference held in Paris, France in 2024.

EDELIZA T. LIM

Filipino, 51 years old

Vice President (since January 1, 2025)

Head, Marketing and Brand Experience

Ms. Lim leads a dynamic team responsible for the governance and holistic management of the *MERALCO* brand equity and reputation, ensuring consistent messaging and representation of the *MERALCO* brand in all forms and across all channels for One Meralco. She oversees the development and execution of comprehensive marketing strategies based on consumer data and market research to deliver the optimum user and customer experience for residential, government and business customers of the distribution utility.

Prior to joining *MERALCO*, she thrived in the cut-throat telecommunications industry, driven to ensure that Filipinos nationwide had access to connectivity, developing products, promotions and campaigns based on their needs, life stages, and capabilities. The teams she led in PLDT were instrumental in managing the long tail of voice, maximizing its profitability with toll features, prepaid lines, and cards, while encouraging the transition to digital through convergent PLDT-Smart products and future home offerings.

Ms. Lim is a seasoned marketing executive with extensive experience through key roles in multiple industries including banking and credit cards within the finance sector (Citytrust/ BPI and AIG), personal care in fast-moving consumer goods (Swedish company SCA), and oral health and consumer healthcare in pharmaceuticals (GSK). Her experience in both local and multinational companies,

leading teams in product development and category management, corporate and product branding, strategic marketing, and consumer insighting has equipped her with a comprehensive understanding of market dynamics and consumer behavior.

Ms. Lim completed her Bachelor's Degree in Management Economics from the Ateneo de Manila University. She earned her Master's in Business Administration with distinction from the Regis Program of the Ateneo Graduate School of Business and is UX Certified by the British Computer Society. She was part of *MERALCO*'s pioneer batch of New Frontiers by Harvard Business Review.

ARIEL G. LUCAS

Filipino, 57 years old

Vice President (since January 1, 2024)

Head, Central Distribution Services

Mr. Lucas also served as the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc. from 2019 until 2021 and was its Vice-Chairman the year prior.

Mr. Lucas graduated from Mapua Institute of Technology with a Bachelor's degree in Electrical Engineering. He is a certified Electrical Engineer.

Mr. Lucas completed the New Frontier Middle Management Course at Harvard Business Consulting from 2015 to 2016.

ERVILLE D. MAGTUBO

Filipino, 51 years old

Vice President (since January 1, 2022)

Head, Customer Care Group

Mr. Magtubo is an expert in IT services and outsourcing services with 29 years of experience in these areas. As the head of the Customer Care Group of *MERALCO*, he plays a crucial role in planning, leading, and steering the organization towards digital transformation with focus on delivering Customer Experience.

Prior to joining *MERALCO* in August 2020, he was part of the ePLDT Group for 12 years. He was an Assistant Vice-President and Head of the Systems Integration Group that provided various IT integration services for the customers of ePLDT. He was later appointed as Vice President and General Manager of iPlus Intelligent Networks, Inc., a subsidiary of ePLDT that provides managed IT services and outsourcing services. Concurrent to this assignment, he served as the Sales Director of Infocom Technologies, Inc., another subsidiary of ePLDT that provided connectivity services and contact center services. Before joining ePLDT, he was the Channels Manager for Southeast Asia and India of Internet Security Systems, a U.S. based data security company.

Mr. Magtubo graduated with a Bachelor's Degree in Computer Science from the University of the Philippines.

RALPH M. MENCHAVEZ

Filipino, 40 years old

Vice President (since January 1, 2024)

Head, Strategy Performance and Energy Solutions

Mr. Ralph M. Menchavez is Vice President and Head of Strategy Performance and Energy Solutions. He is a seasoned executive with two decades of experience in strategy, analytics, business performance improvement, project execution, and value realization across diverse industries in both the Philippines and the United States.

In his current role, Mr. Menchavez leads commercial strategy development for key customer initiatives, strategy management, and business performance monitoring. He also serves as an internal consultant and subject matter expert on business casing, enabling cross-functional strategy development and analysis for high-impact initiatives such as customer experience transformation. He also spearheads the conceptualization, development, and rollout of innovative energy solutions that leverage emerging and mature technologies, including advanced metering infrastructure, net metering, and electric vehicles.

Concurrently, he is the Program Manager of the One Meralco Electric Vehicle Adoption Program, which aims to accelerate the transition of customers and stakeholders into the EV ecosystem. Through this role, he is an active member of the Electric Vehicle Association of the Philippines (EVAP). He also pioneered the use of big data analytics for energy sales forecasting and energy solutions insights.

Prior to joining *MERALCO* in 2013, Mr. Menchavez spent seven years as a management consultant in the United States, most recently as a Senior Engagement Manager at Mitchell Madison Group, a global management consulting firm. He advised C-suite executives of mid- to large-cap companies across industries including airlines, telecommunications, insurance, media and entertainment, and publishing. His expertise includes strategic sourcing, outsourcing and cost reduction, negotiations, business modeling, and demand and process reengineering. The engagements he led and supported delivered nearly USD 500 million in bottom-line impact for clients, with project assignments across New York, Los Angeles, Atlanta, Little Rock, and Honolulu.

Mr. Menchavez earned his degree in Economics, with a minor in Global Politics, from Ateneo de Manila University in 2006. He has attended the Chief Strategy Officer Summit in San Francisco to further strengthen his capabilities in long and medium-term corporate strategy development and has completed the New Frontiers Management Program of *MERALCO* in 2014.

JOY P. MENDOZA

Filipino, 46 years old

Vice President (since January 1, 2026)

Head, Home & Micro Business, Central Business Area

Ms. Mendoza is an accomplished leader in customer operations, service transformation, and digital innovation, with over 23 years of experience at *MERALCO*. She currently heads the Home and Micro Business segment in the Central Business Area. She led key transformation programs, including the development of digital platforms, modernization of service applications, and process automation initiatives to improve customer experience and service delivery. Under her leadership, *MERALCO* rolled out the Certified by *MERALCO* (CBM) platform and Digital Service Application, both a first for the company.

Prior to her current role, Ms. Mendoza served as Head of the BIZ Partners Group from 2019 to 2023. She played a pivotal role in expanding *MERALCO's* SME customer base by strengthening partnerships, accelerating project energization, and improving the overall customer journey from application to service activation. Under her leadership, structured engagement frameworks and dedicated partnership management were implemented to ensure timely project completion, enhance customer experience, and drive greater adoption of *MERALCO's* energy solutions. These initiatives contributed to business growth, improved service accessibility for enterprise customers, and reinforced *MERALCO's* position as a trusted partner in enabling commercial and property developments.

She also served as Head of the Renewables Program Management Office from 2018 to 2019, where she helped advance *MERALCO's* renewable energy initiatives by supporting the development and implementation of solar and sustainability programs. Earlier, as Utilities Industry Lead for Private Sector Relationship Management, she managed strategic relationships with key private sector stakeholders, strengthening collaboration and supporting the expansion of *MERALCO's* energy services across priority industries.

Ms. Mendoza completed the Advanced Management Program at the Asian Institute of Management. She earned her Bachelor of Arts degree in Community Development from the University of the Philippines Diliman.

RODERICK DENNISON N. NACU

Filipino, 54 years old

Vice President (since January 1, 2023)

Head, Tariff Management

Mr. Nacu is the Head of Tariff Management since 2018. He joined *MERALCO* in 1994 and was part of the *MERALCO* Mechanical Engineering Program, Non-Technical System Loss Reduction Program and Utility Economics.

Mr. Nacu holds Bachelor of Science in Mechanical Engineering and Master of Business Administration degrees from the University of the Philippines. He is a licensed mechanical engineer.

NOEL S. PORCIUNCULA

Filipino, 57 years old

Vice President (since January 1, 2024)

Head, Customer Process and Revenue Assurance

Prior to his appointment as Head of Customer Process and Revenue Assurance, Mr. Porciuncula was an Assistant Vice President and Head of *MERALCO's* South Business Area where he managed ten Business Centers, four Auxiliary Business Centers and six Extension Offices. Prior to this, he held various positions in the Company from 2003 until 2020.

Mr. Porciuncula graduated from Mapua Institute of Technology with a Bachelor's degree in Electrical Engineering. He completed the Management Development Program of the Asian Institute of Management in 2007, and the Middle Manager's Development Program of the Harvard Business School in 2014.

PAUL JAYSON I. RAMOS

Filipino, 42 years old

Vice President (since July 1, 2024)

Chief Investor Relations Officer

Paul Jayson “Peejay” Ramos brings over 17 years of experience in the Philippine equity market, with a strong foundation in institutional equities sales. Throughout multiple market cycles, he has developed deep expertise in investor engagement, capital markets communication, and relationship management, earning the trust of domestic and foreign institutional investors.

Prior to joining *MERALCO*, Mr. Ramos spent 17 years with Maybank Securities, formerly ATR Kim Eng Securities, where he last served as Senior Vice President. In this role, he provided investment recommendations to institutional clients, anchored on both fundamental research and technical analysis. He played a key role in strengthening engagement between corporate issuers and the investment community through corporate access initiatives, strategy briefings, and research presentations.

Mr. Ramos began his career in 2007 as a Sales Associate for Institutional Sales after securing his Securities Representative license from the Securities and Exchange Commission. He progressed through successive leadership roles—Manager, Assistant Vice President, Vice President, and ultimately Senior Vice President—where he led major institutional accounts and contributed significantly to the firm’s growth and profitability.

Widely respected within the investment community, Mr. Ramos was recognized as the Best Equities Salesperson by the Fund Managers Association of the Philippines (FMAP) from 2016 to 2019 and again from 2021 to 2022. He was also a core member of the team awarded Best Equities Sales Team by FMAP for multiple years between 2008 and 2023.

He holds a Bachelor’s Degree in Management Economics from Ateneo de Manila University.

Mr. Ramos joined *MERALCO* in July 2024 and now leads initiatives that strengthen the Company’s engagement with the investment community. Under his tenure, research coverage of *MERALCO* expanded from 20 analysts at the time of his appointment—14 of whom were active—to 23 research brokerage firms by the end of 2025, with 19 maintaining active coverage. Through disciplined and transparent communication of financial performance, operating highlights, and strategic priorities, he supports *MERALCO*’s commitment to enhancing long-term shareholder value.

JOSE S. REYES, JR.

Filipino, 56 years old

Vice President (since January 1, 2018)

Head, Networks Technology Management

Mr. Reyes is a Professional Electrical Engineer with extensive expertise in electric distribution asset and technology management, construction, repair and maintenance, power system analysis, and electric power system quality. He plays a pivotal role in *MERALCO*’s smart grid modernization and digitalization program, including the implementation of its advanced metering infrastructure. Since 2022, he serves as the chairman of the technical working group on smart grid and asset management for the Association of the Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP).

Mr. Reyes has been with *MERALCO* since 1991, starting as a Cadet Engineer, where he earned Academic Excellence and Exemplary Leadership awards. Over the years, he has held various key positions in electric power distribution, power quality, and grid modernization. He led North Distribution Services in 2016, Network Technology and Asset Management in 2021, and was appointed to his current role in 2024. His exceptional contributions have earned him recognition as one of *MERALCO*'s outstanding employees in the Supervisory Category in 2008 and 2009, and his office under his headship then, received the *MERALCO* Presidential Awards for Technical Services in 2005 and 2008. In 2025, he was recognized with the Mapua Electrical Engineering Alumni Association (MEEAA) Excellence Award for Electrical Engineering Practice in Power Distribution.

Mr. Reyes holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology. He completed his Master of Science degree in Electrical Engineering from the University of the Philippines and is currently pursuing a Doctorate Degree in Electrical and Electronics Engineering from the same university. He has also completed the Management Development Program at the Asian Institute of Management with an Academic Excellence award, the New Frontiers Middle Management Program with an Outstanding Action Learning Project award, and the ASEAN Business Leaders Program held in Singapore and Tokyo. He is a Life Member of the Institute of Integrated Electrical Engineers of the Philippines, Inc. and is the current President of the University of the Philippines Electrical and Electronics Engineers Alumni Association Inc. (UPEEEAAI). Additionally, he has served as the President and is a current Trustee of the Meralco Employees Fund for Charity, Inc. (MEFCI).

ANDREW JASON B. TAN

Filipino, 36 years old
Vice President (since July 16, 2023)
Head, Business Development

Mr. Tan serves as Vice President and Head of Business Development at *MERALCO*, playing a pivotal role in driving *MERALCO*'s expansion efforts through mergers and acquisitions, strategic partnerships, and special projects aimed at advancing the Company's long-term growth initiatives.

Concurrently, he serves as a Director of On-Us Solutions Inc. ("BYAHE"). Prior to joining *MERALCO*, Mr. Tan served as the Assistant Vice President for Business Development at Aboitiz Power Corporation and was a former Manager with Citibank N.A.

Mr. Tan earned his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He completed his Master of Business Administration degree from Singapore Management University in 2014 where he graduated as Valedictorian.

JEFFREY O. TARAYAO

Filipino, 46 years old
Vice President (since January 1, 2022)
Chief Corporate Social Responsibility Officer
President, One Meralco Foundation (since June 2011)

Mr. Tarayao has led and managed corporate social responsibility (CSR), community relations, sustainability, and communications programs in the last 25 years. He is a Global Reporting Initiative-certified sustainability reporting specialist. When he joined *MERALCO* in 2011, he led the transformation of its CSR and community relations initiatives into a more strategic and business-

aligned program. He is currently a member of the advisory board of the League of Corporate Foundations (where he also previously served as Chairman), Trustee of the International Association of Business Communicators Philippines, the Archdiocese of Manila's Caritas Margins program and is a member of the Management Association of the Philippines. He also served in the board of trustees of the Humanitarian Leadership Academy based in London, United Kingdom from 2016 to 2019 and was President of the Coalition for Better Education. He is an Asia 21 Fellow of the Asia Society, a group of emerging leaders of Asia and was chosen as one of the 40 under 40 International Development Leaders by the Washington DC-based Development Exchange in 2012. Mr. Tarayao was also recognized with a Gold Award (2023) and Silver Award (2025) for Thought Leadership in the Non-Profit and Government Sectors by the International Business Awards held in Rome, Italy and Lisbon, Portugal, respectively. Prior to joining *MERALCO*, he served as Head of Community Relations and CSR of Globe Telecom, Inc.

Mr. Tarayao obtained his Master of Sustainable Development degree from Macquarie University in Sydney, Australia in 2018 as an Australia Awards Scholar and completed his undergraduate studies from the University of Santo Tomas, Manila, Philippines where he also served as a lecturer on Corporate Social Responsibility and Good Governance in the College of Commerce and Business Administration.

MARILENE P. TAYAG

Filipino, 53 years old

Vice President (since January 1, 2024)

Chief Information Security Officer

Ms. Tayag has 30 years of experience in the field of Information and Communications Technology. She has held various Technology leadership positions in her career, having managed diverse teams – both offshore and onshore. She has 17 years of telecommunications industry experience, 12 years of information security, and more than 14 years of consulting and service delivery experience. She managed large portfolio projects across various sectors, such as distribution, manufacturing, retail, food, banking, communications, and transportation industries.

Prior to her joining *MERALCO*, she was the Global Cybersecurity Managed Services Delivery Excellence Leader and the Technology Consulting Executive Director for Ernst and Young (EY) Global Delivery Services Philippines. Before EY, she held the position of Vice President/Deputy Chief Information Security Officer for the PLDT Group, having primary responsibility of formulating and executing the company's cyber strategy and program roadmap, as well as the operationalization of various cybersecurity processes. She was also then the concurrent Group CISO of ePLDT, the ICT arm of PLDT Group, having responsibility over for the company's cybersecurity business portfolio, which includes ownership of the P&L, go-to-market activities, client service delivery, and operations management – serving customers, the parent company, its subsidiaries, and affiliate firms.

Preceding her role as a cybersecurity leader, she was the Head for Smart's Technology Program Management Office (PMO) responsible for the delivery of key technology programs – Telco Core Network, Compliance, Security, Governance, and Customer Service Platforms.

In 2012, Ms. Tayag worked as a Consulting Manager for Amdocs Philippines, a global telecommunications consulting firm where she led the implementation of both the Data warehousing and the Mobile Virtual Network Operator (MVNO) strategic initiatives for one of the major telecommunications service providers in the country.

Ms. Tayag worked for Hewlett-Packard (HP) as a Customer Program Manager based in Manila. She reported to the ASEAN Delivery Manager in Singapore and worked closely with the regional Professional Services Organization (PSO) in delivering projects for key accounts in the Philippines.

In 2004, she was a Senior Principal Consultant in Oracle Consulting Services, delivering technology projects and ERP solutions to various client organizations in the Philippines and the Asia Pacific. She assumed a concurrent Bid Management role in Oracle, where she teamed up with Sales Managers during the pre-sales cycle, providing her delivery expertise to manage and respond to bids – establishing project plans, estimating implementation efforts, writing proposals, and facilitating client oral presentations.

Prior to her Consulting career, she served as the IT Systems Implementation and Support Director for Nextel Communications, where she held both delivery and support responsibilities for the organization's Customer Care and Billing system and Operational Support systems (in-house developed as well as packaged applications).

Her other business and functional exposures include Financials, Distribution, Order Management, Manufacturing, CRM, Data Warehousing, Telco Billing, and IT Performance Management.

She started her career as a cybersecurity professional performing analysis and debugging of malwares and providing technical support to Trend Micro clients.

Ms. Tayag is a BS Computer Engineering graduate and has acquired various post-graduate technology and cybersecurity trainings and certifications throughout her career. She was an adjunct faculty of the Asian Institute of Management (AIM), having delivered Cybersecurity Executive Courses (CECs) for the institute.

PAOLA MARGUERITE A. VERAYO

Filipino, 42 years old

Vice President (since January 1, 2024)

Head, Revenue HR & Corporate Talent Management

Ms. Verayo is currently the Head of Customer Relations and Services - HR of *MERALCO*. She has over 20 years of experience in Human Resources, having led the Learning & Development, Talent Management and Organization Development functions in the Company before taking on her recent role in Corporate Talent Management and HR Business Partnering.

She is a cum laude graduate of the Ateneo De Manila University with a degree in Interdisciplinary Studies, minoring in Communications and Sociology. She completed her Master's in Business Administration degree from De La Salle University as well as the Executive Human Resource Management Program of the University of Michigan - Michigan Ross School of Business.

MARIA ZARAH R. VILLANUEVA-CASTRO

Filipino, 55 years old

Vice President (since January 1, 2019)

Head, Corporate Legal Services

Atty. Villanueva-Castro also serves as director of Meralco Financial Services, Inc. and Corporate Secretary of One Meralco Foundation, Comstech Integration Alliance, Inc., Meralco Pension Fund, Meralco Employees Fund for Charity, Inc., Pure Meridian Hydropower Corporation, Inc., and Meralco Employee Savings and Loan Association. She is also a part-time professor of law and a bar review lecturer for Mercantile Laws.

Atty. Villanueva-Castro holds a Bachelor of Arts degree major in Political Science from the University of the Philippines and a Bachelor of Laws degree from San Beda University.

JOCELYN C. VILLAR-ALTAMIRA

Filipino, 54 years old

Vice President (since January 1, 2024)

Head of the Corporate Governance and Compliance Group (since March 1, 2014)

Atty. Altamira is a Corporate Governance and Compliance expert with more than two decades of experience in both fields.

Prior to joining *MERALCO*, she worked for the following government agencies: Securities and Exchange Commission as an Assistant Director of the Enforcement and Corporation Finance Departments, the Civil Aeronautics Board as a Chief Hearing Officer, and the Senate of the Philippines as a Supervising Legislative Officer. She was briefly part of Citadel Holdings as a Legal Officer after her stint as an Associate at Ponce Enrile, Reyes & Manalastas (Pecabar) Law Office. She also taught Business Law at Entrepreneurs School Asia (formerly Thames Business School) from 2000 to 2002.

Outside of the *MERALCO Group*, she is a Trustee and Vice-Chairman of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). GGAPP is an association whose aim is to empower and enhance the capacity of ethics, compliance and governance officers through consensus building, research and by engaging regulators and non-government actors in the fields of business ethics and corporate governance particularly in policy reform and capability-building. She is a graduate member of the Institute of Corporate Directors, an organization dedicated to the professionalization of Philippine corporate directorship as well as raising the level of the country's corporate governance policy and practice to world class standards. It is also the Domestic Ranking Body for the Philippines in the ASEAN CG Scorecard Experts Group. She is also the Chairperson of the Corporate Governance Committee of the Philippine Chamber of Commerce and Industry (PCCI).

She graduated with Second Honors from Ateneo Law School where she obtained her Juris Doctor degree. She earned her Leadership Professional in Ethics and Compliance Certificate from the Ethics and Compliance Initiative (ECI), the oldest international (established in 1922) non-profit organization in the ethics and compliance industry.

AGAPITO R. ZALDARRIAGA

Filipino, 62 years old

Vice President (since December 1, 2020)

Head, Corporate Communications

Mr. Zaldarriaga serves as the Head of Corporate Communications since December 1, 2020. He was the Head of the Public Information Office under the Corporate Communications group of *MERALCO* from 2016 to 2020. He is currently the Chairman of the International Association of Business and Communications of the Philippines since 2018 and served as its President from 2016 to 2018.

Mr. Zaldarriaga earned his bachelor's degree in Asian Studies in 1985 from the De La Salle University.

Term of Office

The Directors are elected at the annual meeting of stockholders for a term of one (1) year, until their successors are duly elected and qualified.

Attendance of Directors in Board and Committee Meetings

Below is the record of attendance of the directors for the year 2025:

2025 ASM AND BOARD MEETING ATTENDANCE			
Name	Designation	Annual Stockholders' Meeting	Board Meetings⁶
Manuel V. Pangilinan	Chairman	Present	15/16
Lance Y. Gokongwei	Director	Present	16/16
Ray C. Espinosa	Director	Present	16/16
June Cheryl A. Cabal-Revilla	Director	Present	16/16
James L. Go	Director	Present	16/16
Patrick Henry C. Go	Director	Present	16/16
Jose Ma. K. Lim	Director	Present	16/16
Victorico P. Vargas	Director	Present	16/16
Lydia B. Echauz	Independent Director	Present	16/16
Artemio V. Panganiban	Independent Director	Present	16/16
Pedro Emilio O. Roxas	Independent Director	Present	16/16

⁶ Regular, Special, and Organizational Board Meetings

2025 BOARD COMMITTEE MEETING ATTENDANCE				
Name	Finance	Audit	Risk Management	Related Party Transactions
Manuel V. Pangilinan				
Lance Y. Gokongwei	10/12			
Ray C. Espinosa			1/2	2/2
June Cheryl A. Cabal-Revilla	12/12	5/6		
James L. Go	12/12	5/6	2/2	1/2
Patrick Henry C. Go		6/6	2/2	2/2
Jose Ma. K. Lim	12/12	5/6	2/2	2/2
Victorico P. Vargas	11/12			
Lydia B. Echauz	12/12	6/6		
Artemio V. Panganiban		6/6	2/2	2/2
Pedro Emilio O. Roxas	12/12	5/6	2/2	2/2

2025 BOARD COMMITTEE MEETING ATTENDANCE				
Name	Nomination and Governance	Remuneration and Leadership Development	Executive	Sustainability
Manuel V. Pangilinan		5/5	-	1/1
Lance Y. Gokongwei		5/5	-	0/1
Ray C. Espinosa				
June Cheryl A. Cabal-Revilla	4/4			1/1
James L. Go	2/4		-	
Patrick Henry C. Go	4/4			1/1
Jose Ma. K. Lim	4/4		-	
Victorico P. Vargas		4/5		
Lydia B. Echauz	4/4			
Artemio V. Panganiban			-	
Pedro Emilio O. Roxas	4/4	5/5		1/1

Board Assessments

The Board recognizes the importance of a regular performance assessment, individually and collectively, as part of their accountability. Assessments are conducted annually to evaluate their specific and overall performance for the past calendar year. The Board evaluated their individual and collective performances regarding the Board and its committees' structures, processes, and responsibilities. The assessment likewise identified the training and skills development program needed by the Board. The Board also reviewed the performance of the Company's key officers. Four (4) assessment instruments with corresponding evaluation criteria were accomplished by the directors, namely the Collective Board Assessment, Individual Director's Self-Rating, Key Officers' Rating, and the Board Committee Assessment. The assessment criteria or metrics include board structure and qualification, board duties and responsibilities, duties and responsibilities as an individual director, and board committee functions and overall performance vis-vis the respective charters. The aggregated results are presented to the Board during meeting immediately following the end of the assessment process.

Every three years, the assessments are supported by an external facilitator. In 2023, the Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines (“GGAPP”) as external facilitator in the evaluation of the 2022 performance of the board, board committees, and key officers.

Significant Employees

The Company considers its whole manpower complement working as a team as imperative in the attainment of its goals. The Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

Mr. James L. Go is the uncle of Mr. Lance Y. Gokongwei and Mr. Patrick Henry C. Go, all of whom are Directors of the Company.

Ms. Maria Luisa V. Alvendia, the Chief Supply Chain Officer of the Company is the first cousin of Mr. Jose Ma. K. Lim, and Mr. Victorico P. Vargas, who are both directors of the Company.

Ms. Charina P. Padua, the Head of Customer Retail Services of the Company is a cousin-in-law of Mr. Victorico P. Vargas, a director of the Company.

Mr. Redel M. Domingo, the Head of MPower is married to Ms. Ma. Cecilia M. Domingo, the Head of the Distributed Energy Resource (DER) Strategy Office.

Mr. Ireneo B. Acuña, the Head of Utility Partnerships and Mr. Luisito B. Acuña, the Head of DU-Supply Chain Management, are brothers.

Ms. Joy P. Mendoza, the Head of Home & Micro Business, Central Business Area, and Mr. Noel S. Porciuncula, the Head of Customer Process and Revenue Assurance, are siblings.

Other than the foregoing, there are no family relationships up to the fourth civil degree, either by consanguinity or affinity, among directors, executive officers, or nominees.

Involvement in Certain Legal Proceedings

No director, nominee for election as director, or executive officer of the Company has been involved in or the subject of, during the past five (5) years up to the latest date, any of the following events that is material to an evaluation of his ability or integrity to serve *MERALCO*: (a) bankruptcy petition; (b) conviction by final judgment in a criminal proceeding; (c) order, judgment, or decree barring, suspending, or limiting involvement in any type of business, securities, commodities, or banking activities; (d) judgment for violation of a securities or commodities law or regulation.

Certain Relationships and Related Transactions

Except with respect to the Related Party Transactions as discussed in Note 23 to the consolidated financial statements as at December 31, 2025 and 2024 and for each of the three (3) years in the period ended December 31, 2025, there was no transaction during the last three (3) years involving *MERALCO* in which any of its directors or executive officers, any nominee for election as

director, or security holder owning 10% or more of *MERALCO*'s total outstanding shares and members of their immediate family had a material interest.

Resignation of Directors

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

Item 10. Executive Compensation

The aggregate annual compensation for the last two fiscal years and projected compensation for the ensuing year of *MERALCO*'s Chief Executive Officer ("CEO") and four most highly compensated executive officers, as a group, and all other key officers, other officers, and directors, as a group, are as follows:

NAME	YEAR	SALARIES ¹	BONUS ²	OTHER ANNUAL COMPENSATION ³
		<i>Amounts in Millions PhP</i>		
Chief Executive Officer (CEO) and four (4) most highly compensated executive officers ⁴	Projected 2026	173	560	25
	2025	172	167	21
	2024	142	101	16
All other key officers, other officers, and directors as a group (excluding the CEO and four most highly compensated executive officers)	Projected 2026	444	886	54
	2025	405	272	50
	2024	347	194	42

¹ Basic salaries and allowances.

² Includes government-mandated payout and variable pay.

³ Commutation of unused leave benefits.

⁴ Comprised of the following: Manuel V. Pangilinan, Chairman and CEO; Betty C. Siy-Yap, Senior Vice President and Chief Finance Officer; Ronnie L. Apercho, Executive Vice President and Chief Operating Officer; William S. Pamintuan, Senior Vice President, Chief Legal Counsel, Assistant Corporate Secretary, Compliance Officer and Head, Legal and Corporate Governance Office; Edgardo V. Carasig, Senior Vice President, Chief Human Resources Officer, and Head, Corporate Services.

Compensation of Directors

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and its Committees as well as additional compensation, provided that the total value of such additional compensation, in whatever form granted, does not exceed 1% of the Company's income before income tax of the Company for the preceding year.

On April 28, 2025, the Board of Directors endorsed for stockholders' approval, an increase in the per diem from ₱140,000.00 to ₱200,000.00 for each Board meeting attended, an increase in per

diem for each Board Committee meeting attended by each director⁷ from ₱24,000.00 to ₱50,000.00. The increases were approved by the stockholders at the Annual Stockholders' Meeting held on May 27, 2025 and took effect on June 1, 2025.

The Members of the *BOD* are also entitled to receive stock grants based on a pre-approved number of shares for each Director, as approved by the Stockholders and implemented beginning May 2013. The Directors have to elect to receive the shares granted or their equivalent cash value.

The Company does not have a standard arrangement on the remuneration of its existing directors and officers aside from the compensation herein stated.

Below are the details of the remuneration paid to the directors in 2025:

	Remuneration for Board Meetings Attended in 2025	Remuneration for Committee Meetings Attended in 2025	TOTAL
EXECUTIVE DIRECTOR			
Manuel V. Pangilinan	₱2,040,000	₱222,000	₱2,262,000
NON-EXECUTIVE DIRECTORS			
Lance Y. Gokongwei	2,240,000	594,000	2,834,000
June Cheryl A. Cabal-Revilla	2,240,000	814,000	3,054,000
Ray C. Espinosa	2,240,000	98,000	2,338,000
James L. Go	2,240,000	892,000	3,132,000
Patrick Henry C. Go	2,240,000	542,000	2,782,000
Jose Ma. K. Lim	2,240,000	964,000	3,204,000
Victorico P. Vargas	2,240,000	568,000	2,808,000
TOTAL NON-EXECUTIVE DIRECTORS	15,680,000	4,472,000	20,152,000
INDEPENDENT DIRECTORS			
Lydia B. Echauz	2,240,000	840,000	3,080,000
Artemio V. Panganiban	2,240,000	370,000	2,610,000
Pedro Emilio O. Roxas	2,240,000	1,160,000	3,400,000
TOTAL INDEPENDENT DIRECTORS	6,720,000	2,370,000	9,090,000
GRAND TOTAL	₱24,440,000	₱7,064,000	₱31,504,000

Insurance of Directors and Officers

The Directors and Officers are covered by a Casualty Line Insurance Policy effective until June 27, 2026. The policy covers Company Securities, Company Employment Practices Breach, Regulatory Crisis Event Costs, Investigation Costs, Public Relations Expenses, Investigation Costs for Derivative Demands, Tax Liability, and other additional limits such as Bodily Injury and Property Damage Defense Costs, Health and Safety Defense Costs, Gross Negligence Manslaughter Defense Costs and Environmental Violation (Defense Costs Including Civil and Administrative Fines).

⁷ Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Governance, Related Party Transactions, Sustainability and Nomination Committees is entitled to receive a per diem for every committee meeting attended.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Based on *MERALCO's* stock and transfer book, the security ownership as of March 31, 2026 of certain record and beneficial owners of more than 5% of any class of its voting securities is as follows:

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held	Percent
Common	Beacon Electric Asset Holdings, Inc. Unit 9-2 9/F Net One Center, 26th corner 3rd Avenue, Bonifacio Global City, Taguig City Stockholder	Same as the record owner	Filipino	394,059,235	34.96%
Common	JG Summit Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center Pasig City Stockholder	Same as the record owner	Filipino	297,189,397	26.37%
Common	Philippine Central Depository (“PCD”) Nominee Corporation 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226 No relationship with Issuer	PCD Participants	Filipino and Foreign	166,801,008	14.80%
Common	Metro Pacific Investments Corporation 9/F Tower 1, Rockwell Business Center, Ortigas Avenue, Pasig City Stockholder	Same as the record owner	Filipino	140,906,807	12.50%

Beacon Electric Asset Holdings, Inc. (“Beacon Electric”) is a special purpose entity wholly owned by Metro Pacific Investments Corporation (“MPIC”). Mr. Manuel V. Pangilinan, Ms. June Cheryl A. Cabal-Revilla, Mr. Jose Ma. K. Lim, Atty. Ray C. Espinosa, Mr. Victorico P. Vargas, or the Chairman of the Stockholders’ Meeting of *MERALCO*, is duly authorized as proxy to vote its *MERALCO* shares as he or she may deem proper or beneficial to Beacon Electric.

JG Summit Holdings, Inc. (“JG Summit”) was incorporated in November 1990 as the holding company for a group with substantial business interests in branded consumer foods, agro-industrial and commodity food products, real estate and property development, and air transportation. In addition, JG Summit has core investments in other sectors, including power, telecommunications, and financial

services. It has also forayed into digital banking, logistics, and airport infrastructure. JG Summit conducts its businesses throughout the Philippines, but primarily in and around Metro Manila and in the regions of Visayas and Mindanao. JG Summit, through its subsidiaries, also has branded foods businesses in the ASEAN region and an interest in a property development company in Singapore. Each of Mr. James L. Go and Mr. Lance Y. Gokongwei are duly authorized as proxies to vote its *MERALCO* shares as they may deem proper or beneficial to JG Summit.

PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Depository and Trust Corporation (“PDTC”). Originally, stock certificates were issued to investors every time they acquired shares of the Company. However, with the Philippine Central Depository’s (“PCD”) computerized Book Entry System that took effect in November 1997, investors of *MERALCO* shares now have an option whether they will be issued certificates or not. Their shares may be lodged at the PCD and further trading will be scripless (computerized with no certificates) until they request for the issuance of certificates. The PCD Nominee Corporation holds the shares as the registered owner thereof in *MERALCO*’s books on behalf of PCD Participants and their clients. The participants of PCD are the beneficial owners of such shares and may be nominated as proxy to vote the same. Stockholders with PCD-lodged shares have no record of their shareholdings with *MERALCO* or its transfer agent, Rizal Commercial Banking Corporation. Only shares with stockholders’ certificates are recorded in *MERALCO*’s books, which may be voted by the registered owners or their proxies.

MPIC) is a leading Philippine infrastructure investment and management company committed to nation-building. MPIC develops and manages some of the Philippines’ most vital infrastructure assets and facilities through strategic investments and partnerships, spanning power, toll roads, water, light rail, healthcare, real estate, and agriculture. Aside from *MERALCO*, its operating companies include, Metro Pacific Tollways Corporation (“MPTC”), Maynilad Water Services (“Maynilad”), MetroPac Water Investments Corporation (“MPW”), Light Rail Manila Corporation (“LRMC”), METPower Venture Partners (“METPower”), Metro Pacific Health Corporation (MPH), Metro Pacific Health Tech Corporation (“mWell”), Landco Pacific Corporation (“LandCo”), and Metro Pacific Agro Ventures, Inc. (“MPAV”).

Mr. Manuel V. Pangilinan, Ms. June Cheryl A. Cabal-Revilla, Mr. Jose Ma. K. Lim, Atty. Ray C. Espinosa, Mr. Victorico P. Vargas, or the Chairman of the Stockholders’ Meeting of *MERALCO*, is duly authorized as proxy to vote its *MERALCO* shares as he or she may deem proper or beneficial to *MPIC*.

(2) Security Ownership of Management

As of March 31, 2026, the securities owned beneficially, directly or indirectly, by directors and executive officers of *MERALCO* are as follows:

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen-ship	Percent of Class
1.	Common	Manuel V. Pangilinan	98,000	Direct and Indirect	Filipino	0.01%
2.	Common	Lance Y. Gokongwei	34,313	Direct and Indirect	Filipino	0.00%
3.	Common	Ray C. Espinosa	71,000	Direct and Indirect	Filipino	0.01%

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen-ship	Percent of Class
4.	Common	June Cheryl A. Cabal-Revilla	10,010	Direct	Filipino	0.00%
5.	Common	Lydia B. Echauz	21,100	Direct and Indirect	Filipino	0.00%
6.	Common	Patrick Henry C. Go	6,677	Direct	Filipino	0.00%
7.	Common	Victorico P. Vargas	28,917	Direct and Indirect	Filipino	0.00%
8.	Common	Jose Ma. K. Lim	183,910	Direct and Indirect	Filipino	0.02%
9.	Common	James L. Go	214,450	Direct and Indirect	Filipino	0.02%
10.	Common	Pedro Emilio O. Roxas	6,000	Direct	Filipino	0.00%
11.	Common	Artemio V. Panganiban	37,251	Direct and Indirect	Filipino	0.00%
12.	Common	Simeon Ken R. Ferrer	767	Direct	Filipino	0.00%
13.	Common	Ronnie L. Aperoch	14	Direct	Filipino	0.00%
14.	Common	Maria Luisa V. Alvendia	–	–	Filipino	0.00%
15.	Common	Roque D. Bacani	–	–	Filipino	0.00%
16.	Common	Arnel Paciano D. Casanova	–	–	Filipino	0.00%
17.	Common	Redel M. Domingo	–	–	Filipino	0.00%
18.	Common	Ferdinand O. Geluz	15,877	Direct and Indirect	Filipino	0.00%
19.	Common	Melanie T. Oteyza	–	–	Filipino	0.00%
20.	Common	Charina P. Padua	42,609	Indirect	Filipino	0.00%
21.	Common	William S. Pamintuan	–	–	Filipino	0.00%
22.	Common	Froilan J. Savet	8,435	Direct	Filipino	0.00%
23.	Common	Betty C. Siy-Yap	–	–	Filipino	0.00%
24.	Common	Jose Ronald V. Valles	–	–	Filipino	0.00%
25.	Common	Bennette D. Bachoco	–	–	Filipino	0.00%
26.	Common	Jerry B. Lao	–	–	Filipino	0.00%
27.	Common	Hans Joachim R. Montenegro	200	Indirect	Filipino	0.00%
28.	Common	Ross Raymond B. Ravelo	–	–	Filipino	0.00%
29.	Common	Francis Euston R. Acero	500	Indirect	Filipino	0.00%
30.	Common	Ireneo B. Acuña	18,355	Direct	Filipino	0.00%
31.	Common	Luisito B. Acuña	1,525	Indirect	Filipino	0.00%
32.	Common	Eddie John V. Adug	235	Direct	Filipino	0.00%
33.	Common	Joseph L. Amosco	5,198	Direct	Filipino	0.00%
34.	Common	Aldwin Christian C. Ang	400	Indirect	Filipino	0.00%
35.	Common	Francis Dino S. Antonio	1,203	Indirect	Filipino	0.00%
36.	Common	Remigio R. Angeles, Jr.	1,075	Direct and Indirect	Filipino	0.00%
37.	Common	Patrick Dave B. Bacani	–	–	Filipino	0.00%
38.	Common	Joseph Allan C. Baltazar	–	–	Filipino	0.00%
39.	Common	Christopher Redeemson R. Brocales	–	–	Filipino	0.00%

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen-ship	Percent of Class
40.	Common	Sante C. Buella	–	–	Filipino	0.00%
41.	Common	Ricardo Carmelo D. Buenafe	6,070	Indirect	Filipino	0.00%
42.	Common	Alberto N. Castillo	600	Direct	Filipino	0.00%
43.	Common	Ma. Cecilia M. Domingo	1,495	Indirect	Filipino	0.00%
44.	Common	Lawrence S. Fernandez	4,500	Indirect	Filipino	0.00%
45.	Common	Marvin G. Gonsalves	11,780	Direct and Indirect	Filipino	0.00%
46.	Common	Danilo R. Ignacio	7,871	Direct	Filipino	0.00%
47.	Common	Roberto D. Isip, Jr.	2	Direct	Filipino	0.00%
48.	Common	Edeliza T. Lim	–	–	Filipino	0.00%
49.	Common	Ariel G. Lucas	–	–	Filipino	0.00%
50.	Common	Erville D. Magtubo	20	Indirect	Filipino	0.00%
51.	Common	Ralph M. Menchavez	–	–	Filipino	0.00%
52.	Common	Joy P. Mendoza	1,590	Direct	Filipino	0.00%
53.	Common	Roderick Dennison N. Nacu	31	Direct	Filipino	0.00%
54.	Common	Noel S. Porciuncula	144	Direct	Filipino	0.00%
55.	Common	Paul Jayson I. Ramos	–	–	Filipino	0.00%
56.	Common	Jose S. Reyes, Jr.	8,827	Direct and Indirect	Filipino	0.00%
57.	Common	Andrew Jason B. Tan	3,000	Indirect	Filipino	0.00%
58.	Common	Jeffrey O. Tarayao	–	–	Filipino	0.00%
59.	Common	Marilene P. Tayag	–	–	Filipino	0.00%
60.	Common	Paola Marguerite A. Verayo	–	–	Filipino	0.00%
61.	Common	Maria Zarah R. Villanueva-Castro	–	–	Filipino	0.00%
62.	Common	Jocelyn C. Villar-Altamira	–	–	Filipino	0.00%
63.	Common	Agapito R. Zalzarriaga	10,369	Direct and Indirect	Filipino	0.00%

The aggregate number of shares owned on record by the Chief Executive Officer, Executive Officers, and Directors as of March 31, 2026 is 864,320 shares or 0.08% of *MERALCO*'s total outstanding shares.

(3) **Voting Trust Holders**

MERALCO is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

(4) **Changes in Control**

Based on *MERALCO*'s stock and transfer book, there is no change in the control of *MERALCO* since the beginning of the last fiscal year.

Item 12. Certain Relationships and Related Transactions

Except with respect to the Related Party Transactions as discussed in Note 23 to the consolidated financial statements as at December 31, 2025 and 2024 and for each of the three (3) years in the period ended December 31, 2025, there was no transaction during the last three (3) years involving *MERALCO* in which any of its directors or executive officers, any nominee for election as director, or security holder owning 10% or more of *MERALCO*'s total outstanding shares and members of their immediate family had a material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Compliance with Leading Practices on Corporate Governance

As a Philippine publicly listed company ("PLC"), *MERALCO* is in full compliance with the rules and regulations of the Securities and Exchange Commission ("SEC"), including the Code of Corporate Governance, the Philippine Stock Exchange ("PSE"), and all other rules and regulations for the development of the Philippine capital market.

As a testament to the Company's good corporate governance practices, *MERALCO* was awarded Four Golden Arrows by the Institute of Corporate Directors ("ICD"), acting as the domestic ranking body of the ASEAN Capital Market Forum (ACMF) for the ASEAN Corporate Governance Scorecard ("ACGS"), for the Company's remarkable governance structure, programs, and practices in the 2024 Assessment, for its 2023 performance, where the Company received a score of 108.89.

Pursuant to the governance principle of transparency, the Company fully complied with the SEC's and PSE's reportorial requirements on corporate governance, including:

1. The 2025 Certification by the Compliance Officer of the Company's full compliance with the Revised Manual of Corporate Governance ("MCG"). No deviations from the Manual transpired.
2. Certification of Board attendance, reports involving financial statements, disclosure of material information and events, clarifications on specific news articles concerning the Company, and trainings attended by Board members and key officers on corporate governance.
3. Disclosure requirements on direct and indirect ownership of securities under the Securities Regulation Code, and the reporting of trading transactions of directors and concerned officers of the Company by the Compliance Officer not later than the following day after the required event or transaction. There has been no case of insider trading involving directors and management of the Company.

The Company continues to strengthen its governance structure, policies, programs and practices, and stakeholder engagement, in accordance with best practices in corporate governance and aligned with the recommendations under the SEC's 2017 Code of Corporate Governance for Publicly Listed Companies, the Integrated Annual Corporate Governance Scorecard ("I-ACGR") and the Annual Corporate Governance Scorecard ("ACGS").

Governance Structure

The Board of Directors (the “Board” or “BOD”) is the highest governance body of the Company. The Board is composed of directors with collective working knowledge, experience, and expertise relevant to power, energy, and electric distribution industry/sector. It represents an appropriate mix of competence and expertise in the area of business, finance, operations, regulatory, and legal disciplines relevant to the Company’s industry, with each director capable of adding value and exercising independent judgment, ensuring that the directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.

Composition

The Board consists of eleven (11) directors, three (3) of whom are independent directors (including 1 female independent director), seven (7) are non-executive directors, and one (1) is an executive director:

Director	Designation
Manuel V. Pangilinan	Chairman and Executive Director
Lance Y. Gokongwei	Non-Executive Director
Ray C. Espinosa	Non-Executive Director
James L. Go	Non-Executive Director
Victorico P. Vargas	Non-Executive Director
Jose Ma. K. Lim	Non-Executive Director
June Cheryl A. Cabal-Revilla	Non-Executive Director
Patrick Henry C. Go	Non-Executive Director
Artemio V. Panganiban	Lead Independent Director
Pedro Emilio O. Roxas	Independent Director
Lydia B. Echauz	Independent Director

Board Diversity

In line with its commitment to the principles of good corporate governance, the Company adopted a Board Diversity Policy to ensure that the Board has an appropriate mix of expertise, experience, independence, and skills that would encourage critical discussion and promote a balanced decision in the attainment of the Company’s strategic objectives and sustainable development.

The Board Diversity Policy, in particular, recognizes the important role of women with appropriate and relevant expertise and experience that can contribute to the diversity of perspectives in the Board. Under the Policy, the Board shall aim to have at least one (1) female director as its member. Currently, the Board has two (2) female directors, one of whom is independent.

Directors are selected from a broad pool of qualified nominees. In order to achieve a diverse board, varied aspects are to be considered as measurable objectives, including, but not limited to academic, professional and business background, age, gender, and other regulatory requirements. The final composition of the Board is grounded on merit and potential contribution of the selected directors to the Company.

Measurable Objectives	2025 Board	Description	2024 Board	Description
Gender Diversity	√	Mix of Male and Female Directors 9 male and 2 female directors	√	Mix of Male and Female Directors 9 male and 2 female directors
Racial Diversity	√	Mix of Racial or Ethnic Backgrounds	√	Mix of Racial or Ethnic Backgrounds
Age Diversity	√	Age ranges from 52 to 89 years old	√	Age ranges from 51 to 88 years old
Board Tenure	√	Tenure ranges from 1 to 18 years	√	Tenure ranges from 1 to 17 years
Expertise				
E.1. Industry Expertise	√	Mix of directors sitting as members of the BOD in Energy, Electric Retail and Power Generation companies	√	Mix of directors sitting as members of the BOD in Energy, Electric Retail and Power Generation companies
E.2. Management or Operations	√	Mix of directors sitting as members of BOD or officers of electric supply, energy, power generation, retail, banking, telecommunications, realty, media, medical, insurance and other companies	√	Mix of directors sitting as members of BOD or officers of electric supply, energy, power generation, retail, banking, telecommunications realty, media, medical, insurance and other companies
E.3. Financial, Audit, or Risk Management Expertise	√	Mix of directors acting as Chief Risk Management Officer, Member of Philippine Disaster and Risk Foundation, or members of Financial, Audit, or Risk Management committees of other companies	√	Mix of directors acting as Chief Risk Management Officer, Member of Philippine Disaster and Risk Foundation, or members of Financial, Audit, or Risk Management committees of other companies
E.4. Legal or Regulatory Expertise	√	Mix of directors who are lawyers, or with Regulatory Management background, a Former Chief Justice of the Supreme Court of the Philippines, Former Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy	√	Mix of directors who are lawyers, or with Regulatory Management background, a Former Chief Justice of the Supreme Court of the Philippines, Former Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy

Measurable Objectives	2025 Board	Description	2024 Board	Description
E.5. Corporate Governance	√	Director with membership in Shareholders Association of the Philippines	√	Director with membership in Shareholders Association of the Philippines
E.6. Technology or Digital Media Expertise	√	Mix of directors who are likewise directors, advisors or consultants of media, technology or telecommunications companies	√	Mix of directors who are likewise directors, advisors, or consultants of media, technology, or telecommunications companies
E.7. Retail, Sales or Marketing Expertise	√	Mix of directors who are likewise directors, advisors or consultants of media, telecommunications, banking, realty, media, medical, insurance and retail companies	√	Mix of directors who are likewise directors, advisors or consultants of media, telecommunications, banking, realty, media, medical, insurance and retail companies
Professional, Academic or Advocacy Background or Affiliations				
F.1. Academic Institutions	√	Mix of directors who have degrees in Finance and Commerce, Business Management, or who are member of Board of Overseers, Board of Trustees of colleges or business schools, or graduate of International Management Development Program	√	Mix of directors who have degrees in Finance and Commerce, Business Management, or who are member of Board of Overseers, Board of Trustees of colleges or business schools, or graduate of International Management Development Program
F.2. Advocacy Groups or Foundations	√	Directors with membership in environmental and socio-civic advocacy groups and foundations	√	Directors with membership in environmental and socio-civic advocacy groups and foundations
F.3. Professional Organizations	√	Directors with membership in Integrated Bar, Philippine Bar Association, and Inter-Pacific Bar Association, Philippine Stock Exchange	√	Directors with membership in Integrated Bar, Philippine Bar Association, and Inter-Pacific Bar Association, Philippine Stock Exchange

Chairman of the Board

The Chairman of the Board, Mr. Manuel V. Pangilinan, serves to represent the interests of all shareholders and stakeholders, and oversees the performance of the Board and its directors. He champions exemplary ethical governance principles for directors, officers, and employees to emulate and espouse.

Together with the Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses governance-related issues that non-executive, independent directors may raise, and ensures that the Board exercises strong oversight over the Company and its Management, such that the prospect of any corporate risk or threat is adequately and effectively addressed. His roles and responsibilities are specified in the Corporate Governance (CG) Manual accessible at the Company's website.

Independent Directors

On March 13, 2025, the Nomination & Governance Committee ("Nom&Gov") assessed the profiles of the directors and found that the independent, non-executive directors are indeed free of relationships with the Company, its related corporations, its management or substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of directors' independent business judgment. The Nom&Gov had reviewed the multiple board representations held presently by the directors and assessed that they do not hinder in any way the performance of their duties to the Company.

Given the nomination for election to the Board of Directors of independent directors, Retired Chief Justice Artemio V. Panganiban and Mr. Pedro O. Roxas after the maximum nine-year term, the Board provided for the meritorious justification for their retention in accordance with the MCG which was consequently approved by the shareholders during the 2025 Annual Stockholders' Meeting.

The retention of Retired Chief Justice Panganiban and Mr. Roxas as independent directors was approved due to their extensive expertise and deep institutional knowledge, which are vital for the Company's stability and growth. Their leadership was instrumental in securing the approval of Congress for the Company's 25-year franchise renewal, ensuring reliable and efficient electricity distribution while driving growth and innovation. Additionally, Retired Chief Justice Panganiban and Mr. Roxas uphold robust corporate governance principles, reinforcing ethical leadership, transparency, and stakeholder confidence. Both directors have demonstrated strategic acumen, regulatory expertise, and strong stakeholder relationships, which have proven essential in navigating complex processes like the franchise renewal and the rate reset filing with the Energy Regulatory Commission. Their forward-thinking approach aligns with the Company's long-term goals, particularly in diversifying investments in renewable energy.

Board Committees

The Board has formed various Board Committees delegated with specific responsibilities. These Committees are established and guided by their respective committee charters. The same is disclosed in the Annual Report and posted on the Company Website.

Currently, there are eight (8) standing Board Committees:

- Executive Committee (“ExCom”);
- Nomination and Governance Committee (“Nom&Gov”);
- Audit Committee (“AuditCom”);
- Risk Management Committee (“RMC”);
- Remuneration and Leadership Development Committee (“RLDC”);
- Finance Committee (“FinCom”);
- Related Party Transactions Committee (“RPTCom”);
- Sustainability Committee

Corporate Secretary and Compliance Officer

All Board members have direct and independent access to the Corporate Secretary, the Compliance Officer and Management.

The Corporate Secretary, Atty. Simeon Ken R. Ferrer, under the direction of the Chairman, is responsible for ensuring that good information flows within the Board and Board Committees and between Management and non-executive directors. He also facilitates the orientation and assists with the professional development of directors as required by regulators. He met all the qualifications and skills required for his position.

The Board is likewise assisted by Company’s Compliance Officer and Senior Vice President, Atty. William S. Pamintuan, who monitors, reviews, evaluates and ensures the full compliance by the Company, its directors and officers with relevant laws, rules and regulations and all governance issuances of regulatory agencies and report violations thereof to the Board and recommends the imposition of appropriate disciplinary action.

The qualifications, duties and responsibilities of the Corporate Secretary and Compliance Officer are stated in the MCG and in the Board Charter. Both of them regularly attend trainings on corporate governance.

Nomination and Election

The Company’s Nomination and Election Policy sets forth the procedures in the director selection process, including the acceptance of nominations from minority shareholders and the evaluation and screening of nominees vis-à-vis the applicable qualifications and disqualifications set forth in the MCG, By-laws and other applicable law, policy or regulation, how the board shortlists candidates, and an assessment of the effectiveness of the Board’s processes in the nomination, election or replacement of a director.

The Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/commissioners such as the ICD to search for candidates to the Board. These candidates should be skilled in core competencies such as strategic planning, business expertise, and industry knowledge. The shareholders will then elect the directors during the Annual Stockholders’ Meeting (“ASM”).

The Company granted all stockholders, including minority stockholders, the right to nominate directors and propose or inquire on agenda items. The “Call for Nominations” was posted on the Company’s website on January 27, 2025 for submission of proposed agenda and nomination of qualified candidates on or before March 7, 2025. The agenda and nominees were approved by the Board on January 27, 2025 and March 18, 2025, respectively.

The 2025 ASM was held on Tuesday, May 27, 2025, at 10:20 AM at the MERALCO Theater, Ortigas Avenue, Barangay Ugong, Pasig City. The proceedings were likewise made available via live broadcast through the Stockholders Electronic Registration and Voting Express (SERVE).

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of approximately over 910,775,522 or 80.81% of the total issued and outstanding shares of 1,127,092,509 represented in person and by proxy. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information. SERVE was also enhanced to allow the stockholders to attend and actively participate via remote communication and to cast their votes for the agenda items online. Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to one vote for one share. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item. The Company also allowed shareholders to freely express their views and raise their questions during the ASM through the SERVE portal.

The Chairman and CEO, the Chairman of the AuditCom, the Chairman of the RLDC, the Chairman of the Nom&Gov, the Chairman of the Finance Committee, other members of the Board, the Chief Finance Officer (CFO), the Corporate Secretary, the Assistant Corporate Secretary, other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

The Company posted the resolutions approved during the ASM on its website the following day so that non-attending shareholders may be immediately informed.

Board Independence

The Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors’ ability to vote independently. The Board shall consider designating a lead director among the independent directors if the Chairman of the Board is not independent and if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

Considering that the Chairman of the Board is not an independent director, the appointment of a Senior or Lead Independent Director was endorsed to, and approved by, the Board of Directors. The Board subsequently appointed Independent Director (ID) Ret. Chief Justice Artemio V. Panganiban as the Lead Independent Director to serve as such until the next Lead ID is appointed. As Lead ID, he has the following functions:

- a. To serve an intermediary between the Chairman and the other directors when necessary;

- b. To convene and chair meeting of the non-executive directors; and
- c. To contribute to the performance evaluation of the Chairman, as required.

The Lead Independent Director does not, however, act as Chairman in the absence of the Chairman, the same having been delegated to the Vice-Chairman.

Board Responsibilities

Serving as corporate governance steward of the Company, the Board fosters the long-term success of the Company and ensures that the Company sustains its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

The Board is responsible for defining and reviewing the Company's vision, mission, overall strategic directions, corporate objectives, long-term goals and core values annually. It oversees and monitors the development and implementation of the Company's business objectives and strategy and ensures that obligations to stockholders and to all stakeholders are understood and fulfilled.

Pursuant to the SEC Corporate Governance Code, the Board adopted in 2017 a CG Manual which provides the framework of good governance and ethical business practices that the Company's directors, officers, and employees are expected to observe and adhere to in dealing with various stakeholders. Management in turn, ensures that the operations of the Company are aligned with the CG Manual.

The CG Manual conforms to regulations set forth by the SEC, the PSE, and other relevant regulatory bodies and is reviewed annually to ensure that it is up to date with local and international best practices, and in keeping with the Company's strategic direction. The CG Manual was amended by the Board on July 29, 2024.

The Board, in its regular meeting held on January 27, 2025 as part of the Board's assessment of the Company's performance in the past year, reviewed the Company's material controls (including operational, financial and compliance controls) and risk management systems and confirmed the Company's full compliance with the code of corporate governance. In 2021, the Board revised the vision, mission, and values statements as well as the corporate strategic objectives of the Company and the same was again reviewed and confirmed by the Board in 2025.

Continuing Education for the Board and Senior Management

Corporate governance education continues with orientations and trainings for the Board and Senior Management. The Board keeps abreast with the latest developments in the corporate governance regulatory landscape and implements a policy on orientation and continuing training for all directors and key officers, including an annual CG training with SEC-Accredited providers, in accordance with the Board Charter and the MCG.

The Company has a policy that encourages directors to attend annual continuing training programs. In fulfillment of such policy and the requirements of the Company's CG Manual, the *ERC* Resolution No. 1, Series of 2004, and the SEC Memorandum Circular No. 20, Series of 2013, the Directors, together with the Senior Management, attended in person or via online platform, the MVP Group Annual Corporate Governance Enhancement Session (ACGES) on November 18, 2025, entitled

Decision Intelligence and SuperCreativity: Leading in the Age of AI by Cassie Kozyrkov and James Taylor. This session covered four (4) hours of governance training and was accredited by the SEC.

2025 ATTENDANCE TO CORPORATE GOVERNANCE TRAINING AND CONTINUING EDUCATION PROGRAMS		
Director	Program	Resource Person/ Name of Training Institution
Manuel V. Pangilinan June Cheryl A. Cabal-Revilla Lydia B. Echauz Ray C. Espinosa Jose Ma. K. Lim Ret. Chief Justice Artemio V. Panganiban Victorico P. Vargas	MVP Group Annual Corporate Governance Enhancement Session: Decision Intelligence and SuperCreativity: Leading in the Age of AI held on November 21, 2025	Cassie Kozyrkov James Taylor
Lance Y. Gokongwei Patrick Henry C. Go	Corporate Governance in the Age of AI: Navigating Opportunities and Risks for a Future-Ready Gokongwei Group held on September 18, 2025	2025 Gokongwei Group Corporate Governance Training for Directors and Officers
Pedro Emilio O. Roxas	Powering Trust: The Critical Role of Transparency and Accountability in Corporate Disclosures held on October 24, 2025	Kenneth V. Nerecina
James L. Go	SEC Granted Mr. James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.	

Succession Planning

Together with the Board, the Nomination and Governance Committee (Nom&Gov) is responsible for recommending a succession planning program for its members while the Remuneration and Leadership Development Committee (RLDC) is responsible for overall guidance and direction on succession planning and leadership development of the President and/or CEO and Senior Management. RLDC, working closely with the head of Human Resources (HR), drives the strategy for succession planning, leadership development, and talent management. The HR head develops and implements the processes and the tools to ensure robust pools of succession candidates for the President and/or CEO, senior management, middle management and first line management.

Talent Management and Succession Planning Programs are top priorities in the HR agenda by ensuring that the right leaders and talents are in place to drive our business plans. Progressive talent

management assessment tools and methodologies were used to identify, assess, and develop leaders for critical positions.

Presently, the succession plan covers 700 leaders of the Company. The succession planning process involves the assessment of the Company's leaders' career aspirations, strengths, and development needs. A key feature of the Company's succession planning process is the talent review conducted at the senior management level and at various levels of the organization. The senior management talent review has resulted in a pool of about 42 candidates who, subject to realization of their development plans, could become management committee members within the next five (5) years.

Retirement Policy

The Board adopts a policy on the retirement for directors and key officers. The Remuneration and Leadership Development Committee assists the Board in the development of the Company's overall performance management, compensation, retirement and leadership development policies and programs based on the Company-approved philosophy and budget.

Remuneration

The Board ensures that the remuneration of directors and officers is consistent with the Company's culture, strategy, and the business environment in which it operates and aligned with the long-term interest of the Company. The Company adopts a remuneration policy comprised of fixed and variable components in the form of base salary and variable bonus linked to the Company's and the individual's performance. Compensation packages and revisions of key Management's remuneration are subject to the review and approval of the Remuneration and Leadership Development Committee.

The Remuneration and Leadership Development Committee recommends to the Board, for the approval of the shareholders, a framework of remuneration for directors and Management, including the President and/or CEO. For the President and/or CEO, and Management, the framework takes into account all aspects of executive remuneration including salaries, allowances, bonuses, and benefits in kind. The framework is benchmarked against pay and employment conditions within the industry and it links rewards to corporate and individual performance.

In particular, the Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets and provides for long term incentives such as deferred bonus or pay based on *MERALCO Group's* (the "Group") achievement of specified level of consolidated core net income approved by the Board and determined on an aggregate basis for a three-year period as well as executives' attainment of a minimum level of performance rating. Specifically, the Long-term Incentive Plan (LTIP)", essentially partaking the nature of deferred bonus, covers qualified employees and is based on the Group's achievement of specified level of CCNI approved by the BOD and determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to LTIP must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

Board, Committee, and Key Officers' Performance Assessment

The Board annually conducts a self-assessment of its performance individually, collectively, and as members of the different Board Committees. The self-assessment results are key factors in the enhancement of directors' performance and effectiveness in the discharge of their duties.

The Board conducted the performance assessment from February 24 to March 13, 2025, wherein directors were given opportunity to give their opinions and suggestions or identify special issues of interest about their performance or different aspects of the Company's operation. For the performance year 2025, the assessment was conducted from February 23 to April 21, 2026.

The Board also conducts an annual assessment of the key officers' effectiveness in driving the company's vision, mission, and strategic objectives while upholding core values such as integrity, diligence, and good governance. It also measures the key officers' entrepreneurial mindset, stewardship of resources, and commitment to transparency, accountability, and fairness in advancing the company's growth and sustainability. The Remuneration and Leadership Development Committee exercises functional oversight in the development and administration of leadership development/succession planning and retention programs for executives and officers such as heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive) which include career development, promotions, and performance evaluation.

Every three years, the assessments are supported by an external facilitator. The Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines (GGAPP) for the evaluation of the 2019, 2022, and 2025 Board, Committee, and Key Officers' performance assessment.

BOARD, COMMITTEE AND CEO PERFORMANCE ASSESSMENT FORMS

1. **Collective Board Assessment** - each director assessed the Board performance as a whole based on the following categories:
 - a) Board composition;
 - b) Board efficiency and performance;
 - c) Board meetings and participation.
2. **Individual Director Self-Rating** – each director evaluated their performance for the previous year.
3. **Board Committee Assessment** – each director assessed the overall performance of the Board Committees as well as the individual Board Committees based on the provisions of Board Committee Charters.
4. **Key Officer Ratings** – each director assessed the performance of the Chairman/Chief Executive Officer, Chief Compliance Officer, Chief Risk Officer, and Chief Audit Executive. In addition, the Chairman participated in the self-assessment of his performance in the previous year.

Continuing Policy Formulation

With the establishment of a Corporate Governance Office ("CGO") in the Company in 2010, corporate governance policies and programs were adopted by the Board and implemented in the

Company such as the MCG, Code of Business Conduct and Ethics (Code of Ethics), Policy on Blackout Period/Restriction on Trading of Shares, Policy on Solicitation and Acceptance of Gifts, “Speak Out” Policy (formerly Whistleblowing policy), Conflict of Interest Policy, Related Party Transactions Policy, Code of Business Conduct and Ethics for Vendors, Human Rights Policy, Anti-Bribery and Corruption Policy, Social Media Policy, Vendor’s Code of Business Conduct and Ethics, among others.

In compliance with the recommendations under the I-ACGR, the Company adopted a standalone Anti-Bribery and Corruption Policy which formalizes its stand against corrupt practices and specifies in detail the prohibition against corporate gift-giving to public and private individuals or entities that constitutes bribery or corruption. The Board also adopted and made available, at the option of a shareholder, an established Alternative Dispute Resolution (“ADR”) mechanism to resolve intra-corporate disputes in an amicable and effective manner as provided in the Revised Manual of Corporate Governance.

In accordance with the CG Manual, the Company, through its Board of Directors, annually reviews, confirms and/or updates the vision, mission, and corporate strategic objectives of the Company. In 2021, the Board reviewed and updated its vision, mission and value statements to align with the Company’s current strategic imperatives and initiatives:

VISION: To be a world-class energy solutions provider, powering our nation and empowering our people today and for generations to come.

MISSION: To provide our customers the best value energy solutions—reliably, affordably, superbly, and sustainably.

CORE VALUES: Excellence, Customer Centricity, Sustainability, Integrity, Innovation, *Malasakit*, and *Bayanihan*.

These are annually reviewed and/or confirmed by the Board.

The Company likewise identified the following strategic objectives to ensure that its obligations to shareholders and to all stakeholders are understood and met:

1. Revenue enhancement;
2. Customer-centricity;
3. Digital Transformation; and
4. Sustainability.

Furthermore, to reinforce board independence and pursuant to the recommendation under ASEAN Corporate Governance Scorecard and the SEC’s Code of Corporate Governance for PLCs, the Board appointed independent director (Ret.) Chief Justice Artemio V. Panganiban, as the Lead Independent Director.

On May 25, 2021, the shareholders of the Company elected lady independent director, Ms. Lydia Echauz. The Board Charter was also drafted to set the Board’s purposes, authority, duties, and responsibilities, structure and procedures. The Board Charter also included the provision for guidelines on Board Meetings through Teleconferencing and Videoconferencing.

Following developments in governance policies and practices that are aligned with the recommendations under the Code of Corporate Governance for PLCs, the I-ACGR, and the ASEAN Corporate Governance Scorecard, the Company also introduced amendments to its CG Manual, Finance Committee Charter, Nomination and Governance Committee Charter, Related Party Transaction Charter, and Risk Management Committee Charter. Other existing governance policies of the Company are also continuously reviewed to align with developments in regulations and governance best practices.

Management and Employee Performance Management

The Board has established an effective performance management framework that ensures that the performance of Management and employees is at par with the standards set by the Board and Senior Management.

The achievement of financial and non-financial indicators is reflected in management performance assessment which drives the Company's merit and incentive pay programs.

PERFORMANCE INDICATORS	
Financial	Non-Financial
Measures reflecting the financial results and financial position of the Company to stakeholders, such as revenues, consolidated core net income, reported net income, EBITDA, cash and cash equivalents, debt and stockholders' equity, dividend payouts, etc.	▪ S-Factor Indicators - System Loss - System Average Interruption Frequency Index (SAIFI) - System Average Interruption Duration Index (SAIDI) - Momentary Average Interruption Frequency Index (MAIFI) - Time to Process Applications (TPA) - Time to Connect Premises (TCP) - Call Center Performance (CCP) ▪ Guaranteed Service Level (GSL) Metrics ▪ Energy Sales in GWh ▪ Customer Count

The Company's performance management process for employees assesses employee performance on the basis of 1) actual vs. desired results; and 2) how results were delivered in light of corporate core values. Specifically, the annual performance of Management and employees is assessed through the achievement of the Company's Goals and Initiatives (GAINs) indicators.

Performance of the Management and employees is evaluated on a semi-annual basis based on two critical factors:

GOALS & INITIATIVES (GAINs) – measures the employee's work accomplishments during the performance period (i.e., individual goals vs. actual work accomplishments); and

VALUES & BEHAVIOR (V&B) – measures how well the employee met expectations based on the behavioral manifestations of the seven Corporate Values, namely: Customer Service, Performance, Accountability/Empowerment, Integrity/Transparency, Teamwork/ Collegiality, Malasakit, and Makabayan.

Internal Control and Audit

Audit Committee

The Board is supported by an Audit Committee (AuditCom) to strengthen its oversight of the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The AuditCom has the authority to 1) review with Management and the external auditors the results of the audit of the financial statements and evaluation of internal accounting controls; 2) review and assess the procedures and criteria for the selection, appointment, annual performance evaluation and when appropriate the termination of the external auditors and to recommend to the Board, the appointment, reappointment or removal of the external auditors, who are duly accredited by the SEC and ratified by the shareholders; and 3) monitor the Company's compliance with applicable laws and regulations affecting its operations and business activities.

The AuditCom, which is composed of non-executive directors and conducts executive sessions with the Chief Audit Executive and the External Auditors without Management present. The Audit Committee Charter provides for at least one (1) executive session with the engagement partner of the external auditors, Sycip Gorres Velayo & Co. ("SGV"), including the private session of the Audit Committee Chair with the Chief Audit Executive. The agenda of these meetings involved matters the AuditCom and the auditors believe should be discussed without the presence of the executive director or officers from management.

Internal Audit

The Company has in place an in-house independent internal audit function. The Company's Internal Audit adopts a risk-based audit approach in formulating the annual audit plan and strategy that aligns to the key strategies and risks across the Group's business and is reassessed quarterly to consider business changes and emerging risks. This plan is developed in coordination with the relevant business units and subsidiaries and reviewed and approved by the AuditCom.

The assurance and control advisory reviews are aimed at assisting the Board through the AuditCom in promoting sound enterprise risk management, robust internal controls, and good corporate governance. Design and operating effectiveness of controls that govern the key business processes, systems and risk areas at the *DU* and subsidiaries are evaluated particularly on financial reporting, operations, information technology systems reviews, cybersecurity, data privacy, sustainability, revenue assurance, legal and regulatory compliance, and subsidiary oversight. This provides an independent assurance to the AuditCom on the adequacy and effectiveness of the governance, risk management, internal controls, and compliance systems.

The Company's Internal Audit communicates the results of audit engagements covering various units of the Company and its subsidiaries including specific areas of concerns identified by Management to the AuditCom. The findings and any improvement opportunities are reviewed by AuditCom which then are reported to the Board for guidance and oversight. Significant concerns, which have been reported by Internal Audit Group and the implementation of responsive remedial measures by Management, are acted upon by Management and monitored by AuditCom. The AuditCom Report to the Board included the review of *the* Group's system of internal controls (financial, operational, and compliance controls) and risk management systems which are found to be in place and functioning.

A Certification attestation of the Internal Controls is issued annually as a result of the combined risk and control assessment of the Management and Internal Audit including the scope of audit review for the financial year.

The Company's Internal Audit (IA) is headed by the Group Chief Audit Executive and Senior Vice President, Ms. Melanie T. Oteyza, who reports functionally to the AuditCom and administratively to the President and/or CEO, as outlined in the Company's Internal Audit Charter. The appointment and removal of the Chief Audit Executive require the approval of the AuditCom.

All internal auditors are members of the Institute of Internal Auditors (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework. The internal auditors are comprised of highly certified professionals – Certified Public Accountants, Certified Internal Auditors, Certified Information Systems Auditors, Certified Quality Assurance Validator, Certified Fraud Examiner, Registered Electrical Engineers and others with Certification in Control Self-Assessment, Certification in Risk Management Assurance, and Qualification in Internal Audit Leadership.

The Company's Internal Audit recruits and employs suitable and qualified professional staff with the requisite skillsets, competencies, and experience. Relevant trainings and continuing professional development are provided to its staff to ensure that internal audits are performed effectively and that the team possess the technical knowledge needed for the job and to remain relevant and value-adding to the organization.

The Company's Internal Audit also provides a confirmation of their independence to the Audit Committee on an annual basis.

External Audit

The Company's external auditor, SGV was evaluated, nominated, and recommended for appointment including its audit fees by the AuditCom, and such recommendation was approved by the Board. The re-appointment of SGV was thereafter confirmed by the shareholders in the ASM held on May 27, 2025. In 2025, the fees paid to the external auditor for non-audit services do not outweigh the fees paid for audit services.

CONSOLIDATED EXTERNAL AUDITOR'S FEES* (Amounts in million PhP)			
		2025	2024
Financial Statements Audit*		₱26.9	₱24.8
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC and Audit of universal charge reports as required by PSALM		₱11.0	₱2.0
<i>Note: The fees for non-audit services did not exceed those for audit services.</i>			

Please refer to the Supplementary Schedule of External Auditor Fees of the Consolidated Audited Financial Statements.

Confirmation on Adequacy of Internal Controls

For the year ended December 31, 2025, Management, through the Chairman and CEO and Chief Audit Executive, has reviewed the adequacy and effectiveness of the overall internal control system of the Company and its subsidiaries. The review covered material controls, including financial, operational and compliance controls.

The approach adopted to support this year-end assessment on the adequacy of the Group's system of internal control was based on the results of the Risks and Controls Self-Assessment (RCSA) of Management and the various audits undertaken by Internal Audit within the companies that comprised the Group as of December 31, 2025. Control issues have been disclosed by Management and validated by Internal Audit to provide reasonable level of assurance. While this approach covers a large part of the Company's internal control systems, it is not intended to cover all areas of the Company, nor all possible areas of risk.

Based on the results of Management's Control Self-Assessments and the Internal Audit's review of key business processes focusing on identified or potential areas of business risks, Management confirms that the Group's systems of internal control are in place and functioning. There are no major internal control issues that have not been acted upon by management as of December 31, 2025.

Risk Management

The Company has a robust internal control and Enterprise Risk Management (ERM) framework to monitor and manage its strategic, legal and regulatory, operational, Environment, Social, and Governance (ESG), and financial risks that are periodically reviewed by the Board to determine its effectiveness in the light of the Company's corporate objective and business and regulatory landscape.

The Company adopted ISO 31000 as its model for ERM framework. The ERM framework helps manage risks by influencing and collaborating with internal organizations and external stakeholders to identify best practices, controls, and process improvement opportunities to address risks. The Enterprise Risk Management Manual was approved and adopted by the Company to provide the methodology and processes for risk management including:

- Identification, assessment, evaluation and mitigation of risks or exploitation of opportunities;
- Definition of management responsibilities and accountabilities; and
- Escalation and reporting of Company's key enterprise risks

EWRM initiates the periodic enterprise-wide assessment of the Company's risks. Risk assessment is conducted for existing and emerging risks brought about by changes in regulations, market structure developments, technological/operational issues and external forces, including changes in weather patterns, customer satisfaction measures and evolving environmental sustainability issues. Identified risks are quantified, and designated risk owners develop risk treatment and mitigation plans to address potential issues. The results are presented and vetted with the RMC.

The Board, through the Risk Management Committee ("RMC"), oversees the EWRM and reviews the top key enterprise risks and the effectiveness of risk mitigation strategies and treatment plans developed by management.

For further discussion of the Company's key risks and corresponding mitigation strategies, please refer to pages 33 to 38 of the 2025 *MERALCO Sustainability Report*.

Governance Process around IT issues

The Board, through its Risk Management Committee, oversees the governance process around IT issues including disruption, cyber security, disaster recovery, to ensure that all key risks are identified, managed and reported to the Board.

The Management, through ICT Governance Office and ICT Planning and Program Management Office, uses Control Objectives for Information and Related Technology (COBIT) framework to ensure that IT goals and objectives are in line with the overall business strategy of the Company. This involves delivering value from IT investments, managing IT risks, optimizing IT resources, measuring performance, and communicating with stakeholders. ICT Governance Office provides a comprehensive approach to aligning IT with business objectives, mitigating risks, and ensuring compliance with policies and standards.

Management is accountable to the Board for the Company's information security governance. As a key pillar of the Company's sustainability, the Management, through the Cyber Security Group (CSG), drives the Company's cybersecurity initiatives, providing strategic direction and resources to effectively manage the information security risks. It ensures the highest standard of protection across all aspects of operations, with a strong focus on mission-critical and business critical assets.

The Group conducts regular assessments, and reviews, approving information security policies and standards to ensure continuous monitoring, implementation, and enhancement of a robust information security management system. Aligned with global best practices and international standards, including ISO/IEC 27001, ISO/IEC 27002, and the NIST Cybersecurity Framework, these initiatives are effectively coordinated and integrated into the organization's relevant processes and core business functions, with clear designation of authority, roles, and responsibilities.

The Company's information security policies and standards integrate cybersecurity into the workforce's responsibilities in our increasingly digital world. These policies form the foundation for developing strategies and controls to prevent and mitigate cybersecurity risks, ensuring that the company and its employees are cyber-resilient and capable of effectively detecting, protecting against, and responding to cyber threats.

The Group evaluates the organization's maturity posture and identifies any gaps that require action based on the result of the regular maturity assessment. Moreover, the CSG ensures that business units, shared units, and third-party vendors remain compliant and accountable for the organization's cybersecurity requirements and protocols.

The commitment to inculcating adoption and compliance within the organization will not only protect information assets but also cultivate a culture of trust, accountability, and resilience, which are essential for the Company's long-term sustainability.

Details on the Company's Cybersecurity initiatives are found on pages 114 to 116 of the 2025 *MERALCO Sustainability Report*.

Related Party Transactions

The Company strictly complies with its Related Party Transactions (RPT) Policy as well as pertinent rules issued by the SEC. The RPT Policy requires the review of material/significant RPTs, to determine whether they are in the best interest of the Company and its shareholders and ensure that all RPTs of the Company are conducted in fair and at arm's length terms.

Under the Policy, the Board, through the RPT Committee, reviews material/significant RPTs to determine whether they are in the best interest of the Company and its shareholders and ensure that all RPTs of the Company are conducted in fair and at arm's length terms. The Policy provides for materiality thresholds, i.e., de minimis, significant, material RPTs including SEC material RPTs which constitute ten percent (10%) of the Company's assets. Also, under the RPT Policy, the Company does not grant loans or any special financial assistance to directors.

The Company provides all the names of related parties, degree of relationship, nature, and value for each material/ significant RPT. Details are found in Note 23 of the Company's Consolidated Financial Statements.

In 2025, all the RPTs were conducted in fair and at arm's length terms and there was no case of insider trading or policy violations involving directors and officers of the Company. Also, no RPT that can be classified as financial assistance to entities other than wholly owned subsidiary companies. The Company is fully compliant with the Code and policies on corporate governance.

Conflict of Interest (COI) Policy

The COI Policy requires all directors, officers and employees to annually disclose their interest in transactions and any other conflicts of interest affecting the Company through the Full Business Interest Disclosure (FBID) Form for directors and officers, and the COI Form for employees. The Company requires directors and key Management personnel to abstain from and/or inhibit themselves from participating in discussions on a particular agenda when a conflict exists or may exist between their personal interest and that of the Company.

Respecting the Rights of Shareholders

The Company recognizes the rights of all shareholders as provided in the Corporation Code of the Philippines, other pertinent laws, rules, and regulations, the Company's Articles of Incorporation, Amended By-Laws, and CG Manual.

Right to Dividends

Dividend Policy

The Company's dividend policy, as approved by the Board on February 22, 2010, and ratified by the shareholders during the May 25, 2010 ASM, calls for the payment of regular cash dividends equivalent to 50% of the audited CCNI for the year with a "look-back" basis, which allows the Company to pay special dividends beyond 50% of the CCNI for the year, subject to the availability of unrestricted retained earnings in accordance with the guidelines of the SEC.

The table below shows the cash dividends declared by the Board on common shares for 2025:

Declaration Date	Record Date	Payable Date	Rate per Share
February 24, 2025	March 12, 2025	April 4, 2025	PhP13.736
July 28, 2025	August 27, 2025	September 22, 2025	PhP11.328

Right to Participate in Decisions

The Company upholds the rights of all shareholders, including the minority shareholders, to participate in:

- changes or amendments to the Company's Articles of Incorporation or By-laws
- authorization for issuance of additional shares
- authorization of extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the Company
- approval of remuneration or increase in remuneration of directors
- voting by proxy and attendance in stockholders' meeting in *absentia* or through remote communication.

Right to Vote and Participate Effectively Disclosure and Release of Notice to Annual Stockholders' Meeting

To provide shareholders enough time to examine the Company's information, the ASM Notice was posted on the Company's website on January 27, 2025. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 24, 2025. Similar to all Company notices and circulars, the ASM Notice is written and published in English.

Annual Stockholders' Meeting

It is the Company's policy to encourage stockholders, including institutional and minority stockholders, to attend and actively participate in the ASM. The 2025 ASM was held on Tuesday, May 27, 2025, at 10:20 AM at the Meralco Theater, Ortigas Avenue, Barangay Ugong, Pasig City. The proceedings were likewise made available via live broadcast through the Stockholders Electronic Registration and Voting Express (SERVE). Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

As in the previous years, the Company facilitated participation of stockholders who cannot attend the virtually by enclosing proxy forms in the ASM Notice where they can indicate their votes on matters that are taken up during the ASM. Shareholders can download the proxy forms together with details on how to appoint a proxy from the Company's website.

Voting Procedures

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 910,775,522 shares or approximately 80.81% of the total issued and outstanding shares of the Company. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information. SERVE was also enhanced to allow the stockholders to attend and actively participate via remote communication and to cast their votes for the agenda items online, including

election of directors individually. Stockholders were given the opportunity to propound questions and raise concerns to the Board during the meeting.

The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to one vote for one share. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item. The Company also allowed shareholders to freely express their views and raise their questions during the ASM through the SERVE portal.

The Chairman and CEO, Chairman of the AuditCom, Chairman of the RLDC, Chairman of the Nom&Gov, Chairman of the Finance Committee, the Board, Chief Finance Officer (CFO), Corporate Secretary, Assistant Corporate Secretary other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

The Company posted the resolutions approved during the ASM on its website the following day so that non-attending shareholders may be immediately informed.

Right to Approve Mergers and Acquisitions

In the event of mergers and acquisitions requiring shareholders' approval, the Company appoints an independent party to evaluate the merits of the transaction as well as the fairness of the transaction price.

Institutional Investors

The Company recognizes the exercise of ownership rights by all shareholders, including institutional investors. The Company does not have any shareholder owning more than 50% of its total outstanding shares. The complete list of the Public Ownership Report of the Company as at December 31, 2025 was disclosed to the SEC and PSE on January 14, 2026, where approximately 73.83% of the Company's shares are held by principal and strategic shareholders, while approximately 0.06% are held by the Company's directors and officers. The remaining 26.09% of the Company's shares are held by the investing public. The Company has a straightforward structure of alliance among its affiliates, and joint ventures. There is no pyramid shareholding structure within the Group. Details of holding companies, subsidiaries, and other related companies are disclosed in the map showing relationships among the Companies within the Group.

Equitable Treatment of Shareholders

Shares and Voting Rights

The Company has only one (1) classification of shares (common shares), with each share entitled to one (1) vote.

Notice of Annual Stockholders' Meeting and Definitive Information Statement

The Notice of ASM and the Definitive Information Statement (DIS) contain, among others, the resolutions to be considered by the stockholders for each agenda item during the ASM. There is no bundling of several items into one resolution. It also provides the following information:

1. Profiles of each director seeking election/re-election, which include their age, academic qualification, date of first appointment, experience, and directorships in other listed companies;
2. External auditor seeking appointment/ re-appointment;
3. Dividend policy;
4. Amount of dividends declared and any dividends payable; and
5. Readily available proxy statements

The Notice of ASM and DIS are available on the Company's website.

Policy on Dealings in Company Shares of Stocks (Insider Trading/Blackout Period)

The Insider Trading Policy prohibits directors, officers, and employees from benefiting from information that is not generally available to the investing public through observance of a blackout period ten (10) trading days before and two (2) trading days after the release or announcement of the Company's material information or financial and operating results, during which trading in Company shares is prohibited.

The Company strictly enforces and monitors compliance with its policy on insider trading. Under the revised policy approved for implementation on December 1, 2014, and amended on July 28, 2025, directors and officers are required to disclose to the Compliance Officer the details of any trading, dealing, acquisition, disposal, or change in their beneficial ownership of the Company (MER) shares, not later than one (1) trading day after the transaction.

Protecting Minority Shareholders from Abusive Actions

The Company's policies recognize and protect the rights of the minority stockholders while pursuing corporate interest. Some salient provisions include:

- Timely, fair, and accurate disclosure of material information
- Review of existing and development of new policies that will prevent the major stockholders from gaining undue advantage over and at the expense of minority stockholders
- RPTs are disclosed in Note 23 of the consolidated financial statements
- Disinterested stockholders decide on all RPTs which require stockholders' approval

Role of Stakeholders

The Company strictly observes the principles of fairness, accountability, integrity, transparency, and honesty (FAITH) in its obligations to, and dealings with, its various stakeholders. The Company values its stakeholders and protects their rights, as mandated by relevant laws and internal policies. Sanctions and penalties based on the provisions of the Company's Code on Right Employee Conduct (COREC) and other related policies are imposed upon violators.

Customers

The Company renders excellent service, ensures fair treatment, and provides complete and accurate information, to its customers.

Suppliers/Contractors

To ensure a mutually beneficial relationship with its suppliers and contractors, the Company prescribes clearly defined and transparent procurement and supplier selection process through the Vendor's Code of Business Conduct and Ethics and Vendor Accreditation Program. It ensures faithful compliance with all the terms and conditions of its procurement contracts and applicable laws and regulations like the *ERC* Procurement Guidelines for the Regulated Transmission and Distribution Assets to Regulated Entities.

Creditors

The Company faithfully complies with all loan agreements with creditors. It ensures timely payment of its loans and efficiently operates its business to assure creditors of the Company's sound financial standing and loan payment capabilities.

Environment and Community

As an advocate of sustainable development, the Company is committed to operate profitably within the bounds of its social and environmental responsibility.

Employees

The Company is committed to the development and welfare of its employees. The Company provides its employees with opportunities for learning and development, fair and competitive remuneration, and programs to promote health and safety. The Company devotes conscious effort to build a culture of excellence, knowledge sharing, personnel integrity, and development.

Employee Development Programs

Training programs and other developmental interventions including job-specific development training programs and managerial/leadership development training are implemented to enable employees and officers to acquire the technical and leadership competencies to effectively perform their jobs for their professional growth. The Company uses globally accepted training and development metrics relevant to value creation for business and society.

Details on the Company's learning and development initiatives are found on pages 89-91 of the 2025 *MERALCO* Sustainability Report.

Compensation Philosophy/Principles

The Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest. The Company's performance management process measures employee performance on the basis of 1) actual vs. desired results; and 2) how results were delivered in light of corporate core values. The achievement of financial and

non-financial indicators is reflected in performance planning and assessment, which drives the Company's merit and incentive pay programs.

The Company implements short-term and long-term incentive programs to attract, retain, and motivate its employees. The Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets. The Company evaluates performance beyond short-term financial measures. It also provides for short-term incentives through variable pay, such as annual performance-based bonuses and variable incentive plan, to reward individual and team performance that contribute to the achievement of corporate goals and objectives.

Long-term incentives include additional compensation conditioned on *MERALCO's* achievement of a specified level of Consolidated Core Net Income (CCNI) approved by the Board and determined on an aggregate basis for a three (3)-year period as well as executives' attainment of a specified performance rating.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics prescribes the ethical values and behavioral standards, which all directors, officers, and employees of the Company are required to observe in the performance of their respective duties and responsibilities. Copies of the Code of Ethics are disseminated to all officers and employees.

The Company, through the Corporate Governance Office (CGO), monitors the implementation of, and compliance to, the Code of Business Conduct and Ethics. An online HR Express Corporate Governance Facility is made available to all employees for the Corporate Governance (CG) disclosures and commitment required from them. All directors, senior management, and employees are required to annually submit duly accomplished FBID Forms and/or COI Forms. They are also required to disclose gifts they received from third-party business partners through the online Gift Registry. Failure to comply with CG disclosures is sanctioned accordingly. On July 25, 2022, the Code of Ethics was amended and remade "Code of Business Conduct and Ethics."

The Management Control Policy prescribes Management's responsibility to ensure a system of checks and balances and emphasizes the importance of internal control processes as an integral part of the Company's governance system and risk management.

Effective management control is necessary to ensure that behavior and decisions of people in the organization are consistent with the Company's objectives and strategies.

Anti-corruption Programs and Procedures

The Code of Business Conduct and Ethics requires directors, officers, and employees to observe professionalism, integrity, and good faith in transactions with and obligations to the Company's customers, suppliers, business partners, regulators, creditors, competitors, and employees. It enforces practicing ethical standards of behavior and avoiding the commission of any act that may be construed as direct or indirect bribery and corruption, as defined by law, to facilitate any transaction to gain any perceived or actual favor or advantage.

The Anti-Bribery and Corruption Policy of the Company strictly prohibits corporate gift-giving to private and public entities that constitutes bribery or corruption. It cites specific instances of said corrupt practices to better guide directors, officers, and employees.

The Policy on Solicitation and Acceptance of Gifts, on the other hand, prohibits the acceptance of gifts offered and given by suppliers, contractors, and other third-party business partners to prevent all directors, officers, and employees from putting themselves in situations that could affect the fair, objective, and effective performance of their duties and responsibilities.

The Amended Suppliers Business Conduct, in turn, requires vendors to comply, at all times, with all applicable anti-bribery and corruption laws, and to not offer, accept, promise, pay, permit, or authorize bribes and kickbacks, which include giving of gifts to the Company's directors, officers or employees or other means to obtain an undue or improper advantage.

The Company's Internal Audit reviews the compliance of directors, officers, and employees to the Code of Ethics and other corporate governance related policies, including the required Company disclosures. The result of the Internal Audit review is reported to the Audit Committee (AuditCom).

The foregoing policies are available to all stakeholders through the Company's website (www.meralco.com.ph).

Effective Redress for Violation of Stakeholders' and Means of Communication/ Reporting of Illegal or Unethical Practices

The Speak Out Policy (Whistleblowing Policy) encourages the reporting of any violation of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance committed by the Company's directors, officers, and employees.

Employees, suppliers, customers, and other stakeholders can download, through the Company website, a Whistleblower Report Form and submit the same via email or regular mail to the CGO through the contact information provided therein.

Corporate Governance Office

Manila Electric Company
(MERALCO)

Ground Floor, Lopez Building
Ortigas Avenue, Barangay Ugong
Pasig City, Philippines 1605

Tel: +632 1622 2798

Mobile: +632 920 948 4787

Email: cgo.staff@meralco.com.ph

The Company provides appropriate protection against retaliation to an employee/stakeholder who reports illegal/ unethical behavior. In the event of retaliation, the reporting person or witness may file a report to the CGO by filling out a Retaliation Protection Report Form.

To maintain the integrity and impartiality of the review process, the Company's whistleblowing system is managed by an independent party. Currently, the Chairman of the Nomination and Governance Committee, who is an independent director, spearheads the review of all whistleblowing reports received by the Corporate Governance Office. This includes overseeing the investigation of reported concerns, ensuring appropriate follow-up actions are taken, and safeguarding the anonymity and protection of whistleblowers in accordance with the company's Speak Out Policy and other relevant regulations.

In 2025, the Company received certain reports of alleged violations and illegal/unethical behavior. These reports were investigated and accordingly resolved based on the evidence provided and in accordance with the procedures defined in the whistleblowing policy.

Annual Corporate Governance Performance Assessments

The Company's Performance in the field of corporate governance was assessed and found to be exemplary in the ACGS which evaluates the level of CG practices of Philippine PLCs vis-à-vis regional and international standards and best practices. This was conducted by the ICD in cooperation with SEC and PSE.

Corporate Governance Advocacies and Outlook

Believing that corporate governance is about shining a light through the whole organization, the Company has an extensive good governance awareness program for its internal stakeholders. CG orientations for its new employees and roadshows for its directors, officers, employees, and suppliers are regularly held, and online CG policy information campaigns are periodically issued. The Company has also enhanced its CG compliance monitoring through a unique online HR Express Corporate Governance Facility and SharePoint platform where employees can file their annual CG commitment, conflict-of-interest disclosures and gift registry. In 2025, 100% of the Company's employees complied with these disclosure requirements and attended the CG Refresher program containing discussions on relevant CG policies of the Company.

The Company is in the process of embedding CG policies and programs in its business responsibility unit through its line leadership to make the full transition from compliance to a culture of good governance from Top Management to the ranks in the Company in pursuit of sustainability of relationships with and interests of all stakeholders.

The Company also ensures that the governance structure and policies of subsidiaries and affiliates are aligned with its current standards. The Company aided them in the review and drafting of their own Corporate Governance manuals, policies, codes, and best practices.

The Company believes that it is necessary to maintain a culture of good governance by utilizing innovative ways of reaching out to its stakeholders in these challenging times. In line with this, the Company afforded stockholders the right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting. Also, the Company developed the Stockholders Electronic Registration and Voting Express (SERVE). SERVE allows the Company's stockholders to cast their votes online and participate in the Annual Stockholders' Meeting via remote communication. This also allows the stockholders to send their questions and clarifications regarding other agenda items.

The Company also provided online learning modules to its employees in January 2025 to strengthen the awareness of all employees on the governance policies promulgated by the Board. This provided an accessible platform that helped ensure that employees are continuously updated on the best practices in corporate governance.

In pursuit of further improvements in the discipline of governance, the Company is also actively involved with national and international CG advocates and organizations such as the ICD, and the Good Governance Advocates and Practitioners of the Philippines (“GGAPP”). The Company participates in best practice and knowledge-sharing events organized by these organizations with CG practitioners, the Board and Senior Management, as unified by their CG principles and philosophy that responsible professionals yield ethical companies and ultimately, economically sustainable businesses.

For a full discussion on the Corporate Governance practices and achievements of *MERALCO*, please refer to the Company website: www.meralco.com.ph.

PART V. SUSTAINABILITY REPORT

Refer to attached 2025 Sustainability Report

PART VI. EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports

(a) Report on SEC Form 17-C and other Disclosures

DATE OF REPORT	SUBJECT OF DISCLOSURE
JANUARY 2025	
January 02	SEC Form 23-A of Edeliza T. Lim
January 02	SEC Form 23-A of Christopher Redeemson R. Brocales
January 03	SEC Form 23-A of Francis Dino S. Antonio
January 03	SEC Form 23-A of Remigio R. Angeles, Jr.
January 06	Press Release: <i>MERALCO</i> 's affiliate PacificLight Power awarded 600MW CCGT Plant
January 06	Foreign Ownership Report as of December 31, 2024
January 06	Report on the Number of Shareholders as of December 31, 2024
January 07	Amended General Information Sheet
January 14	List of Top 100 Stockholders as of December 31, 2024
January 15	Public Ownership Report as of December 31, 2024
January 20	Drawdown from Credit Facility with BDO Unibank Inc., Bank of the Philippine Islands, and Metropolitan Bank and Trust Company
January 25	[Amend-2] <i>MERALCO</i> Amendment of By-Laws
January 27	Results of Board Meeting
January 27	Amendment of the By-Laws of Manila Electric Company
January 27	Notice of Annual Stockholders' Meeting
January 27	MGEN, SMGP, and AP Complete Energy Deal for the Philippines' First Integrated LNG Complex

January 28	Certificate of Attendance and Compliance to the Corporate Governance Manual for the Year 2024
FEBRUARY 2025	
February 06	Foreign Ownership Report as of January 31, 2025
February 06	Report on the Number of Shareholders as of January 31, 2025
February 11	Notice of Analysts' Briefing: Presentation of the Company's Full Year 2024 Financial and Operating Results
February 24	Results of Board Meeting
February 24	Declaration of Cash Dividends
February 24	Press Release: The Company's Financial and Operating results for the Full Year 2024 with comparatives for 2023
February 24	Approval of Request for Exemptive Relief
MARCH 2025	
March 01	2024 Consolidated Audited Financial Statements
March 06	Foreign Ownership Report as of February 28, 2025
March 06	Report on the Number of Shareholders as of February 28, 2025
March 12	List of Stockholders as of record date March 7, 2025
March 17	MGreen, SPNEC, and Actis close US\$600 Million Investment in Terra Solar
APRIL 2025	
April 03	Preliminary Information Statement
April 03	Foreign Ownership Report as of March 31, 2025
April 03	Report on the Number of Shareholder as of March 31, 2025
April 10	Notice of Analysts' Briefing: Presentation of the Company's First Quarter 2025 Financial and Operating Results
April 11	List of Top 100 Stockholders as of March 31, 2025
April 15	Statement of MERALCO Chairman and CEO on the Renewal of MERALCO's Franchise
April 15	Annual and Sustainability Report as of December 31, 2024
April 15	Public Ownership Report as of March 21, 2025
April 22	Renewal of the Congressional Franchise of Manila Electric Company
April 24	Definitive Information Statement
April 28	Results of Board Meeting
April 28	Press Release: The Company's Financial and Operating Results for the First Quarter of 2025 with comparatives for 2024
April 28	Results of Board Meeting [Amended]
April 28	Notice and Agenda of Annual Stockholders' Meeting [Amended]
April 30	Amended Definitive Information Statement
MAY 2025	
May 06	Foreign Ownership Report as of April 30, 2025
May 06	Report on the Number of Shareholders as of April 30, 2025
May 15	Special Form for Financial Statements (Consolidated as of December 31, 2024)
May 15	Special Form for Financial Statements (Parent Company as of December 31, 2024)
May 15	Quarterly Report for the period ended March 31, 2025
May 27	Results of the 2024 Annual Stockholders' Meeting
May 27	Results of the 2024 Organizational Meeting of the Board of Directors
May 27	PSE Disclosure: Retirement of Officer
May 29	Integrated Annual Corporate Governance Report for the fiscal year ended December 31, 2024

JUNE 2025	
June 03	Initial Statement of Beneficial Ownership of Securities of Mr. Aldwin Christian C. Ang
June 04	Foreign Ownership Report as of May 31, 2025
June 04	Report on the Number of Shareholders as of May 31, 2025
June 19	Statement of Changes in Beneficial Ownership of Securities of Mr. Manuel V. Pangilinan
June 19	Statement of Changes in Beneficial Ownership of Securities of Dr. Lydia B. Echauz
June 19	Statement of Changes in Beneficial Ownership of Securities of Mr. Patrick Henry C. Go
June 19	Statement of Changes in Beneficial Ownership of Securities of Mr. Lance Y. Gokongwei
June 20	Statement of Changes in Beneficial Ownership of Securities of Mr. James L. Go
June 20	Statement of Changes in Beneficial Ownership of Securities of Atty. Ray C. Espinosa
June 20	Statement of Changes in Beneficial Ownership of Securities of Mr. Jose Maria K. Lim
June 20	Statement of Changes in Beneficial Ownership of Securities of Mr. Victorico P. Vargas
June 20	Statement of Changes in Beneficial Ownership of Securities of Ms. June Cheryl A. Cabal-Revilla
June 25	2025 General Information Sheet
June 26	[Amend-1] Amendments to By-Laws
JULY 2025	
July 03	Statement of Changes in Beneficial Ownership of Securities of Ret. Chief Justice Artemio V. Panganiban
July 04	Statement of Changes in Beneficial Ownership of Securities of Pedro Emilio O. Roxas
July 04	Foreign Ownership Report as of June 30, 2025
July 04	Report on the Number of Shareholders as of June 30, 2025
July 07	Advisement Letter - Certificate of Participation of Atty. Jocelyn C. Villar-Altamira and Mr. Jeffrey O. Tarayo in the Corporate Governance Seminar : "Driving Board Excellence: The Power of the OECD Principles"
July 08	Notice of Analysts' Briefing: Presentation of the Company's First Half 2025 Financial and Operating Results
July 10	List of Top 100 Stockholders as of June 30, 2025
July 14	Public Ownership Report as of June 30, 2025
July 28	Results of Board Meeting
July 28	Press Release: The Company's Financial and Operating Results for the First Six (6) Months of 2025 with comparatives for 2024
July 28	Declaration of Cash Dividends
July 30	[Amend-2] Amendments to By-Laws
July 31	[Amend-3] Amendments to By-Laws
AUGUST 2025	
August 06	Report on the Number of Shareholders as of July 31, 2025
August 06	Foreign Ownership Report as of July 31, 2025
August 15	Quarterly Report for the period ended June 30, 2025
SEPTEMBER 2025	
September 01	MIESCOR Completes Acquisition of Bayad Subsidiary
September 01	PLDT executes subscription of additional common shares in Kayana Solutions, Inc.
September 05	Report on the Number of Shareholders as of August 31, 2025
September 05	Foreign Ownership Report as of August 31, 2025
September 29	Attendance of Mr. Lance Y. Gokongwei and Mr. Patrick Henry C. Go in Corporate Governance Seminar

OCTOBER 2025	
October 03	Notice of Analysts' Briefing: Presentation of the Company's Financial and Operating Results for the Nine Months of 2025 with comparatives for the year 2024
October 03	Report on the Number of Shareholders as of September 30, 2025
October 03	Foreign Ownership Report as of September 30, 2025
October 03	Retirement of Officer and Appointment of His Successor
October 03	Statement of Changes in the Beneficial Ownership of Shares of Mr. Erville D. Magtubo
October 07	Initial Statement of Beneficial Ownership of Sares of Mr. Hans Joachim R. Montenegro
October 08	[Amend-1] 2025 General Information Sheet
October 13	Statement of Changes in the Beneficial Ownership of Shares of Mr. Manuel V. Pangilinan
October 15	List of Top 100 Stockholders as of September 30, 2025
October 15	Public Ownership Report as of September 30, 2025
October 20	Lodgment of Shares by a Director
October 27	Results of Board Meeting
October 27	Press Release: The Company's Financial and Operating Results for the Nine Months of 2025 with comparatives for the same period of the year 2024
October 28	PSE Assessment
October 29	Transfer of Common Shares of SP New Energy Corporation Pursuant to Obligations under Exchangeable Note Facility Agreements Executed between MGen Renewable Energy, Inc. and Solar Philippines Power Project Holdings, Inc.
October 30	Lodgment of Shares by a Director
NOVEMBER 2025	
November 05	Statement of Changes in the Beneficial Ownership of Shares of Mr. Hans Joachim R. Montenegro
November 06	Report on the Number of Shareholders as of October 31, 2025
November 06	Foreign Ownership Report as of October 31, 2025
November 10	Upliftment of Shares by a Director
November 12	Attendance of Officers in Corporate Governance Training
November 14	Quarterly Report for the period ended September 30, 2025
November 25	Attendance of Officer in Corporate Governance Training
November 25	Lodgment of Shares by a Director
November 26	Attendance of Directors and Officers in Corporate Governance Training
November 27	Final Redemption of the PhP7.0 billion 4.875% p.a. Fixed Rate Bonds Due 2025
November 28	Statement of Changes in Beneficial Ownership of Securities of Mr. Manuel V. Pangilinan
DECEMBER 2025	
December 03	Report on the Number of Shareholders as of November 30, 2025
December 03	Foreign Ownership Report as of November 30, 2025
December 03	Results of Board Meeting
December 15	Final Redemption of the PhP7.0 billion 4.875% p.a. Fixed Rate Bonds Due 2025
December 17	Resignation of Officer

SIGNATURES

REFER TO THE FOLLOWING PAGE



SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code of the Philippines, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of Pasig this MAR 24 2026 day of MAR 24 2026 2026.

By:

MANUEL V. PANGILINAN
Chairman of the Board
and Chief Executive Officer
TIN: 914-481-801

BENNETTE D. BACHOCO
First Vice President and Head,
DU Finance & Financial Planning
and Reporting
TIN: 129-433-970

ALDWIN CHRISTIAN C. ANG
Vice President,
Head, Treasury
TIN: 219-593-841

SIMEON KEN R. FERRER
Corporate Secretary
TIN: 116-283-788

MAR 24 2026

SUBSCRIBED AND SWORN to before this ____ day of _____ 2026 in Pasig City, by the above-named persons who exhibited to me their respective Tax Identification Numbers.

Doc. No. 14 ;
Page No. 4 ;
Book No. XIII ;
Series of 2026.

DST No. 12723218

MAR 24 2026



ATTY. CRISTOPHER B. ARPON
Notary Public
For and in Pasig and Pateros

Appointment No. 33 (2025-2026) December 16, 2024
At Pasig City until December 31, 2026
Roll No. 41620/ IBP No. 566762, 12/17/2025, RSM Chapter
PTR No. 3915413, 1/5/2026, Pasig City
MCLE VIII-0003630 - 04/14/2028
8th Floor, Lopez Bldg., Ortigas Avenue, Pasig City



customer@meralco.com.ph



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Meralco Operating Center,
Ortigas Avenue, Pasig City
1600 Philippines



MANILA ELECTRIC COMPANY
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

- Statement of Management's Responsibility for Consolidated Financial Statements
- Report of Independent Auditors
- Consolidated Statement of Financial Position as at December 31, 2025 (With Comparative Figures as at December 31, 2024)
- Consolidated Statement of Income for the Year Ended December 31, 2025 (With Comparative Figures for the Years Ended December 31, 2024 and 2023)
- Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2025 (With Comparative Figures for the Years Ended December 31, 2024 and 2023)
- Consolidated Statement of Changes in Equity for the Year Ended December 31, 2025 (With Comparative Figures for the Years Ended December 31, 2024 and 2023)
- Consolidated Statement of Cash Flows for the Year Ended December 31, 2025 (With Comparative Figures for the Years Ended December 31, 2024 and 2023)
- Notes to Consolidated Financial Statements
- Report of Independent Auditor on Supplementary Schedules
- Supplementary Schedules
 - Schedule A. Financial Assets*
 - Schedule B. Amounts Receivable From Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Related Parties)*
 - Schedule C. Amounts Receivable From Related Parties which are Eliminated during the Consolidation of Financial Statements
 - Schedule D. The Movement of Intangible Assets - Other Assets*
 - Schedule E. Long-term Debt
 - Schedule F. Indebtedness to Related Parties*
 - Schedule G. Guarantees of Securities of Other Issuers*
 - Schedule H. Capital Stock
 - Schedule I. List of Effective Standards and Interpretations*
 - Schedule K. Map Showing the Relationships among the Companies within the Group
- Supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedule on Financial Soundness Indicators
- Supplementary Schedule of External Auditor Fee - Related Information
- Parent Company Financial Statements

**These schedules have been omitted because they are either not applicable or schedule is in the Consolidated Financial Statements.*



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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Manila Electric Company (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated 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.

Signed this _____ day of _____ 2026.


MANUEL V. PANGILINAN

Chairman of the Board and Chief Executive Officer


BETTY C. SIY-YAP
Chief Finance Officer

APR 10 2026

SUBSCRIBED AND SWORN to before this ____ day of _____ 2026 in Pasig City, by the above-named persons who exhibited to me their respective Tax Identification Numbers as follows:

MANUEL V. PANGILINAN
BETTY C. SIY-YAP

914-481-801
102-100-627

Doc. No. 111;
Page No. 29;
Book No. XXVII;
Series of 2026.


ISAGANI C. CORURA
NOTARY PUBLIC
Appointment No. 249 (2025-2026)
City of Pasig and Municipality of Pateros
Issued on 23 June 2025, until December 31, 2026
Roll No. 63123; IBP No. 575351; 12/29/2025; RSM
PTR No. 4005316; 01/07/2026, Pasig City
MCLE Compliance No. VIII-0029855; Valid until 14 April 2027
7th Floor Lopez Bldg., Ortigas Ave., Pasig City



isagani.corura@meralco.com.ph

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 Meralco Operating Center,
Ortigas Avenue, Pasig City
1600 Philippines



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Manila Electric Company
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

Opinion

We have audited the consolidated financial statements of Manila Electric Company (the Company) and its 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 to the consolidated financial statements, including material accounting policy 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 (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of financial statements of public interest entities in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including those in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue from sale of electricity

The Group's revenue from its electricity distribution business represents 92% of its consolidated revenues and arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within the Group's franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes, including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the information technology (IT) systems involved in processing the billing transactions.

Notes 2, 23, 24, 30 and 32 provide the relevant disclosures related to the rate-setting regulations and regulatory policies of the ERC.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates, adjustments and formulae, as well as actual pass-through costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

Adequacy of allowance for expected credit losses for receivables

The Group applies the simplified approach in calculating expected credit loss (ECL). Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for credit losses and the provision for credit losses as of and for the year ended December 31, 2025 amounted to ₱9,676 million and ₱1,046 million, respectively. The use of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include the following: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), in calculating ECL.

The disclosures in relation to the allowance for credit losses using the ECL model are included in Notes 5, 13 and 27 to the consolidated financial statements.



Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs, and the effects of any financial support and credit enhancements provided by any party; (d) compared the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we compared the data used in the ECL models, such as the historical aging analysis and default and recovery data from the source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

Provisions and contingencies

The Group is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

Notes 2, 19, 22 and 29 to the consolidated financial statements provide the relevant disclosures related to this matter.

Audit response

We examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's consolidated financial statements and involved our internal specialists when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence. We also reviewed the disclosures on provisions and contingencies in the Group's consolidated financial statements.



Accounting for Investment in Joint Venture

As disclosed in Note 3 to the consolidated financial statements, on January 27, 2025, Meralco PowerGen Corporation, a wholly owned subsidiary of the Company, together with Therma NatGas Power, Inc., completed an investment agreement with the parties holding 60% and 40% interests in Chromite Gas Holdings, Inc. (“Chromite Holdings”), respectively. Chromite Holdings contemporaneously completed the acquisition of a 67% stake in South Premiere Power Corporation, Excellent Energy Resources, Inc., Linseed Field Corporation and Ilijan Primeline Industrial Estate Corporation.

The Company accounted for its interest in Chromite Holdings as an investment in a joint venture in accordance with PFRS 11. In 2025, the fair values of the share in net assets acquired and the related purchase price allocation were finalized.

We considered the accounting for this acquisition to be a key audit matter due to the significance of the amounts involved and the significant management judgment and estimation required in determining the fair values of the share in net assets acquired, particularly relating to the fair values of acquired property and equipment and intangible assets as at the acquisition date, based on the information available.

Audit response

We reviewed the share purchase agreements and other related contracts covering the acquisition of interest and assessed whether the acquisition has been appropriately accounted for. We reviewed the purchase price allocation and evaluated management’s basis for determining the fair values of the share in net assets acquired using information available as of the acquisition date. We assessed the competence, capabilities, and objectivity of the external appraiser engaged by management to prepare the appraisal reports used in the purchase price allocation, by considering their qualifications, relevant experience and reporting responsibilities. We involved our internal specialist in evaluating the valuation methodologies and key assumptions used in determining the fair values of the acquired property and equipment and intangible assets. In addition, we assessed the adequacy of the related disclosures in Note 3 to the consolidated financial statements.

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 auditor’s 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 auditor’s 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.

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.

Auditor's 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 auditor's 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 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 auditor's 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 auditor's 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 activities within the Group as a basis for forming an opinion on the consolidated 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.

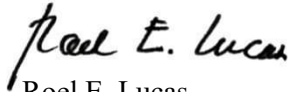
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is Roel E. Lucas.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas

Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

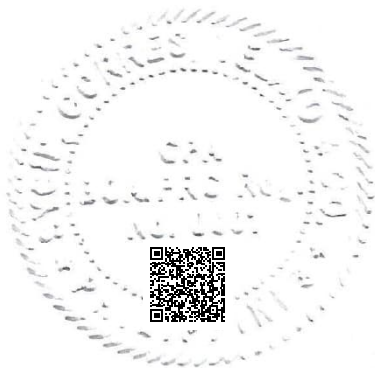
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-095-2025, October 1, 2025, valid until September 30, 2028

PTR No. 10765069, January 2, 2026, Makati City

February 25, 2026



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2025	2024
(Amounts in millions)			
ASSETS			
Noncurrent Assets			
Utility plant, generation plant and others	7 and 10	₱378,232	₱288,501
Investments in associates and interests in joint ventures	8 and 23	140,440	47,513
Investment properties	9	1,483	1,487
Intangible assets	7 and 10	40,658	41,559
Deferred tax assets – net	28	25,706	26,382
Other noncurrent assets	2, 11, 15, 26, 27 and 30	24,136	32,900
Total Noncurrent Assets		610,655	438,342
Current Assets			
Cash and cash equivalents	12 and 27	109,317	84,480
Trade and other receivables	13, 24 and 27	76,726	64,697
Inventories	14	10,983	11,422
Other current assets	11, 15, 23 and 27	16,198	19,017
Total Current Assets		213,224	179,616
Total Assets		₱823,879	₱617,958

EQUITY AND LIABILITIES

**Equity Attributable to Equity Holders
of the Parent Company**

Common stock	<i>16</i>	₱11,273	₱11,273
Additional paid-in capital		4,111	4,111
Equity reserve	<i>3</i>	5,953	955
Employee stock purchase plan	<i>16</i>	1,049	1,049
Hedging reserve	<i>16 and 27</i>	483	1,277
Unrealized fair value gains on financial assets at fair value through other comprehensive income (“FVOCI”)	<i>11</i>	895	801
Remeasurement adjustments on retirement and other post-employment liabilities	<i>26</i>	2,035	942
Share in remeasurement adjustments on associates’ retirement liabilities	<i>8</i>	(28)	(28)
Share in other comprehensive income and cumulative translation adjustments of associates	<i>8</i>	1,861	1,575
Cumulative translation adjustments of subsidiaries		(701)	(682)
Treasury shares	<i>16</i>	(13)	(13)
Retained earnings	<i>16</i>	146,219	123,339
Equity Attributable to Equity Holders of the Parent Company		173,137	144,599
Non-controlling Interests	<i>3 and 16</i>	50,387	41,283
Total Equity		223,524	185,882

(Forward)



		December 31	
	Note	2025	2024
(Amounts in millions)			
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	17 and 27	₱186,531	₱54,797
Customers' deposits - net of current portion	18, 22 and 27	39,206	33,274
Long-term employee benefits	26	13,565	16,263
Provisions	19, 22 and 29	12,335	9,855
Refundable service extension costs - net of current portion	22 and 27	3,371	3,753
Deferred tax liabilities - net	28	8,432	8,769
Other noncurrent liabilities	2, 3, 8, 24 and 29	84,865	68,991
Total Noncurrent Liabilities		348,305	195,702
Current Liabilities			
Notes payable	21 and 27	36,367	34,287
Trade payables and other current liabilities	2, 16, 22, 23, 27 and 29	199,620	191,472
Customers' refund	2, 20 and 27	2,851	2,853
Income tax payable		1,764	2,070
Current portion of long-term employee benefits	26	4,300	–
Current portion of interest-bearing long-term financial liabilities	17 and 27	7,148	5,692
Total Current Liabilities		252,050	236,374
Total Liabilities		600,355	432,076
Total Liabilities and Equity		₱823,879	₱617,958

See accompanying Notes to Consolidated Financial Statements.



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

		Years Ended December 31		
	Note	2025	2024	2023
<i>(Amounts in millions, except per share data)</i>				
REVENUES				
	2, 5, 6, 23, 24, 30			
Sale of electricity	and 32	₱485,547	₱456,918	₱430,181
Sale of other services	23	11,778	13,444	13,431
		497,325	470,362	443,612
COSTS AND EXPENSES				
Purchased power	24 and 30	377,284	346,534	328,248
Salaries, wages and employee benefits	25 and 26	19,745	17,974	16,521
Depreciation and amortization	7, 9, 10 and 25	17,034	17,529	16,625
Contracted services		12,239	10,037	10,074
Coal and fuel		9,022	11,705	16,133
Power plant operations and maintenance cost		2,260	2,225	1,881
Taxes, fees and permits		2,181	2,662	2,325
Provision (reversal of provision) for probable losses and expenses from claims - net	2, 19 and 29	(1,449)	6,401	6,848
Provision (reversal of provision) for impairment losses		1,200	—	—
Provision for expected credit losses (“ECL”) - net of recoveries	13	1,008	849	998
Other expenses	23 and 25	8,328	9,530	7,626
		448,852	425,446	407,279
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates and joint ventures	8	16,731	10,267	11,479
Interest and other financial charges	17, 18 and 21	(8,892)	(5,302)	(5,129)
Interest and other financial income	11 and 12	3,459	3,884	3,321
Foreign exchange gains (losses)		43	185	(44)
Others	2, 5, 7, 8, 23, 30 and 32	3,778	2,734	829
		15,119	11,768	10,456
INCOME BEFORE INCOME TAX		63,592	56,684	46,789
PROVISION FOR (BENEFIT FROM) INCOME TAX				
	28			
Current		12,770	12,232	9,153
Deferred		(20)	(2,018)	(1,042)
		12,750	10,214	8,111
NET INCOME		₱50,842	₱46,470	₱38,678
Attributable To				
Equity holders of the parent company	31	₱51,130	₱45,859	₱38,023
Non-controlling interests		(288)	611	655
		₱50,842	₱46,470	₱38,678
Earnings Per Share Attributable to Equity Holders of the Parent Company				
	31			
Basic		₱45.36	₱40.69	₱33.74
Diluted		45.36	40.69	33.74

See accompanying Notes to Consolidated Financial Statements.



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2025	2024	2023
(Amounts in millions)				
NET INCOME		₱50,842	₱46,470	₱38,678
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent years:				
Unrealized fair value gains on fair value through other comprehensive income (“FVOCI”) financial assets	11	108	194	88
Share in cumulative translation adjustments of associates	8	739	333	8
Cumulative translation gains (losses) of subsidiaries		(19)	16	1
Net other comprehensive income that will be reclassified to profit or loss in subsequent years		828	543	97
Items that will not be reclassified to profit or loss in subsequent years:				
Remeasurement gains (losses) on retirement and other post-employment liabilities	26	1,437	(3,301)	(5,152)
Income tax effect		(360)	825	1,288
		1,077	(2,476)	(3,864)
Change in fair value of cash flow hedges	16 and 27	673	1,277	–
Unrealized fair value gains (losses) on equity securities at FVOCI		(15)	130	101
Income tax effect		1	(13)	(10)
		(14)	117	91
Share in other comprehensive income (losses) of associates		(453)	185	329
Share in remeasurement gains (losses) on associates’ retirement liabilities	8	–	1	(13)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent years		1,283	(896)	(3,457)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX		2,111	(353)	(3,360)
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		₱52,953	₱46,117	₱35,318
Total Comprehensive Income Attributable To				
Equity holders of the parent company		₱53,257	₱45,506	₱34,663
Non-controlling interests		(304)	611	655
		₱52,953	₱46,117	₱35,318

See accompanying Notes to Consolidated Financial Statements.



MANILA ELECTRIC COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

Equity Attributable to Equity Holders of the Parent Company

	Common Stock (Note 16)	Additional Paid-in Capital	Equity Reserve (Note 3)	Employee Stock Purchase Plan (Note 16)	Hedging Reserve (Notes 16 and 27)	Unrealized Fair Value Gains on Financial Assets at <i>FVOCI</i> (Note 11)	Remeasure- ment Adjustments on Retirement and Other Post- Employment Liabilities (Note 26)	Share in Remeasure- ment Adjustments on Associates' Retirement Liabilities (Note 8)	Share in Other Comprehen- sive Income and Cumulative Translation Adjustments of Associates (Note 8)	Cumulative Translation Adjustments of Subsidiaries	Treasury Shares (Note 16)	Retained Earnings (Note 16)	Equity Attributable to Equity Holders of the Parent Company	Non- controlling Interests (Notes 3 and 6)	Total Equity
<i>(Amounts in millions)</i>															
At January 1, 2025	₱11,273	₱4,111	₱955	₱1,049	₱1,277	₱801	₱942	(₱28)	₱1,575	(₱682)	(₱13)	₱123,339	₱144,599	₱41,283	₱185,882
Net income	–	–	–	–	–	–	–	–	–	–	–	51,130	51,130	(288)	50,842
Other comprehensive income (loss)	–	–	–	–	673	94	1,093	–	286	(19)	–	–	2,127	(16)	2,111
Total comprehensive income (loss)	–	–	–	–	673	94	1,093	–	286	(19)	–	51,130	53,257	(304)	52,953
Dividends	–	–	–	–	–	–	–	–	–	–	–	(28,250)	(28,250)	(1,450)	(29,700)
Effect of changes in ownership in subsidiaries	–	–	4,903	–	–	–	–	–	–	–	–	–	4,903	10,844	15,747
Reclassification	–	–	–	–	(1,467)	–	–	–	–	–	–	–	(1,467)	–	(1,467)
Others	–	–	95	–	–	–	–	–	–	–	–	–	95	14	109
	–	–	4,998	–	(1,467)	–	–	–	–	–	–	(28,250)	(24,719)	9,408	(15,311)
At December 31, 2025	₱11,273	₱4,111	₱5,953	₱1,049	₱483	₱895	₱2,035	(₱28)	₱1,861	(₱701)	(₱13)	₱146,219	₱173,137	₱50,387	₱223,524



Equity Attributable to Equity Holders of the Parent Company

	Common Stock (Note 16)	Additional Paid-in Capital	Equity Reserve (Note 3)	Employee Stock Purchase Plan (Note 16)	Hedging Reserve (Note 16 and 27)	Unrealized Fair Value Gains on Financial Assets at FVOCI (Note 11)	Remeasure- ment Adjustments on Retirement and Other Post- Employment Liabilities (Note 26)	Share in Remeasure- ment Adjustments on Associates' Retirement Liabilities (Note 8)	Share in Other Comprehen- sive Income and Cumulative Translation Adjustments of Associates (Note 8)	Cumulative Translation Adjustments of Subsidiaries	Treasury Shares (Note 16)	Retained Earnings (Note 16)	Equity Attributable to Equity Holders of the Parent Company	Non- controlling Interests (Note 3 and 6)	Total Equity
<i>(Amounts in millions)</i>															
At January 1, 2024	₱11,273	₱4,111	(₱111)	₱1,049	₱—	₱490	₱3,418	(₱29)	₱307	₱52	(₱11)	₱101,746	₱122,295	₱45,808	₱168,103
Net income	—	—	—	—	—	—	—	—	—	—	—	45,859	45,859	611	46,470
Other comprehensive income (loss)	—	—	—	—	1,277	311	(2,476)	1	518	16	—	—	(353)	—	(353)
Total comprehensive income (loss)	—	—	—	—	1,277	311	(2,476)	1	518	16	—	45,859	45,506	611	46,117
Dividends	—	—	—	—	—	—	—	—	—	—	—	(24,266)	(24,266)	(1,264)	(25,530)
Effect of deconsolidation of Miescor Infrastructure Development Corporation ("MIDC")	—	—	—	—	—	—	—	—	—	—	—	—	—	(6,571)	(6,571)
Effect of changes in ownership in CIS Bayad Center, Inc. ("Bayad") and Radius Telecoms, Inc. ("Radius")	—	—	1,066	—	—	—	—	—	—	—	—	—	1,066	1,079	2,145
Others	—	—	—	—	—	—	—	—	750	(750)	(2)	—	(2)	1,620	1,618
	—	—	1,066	—	—	—	—	—	750	(750)	(2)	(24,266)	(23,202)	(5,136)	(28,338)
At December 31, 2024	₱11,273	₱4,111	₱955	₱1,049	₱1,277	₱801	₱942	(₱28)	₱1,575	(₱682)	(₱13)	₱123,339	₱144,599	₱41,283	₱185,882



Equity Attributable to Equity Holders of the Parent Company

	Common Stock (Note 16)	Additional Paid-in Capital	Equity Reserve (Note 3)	Employee Stock Purchase Plan (Note 16)	Unrealized Fair Value Gains (Losses) on Financial Assets at <i>FVOCI</i> (Note 11)	Remeasure- ment Adjustments on Retirement and Other Post- Employment Liabilities (Note 26)	Share in Remeasure- ment Adjustments on Associates' Retirement Liabilities (Note 8)	Share in Other Comprehen- sive Income and Cumulative Translation Adjustments of Associates (Note 8)	Cumulative Translation Adjustments of Subsidiaries	Treasury Shares (Note 16)	Retained Earnings (Note 16)	Equity Attributable to Equity Holders of the Parent Company	Non- controlling Interests (Notes 3 and 6)	Total Equity
<i>(Amounts in millions)</i>														
At January 1, 2023	₱11,273	₱4,111	(₱111)	₱1,049	₱311	₱7,282	(₱16)	(₱30)	₱51	(₱11)	₱85,755	₱109,664	₱14,445	₱124,109
Net income	—	—	—	—	—	—	—	—	—	—	38,023	38,023	655	38,678
Other comprehensive income (loss)	—	—	—	—	179	(3,864)	(13)	337	1	—	—	(3,360)	—	(3,360)
Total comprehensive income (loss)	—	—	—	—	179	(3,864)	(13)	337	1	—	38,023	34,663	655	35,318
Dividends	—	—	—	—	—	—	—	—	—	—	(22,032)	(22,032)	(66)	(22,098)
Effect of consolidation of SP New Energy Corporation ("SPNEC")	—	—	—	—	—	—	—	—	—	—	—	—	30,382	30,382
Others	—	—	—	—	—	—	—	—	—	—	—	—	392	392
	—	—	—	—	—	—	—	—	—	—	(22,032)	(22,032)	30,708	8,676
At December 31, 2023	₱11,273	₱4,111	(₱111)	₱1,049	₱490	₱3,418	(₱29)	₱307	₱52	(₱11)	₱101,746	₱122,295	₱45,808	₱168,103

See accompanying Notes to Consolidated Financial Statements.



MANILA ELECTRIC COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2025	2024	2023
		(Amounts in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱63,592	₱56,684	₱46,789
Adjustments for:				
Depreciation and amortization	7, 9 and 10	17,034	17,529	16,625
Equity in net earnings of associates and joint ventures	8	(16,731)	(10,267)	(11,479)
Interest and other financial charges	17, 18 and 21	8,892	5,302	5,129
Interest and other financial income	11 and 12	(3,459)	(3,884)	(3,321)
Provision (reversal of provision) for impairment losses	7 and 8	1,200	(117)	(1,179)
Provision (reversal of provision) for probable losses and expenses from claims – net of settlement	2 and 29	(2,336)	2,627	791
Provision for expected credit losses (“ECL”)	8	1,008	849	998
Others		(417)	(141)	5
Operating income before working capital changes		68,783	68,582	54,358
Decrease (increase) in:				
Trade and other receivables		6,825	(25,335)	9,138
Inventories		439	(293)	(753)
Other current assets		(4,248)	(1,721)	3,034
Increase (decrease) in:				
Trade payables and other current liabilities		4,374	10,565	(2,961)
Customers’ deposits		5,943	(753)	2,066
Customers’ refund		(2)	7	(59)
Long-term employee benefits		3,521	2,670	2,218
Cash generated from operations		85,635	53,722	67,041
Income tax paid		(13,558)	(11,712)	(9,067)
Net cash flows provided by operating activities		72,077	42,010	57,974
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Utility plant, generation plant and others	7	(106,520)	(39,150)	(24,800)
Investments in associates and interests in joint ventures	8	(74,774)	(2,095)	(13)
Financial assets at <i>FVOCI</i>	11	(52,532)	(22,730)	(43,013)
Intangible assets	10	(645)	(5,361)	(4,137)
Short-term investments		(130)	(1,060)	(2,482)
Debt securities at amortized cost	11	(1)	(247)	(1,058)
Investment properties	9	–	–	(2)
Proceeds from maturity of:				
Financial assets at <i>FVOCI</i>		53,709	23,161	43,039
Debt securities at amortized cost		8,834	7,710	20,761
Short-term investments		–	1,059	2,675
Increase (decrease) in non-controlling interests		–	881	454
Dividends received from associates and joint ventures		9,181	10,253	10,106
Interest and other financial income received		3,513	3,900	3,120
Proceeds from cash flow hedge	16	399	2,238	–
Proceeds from disposal of utility plant, generation plant and others		105	194	7
Acquisition of <i>SPNEC</i> – net of <i>SPNEC</i> ’s cash upon acquisition	3	–	–	(5,853)
Decrease in Other noncurrent assets		(291)	2,484	2,765
Net cash provided by (used in) investing activities		(159,152)	(18,763)	1,569

(Forward)



Years Ended December 31					
	Note	2025	2024	2023	
(Amounts in millions)					
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from availment of:					
Interest-bearing long-term financial liabilities	17 and 33	₱143,597	₱6,523	₱2,803	
Notes payable	21 and 33	20,389	7,742	1,331	
Payments of:					
Dividends	16 and 33	(27,416)	(23,823)	(21,691)	
Notes payable		(18,309)	(1,038)	(3,239)	
Interest and other financial charges		(9,447)	(2,608)	(4,564)	
Interest-bearing long-term financial liabilities	17 and 33	(9,103)	(8,133)	(8,500)	
Proceeds from capital infusion of a non-controlling shareholder of a subsidiary		17,794	—	—	
Dividends paid by subsidiaries attributable to non-controlling interests		(1,751)	—	—	
Increase (decrease) in other noncurrent liabilities		(3,234)	(254)	1,255	
Net provided by (cash used) in financing activities		112,520	(21,591)	(32,605)	
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,445	1,656	26,938	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		84,480	82,789	55,832	
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(608)	35	19	
CASH AND CASH EQUIVALENTS AT END OF YEAR		12	₱109,317	₱84,480	₱82,789

See accompanying Notes to Consolidated Financial Statements.



MANILA ELECTRIC COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The businesses of Manila Electric Company (“*MERALCO*”) and its subsidiaries (the “*MERALCO Group*”) consist of certain unregulated and regulated segments of the energy supply chain. The regulated business segment covers the electricity distribution business of *MERALCO*, Clark Electric Distribution Corporation (“*Clark Electric*”), and Shin Clark Power Corporation (“*Shin Clark*”). On the other hand, the unregulated businesses consist of power generation; retail electricity supply (“*RES*”); engineering design, construction and consultancy, payment fulfilment, bills collection and fintech, after-the-meter and energy management, insurance and reinsurance; electric mobility; and telecommunication and information technology services.

MERALCO holds a 25-year congressional franchise under Republic Act (“*RA*”) No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission (“*ERC*”) granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity (“*CPCN*”) for the operation of electric service within its franchise area, which shall be valid within the franchise period. The franchise of *MERALCO* has been renewed for another 25 years through 2053 under *RA* No. 12146, “An Act Renewing for another Twenty-Five (25) Years the Franchise Granted to the Manila Electric Company” under *RA* No. 9209, entitled “An act granting the Manila Electric Company a franchise to construct, operate and maintain a distribution system for the conveyance of electric power to the end-users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga”.

Clark Electric, a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation (“*CDC*”) to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The *Clark Electric* franchise is valid through October 2047.

Through a 60%-owned subsidiary, *Shin Clark*, *MERALCO* together with a consortium, composed of Axia Power Holdings Philippines Corporation (a wholly-owned subsidiary of Marubeni Corporation), KPIC Netherlands BV [a wholly-owned subsidiary of the Kansai Electric Power, Inc. (“*Kansai*”)], and Chubu Electric Power Co., Inc. (“*Chubu*”), hold a 90% interest in Shin Clark Power Corporation (“*Shin Clark Power*”). *Shin Clark Power* is a company formed by *MERALCO* and the Bases Conversion and Development Authority (“*BCDA*”) and bound by a 25-year joint venture agreement to provide electricity distribution services within the New Clark City (“*NCC*”). *NCC* consists of a 9,450 hectare development within the Clark Special Economic Zone located in Capas and Bamban towns in the Tarlac province.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II (“*PELCO II*”) through Comstech Integration Alliance, Inc. (“*Comstech*”) under a 25-year Investment Management Contract (“*IMC*”) until August 10, 2034 and that of the Cavite Economic Zone (“*CEZ*”) under a 25-year concession agreement with Philippine Economic Zone Authority (“*PEZA*”) until May 25, 2039.



The *RES* businesses are executed directly through the local *RES* units, *MPower* for *MERALCO* and *Cogent Energy* for *Clark Electric*, and indirectly through the following affiliate *RES* entities: Vantage Energy Solutions and Management, Inc. (“*Vantage*”), MeridianX Inc. (“*MeridianX*”), Phoenix Power Solutions, Inc. (“*Phoenix Power*”) and MGen Retail Electricity Supplier Corporation (“*MGen RES*”) formerly Global Energy Supply Corporation (“*GESC*”). Clarion Energy Management Inc. (“*Clarion*”), a wholly-owned subsidiary of *Clark Electric*, re-filed its application for a *RES* license with the *ERC* on October 20, 2025. Subsequently, on December 12, 2025, the *ERC* issued the *RES* license.

MERALCO PowerGen Corporation (“*MGen*”), a wholly owned subsidiary of *MERALCO*, owns and operates a total of 5,069.7 *MW* of power generating plants of varying technologies. Its operations is anchored on three (3) pillars: (i) 1,286.2 *MW* of thermal plants held through Global Business Power Corporation (“*GBPC*”) and San Buenaventura Power Ltd. Co. (“*SBPL*”); (ii) 3,375.0 *MW* of liquefied natural gas (“*LNG*”) plants in the Philippines and Singapore through Chromite Gas Holdings, Inc. (“*Chromite Holdings*”) and PacificLight Power Pte. Ltd. (“*PacificLight Power*”); and (iii) 408.5 *MWac* of renewable energy plants through MGEN Renewable Energy, Inc. (“*MGreen*”). Through SP New Energy Corporation (“*SPNEC*”), it is developing a 3500 *MWdc* solar power plant with a 4,500 *MWh* battery energy storage system.

MERALCO is owned directly by two (2) major shareholder groups, Metro Pacific Investments Corporation (“*Metro Pacific*”) and JG Summit Holdings, Inc. (“*JG Summit*”). As at December 31, 2025, *Metro Pacific* has combined direct equity interest in *MERALCO* and indirect ownership through its wholly-owned subsidiary, Beacon Electric Asset Holdings, Inc. *Metro Pacific*’s combined direct and indirect ownership interests in *MERALCO* totaled 47.46% while *JG Summit* has 26.37% direct ownership interest in *MERALCO*. The remaining 26.17% common shares are held by institutional investors and the public.

The shares of *MERALCO* are listed and traded in the Philippine Stock Exchange (“*PSE*”) with ticker symbol, *MER*.

The registered office address of *MERALCO* is Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, Metro Manila, Philippines.

The consolidated financial statements were approved and authorized for issue by the Board of Directors (“*BOD*”) on February 25, 2026.

2. Rate Regulations

As distribution utilities (“*DUs*”), *MERALCO*, *Clark Electric* and *Shin Clark Power* are subject to the rate-making regulations and regulatory policies of the *ERC*. Billings of *MERALCO*, *Clark Electric* and *Shin Clark Power* to customers are itemized or “unbundled” into a number of bill components that reflect the various activities and costs incurred in providing electricity distribution services. The adjustment to each bill component is determined in accordance with *ERC*-approved mechanism that governs the recovery of pass-through charges, address over- or under- recoveries, and establish *MERALCO*’s distribution, supply and metering charges.



The following is a discussion of matters related to rate-setting of *MERALCO* and *Clark Electric*:

Performance-Based Regulations (“PBR”)

MERALCO

MERALCO is among the Group A entrants to the *PBR*, together with three (3) other private *DUs*.

Rate-setting under *PBR* framework for the first Regulatory Period (“*RP*”), effective from July 1, 2026 to June 30, 2030 (“*IRP*”), is governed by the Rationalized Rules for the Setting of Distribution Wheeling Rates (“*RRDWR*”). Under *PBR*, tariffs are set once every *RP* based on a rate-setting framework which includes the required operating and capital expenditures as well as regulated return on the regulatory asset base (“*RAB*”) of each *DU*, to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC*. *PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years (“*RYs*”). Each *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

Implemented Distribution Rate During Lapsed Period

The *ERC*’s approved average rate for the Lapsed Period is ₱1.3522 per *kWh*. *MERALCO* was authorized to continue implementing the said rate until otherwise directed, net of the Regulatory Reset Fees in the amount of ₱0.0023 per *kWh*, which is directed to no longer be collected under *ERC* Resolution No. 18, Series of 2024.

MERALCO recognized provisions for any resulting over-recoveries. The movements in and the balance of the “Other noncurrent liabilities” and “Trade payables and other current liabilities” accounts in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in Philippine Financial Reporting Standards (“*PFRS*”) Accounting Standards as it may prejudice the position of *MERALCO*.

Regulatory Reset Costs

On December 17, 2024, in *ERC* Resolution No. 18, Series of 2024, the *ERC* also required *DUs* under *PBR* to refund the collected regulatory reset costs from July 2015 to October 2024, including interest. In the case of *MERALCO*, it was directed to refund the amount of ₱987.2 million, subject to further verification by the *ERC*. *MERALCO* implemented a one-time refund of ₱0.226 per *kWh* in its February 2025 billing, as a separate line item in its electricity bill to customers and no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per *kWh*, representing the regulatory reset costs. While *MERALCO* complied with the directives, in a letter dated January 17, 2025, *MERALCO* wrote the *ERC* to ask for the basis for the computations and basis for the refund. As at February 25, 2026, the *ERC* has yet to reply to *MERALCO*’s letter.



Distribution Rate True-Up (“DRTU”) Applications

The *ERC*’s initial Orders for *DRTU* refunds totaling ₱48,247 million were implemented starting 2021 and have been fully refunded to the customers as of the May 2023 billing. This resulted in an excess refund of ₱862 million, which has been reported to the *ERC* in June 2023, including a proposed recovery mechanism. As at February 25, 2026, the *ERC* has not responded to *MERALCO*’s letter.

Several intervenors have filed petitions before the Court of Appeals (“*CA*”) and the Supreme Court (“*SC*”) questioning the *ERC*’s decision approving the *DRTU* refund application. As at February 25, 2026, the petitions are pending before the *CA* and *SC*.

In compliance with the Order dated December 17, 2024, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period July 1, 2022 to December 31, 2024. The application also included *MERALCO*’s proposal to offset the recovery of the over refund from the implementation of previous orders of *DRTU* refunds. In an Order dated March 5, 2025, the *ERC* directed the refund of ₱19.9 billion, or an equivalent average refund rate of ₱0.1189 per *kWh* for all customer classes but excluded the recovery of over-refund from the previous *AWAT* refund implementation as this was still to be verified by the *ERC*. *MERALCO* implemented the refund starting in its April 2025 billings. As at February 25, 2026, hearings at the *ERC* have been completed and *MERALCO* has filed its Formal Offer of Evidence.

Additionally, on September 25, 2025, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period January 1, 2025 to June 30, 2025. As at February 25, 2026, *MERALCO* is awaiting further action from the *ERC*.

Under *ERC* Resolution No. 23, Series of 2025, entitled, “A Resolution Directing All Private Distribution Utilities (“*PDU*s”) to File Their Respective *AWAT* Applications for the Lapsed Period”, the *ERC* resolved to adopt a confirmation and true-up process in determining the rates of the *PDU*s to address the lapsed period for their respective Entry Groups and defined the lapsed period for each Entry Group. The *ERC* then directed all *PDU*s to file an application for the confirmation of their *AWAT* as against their last approved rates, within sixty (60) calendar days from the effectivity of the Resolution. However, in *ERC* Resolution No. 1, Series of 2026, the *ERC* clarified the timeline for filing of the *AWAT* and directed all *PDU*s to file, within one hundred twenty (120) days from the effectivity of the *AWAT* Resolution on November 22, 2025, or until March 22, 2026. As at February 25, 2026, *MERALCO* is set to file its application covering the period from July 1, 2025 to December 31, 2025 on or before the stated deadline.

Capital Expenditures (“CAPEX”)

Absent the final rules governing the lapsed period from *RY* 2016, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. For forecast *CAPEX* after June 30, 2022, the proposals were filed as part of *MERALCO*’s regulatory reset applications.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 25, 2026, *MERALCO* is awaiting the final resolution and approval of the *ERC*.

Pending *ERC*’s approval, *MERALCO* manifested several projects as “urgent” or “emergency in nature” and proceeded with the implementation of said *CAPEX*.



Regulatory Reset Process Application

MERALCO filed its reset application for the new *SRP*, covering the period from *RY* 2026 to *RY* 2029, on February 7, 2025. As the first *RY* of this reset period lapsed, *MERALCO* filed an Omnibus Motion to: (a) withdraw the application; (b) allow *MERALCO* to re-file its *SRP* Application to cover the period from *RY*2027-*RY*2030; and (c) to consider *RY*2026 as lapsed period. In an Order dated January 30, 2026, the *ERC* issued an Order allowing the withdrawal of the Application and directed *MERALCO* to file its new regulatory reset application in accordance with the *RRDWR*.

In accordance with the *RRDWR*, on February 2, 2025, *MERALCO* filed its regulatory reset application for the *IRP*, covering the period from July 1, 2026 to June 30, 2030. In an Order dated February 6, 2026, the *ERC* set the case for initial hearings on March 3 and 10, 2026, respectively.

Clark Electric

Similar to *MERALCO*, *Clark Electric* is subject to operational performance and service level requirements approved by the *ERC*.

On December 3, 2025, the *ERC* issued *ERC* Resolution No. 24, Series of 2025, adopting the *RRDWR* for *PDU*s under *PBR*. Pursuant thereto, *Clark Electric* was reclassified from Group D to Group B. Under the *RRDWR*, the first *RY* for Group B will commence on January 1, 2027 and end on December 31, 2027.

PBR Reset for Clark Electric

During its lapsed period, *Clark Electric* continued to bill its customers using the last approved *MAP* for *RY* 2015. In parallel, *Clark Electric* annually filed and manifested as urgent its *CAPEX* requirements with the *ERC* to enable the timely implementation of critical infrastructure projects. As at February 25, 2026, the *CAPEX* applications covering *RY* 2015 to *RY* 2024 remain pending with the *ERC* while *CAPEX* application for *RY* 2025 to *RY* 2026 is still pending filing with the *ERC*.

Following the adoption of the *RRDWR*, *Clark Electric* is currently preparing its Application for the Approval of the Annual Revenue Requirement (“*ARR*”) and the Performance Incentive Scheme (“*PIS*”) for the first *RY*, including the approval of the Maximum Average Price (“*MAP*”) for *RY* 2027, and the translation of the approved *MAP* into a distribution rate structure for its various customer classes, in accordance with the provisions of the *RRDWR*.

Clark Electric recognized provisions for any resulting over-recoveries. The movements in and the balance of the “Provisions” account in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in *PFRS* Accounting Standards as it may prejudice the position of *Clark Electric*.

SC Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* approved *MERALCO*’s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. On December 6, 2006, the *SC* En Banc set aside and reversed the *CA* ruling saying that *COA* audit is not a prerequisite in the determination of a utility’s rates. However, the *SC* directed the *ERC* to request *COA* to conduct an audit of the books, records and accounts of *MERALCO*. The *COA* then submitted its audit report to the *ERC*.



On June 21, 2011, the *ERC* maintained its Decision dated March 20, 2003, and stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. On appeal, in a Decision dated November 13, 2019, the *SC*: (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (a) the valuation of the *RAB* of *MERALCO*; and (b) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers. The *SC* Decision is now final and executory.

Under *ERC* Resolution No. 19, Series of 2025, the *ERC* adopted its policy direction in compliance with the *SC* Decision. The *ERC* clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other *DUs*, regulatory periods or affects final *ERC* decisions. The *ERC* also adopted the trending method for valuing *MERALCO*'s *RAB* for the affected period. A separate Order will be issued to *MERALCO* to submit a revised *RAB* valuation for the covered period using the trending method. The *ERC* will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. As at February 25, 2026, *MERALCO* is awaiting the *ERC*'s Order with respect to the revised *RAB* valuation.

Applications for the Confirmation of Under- or Over-recoveries of Pass-through Charges

MERALCO

The *ERC* issued resolutions to govern the recovery of pass-through costs, including under- or over-recoveries with respect to the following bill components: generation charge, transmission charge, *SL* charge, lifeline and inter-class rate subsidies, senior citizen discounts, real property, local franchise and business taxes, including the timelines for *DUs* to file their respective application and post-verification.

On various dates, the *ERC* provisionally approved *MERALCO*'s applications to refund net over-recoveries of generation, transmission, net lifeline subsidy, *SL* and net senior citizens discount totalling ₱657.4 million (February 2011 to October 2013) and ₱6,927 million (January 2014 to December 2016). As at February 25, 2026, *MERALCO* is awaiting final resolution of the *ERC*.

Separately, *MERALCO* also filed for recovery of net under-recoveries of generation charge for special programs of ₱250.7 million, excluding carrying charges, covering the period March 2007 to December 2011. As at February 25, 2026, the *ERC* has not acted on such application.

On June 1, 2023, *MERALCO* filed an application with the *ERC* to confirm its net generation charge under-recoveries of ₱6,413 million, net transmission charge under-recoveries of ₱607 million, net lifeline subsidy over-recoveries of ₱1 million, net *SL* under-recoveries of ₱764 million and net senior citizen discount over-recoveries of ₱3 million from January 2020 to December 2022, and net real property tax ("*RPT*") under-recoveries of ₱229 million and net local franchise tax ("*LFT*") over-recoveries of ₱27 million from January 2021 to December 2022. Initial hearings were conducted.



Relative to said true-up confirmation, in the Decision dated March 8, 2023, received on August 29, 2023, which approved the termination of the Power Supply Agreement (“PSA”) between *MERALCO* and Panay Energy Development Corporation (“PEDC”), *MERALCO* was directed to include *PEDC*’s actual fuel losses due to Change in Circumstances (“CIC”) from April 2 to September 25, 2022, amounting to ₱884 million as part of *MERALCO*’s true-up confirmation for *ERC*’s evaluation.

In compliance therewith, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC* on October 3, 2023 to be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*. In an Order dated February 16, 2026, the *ERC* directed *MERALCO* to comply with the pre-filing requirements for its Supplemental Application dated September 29, 2023 and to submit its written compliance within five (5) calendar days from receipt of said Order. As at February 25, 2026, *MERALCO* filed its Compliance with the Order.

For the period from January 2023 to December 2025, *MERALCO* is also set to file its application to confirm its over/under recoveries on or before March 30, 2026.

Clark Electric

Clark Electric filed an application for the approval of its first calculations for the Automatic Cost Adjustment and True-up Mechanism for generation, transmission and *SL* rates on April 1, 2014 covering the period January 2011 to December 2013 in conformity with the *ERC* resolutions. After a clarificatory meeting with the *ERC*, *Clark Electric* filed a Manifestation for the implementation of the January 2017 *ERC* Decision starting in its March 2022 billing. The Other Transmission Cost Adjustment (“*OTCA*”) and Other Generation Rate Adjustment (“*OGA*”) were fully refunded and the Other System Loss Cost Adjustment (“*OSLA*”) was fully collected in April 2023.

Clark Electric completed the implementation of *ERC* Orders related to the Automatic Cost Adjustment and True-up Mechanism for generation, transmission and system loss rates which covered years 2014 through 2019.

On May 31, 2023, *Clark Electric* filed its fourth True-up Application covering the years 2020-2022 with the *ERC*. Hearings were conducted on August 24 and 31, 2023. As at February 25, 2026, the application remains pending with the *ERC*.

Application for Approval of the Staggered Recovery and Payment of the Differential Generation Charge for February 2017 Supply

On January 31, 2017, *MERALCO* filed an Application seeking the *ERC*’s approval of the staggered recovery and payment scheme for the generation charge for the February 2017 supply month to mitigate the impact of scheduled outages and maintenance of certain generation power plants. On March 6, 2017, the *ERC* provisionally approved the recovery of the incremental fuel cost through a staggered scheme. The incremental fuel cost was included in the March 2017 until May 2017 billings to customers. As at February 25, 2026, the *ERC* has not issued its final decision.

Application for the Recovery of Differential Generation Costs

On February 17, 2014, *MERALCO* filed for the recovery of the unbilled generation costs for December 2013 supply month amounting to ₱11,075 million. An amended application was filed on March 25, 2014 to adjust the unbilled generation costs for recovery to ₱1,310 million, following the receipt of the Wholesale Electricity Spot Market (“*WESM*”) billing adjustments based on regulated



Luzon *WESM* prices. The *ERC* suspended the proceedings, pending resolution of related cases at the *SC* involving generation costs for the November and December 2013 supply months and the regulated *WESM* prices for the said period.

In a Decision dated August 3, 2021, the *SC* voided the March 3, 2014 Order of the *ERC* which imposed regulated *WESM* prices for the November and December 2013 supply months. The Decision is now final and executory and entry of judgement has been issued by the *SC*. In a letter dated September 25, 2023, *MERALCO* wrote the *ERC* on its proposed recovery mechanism for the November and December 2013 supply months as a result of the Decision. As directed by the *ERC*, *MERALCO* and the Independent Electricity Market Operator (“*IEMOP*”) have completed the reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at February 25, 2026, the same is pending with the *ERC*.

Deferred Purchase Price Adjustment

On October 12, 2009, the *ERC* released its findings on *MERALCO*’s implementation of the collection of the approved pass-through cost under-recoveries for the period June 2003 to January 2007 which *MERALCO* has implemented beginning November 2009 until September 2010. However, the *ERC* did not rule on *MERALCO*’s deferred *PPA* under-recoveries of ₱106 million. On November 4, 2009, *MERALCO* filed an *MR* with the *ERC*. As at February 25, 2026, the *MR* is still pending resolution by the *ERC*.

Applications for Recovery of LFT

MERALCO has filed distinct applications with request for provisional authority to implement new *LFT* rates based on Ordinances from the cities of Manila, Quezon, Binan, Makati, Valenzuela, Taguig and Pasig. Some hearings have been completed and are awaiting final approval. Applications for recovery of taxes paid have been filed and pending decision of the *ERC*.

Thereafter, *LFT* paid are subject to a pass-through mechanism under the *ERC* Resolution No. 2, Series of 2021, “Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes)”.

SC Decision on the ₱0.167 per kWh Refund

Following the *SC*’s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*’s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*’s Motion authorizing *MERALCO* to continue the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme for the unclaimed refund. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* of its action taken with respect to all the unclaimed amounts of the *SC* Refund. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated



December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at February 25, 2026, there has been no further action from the *ERC*.

See Note 20 – Customers’ Refund.

3. Statement of Compliance and Basis of Consolidation

Statement of Compliance

The consolidated financial statements of *MERALCO* and its subsidiaries have been prepared in compliance with *PFRS* Accounting Standards.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of *MERALCO* and its directly and indirectly owned subsidiaries, collectively referred to as the *MERALCO Group*. The following table presents such subsidiaries and the respective percentage of ownership:

Subsidiaries	Place of Incorporation	Principal Business Activity	2025		2024	
			Percentage of Ownership		Percentage of Ownership	
			Direct	Indirect	Direct	Indirect
Corporate Information Solutions, Inc. (“ <i>CIS</i> ”)	Philippines	e-Transactions	100	–	100	–
<i>Bayad</i>	Philippines	Bills payment collection	5	87.75	5	87.75
Customer Frontline Solutions, Inc. (“ <i>CFSP</i> ”) ⁴	Philippines	Teller services	–	–	–	100
Meralco Energy, Inc. (“ <i>MServ</i> ”)	Philippines	Energy systems management	100	–	100	–
Aurora Managed Power Services, Inc. (“ <i>AMPSP</i> ”) ¹	Philippines	Energy systems management	–	60	–	60
eMeralco Ventures, Inc. (“ <i>e-MVT</i> ”)	Philippines	e-Business development	100	–	100	–
Paragon Vertical Corporation (“ <i>Paragon</i> ”)	Philippines	Information technology (“ <i>IT</i> ”) and multi-media services	–	100	–	100
<i>Radius</i>	Philippines	Telecommunication services	–	65.10	–	65.10
<i>MGen</i>	Philippines	Development of power generation plants	100	–	100	–
Calamba Aero Power Corporation ²	Philippines	Power generation	–	100	–	100
Atimonan Land Ventures Development Corporation	Philippines	Real estate	–	100	–	100
Atimonan One Energy, Inc. (“ <i>AIE</i> ”) ²	Philippines	Power generation	–	100	–	100
MPG Mauban LP Corporation	Philippines	Holding company	–	100	–	100
MPG Holdings Phils., Inc.	Philippines	Holding company	–	100	–	100
MPG Asia Limited (“ <i>MPG Asia</i> ”)	British Virgin Islands	Holding company	–	100	–	100
<i>Solvre, Inc.</i> ²	Philippines	Retail electricity supplier	–	100	–	100
<i>MGreen</i>	Philippines	Renewable energy	–	100	–	100
LagunaSol Corporation (“ <i>LagunaSol</i> ”) ²	Philippines	Renewable energy	–	100	–	100
Greentech Solar Energy, Inc. (“ <i>GSEI</i> ”)	Philippines	Renewable energy	–	100	–	100
MGreen International Limited (“ <i>MGreen International</i> ”)	British Virgin Islands	Holding company	–	100	–	100
Global Hydro Power Corporation	Philippines	Power generation	–	100	–	100



Subsidiaries	Place of Incorporation	Principal Business Activity	2025		2024	
			Percentage of Ownership			
			Direct	Indirect	Direct	Indirect
PacificLight Renewables Pte Ltd ("PLP Renewables")	British Virgin Islands	Investment and holding company	—	58	—	58
Nortesol III Inc. ("NorteSol") ²	Philippines	Renewable energy	—	70	—	70
Powersource First Bulacan Solar, Inc. ("First Bulacan")	Philippines	Renewable energy	—	60	—	60
CACI Power Corporation	Philippines	Power generation	—	60	—	60
PH Renewables Inc. ("PHRF")	Philippines	Power generation	—	60	—	60
Greenery For Global Inc. ("Greenery")	Philippines	Renewable energy	—	98.16	—	98.16
SPNEC	Philippines	Development of power generation plants	—	69.25	—	53.70
Terra Nueva, Inc. ("TNF")	Philippines	Real estate	—	69.25	—	53.70
Solar Philippines Tarlac Corporation ("Solar Philippines Tarlac")	Philippines	Renewable energy	—	69.25	—	53.70
Terra Solar Philippines, Inc. ("MTerra Solar")	Philippines	Renewable energy	—	41.55	—	53.70
Solar Philippines Calatagan Corporation ("Solar Philippines Calatagan")	Philippines	Renewable energy	—	42.94	—	33.30
SP Holdings, Inc.	Philippines	Holding company	—	69.25	—	53.70
GBPC	Philippines	Holding company	—	100	—	100
ARB Power Ventures, Inc.	Philippines	Holding company	—	100	—	100
Toledo Power Company ("TPC")	Philippines	Power generation	—	100	—	100
Toledo Holdings Corporation	Philippines	Real estate	—	100	—	100
Global Trade Energy Resources Corp.	Philippines	Trading of coal	—	100	—	100
GBH Power Resources, Inc.	Philippines	Power generation	—	100	—	100
MGen RES	Philippines	Retail electricity supplier	—	100	—	100
Toledo Energy Development Corporation formerly Mindanao Energy Development Corporation	Philippines	Power generation	—	100	—	100
Global Renewable Power Corporation	Philippines	Renewable energy	—	100	—	100
Panay Power Holdings Corporation	Philippines	Holding company	—	89.30	—	89.30
PEDC	Philippines	Power generation	—	89.30	—	89.30
Panay Power Corporation ("Panay Power")	Philippines	Power generation	—	89.30	—	89.30
Global Formosa Power Holdings, Inc.	Philippines	Holding company	—	93.20	—	93.20
Cebu Energy Development Corporation ("CEDC")	Philippines	Power generation	—	52	—	52
Global Luzon Energy Development Corporation ("GLEDC")	Philippines	Power generation	—	57	—	57
Lunar Power Core, Inc.	Philippines	Holding company	—	57	—	57
MGen Gas Energy Holdings, Inc. ("MGas")	Philippines	Holding company	—	100	—	100
MSpectrum, Inc. ("Spectrum")	Philippines	Renewable energy	100	—	100	—
Vantage	Philippines	Retail electricity supplier	100	—	100	—
Meralco Financial Services Corporation ("Finserve")	Philippines	Property management and leasing	100	—	100	—
Lighthouse Overseas Insurance Limited ("LOIL")	Bermuda	Insurance	100	—	100	—
MRAIL, Inc. ("MRail")	Philippines	Engineering, construction and maintenance of mass transit system	100	—	100	—
Phoenix Power ²	Philippines	Retail electricity supplier	100	—	100	—
Movem Electric, Inc. ("Movem")	Philippines	Maintenance and operation of transport service networks	100	—	100	—



Subsidiaries	Place of Incorporation	Principal Business Activity	2025		2024	
			Percentage of Ownership			
			Direct	Indirect	Direct	Indirect
Meralco Industrial Engineering Services Corporation (“MIESCOR”) ³	Philippines	Engineering, construction and consulting services	99.74	–	99.74	–
Miescor Builders Inc. (“MBI”)	Philippines	Electric transmission and distribution operation and maintenance services	–	99.74	–	99.74
Miescor Logistics Inc. (“MLP”)	Philippines	General services, manpower/maintenance	–	99.74	–	99.74
Customer Frontline Solutions, Inc. (“CFSI”) ⁴	Philippines	Teller services	–	99.74	–	–
Clark Electric	Philippines	Power distribution	65	–	65	–
Clarion ²	Philippines	Retail electricity supplier	–	65	–	65
Comstech	Philippines	Management of power distribution	60	–	60	–
MeridianX	Philippines	Retail electricity supplier	–	60	–	60
Greater Pampanga Power Corp. ²	Philippines	Power distribution	–	60	–	60
Meridian Power Ventures Limited (“MPV Limited”) ²	Hongkong	Investment holdings	100	–	100	–
Shin Clark	Philippines	Holding company	60	–	60	–
Shin Clark Power	Philippines	Power distribution	–	54	–	54

¹ The BOD of AMPSI approved the dissolution and shortening of corporate life until March 31, 2021. As of December 31, 2025, the dissolution and shortening of corporate life of AMPSI is still pending approval by the SEC.

² Has not started commercial operations.

³ MIESCOR Retirement Fund has less than 1% equity interest in MIESCOR.

⁴ In September 2025, MIESCOR completed the acquisition of 400,000 common shares of CFSI from Bayad, representing 100% equity interests.

The *MERALCO Group* controls an investee if and only if it has (a) power over the investee; (b) exposure or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the *MERALCO Group* has less than majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the *MERALCO Group*’s voting rights and potential voting rights.

The *MERALCO Group* re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Consolidation of a subsidiary begins when the *MERALCO Group* obtains control over the subsidiary and ceases when it loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date it gains control until the date it ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events with similar circumstances. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not attributed, directly or indirectly, to *MERALCO*.



Non-controlling interests account is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the parent company.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if such results in a deficit.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of “Equity reserve” account in the equity attributable to the equity holders of the parent company in the consolidated statement of financial position.

If the *MERALCO Group* loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the cumulative translation adjustments deferred in equity; (d) derecognizes the equity reserve attributable to the change in ownership of the subsidiary without loss of control; (e) recognizes the fair value of the consideration received; (f) recognizes the fair value of any investment retained; (g) recognizes any surplus or deficit in profit or loss; and (h) reclassifies *MERALCO*’s share of components previously recognized in the consolidated statement of comprehensive income to the consolidated statement of income.

Changes in Ownership

MTerra Solar

In March 2025, Actis Rubyred (Singapore) Pte. Ltd., through its wholly owned subsidiary Actis Rubyred (Philippines) Holdings, Inc. (“*Actis*”), completed its subscription of a 40% equity stake in *MTerra Solar*, subject to certain conditions, for a total consideration of ₱29.9 billion. As part of this investment deal, *Actis* infused ₱17.8 billion in cash into *MTerra Solar*. Consequently, unpaid subscription price amounting to ₱12.1 billion was recognized as subscription receivable. On December 17, 2025, *MGreen* and *Actis* entered into a Memorandum of Agreement (“*MOA*”), establishing a mechanism for certain payments to *Actis*. As a result of these equity transactions, a ₱8.4 billion contingent liability was recognized, while the excess of ₱4.1 billion over *Actis* share in the net assets of *MTerra Solar* was recorded as an equity reserve.

Solar Philippines Tarlac

In June 2025, *Solar Philippines Tarlac* redeemed the preferred shares held by Prime Metro Power Holdings amounting to ₱1,500.0 million and settled dividends amounting to ₱300.0 million. As a result, the difference between the redemption of shares and settlement of dividends and the ₱2,348.0 million balance of the non-controlling interest amounting to ₱547.6 million was recognized as an equity reserve.

SPNEC

On October 12, 2023, a Put Option Agreement was executed by and among *MGreen*, Solar Philippines Power Project Holdings, Inc. (“*SPPPHI*”) and *SPNEC*, covering *MGreen*’s grant to *SPPPHI* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the “Put Option Price”), for a total price of up to ₱9.2 billion. The Put Option Agreement also includes additional put option price equivalent to ₱0.10 per share or ₱800.0 million, subject to



certain conditions. In January 2024, *MGreen* acquired 2.2 billion shares of *SPNEC*, attaining a 53.7% equity interest. The following month, *MGreen* extended a ₱6,700.0 million exchangeable loan to *SPPPHI*, which was settled in October 2025 by exchanging it for the remaining 5.8 billion common shares of *SPNEC*, resulting in derecognition of the liability related to the Put Option.

The purchase consideration in the Put Option Agreement included the value of certain entities which may be transferred back to *SPPPHI* at the option of *SPNEC*. On September 3, 2024, *SPNEC* exercised its put option and executed a Deed of Absolute Sale of Shares with *SPPPHI* to sell its shares in certain entities for ₱80.0 million. Consequently, *SPNEC* derecognized in its financial statements the related assets, liabilities, non-controlling interests and equity reserve of these entities with net amount of ₱176.0 million and recognized a loss of ₱96.0 million.

In March 2025, *MGreen* extended an additional loan to *SPPPHI* amounting to ₱6,259.1 million which was settled in exchange for 5.0 billion common shares of *SPNEC* in October 2025. As result, *MGreen*'s voting interest in *SPNEC* increased to 69.25% and a reduction in non-controlling interest amounting to ₱6,293.2 million was recognized.

Furthermore, *MGreen* derecognized the liability related to the initial investment in *SPNEC* amounting to ₱2,200.0 million following change in management decision to proceed with the planned acquisition of 1.6 billion common shares of *SPNEC* in 2025. Consequently, a corresponding increase in non-controlling interest and equity reserve amounting to ₱2,010.9 million and ₱189.1 million, respectively, was recognized.

MIDC

On March 1, 2024, *MIESCOR* entered into a Multi-Party Share Swap Agreement with Connect Infrastructure (Philippines) Pte. Limited ("*Connect*"), PTCI Holdings Pte. Ltd. ("*PHPL*"), and Pylon Holdings Corp. ("*Pylon*"). Under the agreement, the shareholders of *MIDC* and PhilTower Consortium, Inc. ("*PhilTower*") (collectively referred to as the "*TowerCos*") shall transfer their respective ownerships in the *TowerCos* to Pylon. After the swap, *MIESCOR* owns 25.56% of *Pylon* with *Pylon* owning 100% each of *MIDC* and *PhilTower*. As a result, *MIESCOR* lost its power to govern the financial and operating policies of *MIDC* with the reduction in the voting rights at meetings of the Board of Directors.

Accordingly, upon approval by the Philippine Competition Commission ("*PCC*") and the Securities and Exchange Commission ("*SEC*"), and completion of other conditions of the transaction on September 13, 2024, *MIESCOR* derecognized in its financial statements the related assets, liabilities and non-controlling interests of *MIDC*, and recognized an investment in *Pylon* equivalent to the carrying amount of its investment in *MIDC*. No gain or loss was recognized as a result of the transaction.



Derecognized assets, liabilities and non-controlling interests of *MIDC* are as follows:

	Amounts in millions
Property and equipment	₱8,088
Intangible assets	15,092
Other noncurrent assets	53
Cash and cash equivalents	465
Trade and other receivables	912
Inventories	974
Other current assets	3,285
Interest-bearing long-term financial liabilities	(9,749)
Trade and other payables	(5,710)
Net identifiable assets	13,410
Less: Non-controlling interests	6,571
Net assets	₱6,839

Radius

On April 30, 2024, *PLDT* subscribed to 2,491,516 common shares of *Radius*, representing 34.9% equity interest for ₱2.1 billion. As a result, *MERALCO* recognized a non-controlling interest and equity reserve of ₱1.0 billion and ₱1.1 billion, respectively, as it retained majority of voting rights in *Radius*.

Bayad

On July 31, 2024, *CIS* sold its 10% equity interest in *Bayad* to *Kayana* for ₱320.0 million. *MERALCO* recognized a non-controlling interest and equity reserve of ₱35.8 million and ₱237.6 million, respectively, as it retained majority of voting rights in *Bayad*.

On December 9, 2024, *Densan* sold its 5% equity interest in *Bayad* and *CFSI* for ₱241.5 million to *MERALCO*. Consequently, *MERALCO* recognized a reduction in non-controlling interest and equity reserve of ₱19.9 million and ₱221.6 million, respectively.

4. Material Accounting Policies, Changes and Improvements

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. The *MERALCO Group* has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the *MERALCO Group*.



- Amendments to *PAS 21, Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted, and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments have no material impact on the consolidated financial statements of the *MERALCO Group*.

Pronouncements issued but not yet effective are listed below. The *MERALCO Group* intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the *MERALCO Group*'s consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on *PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, Disclosures about Uncertainties in the Financial Statements*
- Amendments to *PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments*
- Amendments to *PFRS 9 and PFRS 7, Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to *PFRS Accounting Standards - Volume 11*
 - Amendments to *PFRS 1, Hedge Accounting by a First-time Adopter*
 - Amendments to *PFRS 7, Gain or Loss on Derecognition*
 - Amendments to *PFRS 9, Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to *PFRS 10, Determination of a 'De Facto Agent'*
 - Amendments to *PAS 7, Cost Method*

Effective beginning on or after January 1, 2027

- *PFRS 17, Insurance Contracts*
- *PFRS 18, Presentation and Disclosure in Financial Statements*
- *PFRS 19, Subsidiaries without Public Accountability*

Deferred effectivity

Amendments to *PFRS 10, Consolidated Financial Statements*, and *PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



Material Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are as follows:

Utility Plant, Generation Plant and Others

Utility plant, generation plant and others, except land, are stated at cost, net of accumulated depreciation, amortization and impairment losses, if any. Cost includes the cost of replacing part of such utility plant, generation plant and other properties when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are charged to operating expenses as incurred in the consolidated statement of income. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

The *MERALCO Group's* utility plant, generation plant and others acquired before January 1, 2004 are stated at deemed cost. The revalued amount recorded as at January 1, 2004 was adopted as deemed cost as allowed by the transition provisions of *PFRS 1*. The balance of revaluation increment was closed to the retained earnings account.

See *Note 16 – Equity* for the related discussion.

Depreciation and amortization of utility plant, generation plant and others are computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Subtransmission and distribution	10-40 years, depending on the life of the significant parts
Power plant machinery and equipment	3-25 years
Buildings and improvements	15-40 years
Data transmission cables and communication equipment	5-15 years
Office furniture, fixtures and other equipment	5-20 years
Transportation equipment	5-10 years
Others [(include right-of-use (“ <i>ROU</i> ”) assets)]	2-45 years

An item of utility plant, generation plant and others is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising as a result of the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted prospectively, if appropriate, at each reporting period to ensure that the residual values, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of utility plant, generation plant and others.



Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the qualifying asset for its intended use or sale have been undertaken and expenditures and borrowing costs have been incurred. Borrowing costs are capitalized until the asset is substantially completed and available for its intended use.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as any exchange differences arising from any foreign currency denominated borrowings used to finance the projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Investments in Associates and Interests in Joint Ventures

An associate is an entity where *MERALCO Group* has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and interests in joint ventures are accounted for using the equity method and are initially recognized at cost.

Under the equity method, the investment in an associate or interest in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

If its share in losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the *MERALCO Group* discontinues recognizing its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment or joint venture determined using the equity method together with any long-term interest that in substance forms part of the *MERALCO Group's* net investment in associate or joint venture.



After the *MERALCO Group*'s interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the *MERALCO Group* has incurred legal or constructive obligation or made payments in behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, it resumes recognizing its share of their profits only after its share of the profit equals the share of loss not recognized.

The consolidated statement of income reflects the *MERALCO Group*'s share in the results of operations of the associate or joint venture. Any change in the other comprehensive income ("OCI") of those investees is presented as part of the *MERALCO Group*'s OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the *MERALCO Group* recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the *MERALCO Group* and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the *MERALCO Group*'s share in the profit or loss of its associates and joint ventures is shown on the face of the consolidated statement of income and represents profit or loss after tax.

The financial statements of the associate or joint venture are prepared for the same reporting period as the *MERALCO Group*. When necessary, adjustments are made to bring the accounting policies in line with those of the *MERALCO Group*.

After application of the equity method, the *MERALCO Group* determines whether it is necessary to recognize an impairment loss on its investment in associate or interest in joint venture. At each reporting date, the *MERALCO Group* determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the *MERALCO Group* calculates the amount of impairment as the difference between the recoverable amount of the investment in associate or interest in joint venture and its carrying value, then recognizes the loss as part of equity in net earnings of an associate or a joint venture in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the *MERALCO Group* measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the investment in associate or interest in joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the *MERALCO Group* elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs in a business combination are recognized as expense.

When a business is acquired, an assessment is made of the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.



If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at acquisition date and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability will be recognized in accordance with *PFRS 9* in the consolidated statement of income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree, over the fair value of net identifiable assets acquired. If the difference is negative, such difference is recognized as gain in the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting date in which the business combination occurs, the provisional amounts of the items for which the accounting is incomplete are reported in the consolidated financial statements. During the measurement period, which shall be no longer than one (1) year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new facts and circumstances obtained that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date. During the measurement period, additional assets or liabilities are also recognized if new information is obtained about facts and circumstances that existed as at the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as at that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units, beginning on the acquisition date.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstance is measured based on relative values of the operation disposed and the portion of the cash-generating unit retained.

Business combinations involving entities under common control are accounted for similar to the pooling-of-interests method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as additional paid-in capital. The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities were under common control.



Investment Properties

Investment properties, except land, are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. The carrying amount includes transaction costs and costs of replacing part of an existing investment property at the time such costs are incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties include properties that are being constructed or developed for future use.

Land classified as investment property is carried at cost less any impairment in value.

The *MERALCO Group*'s investment properties acquired before January 1, 2004 are stated at deemed cost.

See *Note 16 – Equity* for the related discussions.

Investment properties, except land, are being depreciated on a straight-line basis over the useful life of 40 years.

Investment properties are derecognized either when they have been disposed of or when these are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss from the derecognition of the investment properties is recognized in the consolidated statement of income in the period these are disposed or retired.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the commencement of an operating lease to another party. If owner-occupied property becomes an investment property, this is accounted in accordance with the policy stated under utility plant, generation plant and others up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or the commencement of development with a view to sale. Transfers from investment property are recorded using the carrying amount of the investment property as at the date of change in use.

Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic lives of five (5) to 30 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the consolidated statement of income.



Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of income.

Intangible assets generated within the business are not capitalized and expenditures are charged to profit or loss in the period these are incurred.

Fair Value Measurement

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 (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the *MERALCO Group*.

The fair value of an asset or a 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. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques used are those 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 consolidated 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:

- i. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ii. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- iii. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the *MERALCO Group* determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the classes of assets and liabilities are identified on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.



Impairment of Nonfinancial Assets

At each reporting date, an assessment is done to determine whether there is an indication that a nonfinancial asset [utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures and receivable from the Bureau of Internal Revenue (“BIR”)], may be impaired. If any such indication exists, an estimate of the asset’s recoverable amount is made. An asset’s recoverable amount is the higher of an individual asset’s or a cash-generating unit’s fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value is the amount obtainable from the sale of the asset in an arm’s-length transaction. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation factors/parameters, quoted share prices for publicly traded securities or other available fair value indicators. 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. Impairment losses are recognized in the consolidated statement of income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the individual asset’s or cash-generating unit’s recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If a reversal of impairment loss is to be recognized, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset in prior period. Such reversal is recognized in the consolidated statement of income. After such reversal, the depreciation and amortization expense are adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually at every reporting date or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, either individually or at the cash-generating unit level, as appropriate. The amount of impairment is calculated as the difference between the recoverable amount of the intangible asset and its carrying amount. The impairment loss is recognized in the consolidated statement of income. Impairment losses relating to intangible assets may be reversed in future periods.

Goodwill is reviewed for impairment annually at every reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount of the cash-generating unit or group of cash-generating units to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill shall not be reversed in future periods.

If the allocation of goodwill acquired in a business combination to cash-generating units or group of cash-generating units is incomplete, an impairment testing of goodwill is only carried out when impairment indicators exist. Where impairment indicators exist, impairment testing of goodwill is performed at a level at which the acquirer can reliably test for impairment.



Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified and measured at amortized cost, *FVOCI*, and fair value through profit or loss ("*FVPL*").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the *MERALCO Group* initially measures a financial asset at its fair value, and in the case of a financial asset not at *FVPL*, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or *FVOCI*, it needs to give rise to cash flows that are solely payments of principal and interest ("*SPPI*") on the principal amount outstanding. This assessment is referred to as the *SPPI* test and is performed at an instrument level.

The business model for managing financial assets refers to how financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized at the trade date, i.e., the date that a commitment to purchase or sell the asset is made.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at *FVOCI* with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at *FVOCI* with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at *FVPL*

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the *MERALCO Group*. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.



Financial assets at amortized cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired. The *MERALCO Group*’s financial assets at amortized cost include cash and cash equivalents, trade and other receivables, short-term investments, debt securities at amortized cost and advance payments to a supplier.

Financial Assets at FVOCI (Debt Instruments)

Debt instruments are measured at *FVOCI* if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

For debt instruments at *FVOCI*, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in *OCI*. Upon derecognition, the cumulative fair value change recognized in *OCI* is recycled to profit or loss. The *MERALCO Group*’s debt instruments at *FVOCI* include investments in corporate and government bonds.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, equity investments may be classified irrevocably as equity instruments designated at *FVOCI* when they meet the definition of equity under *PAS 32, Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right to receive payment has been established, except when such proceeds are partial recovery of the cost of the financial asset, in which case, such gains are recorded in *OCI*. Equity instruments designated at *FVOCI* are not subject to impairment assessment.

The *MERALCO Group* elected to classify irrevocably its non-listed equity investments and investments in club shares under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The rights to receive cash flows from the asset have been transferred or when an obligation to pay the received cash flows is assumed in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) when all the risks and rewards of the asset are neither transferred nor retained substantially but control of the asset has been transferred.



When the rights to receive cash flows from an asset have been transferred or a pass-through arrangement has been entered, an evaluation of the extent that such risks and rewards of ownership is retained shall be made.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the transferred asset to the extent of *MERALCO Group's* continuing involvement and an associated liability are recognized. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that could be required to repay.

Modification of Financial Assets

A financial asset is derecognized when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated statement of income, to the extent that an impairment loss has not already been recorded.

Both qualitative and quantitative factors are considered in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the following factors, among others, are used:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered *SPPI*

A quantitative assessment similar to that being performed for modification of financial liabilities is also done. In performing the quantitative assessment, the new terms of a financial asset are considered to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR* is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is calculated as the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* (or credit-adjusted *EIR* for purchased or originated credit-impaired financial assets) and a modification gain or loss is recognized in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for *ECL* measurement purposes, unless the new financial asset is deemed to be purchased or originated credit-impaired financial assets ("*POCP*").



Impairment of Financial Assets

An allowance for *ECL* is assessed for all debt instruments not held at *FVPL*. *ECLs* are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original *EIR*. The expected cash flows shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, *ECLs* are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month *ECL*). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime *ECL*).

Financial assets are credit-impaired when one (1) or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime *ECLs* are recognized and interest revenue is calculated by applying the credit-adjusted *EIR* to the amortized cost of the financial assets.

For trade receivables and contract assets, a simplified approach is applied in calculating *ECLs*. Changes in credit risk are not tracked, instead a loss allowance based on lifetime *ECLs* of each customer segment (e.g., residential, commercial, industrial, etc.) is recognized at each reporting date. A provision matrix that is based on its current credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment has been established and used. In determining the *ECLs* of trade receivables, the credit loss experience for each contract status of customers for the current period, adjusted for forward-looking factors as well as the economic environment, was considered.

For debt instruments, the low credit risk simplification is applied. At every reporting date, an assessment is made on whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the internal credit rating of the debt instrument is reassessed. There is significant increase in credit risk when contractual payments are more than 30 days past due.

The *MERALCO Group's* debt instruments at *FVOCI* comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. As a policy, *ECLs* are measured on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the expected lifetime credit losses.



Credit losses are recognized based on a 12-month *ECL* for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

At each reporting date, an assessment is made for any significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the investment grade criteria, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month *ECL*. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria from the time of origination.

An exposure will migrate through the *ECL* stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime *ECL* to 12-month *ECL*.

A financial asset is considered in default when contractual payments are 300 days past due (average days to terminate customer contract). In certain cases, a financial asset is also considered to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at *FVPL*, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The *MERALCO Group's* financial liabilities include interest-bearing long-term financial liabilities, customers' deposits and refunds, refundable service extension costs, notes payable, and trade payables and other current liabilities.



Subsequent Measurement

Financial liabilities at FVPL

Financial liabilities at *FVPL* include financial liabilities held for trading and financial liabilities designated upon initial recognition as at *FVPL*.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by *PFRS 9*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at *FVPL* are designated at the initial date of recognition, and only if the criteria in *PFRS 9* are satisfied. The *MERALCO Group* has not designated any financial liability as at *FVPL*.

Loans and borrowings

This is the category most relevant to the *MERALCO Group*. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the *EIR* method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the *EIR* amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the *EIR*. The *EIR* amortization is included as finance costs in the consolidated statement of income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Exchange or Modification of Financial Liabilities

Both qualitative and quantitative factors are used in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR*, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).



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 between the carrying value of the original financial liability and the fair value of the new liability is recognized in the consolidated statement of income.

When the exchange or modification of the existing financial liability is not considered as substantial, the gross carrying amount of the financial liability is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* and a modification gain or loss is recognized in the consolidated statement of income.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

The *MERALCO Group* has not availed of any reliefs and has not renegotiated the terms of its existing loan agreements with its lenders.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivatives and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The *MERALCO Group* designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The *MERALCO Group* documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The *MERALCO Group* also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in *Note 22 - Trade Payables and Other Current Liabilities* and *Note 27 - Financial Assets and Financial Liabilities*. Movements in the hedging reserve are shown in other comprehensive income that will not be reclassified to profit and loss in the subsequent period.



Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of acquiring materials and supplies including costs incurred in bringing each item to their present location and condition are accounted using the moving average and weighted average cost method, as applicable. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell or the current replacement cost of the asset.

Value-Added Tax ("VAT")

Input *VAT* pertains to the 12% indirect tax paid in the course of trade or business on purchases of goods or services.

Output *VAT* pertains to the 12% tax due on the local sale of goods or services.

If at the end of any taxable month, the output *VAT* exceeds the input *VAT*, the outstanding balance is included under "Trade payables and other current liabilities" account. If the input *VAT* exceeds the output *VAT*, the excess shall be carried over to the succeeding months and included under "Other current assets" account.

Provisions

Provisions are recognized when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When a provision, or a portion of such provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liabilities.



Retirement Benefits

MERALCO and certain subsidiaries have distinct, funded, noncontributory defined benefit retirement plans covering all permanent employees. *MERALCO*'s retirement plan provides for post-retirement benefits for employees hired as at December 31, 2003. Retirement benefits for employees of *MERALCO* hired beginning January 1, 2004 are for defined payment upon retirement of qualified employees. *MERALCO* also has a contributory provident plan introduced in January 2009 whereby employees hired beginning January 1, 2004 may elect to participate.

The net defined benefit liability or asset of the retirement plan is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise of (i) service costs; (ii) net interest on the net defined benefit liability or asset; and (iii) remeasurements of the net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in *OCI* in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the *MERALCO Group*, nor can they be paid directly to *MERALCO* or any of its subsidiaries or affiliates. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The *MERALCO Group*'s right to be reimbursed for some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.



The retirement costs under the defined contribution plan are recorded based on contributions to the defined contribution plan as services are rendered by the employee.

Termination Benefits

Termination benefits are provided in exchange for employee's severance as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlements

Employee entitlements to annual leave are recognized as a liability when such accrues to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

Unused sick leaves are accumulated, up to a certain limit, and commuted to cash upon separation or retirement. An actuarial valuation of the obligations on the accumulated unused sick leaves is conducted periodically in accordance with the relevant accounting standards.

Long-term Incentive Plan

The liability relating to the *BOD*-approved long-term incentive plan comprises the present value of the obligation at the end of the reporting date.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration in exchange for those goods or services. The revenue arrangements are assessed against specific criteria to determine if the seller is acting as a principal or as an agent. The *MERALCO Group* has concluded that it is acting as a principal in majority of its revenue arrangements.

The following specific recognition criteria must also be met before revenue from contracts with customers is recognized:

Sale of Electricity

As *DU*, revenues are recognized upon supply of power to the customers and are stated at amounts invoiced to customers, inclusive of pass-through components, and net of any discounts and/or rebates. The Uniform Filing Requirements ("*UFR*") on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) *SL* charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment ("*CERA*") I and II, where applicable and (h) inter-class rate and lifeline subsidies. *VAT*, business taxes such as *LFT*, *RPT* (beginning March 2021), the Power Act Reduction (for residential customers) adjustment, universal charges, and Feed-in-Tariff - Allowance ("*FiT-All*") are also separately presented in the customer's billing statement.



Taxes billed and collected on behalf of the national government and local government units, universal charges and *FiT-All* [billed and collected on behalf of Power Sector Assets and Liabilities Management Corporation (“*PSALM*”) and National Transmission Corporation (“*TransCo*”), respectively] do not form part of the revenues of the distribution utilities. Revenues are adjusted for the over and/or under-recoveries of pass-through charges.

As *RES*, revenues are recognized upon supply of power to the customers, based on the actual energy delivered.

Revenue from Contracts with Customers - Recognized at Point in Time

Revenues from the following are recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods:

Coal Sales

Coal sales are recognized when the coal is delivered and the legal title is passed to the customer. Coal sales are included in sale of electricity in the consolidated statement of income.

Interest Income

Interest income is recognized as interest accrues, using the *EIR* method. The *EIR* is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.

Lease Income

Income arising from lease of investment properties and pole positions is accounted for on a straight-line basis over the lease term.

Lease income is presented as part of sale of other services in the consolidated statement of income.

Revenue from Contracts with Customers - Recognized Over Time

MGen and its subsidiaries (“*MGen Group*”) has Electric Power Purchase Agreement (“*EPPA*”) with customers, Ancillary Services Procurement Agreement (“*ASPA*”) with National Grid Corporation of the Philippines (“*NGCP*”), and electricity trading transactions in *WESM*.

Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. At contract inception, it is determined whether control of a promised good or service shall be transferred over time. If the *MGen Group* does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services.

Revenue from contracts with customers is consummated whenever the electricity generated is transmitted through the transmission line designated by the buyer, for a consideration.

Revenue from sale of electricity is recognized monthly based on the actual energy delivered and made available to customers or minimum energy off take or contracted capacity, adjusted by actual days of downtime, whichever is higher.



Revenue from sale of electricity through ancillary services to *NGCP* is recognized monthly based on the capacity scheduled and/or dispatched and provided.

Energy fees derived from trading operations are recognized based on actual delivery of such electricity supplied and made available to customers multiplied by the applicable tariff rate as agreed with its customers.

Sale of Services

Revenue from construction contracts of *MIESCOR* and its subsidiaries ("*MIESCOR Group*") and *MServ* is recognized over time on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract (output method). Progress is measured based on the monthly project accomplishment which integrates the performance to date of the construction activities.

Construction contracts are generally accounted for as a single performance obligation and are not segmented among types of services. For engineering and construction contracts, these two (2) are combined into one performance obligation since these are not distinct within the context of the contract. The combined performance obligation qualifies as a good or service (or a bundle of goods or services) that is distinct.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If goods or services are transferred to a customer before the customer settles its obligation, a contract asset is recognized for the earned consideration that is conditional.

The *MERALCO Group*'s contract assets include unbilled receivables and under-recoveries of pass-through charges.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which a consideration (or an amount of consideration) is due from the customer. If a customer pays the consideration before the good or services are transferred to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the performance under the contract is satisfied.

The *MERALCO Group*'s contract liabilities include assets funded by customers and over-recoveries of pass-through charges.

Assets Funded by Customers

In accordance with the Distribution Services and Open Access Rule ("*DSOAR*"), the costs of non-standard connection facilities to connect the customers to a distribution utility's distribution network and to provide the customers with ongoing access to the supply of electricity are funded by the customers. The distribution utility assesses whether the constructed or acquired non-standard connection facilities meet the definition of an asset in accordance with *PAS 16*. If the definition of an asset is met, such asset is recognized at its acquisition or construction cost with an equivalent credit to the liability account. Such liability to the customers is included under "Other noncurrent liabilities" account in the consolidated statement of financial position, and is recognized as income over the



average duration of relationship with the customer. Assets funded by customers do not form part of the distribution utility's regulatory asset base until amounts are refunded to the customers.

Net Over-recoveries of Pass-through Charges

Transmission over-recoveries which resulted from the difference in the power suppliers' billings and recovery of such pass-through costs from consumers are included in "Other noncurrent liabilities" account in the consolidated statement of financial position.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized when incurred. Contract costs relating to satisfied performance obligations are recognized as these are incurred. Contract costs principally include all direct materials, labor costs and indirect costs related to contract performance. Project mobilization costs and incremental costs of obtaining a contract with a customer are recognized as an asset if it is expected that such costs will be recovered and the contract term is for more than one (1) year. The project mobilization costs and costs of obtaining a contract are amortized over the expected construction period following the pattern of revenue recognition. Costs incurred prior to obtaining a contract with a customer are not capitalized but are expensed as incurred. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenues. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, based on the stage of completion of the contract activity, or the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

Total contract costs incurred and estimated earnings recognized in excess of total billings are recognized as an asset.

Short-term Leases and Leases of Low-value Assets

Short-term lease recognition exemption is applied to short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases

At contract inception, an assessment is made whether such contract contains a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange of a consideration.



Company as Lessee

At commencement date of the lease, a *ROU* asset and a corresponding lease liability are recognized on the statement of financial position, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are booked as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the *MERALCO Group's* incremental borrowing rate. Incremental borrowing rate is the rate of interest that would have to be paid to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the *ROU* asset in a similar economic environment.

Lease payments included in the measurement of the lease liability consist of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the *ROU* asset, or profit and loss if the *ROU* asset is already reduced to zero.

ROU asset is measured at cost, which consist of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

ROU assets are depreciated on a straight-line basis using the expected useful life or lease term, whichever is shorter. *ROU* assets are also assessed for impairment when such indicators exist.

Company as Lessor

Leases where the risks and benefits of ownership of the asset are not substantially transferred are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Foreign Currency-Denominated Transactions and Translations

The Philippine peso is primarily the functional and presentation currency of all entities in the *MERALCO Group* except for *LOIL* and *MPG Asia*. It is the currency of the primary economic environment. This is also the currency that mainly influences the revenue from and cost of rendering services. Each entity in the *MERALCO Group* determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of *LOIL* and *MPG Asia* is the United States (“U.S.”) dollar.



Transactions in foreign currencies are initially recorded in the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated using functional currency closing rate of exchange prevailing at the reporting date. All differences are recognized in the consolidated statement of income except for foreign exchange differences that relate to capitalizable borrowing costs on qualifying assets. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transactions.

As at the reporting date, the monetary assets and liabilities of subsidiaries, *LOIL* and *MPG Asia* whose functional currency is other than Philippine peso, are translated into Philippine peso at the rate of exchange prevailing at the end of the reporting date, and income and expenses are translated monthly using the weighted average exchange rate for the month. The exchange differences arising on translation are recognized as a separate component of *OCI* as cumulative translation adjustments. On the disposal or derecognition of a subsidiary, the amount of cumulative translation adjustments recognized in *OCI* is recognized in the consolidated statement of income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.



The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent these have become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax items are recognized in correlation to the underlying transactions either in profit or loss or directly in equity.

Contingencies

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

Events After the Reporting Date

Post reporting date events that provide additional information as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post reporting date events that are non-adjusting events are disclosed in the notes to consolidated financial statements, when material.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the *MERALCO Group's* consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent assets and liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Judgments

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.



Uncertain Tax Position

The *MERALCO Group* assesses whether it has any uncertain tax position in accordance with *IFRIC 23*. Significant judgement is applied in identifying uncertainties over the income tax treatments. Based on review and assessment of the income tax computations and filings, in consultation with external tax expert, it is determined that it is not probable that its uncertain tax treatments will be accepted by the taxation authorities. Any effect of each uncertain tax treatment is quantified using the most likely amount which the *MERALCO Group* expects to better predict the resolution of the uncertainty.

Arrangement that Contains a Lease

As assessed, the *PPAs* and *PSAs* do not qualify as leases and are accounted for as ordinary service contracts, since the distribution utilities do not have the right to direct the use, operate and were not involved in the design of the identified assets.

Principal versus Agent

Revenue recognition requires certain judgments on its arrangements with power generation companies such as *PPAs* and *PSAs* to be made. The *MERALCO Group* has concluded that it is acting as a principal in substantially all of its revenue arrangements.

Revenue from sale of electricity requires *MERALCO*, *Clark Electric* and *Shin Clark Power* to bill customers based on various billing cycle cut-off dates, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPAs* and *PSAs*. The difference between the amounts initially billed to customers and the settlement of the actual billings with power generation companies is adjusted to revenue at month end.

Revenues from electricity service re-connection and other non-standard connection services arise from a single performance obligation which is satisfied over the period when the services are expected to be provided.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as a Joint Venture

MERALCO, through *MGen*, has a 51% interest in San Buenaventura Philippines Ltd. Co. ("*SBPL*") and 60% interest in Chromite Gas Holdings, Inc. ("*Chromite Holdings*"). While *MERALCO* has majority of the voting rights in *SBPL* and *Chromite Holdings*, it does not have sole control of the entities. *MERALCO's* investments in *SBPL* and *Chromite Holdings* are accounted for as a joint venture since key operating and financial decisions of these entities require the unanimous vote and consent of the parties sharing control.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as an Associate

MERALCO, through *MGen*, has a total of 58% direct and indirect interest in *PacificLight Power*. *MERALCO's* investment in *PacificLight Power* is accounted for as an associates since its relevant and significant activities and policies require the majority votes of the *BOD* and *MGen* does not hold the majority of the *BOD*.



Entity in which the MERALCO Group Holds 50% of the Voting Rights Accounted for as an Associate

MERALCO, through MGen, has 50%-less-one-share stake in Alsons Thermal Energy Corporation (“ATEC”). MERALCO’s investment in ATEC is accounted for as an associate since MERALCO has no presumptive control over ATEC as it does not represent the majority of the total voting interest, and none of the qualitative factors denoting control exists based on PFRS 10.

Entity in which the MERALCO Group Holds less than 20% of the Voting Rights Accounted for as an Associate

MERALCO, through Finserve, has 10% interest in AF Payments, Inc. (“AF Payments”). AF Payments is considered an associate and, thus, MERALCO/Finserve’s interest in AF Payments is accounted for using the equity method. MERALCO/Finserve is deemed to have significant influence as evidenced by its representation in the BOD which guarantees MERALCO/Finserve’s participation in the decision making and policy making process of AF Payments.

Acquisitions

The MERALCO Group evaluates each investment under PFRS 3 to determine whether to treat an acquisition as an asset acquisition or a business combination. For those transactions treated as asset acquisitions, the purchase price is allocated to the assets acquired, with no recognition of goodwill. For those acquisitions that meet the definition of a business combination, the acquisition method of accounting is applied where assets acquired and liabilities assumed are recorded at fair value at the date of each acquisition, and the results of operations are included from the dates of the respective acquisitions. When determining the fair value of tangible assets acquired, the age, condition and the economic useful life of the asset are taken into consideration to determine the estimated cost to replace the asset. When determining the fair value of intangible assets acquired, the applicable discount rate and the timing and amount of future cash flows, including rate and terms of renewal and attrition are considered.

Revenue from Contracts with Customers

The power generation units applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying Performance Obligations

The MGen Group identifies performance obligations and determines which promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and where the promise to transfer such good or service to the customer is separately identifiable from the other promises in the contract.

An assessment of performance obligations of a series of distinct goods and services, is conducted for those which are substantially the same and have the same pattern of transfer if:

- a. each distinct good or services in the series are transferred over time; and
- b. the same method of progress will be used (i.e., units of delivery) to measure the entity’s progress towards complete satisfaction of the performance obligation.



For revenue contracts under *EPPAs*, *ASPA*, and spot market sales to *WESM*, these are combined and considered as one (1) performance obligation since these are not distinct within the context of *PFRS 15* as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

Determining Method to Estimate Variable Consideration and Assessing the Constraint

Variable considerations are estimated and included but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Both the likelihood and magnitude of the revenue reversal are considered in evaluating the extent of variable consideration or constraint.

Factors such as the following are considered:

- a. high susceptibility to factors outside the Group's influence;
- b. timing of the resolution of the uncertainty; and
- c. having a large number and broad range of possible outcomes.

Some contracts with customers provide for volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, either the expected value method or the most likely amount method is used depending on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The *MGen* Group determined that the expected value method is the more appropriate method for estimating the variable consideration given the number of contracts with customers that have similar characteristics and the range of possible outcomes.

Allocation of Variable Consideration

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For revenue contracts under *EPPAs* and *ASPA*, as well as spot market sales to *WESM*, revenue streams which are considered as series of distinct services that are substantially the same and have the same pattern of transfer, the variable amount that is no longer subject to constraint is allocated to the satisfied portion (i.e., month or actual electricity delivery) which forms part of the single performance obligation and the monthly billing.

Revenue Recognition

Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. At contract inception, an assessment is conducted to determine whether control of a promised good or service is transferred over time. If a performance obligation is not satisfied over time, then such is considered satisfied at a point in time.

The *MGen* Group concluded that revenue from sale of electricity from contracts with customers are to be recognized over time, since customers simultaneously receive and consume the benefits as the *MGen* Group supplies power.



Contingencies

There are possible claims from or obligation to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within its control. Management has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts.

See *Note 3 - Statement of Compliance and Basis of Consolidation, Note - 22 Trade Payables and Other Current Liabilities and Note 29 - Contingencies and Legal Proceedings.*

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are discussed as follows:

Estimating Useful Lives of Utility Plant, Generation Plant and Others, Intangible Assets with Finite Lives, and Investment Properties

The useful lives of utility plant, generation plant and others, intangible assets with finite lives, and investment properties are estimated based on the periods over which such assets are expected to be available for use. The estimate of the useful lives of the utility plant, generation plant and others, intangible assets with finite lives, and investment properties is based on management's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least at each financial reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of such assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned in the foregoing. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant, generation plant and others, intangible assets with finite lives, and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The total depreciation and amortization expense of utility plant, generation plant and others amounted to ₱15,566 million, ₱15,542 million and ₱14,770 million for the years ended December 31, 2025, 2024 and 2023, respectively. Total carrying values of utility plant, generation plant and others, net of accumulated depreciation and amortization, amounted to ₱378,232 million and ₱288,501 million as at December 31, 2025 and 2024, respectively.

Total depreciation of investment properties amounted to ₱4 million for each of the years ended December 31, 2025, 2024 and 2023. Total carrying values of investment properties, net of accumulated depreciation, amounted to ₱1,483 million and ₱1,487 million as at December 31, 2025 and 2024, respectively.

Total amortization of intangible assets with finite lives amounted to ₱1,464 million, ₱1,983 million and ₱1,851 million for the years ended December 31, 2025, 2024 and 2023, respectively. Total carrying values of intangible assets with finite lives, net of accumulated amortization, amounted to ₱40,658 million and ₱41,559 million as at December 31, 2025 and 2024, respectively.



See Note 7 – Utility Plant, Generation Plant and Others, Note 9 – Investment Properties and Note 10 – Intangible Assets.

Impairment of Nonfinancial Assets

PFRS Accounting Standards require that an impairment review be performed when certain impairment indicators are present. These conditions include obsolescence, physical damage, significant changes in the manner by which an asset is used, worse than expected economic performance, drop in revenues or other external indicators, among others. In the case of goodwill, at a minimum, such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires preparation of an estimate of the expected future cash flows from the cash-generating unit and choosing an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the consolidated financial statements. Future events may cause management to conclude that utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets are impaired. Any resulting impairment loss could have material adverse impact on the consolidated financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While management believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges under PFRS Accounting Standards.

The carrying values of nonfinancial assets subject to impairment review are as follows:

Account	2025	2024
	<i>(Amounts in millions)</i>	
Utility plant, generation plant and others	₱378,232	₱288,501
Investments in associates and interests in joint ventures	140,440	47,513
Intangible assets	40,658	41,559
Investment properties	1,483	1,487

See Note 7 – Utility Plant, Generation Plant and Others, Note 8 – Investments in Associates and Interests in Joint Ventures, Note 9 – Investment Properties, Note 10 – Intangible Assets and Note 11 – Other Noncurrent Assets.

Realizability of Deferred Income Tax Assets

The carrying amounts of deferred income tax assets are reviewed at the end of each reporting period and these may be reduced to the extent that such deferred tax assets are no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.



Assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income for the subsequent reporting period. This forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. Management believes that sufficient taxable profit will be generated to allow all or part of the recorded or recognized deferred tax assets to be utilized. The amounts of the deferred income tax assets considered realizable could be adjusted in the future if estimates of taxable income are revised. As of December 31, 2025 and 2024, the temporary differences without deferred tax amounted to ₱6,769 million and ₱7,280 million, respectively.

See *Note 28 – Income Taxes and Local Franchise Taxes*.

Provision for ECL of Receivables and Contract Assets

The *MERALCO Group* applies the *PFRS 9* simplified approach to measure *ECL* which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

ECL is provided for certain identified trade receivables which have been the subject of disputes from customers. In determining the *ECLs* of trade receivables, the credit loss experience for each contract status of customers for the current period, adjusted for forwarding looking factors, and taking into account the economic environment is considered. The contract assets relate to unbilled receivables and have substantially the same risk characteristics as the trade and other receivables. The *MERALCO Group* has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Forward-looking information is incorporated in the assessments for any significant increase in credit risk since the initial recognition and measurement of *ECL*. A range of relevant forward-looking macroeconomic assumptions such as inflation rate, gross domestic product and unemployment rate for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of *ECLs* are considered.

ECLs for trade and other receivables, net of recoveries, amounted to ₱1,008 million, ₱849 million and ₱998 million for the years ended December 31, 2025, 2024 and 2023, respectively. Trade and other receivables, net of allowance for *ECL*, amounted to ₱76,726 million and ₱64,697 million as at December 31, 2025 and 2024, respectively.

See *Note 13 – Trade and Other Receivables*.

Estimating Net Realizable Value of Inventories

Inventories consist of materials and supplies used in the electricity distribution, power generation and services segments, and are valued at the lower of cost or net realizable value. The cost of inventories is written down whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes (i.e., pre-termination of contracts). The lower of cost or net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and no longer usable are written off and charged as expense in the consolidated statement of income.

The carrying values of inventories amounted to ₱10,983 million and ₱11,422 million as at December 31, 2025 and 2024, respectively.

See *Note 14 – Inventories*.



Estimation of Retirement Benefit Costs

The cost of defined benefit retirement plans and other post-employment benefits as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement benefits increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement and other post-employment benefits expense amounted to ₱2,002 million, ₱1,668 million and ₱1,180 million for the years ended December 31, 2025, 2024 and 2023, respectively. Retirement and other post-employment benefit liabilities as at December 31, 2025 and 2024 amounted to ₱13,559 million and ₱13,389 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and retirement benefits increases are based on expected future inflation rates for the Philippines.

See *Note 25 – Expenses and Income* and *Note 26 – Long-term Employee Benefits*.

Provisions

Note 2 – Rate Regulations and *Note 29 – Contingencies and Legal Proceedings* discuss various claims, assessments and cases of the *MERALCO Group*. An estimate for probable costs for the resolution of these claims, assessments and cases has been developed in consultation with external counsel and/or internal counsels handling the defense for these claims, assessments and cases and is based upon thorough analysis of potential outcome.

In consultation with its external and internal legal counsels, management does not believe that these claims and legal proceedings will have a material adverse effect on the consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies and actions relating to these proceedings.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. As at December 31, 2025 and 2024, provisions and other noncurrent liabilities are presented net of the effect of the time value of money of ₱7,476 million and ₱8,265 million, respectively.

See *Note 19 – Provisions* and *Note 22 – Trade Payables and Other Current Liabilities*.



Revenue Recognition

The overall revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

Revenues from sale of electricity by *MERALCO*, *Clark Electric* and *Shin Clark Power* are billed based on customer-specific billing cycle cut-off date for each customer, while billing of related purchased power cost is based on calendar month as provided in the terms of the *PPAs* and *PSAs*. The recognition of unbilled revenues for billing cycles with earlier than month-end cut-off dates requires the use of estimates. The difference between the amounts initially recognized based on provisional invoices and the settlement of the actual billings by power generation companies is taken up in the subsequent period. Also, revenues from sale of electricity are adjusted for the estimated over and/or under-recoveries of pass-through charges, which are subject of various applications for recovery and approval by the *ERC*.

Revenues from sale of electricity also account for variable considerations included in the transaction price resulting from historical refunds to customers. The refund liability related to these variable considerations is included as part of “Trade payables and other liabilities” and “Other noncurrent liabilities” accounts in the consolidated statement of financial position. As at December 31, 2025 and 2024, the balance of refund liability (gross of present value adjustments) amounted to ₱22,839 million and ₱18,822 million, respectively.

Management believes that such use of estimates will not result in material adjustments in future periods.

Revenues and costs from construction contracts of *MIESCOR* and *MServ* are recognized based on the output method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The method of measuring progress is either through input or output method. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

The *MGen* Group determined that the output method is the more appropriate way of measuring progress as actual electricity is supplied to customers.



6. Segment Information

Each operating segment of the *MERALCO Group* engages in business activities from which revenues are earned and expenses are incurred (including intercompany transactions with other business segments within the *MERALCO Group*). The operating results of each of the operating segments are regularly reviewed by *MERALCO*'s Management Committee to evaluate how resources shall be allocated and to assess their performances based on available financial information.

For management purposes, operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- **Power**

The Power segment consists of (a) electricity distribution, (b) power generation and (c) *RES*.

Electricity distribution – This is principally electricity distribution and supply of power on a pass-through basis covering all captive customers of *MERALCO*, *Clark Electric* and *Shin Clark Power*. Electricity distribution within the *MERALCO* franchise area accounts for approximately 50% of the power requirements of the country. *Clark Electric*'s franchise area covers Clark Special Economic Zone and the sub-zones and *Shin Clark Power*'s franchise area covers the *NCC*.

Shin Clark through a Joint Venture Agreement (“*JVA*”) with *BCDA*, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress under Republic Act No. 11420 to *BCDA*, which assigned the same to *Shin Clark Power*, in exchange for 10% equity interest in *Shin Clark Power*. *Shin Clark Power*, incorporated and registered with the *SEC*, has a *CPCN* issued by the *ERC* to operate as a *DU* for a period of 25 years.

MERALCO manages the electric distribution facilities of *PELCO II* through *Comstech* under an *IMC*. *MERALCO* also manages the electric distribution facilities in the *CEZ* under a 25-year concession agreement with *PEZA*.

Power generation – The *MERALCO Group* has a combined group generating capacity of 5,069.7 *MW* (net) of coal, liquid natural gas, renewable and diesel plants in the Philippines and Singapore. In addition, it is currently developing a total of 3,950 *MWp* of solar capacities.

The capacity includes the 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon of *SBPL*, of which *MGen* has a 51% interest.

GBPC owns 831 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. This includes the 2 x 108.5 *MW* (net) *CFB* plant in Maasim, Sarangani of Sarangani Energy Corporation (“*Sarangani Energy*”). *GBPC* has a 50% less one share interest in *ATEC*, which holds a 100% interest in *Sarangani Energy*.

MGreen is a wholly owned subsidiary of *MGen* engaged in the development, construction and operation of solar-powered generation facilities. It has a 60% equity in *First Bulacan*, which owns and operates a 55 *MWac* utility scale solar facility located in San Miguel, Bulacan, and has an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years up to April 2041.



In 2025, *MGreen* inaugurated *Greenergy's* 52.7 *MWac* and *GSEI's* 19.8 *MWac* solar power plants.

MTerra Solar, a subsidiary of *MGreen*, is developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in 2026 while the balance is due to be completed in 2027.

MGen secured the Department of Energy's ("DOE") reaffirmation of the status of its *AIE* 1,200-*MW* ultra supercritical coal-fired power project as a Committed Project, which followed the agency's confirmation that the project remains outside the coverage of the coal moratorium policy.

MGen and *Therma NatGas, Inc. ("TNGP")* have jointly entered into an Investment Agreement with the parties owning 60% and 40% interests in *Chromite Holdings*, respectively.

PHRI, in partnership with Mitsui's local unit *Mit-Renewables Philippine Corporation*, owns and operates a total of 80.1 *MWac* solar plant in *Baras, Rizal ("Baras Solar Plant")*.

Also, a joint venture with *Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. ("Vena Energy")* and *MGreen, Nuevo Solar Energy Corporation ("NSEC")* owns and operates a 68.7 *MWac* solar plant project in *Ilocos Norte*.

MGreen closed an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in *Bugallon, Pangasinan* through *3 Barracuda Energy Corporation ("Barracuda Energy")*. The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by 2026.

MGen also has a combined 58% (direct and indirect interests) in *PacificLight Power*, which owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by *LNG* in *Jurong Island, Singapore*. On May 14, 2025, a 100 *MW* fast-start *LNG* plant is completed and commissioned to provide ancillary services to the *Singapore* grid under a 25-year Fast Start contract with the *Energy Market Authority ("EMA")*.

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("CCGT") facility in *Jurong Island* by the *EMA* of *Singapore*. The project shall be the largest single H-class *CCGT* plant in *Singapore*, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

See Note 8 – Investments in Associates and Interests in Joint Ventures.

RES – This business segment sources and supplies electricity to qualified contestable customers. Being distribution utilities, *MERALCO* and *Clark Electric* are also qualified and act as local retail electricity suppliers within their respective franchise area as a separate business unit, *MPower* and *Cogent Energy*, respectively. Under Retail Competition and Open Access ("RCOA"), qualified contestable customers who opt for contestability and elect to be among contestable customers may source their electricity supply from any retail electricity suppliers, or through either *MPower* and *Cogent Energy*.



Vantage and *Phoenix Power*, wholly owned subsidiaries of *MERALCO*; *MeridianX*, a wholly owned subsidiary of *Comstech*; and *MGen RES*, a wholly owned subsidiary of *GBPC* are affiliate *RESs*. *Clarion*, a wholly owned subsidiary of *Clark Electric*, submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. On June 20, 2025, *Clarion* submitted updated documents and other requirements to the *ERC* for the process of re-filing its Application for *RES* license. Subsequently, on December 12, 2025, the *ERC* issued *Clarion's RES* license.

▪ Other Services

The “Other Services” segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, *MBI*, *MLI* and *CFSI* (collectively known as “*MIESCOR Group*”), *CIS* and *Bayad* (collectively referred to as “*CIS Group*”), *e-MVI*, *Paragon* and *Radius* (collectively referred to as “*e-MVI Group*”), *Comstech*, *LOIL*, *Finserve*, *MServ*, *Spectrum* and *Movem*.

The Management Committee evaluates the performance of the business segments based on (i) net income attributable to equity holders of the parent company, (ii) consolidated net earnings before interest, taxes, and depreciation and amortization (“consolidated *EBITDA*”); and (iii) consolidated core net income (“*CCNI*”). Net income is measured consistent with reported net income in the consolidated statement of income.

Consolidated *EBITDA* is measured as *CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income and provision for income tax.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent company adjusted for foreign exchange gain or loss, mark-to-market gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

Billings between operating segments are at an arm’s-length basis in a manner similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers among business segments. Those transfers are eliminated upon consolidation.



The *MERALCO Group* operates and generates substantially all of its revenues in the Philippines (i.e., one (1) geographical location). Thus, geographical segment information is not presented. The *MERALCO Group* has no revenues from transactions with a single external customer amounting to 10% or more of its revenues from external customers.

	Note	Power			Other Services			Inter-segment Transactions			Total		
		2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
(Amounts in millions)													
Revenues		₱485,547	₱456,918	₱430,181	₱11,778	₱13,444	₱13,431	₱–	₱–	₱–	₱497,325	₱470,362	₱443,612
Inter-segment transactions		1,913	1,620	842	9,412	5,323	4,417	(11,325)	(6,943)	(5,259)	–	–	–
		₱487,460	₱458,538	₱431,023	₱21,190	₱18,767	₱17,848	(₱11,325)	(₱6,943)	(₱5,259)	₱497,325	₱470,362	₱443,612
Segment results		₱66,270	₱66,085	₱54,472	₱2,809	₱5,563	₱4,940	₱–	₱–	₱–	₱69,079	₱71,648	₱59,412
	7, 9, 10 and 25												
Depreciation and amortization		(14,829)	(15,397)	(14,624)	(2,205)	(2,132)	(2,001)	–	–	–	(17,034)	(17,529)	(16,625)
Equity in net earnings (losses) of associates and joint ventures	8	16,776	10,307	11,523	(45)	(40)	(44)	–	–	–	16,731	10,267	11,479
Reversal of provision (provision) for probable losses and expenses from claims											1,449	(6,401)	(6,848)
		1,653	(6,362)	(6,875)	(204)	(39)	27	–	–	–			
Interest and other financial charges		(8,806)	(4,543)	(4,443)	(86)	(759)	(686)	–	–	–	(8,892)	(5,302)	(5,129)
Interest and other financial income		3,191	3,674	3,168	268	210	153	–	–	–	3,459	3,884	3,321
Reversal of provision (provision) for impairment losses		(1,200)	117	1,179	–	–	–	–	–	–	(1,200)	117	1,179
Provision for income tax - net	28	(12,208)	(9,208)	(7,138)	(542)	(1,006)	(973)	–	–	–	(12,750)	(10,214)	(8,111)
Net income (loss) attributable to non-controlling interests		–	–	–	–	–	–	288	(611)	(655)	288	(611)	(655)
Net income attributable to equity holders of the parent company		₱50,847	₱44,673	₱37,262	(₱5)	₱1,797	₱1,416	₱288	(₱611)	(₱655)	₱51,130	₱45,859	₱38,023
CCNI		₱50,584	₱43,352	₱35,705	(₱14)	₱1,790	₱1,405	₱–	₱–	₱–	₱50,570	₱45,142	₱37,110

The inter-segment revenues mainly represent revenues of other services segment earned from the power segment.



The following table shows the reconciliation of *EBITDA*, net income and *CCNI*:

	2025	2024	2023
	<i>(Amounts in millions)</i>		
<i>EBITDA</i>	₱87,333	₱75,533	₱65,341
Add (deduct):			
Depreciation and amortization and impairment losses	(18,254)	(17,529)	(16,625)
Interest and other financial charges net of income and foreign exchange adjustments	(5,487)	(1,320)	(1,927)
Income before income tax	63,592	56,684	46,789
Provision for income tax - net	(12,750)	(10,214)	(8,111)
Net income	50,842	46,470	38,678
Net income (loss) for the year attributable to non-controlling interests	288	(611)	(655)
Net income for the year attributable to equity holders of the parent company	51,130	45,859	38,023
Add (deduct) non-core items, net of tax:			
Non-core gains – net	(668)	(563)	(959)
Foreign exchange losses (gains)	108	(154)	46
<i>CCNI</i>	₱50,570	₱45,142	₱37,110



7. Utility Plant, Generation Plant and Others

The movements in utility plant, generation plant and others are as follows:

2025										
		Power Plant Machinery and Equipment	Sub- transmission and Distribution	Communication Towers, Buildings and Improvements	Data Transmission Cables and Communi- cation Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
Note	Land									
(Amounts in millions)										
Cost:										
Balance at beginning of year	₱31,601	₱49,979	₱254,667	₱13,445	₱7,666	₱6,137	₱5,476	₱13,526	₱49,999	₱432,496
Additions	7,058	2,458	699	94	38	724	646	927	94,006	106,650
Transfers from construction in progress	–	1,080	18,985	1,275	389	36	–	312	(22,077)	–
Disposals/retirements	(10)	(1,331)	(3,051)	(137)	(1)	(9)	(128)	(297)	–	(4,964)
Reclassifications and others	10	5	1,569	130	10	(256)	11	814	(151)	2,133
Balance at end of year	38,654	53,755	271,430	14,687	7,836	6,899	5,995	15,282	121,777	536,315
Less accumulated depreciation and amortization:										
Balance at beginning of year	–	8,860	104,650	5,124	3,891	4,424	3,523	6,932	–	137,404
Depreciation and amortization	–	3,060	9,588	504	692	589	430	703	–	15,566
Disposals/retirements	–	(1,331)	(3,050)	(134)	–	(7)	(103)	(233)	–	(4,858)
Reclassifications and others	–	3,741	27	(279)	149	(8)	–	(1,450)	–	2,180
Balance at end of year	–	14,330	111,215	5,215	4,732	4,998	3,850	5,952	–	150,292
Less allowance for impairment losses										
Balance at beginning of year	–	292	–	–	–	–	–	–	6,299	6,591
Charge for the year	–	–	–	–	1,220	–	–	–	(20)	1,200
Balance at end of year	–	292	–	–	1,220	–	–	–	6,279	7,791
Net book value	₱38,654	₱39,133	₱160,215	₱9,472	₱1,884	₱1,901	₱2,145	₱9,330	₱115,498	₱378,232



2024											
			Power Plant Machinery and Equipment	Sub- transmission and Distribution	Communication Towers, Buildings and Improvements	Data Transmission Cables and Communi- cation Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
	Note	Land									
(Amounts in millions)											
Cost:											
Balance at beginning of year		₱31,242	₱52,482	₱232,407	₱16,485	₱7,429	₱5,978	₱5,200	₱11,724	₱43,778	₱406,725
Additions		391	1,928	555	1,416	6	207	402	2,520	33,773	41,198
Transfers from construction in progress		—	—	25,183	634	531	144	—	233	(26,725)	—
Disposals/retirements		(32)	(321)	(3,452)	(48)	(325)	(250)	(122)	(26)	—	(4,576)
Effect of deconsolidation of MIDC	3	—	—	—	(4,565)	(1)	(6)	(4)	(4,381)	(470)	(9,427)
Reclassifications and others	10	—	(4,110)	(26)	(477)	26	64	—	3,456	(357)	(1,424)
Balance at end of year		31,601	49,979	254,667	13,445	7,666	6,137	5,476	13,526	49,999	432,496
Less accumulated depreciation and amortization:											
Balance at beginning of year		—	7,753	99,041	4,944	3,288	4,073	3,246	5,231	—	127,576
Depreciation and amortization		—	3,148	9,059	675	737	602	401	920	—	15,542
Disposals/retirements		—	(320)	(3,446)	(35)	(192)	(250)	(115)	(24)	—	(4,382)
Effect of deconsolidation of MIDC	3	—	—	—	(462)	—	—	(3)	(886)	—	(1,351)
Reclassifications and others		—	(1,721)	(4)	2	58	(1)	(6)	1,691	—	19
Balance at end of year		—	8,860	104,650	5,124	3,891	4,424	3,523	6,932	—	137,404
Less allowance for impairment losses:											
Balance at beginning of year		—	292	—	—	—	—	—	—	6,416	6,708
Reversal for the period		—	—	—	—	—	—	—	—	(117)	(117)
Balance at end of year		—	292	—	—	—	—	—	—	6,299	6,591
Net book value		₱31,601	₱40,827	₱150,017	₱8,321	₱3,775	₱1,713	₱1,953	₱6,594	₱43,700	₱288,501



As at December 31, 2025 and 2024, the net book values of customer-funded assets included in “Utility plant, generation plant and others” account amounted to ₱6,643 million and ₱6,503 million, respectively. The corresponding liabilities to customers in the same amounts as at December 31, 2025 and 2024 are included in “Other noncurrent liabilities” account in the consolidated statements of financial position.

The power plant complex of *PHRI*, generation plant and equipment of *First Bulacan*, *Greenergy*, *Solar Philippines Calatagan*, *TNI* and *GSEI* and the solar power plant undergoing development of *MTerra Solar*, with aggregate carrying value of ₱95,222 million as at December 31, 2025, are pledged as securities for the project finance debt.

See Note 17 – Interest-bearing Long-term Financial Liabilities.

As at December 31, 2025 and 2024, the capitalized site preparation expenses for the development of a power generation plant of *AIE* amounted to ₱12,740 million and ₱12,724 million, respectively. Allowance for impairment loss amounted to ₱6,571 million as at December 31, 2025 and 2024.

In 2025, *Radius* recognized an impairment loss amounting to ₱1,220.0 million related to network assets deployed to support its RED Fiber consumer business due to their under-utilization. The recoverable amount was determined based on value in use, using cash flow projections approved by management and a market-based interest rate.

Construction in progress pertains to both electric capital projects (“*ECPs*”) and non-*ECPs*. *ECPs* are capital projects involving construction of new electric distribution-related facilities and the upgrade and major rehabilitation of existing electrical facilities. Non-*ECPs* mainly represent construction of *MGen*’s power plant projects, *MERALCO*’s buildings and improvements, and *Radius*’ network expansion projects. Total interest capitalized amounted to ₱3,702 million, ₱675 million and ₱563 million based on average capitalization rate of 6%, 7% and 6% for the years ended December 31, 2025, 2024 and 2023, respectively.

8. Investments in Associates and Interests in Joint Ventures

This account consists of the following:

			2025	2024
	Place of Incorporation	Principal Activity	Percentage of Ownership	
Associates				
FPM Power Holdings Limited (“ <i>FPM Power</i> ”)/ <i>PacificLight Power</i>	British Virgin Islands/ Singapore	Investment and holding company/ Power generation	58	58
<i>ATEC</i>	Philippines	Power generation	50	50
<i>Barracuda Energy</i>	Philippines	Renewable energy	50	50
Redondo Peninsula Energy Inc. (“ <i>RP Energy</i> ”)	Philippines	Power generation	47	47
Pacific Medco Solar Energy Pte Ltd. (“ <i>Pacific Medco</i> ”)	Singapore	Renewable energy	21.46	21.46
Aclara Meters Philippines, Inc. (“ <i>Aclara Meters</i> ”)	Philippines	Sale of metering products and services	35	35
Power Distribution Services Ghana Limited (“ <i>PDS Ghana</i> ”)	Ghana	Distribution of power	30	30
<i>Kayana</i>	Philippines	Electronic payment and reward system	27.50	27.50
Terra Renewables Holdings, Inc.	Philippines	Holding company	34.6	26.85
<i>Pylon</i>	Philippines	Holding company	25.56	25.56
Indra Philippines, Inc. (“ <i>Indra Philippines</i> ”)	Philippines	Management and <i>IT</i> consultancy	24.95	24.95



			2025	2024
	Place of Incorporation	Principal Activity	Percentage of Ownership	
<i>AF Payments</i>	Philippines	Electronic payment clearing and settlement system operator	10	10
Joint Ventures				
<i>Chromite Holdings</i>	Philippines	Holding company	60	–
<i>SBPL</i>	Philippines	Power generation	51	51
Kalilayan Power, Inc.	Philippines	Holding company	51	51
MRail-DESCO Joint Venture (“ <i>MDJV</i> ”)	Philippines	Maintenance of mass transit system	51	51
Pure Meridian Hydropower Corporation (“ <i>Pure Meridian</i> ”)	Philippines	Renewable energy	50	50
<i>NSEC</i>	Philippines	Power generation	50	50
First Balfour-MRail Joint Venture (“ <i>FBMJV</i> ”)	Philippines	Maintenance of mass transit system	49	49
MPioneer Insurance Inc. (“ <i>MPioneer</i> ”)	Philippines	Insurance	35	35
Rockwell Business Center Joint Venture (“ <i>RBC JV</i> ”)	Philippines	Real estate	30	30

The movements in investments in associates and interests in joint ventures are as follows:

	Note	2025	2024
		(Amounts in millions)	
Acquisition cost:			
Balance at beginning of year		₱42,378	₱33,458
Additions		86,946	8,324
Hedge accounting adjustment in cost	27	(1,717)	–
Reclassification		(139)	596
Balance at end of year		127,468	42,378
Accumulated equity in net earnings:			
Balance at beginning of year		3,968	5,283
Equity in net earnings for the year		16,731	10,267
Dividends received		(9,181)	(10,253)
Reclassification		1	(1,329)
Balance at end of year		11,519	3,968
Share in remeasurement adjustments on retirement liabilities:			
Balance at beginning of year		(28)	(29)
Share in actuarial gains		–	1
Balance at end of year		(28)	(28)
Share in cumulative translation adjustments:			
Balance at beginning of year		1,866	(22)
Cumulative translation adjustments		739	333
Reclassification		–	1,555
Balance at end of year		2,605	1,866
Share in other comprehensive income:			
Balance at beginning of year		(291)	329
Share in other comprehensive income for the year		(453)	185
Reclassification		–	(805)
Balance at end of year		(744)	(291)
Allowance for impairment loss:			
Balance at beginning of year		(380)	(631)
Reversals – net of provisions		–	99
Reclassification		–	152
Balance at end of year		(380)	(380)
		₱140,440	₱47,513



The carrying values of investments in associates and interests in joint ventures follow:

	Note	2025	2024
(Amounts in millions)			
Associates:			
<i>FPM Power/PacificLight Power</i>		₱20,898	₱17,505
<i>ATEC</i>		9,831	9,769
<i>Pylon</i>	3	6,181	6,594
<i>Barracuda Energy</i>	6	3,170	1,048
<i>Kayana</i>		638	362
<i>Indra Philippines</i>		397	416
<i>Pacific Medco</i>		221	112
<i>RP Energy</i>		119	119
<i>Aclara Meters</i>		117	98
<i>Others</i>		52	76
Joint ventures:			
<i>Chromite Holdings</i>		87,196	—
<i>SBPL</i>		9,693	9,574
<i>RBC JV</i>		726	723
<i>NSEC</i>		578	604
<i>MPioneer</i>		565	455
<i>MDJV</i>		58	58
		₱140,440	₱47,513

FPM Power/PacificLight Power

FPM Power is 40%-owned by *MERALCO* through *MPG Asia* (a wholly-owned subsidiary of *MGen*) and 60%-owned by First Pacific Company Limited (“*First Pacific*”). *FPM Power* has a 70% equity interest in *PacificLight Power*, which owns and operates a 2 x 400 MW LNG-fired power plant and a newly commissioned 100 MW fast-start LNG facility in Jurong Island, Singapore. *PacificLight Power*’s wholly owned subsidiary, *PacificLight Energy Pte. Ltd.*, is engaged in energy trading.

ATEC

ATEC has the following equity interests: (i) 100% of *Sarangani Energy* which operates a 2 x 118.5 MW (gross capacity) baseload coal-fired plant in Maasim, Sarangani Province; (ii) 100% of San Ramon Power, Inc. which is developing a 120 MW baseload coal-fired plant in Zamboanga City; and (iii) 100% of ACES Technical Services Corporation, which provides operations and maintenance services to *ATEC*’s power plants.

Pylon

On July 11, 2024, the PCC approved the joint venture among *MIESCOR*, *Connect* and *PHPL*. The shareholders of *TowerCos* executed a Multi-party Share Swap Agreement with both shareholders of *MIDC* and *PhilTower* transferring their respective ownerships in *TowerCos* to *Pylon*. After the swap, *MIESCOR* owns 25.56% of *Pylon* (from 51% in *MIDC*) with *Pylon* owning 100% each of *MIDC* and *PhilTower*. The transaction is aimed at improving coverage for the *TowerCos*’ mobile network clients and driving investment in digital infrastructure in the Philippines. The SEC approved the share swap transaction on August 20, 2024 and the completion of other closing conditions and issuance of shares were finalized on September 13, 2024.



The fair values of the identifiable assets and liabilities of *Pylon* as at closing date, are as follows:

	Amounts in millions
Property and equipment	₱18,281
Intangible other noncurrent assets	28,930
Cash and cash equivalents	2,711
Trade and other receivables	821
Inventories and other current assets	6,798
Interest-bearing long-term financial liabilities	(24,584)
Trade and other payables	(9,644)
Net identifiable assets	23,313
Equity interest acquired	25.56%
Net assets acquired	5,958
Goodwill	881
Net assets acquired	₱6,839

Kayana

Kayana is an electronic payment and reward system company that aims to create a platform that integrates services into one primary channel. *Kayana* is owned by *PLDT*, *MERALCO* and *Metro Pacific* with equity interests of 45%, 27.5% and 27.5%, respectively.

Indra Philippines

Indra Philippines is an *IT* service provider in the country and in the Asia Pacific region, with a wide range of services across various industries. *Indra Philippines* provides services which meet certain of *MERALCO*'s *IT* requirements in the area of system development, outsourcing of Information Systems ("IS") and *IT* operations and management consulting.

Pacific Medco

PLP Renewables is 58%-owned by *MERALCO* through *MGreen International* (a wholly-owned subsidiary of *MGreen*). *PLP Renewables* has a 37% equity interest in *Pacific Medco*, a Singapore-based entity, in the process of developing a large-scale solar *PV* plant in Bulan Island, Indonesia, the energy of which shall be transmitted via subsea cable to Singapore. This project aims to increase the share of renewal energy in Singapore.

Aclara Meters

Aclara Meters is 35% owned by *MERALCO* and 65%, by *Aclara Technology LLC*. *Aclara Meters* is primarily engaged in the manufacture and assembly of kilowatt-hour meters and meter accessories and import, export, distribute and otherwise deal in or with all kinds of related and other similar products.

RP Energy

RP Energy is a joint venture among *MGen*, *Therma Power, Inc.* ("*TPT*") and *Taiwan Cogeneration International Corporation – Philippine Branch* ("*TCIC*") for the construction and operation of a power plant in the Subic Bay Freeport Zone.



AF Payments

MERALCO, through *Finserve*, has a 10% equity interest in *AF Payments*. *AF Payments* operates and maintains an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities and operates and maintains the related hardware and software. The concession granted by the Department of Transportation (“*DOTr*”) expired on December 16, 2025. *AF Payments* is in the process of finalizing a proposed two (2) year extension of the concession agreement with *DOTr*.

Due to the lower than expected penetration rate into the micropayments business, *MERALCO* recognized impairment in prior periods on the carrying amount of its investment in *AF Payments*.

Chromite Holdings

On January 27, 2025, *Chromite Holdings*, which is a joint venture between *MGen* (60%) and *TNGP* (40%), completed the acquisition of 67% stake in the two (2) gas-fired power plants owned by San Miguel Global Power Holdings Corp. (“*San Miguel Global*”), the 1,200 *MW* Ilijan power plant of South Premiere Power Corporation (“*SPPC*”), and a new 1,275 *MW* combined cycle power facility of Excellent Energy Resources, Inc.’s (“*EERI*”), and the *LNG* import and regasification terminal owned by Linseed Field Corporation (“*Linseed*”). The transaction was approved by the *PCC* on December 23, 2024.

On April 30, 2025, all three (3) units of *EERI* achieved commercial operation.

On June 1, 2025, *Linseed* completed its regasification terminal and achieved 2,400-*MW* gas send-out capacity allowing it to fully service the requirements of *SPPC* and *EERI*.

The details of the purchase consideration in accordance with the Investment Agreement are as follow:

	Amounts in millions
Cash paid	₱69,663
Hedge accounting adjustment	(1,717)
Liabilities	12,033
Total purchase consideration	₱79,979



The fair values of the identifiable assets and liabilities as at the date of acquisition, are as follows:

	Amounts in millions
Generation plant and others	₱148,668
Intangible assets	102,154
Other noncurrent assets	429
Cash and cash equivalents	1,918
Trade and other receivables	11,137
Inventories	4,474
Other current assets	23,683
Trade and other payables	(40,672)
Interest-bearing long-term financial liabilities	(14,834)
Deferred tax liabilities	(31,784)
Other noncurrent liabilities	(6,220)
Net identifiable assets	198,953
Equity interest acquired	40.2%
Net assets acquired	₱79,979

SBPL

SBPL, which is a joint venture between *MGen* (51%) and New Growth B.V. (49%), a 100% subsidiary of Electricity Generating Public Company Limited of Thailand (“*EGCO*”), owns and operates a 455 *MW* (net) supercritical coal-fired power plant in Mauban, Quezon.

SBPL delivers all its plant output to *MERALCO* under a 20-year *PSA* approved by the *ERC*.

RBC JV

RBC JV is a joint venture between Rockwell Land Corporation (“*Rockwell Land*”) and *MERALCO* for a pre-agreed cooperation period, whereby *Rockwell Land* built and manages three (3) Business Process Outsourcing-enabled buildings on a non-regulatory asset base property of *MERALCO*. Investment in *RBC JV* represents *MERALCO*’s 30% interest in the joint venture, while *Rockwell Land* has 70% interest in *RBC JV*.

NSEC

NSEC, a joint venture between *MGreen* and *Vena Energy*, owns and operates a 68 *MWac* solar power plant in Currimao, Ilocos Norte. *NSEC* has a 20- year *PSA* with *MPower*.

MPioneer

MPioneer is 35% owned by *MERALCO* and 65% owned by Pioneer Insurance and Surety Company. It is engaged in non-life insurance business.

MDJV

On June 2, 2014, *MRail* and Desco, Inc. entered into a Joint Venture Agreement for the general overhaul and rehabilitation of three (3) units of diesel electric locomotives by the Philippine National Railways. The project including its warranty period was completed on April 19, 2019. As at December 31, 2025, *MDJV* is still in the process of liquidation.



The condensed statements of financial position of material associates follow:

2025				
	<i>FPM Power / PacificLight Power</i>		<i>Pylon</i>	<i>Barracuda</i>
	<i>ATEC</i>			
	<i>(Amounts in millions)</i>			
Current assets	₱4,489	₱19,986	₱5,150	₱3,375
Noncurrent assets	30,366	41,971	56,634	19,133
Current liabilities	(6,538)	(20,149)	(4,264)	(819)
Noncurrent liabilities	(8,655)	(15,193)	(36,784)	(15,509)
Net assets	₱19,662	₱26,615	₱20,736	₱6,180

2024				
	<i>FPM Power / PacificLight Power</i>		<i>Pylon</i>	<i>Barracuda</i>
	<i>ATEC</i>			
	<i>(Amounts in millions)</i>			
Current assets	₱3,210	₱15,847	₱12,495	₱2,173
Noncurrent assets	32,451	34,340	43,959	6,176
Current liabilities	(4,688)	(14,420)	(9,480)	(1,599)
Noncurrent liabilities	(7,453)	(13,281)	(24,703)	(4,815)
Non-controlling interests	(3,982)	—	—	—
Net assets	₱19,538	₱22,486	₱22,271	₱1,935

The condensed statements of comprehensive income of material associates are as follows:

	2025				2024				2023		
	<i>FPM Power / Pacific Light Power</i>				<i>FPM Power / Pacific Light Power</i>				<i>FPM Power / Pacific Light Power</i>	<i>Indra Philippines</i>	
	<i>ATEC</i>		<i>Pylon</i>	<i>Barracuda</i>	<i>ATEC</i>		<i>Pylon</i>	<i>Barracuda</i>	<i>ATEC</i>		
	<i>(Amounts in millions)</i>										
Revenues	₱10,073	₱77,806	₱6,324	₱—	₱10,539	₱85,577	₱1,080	₱—	₱10,790	₱114,383	₱2,891
Costs and expenses	(7,520)	(65,042)	(7,942)	(377)	(7,567)	(72,702)	(2,039)	(31)	(8,473)	(97,947)	(2,596)
Net income (loss)	2,553	12,764	(1,618)	(377)	2,972	12,875	(959)	(31)	2,317	16,436	295
Non-controlling interests	—	—	—	—	(635)	—	—	—	(548)	—	—
Net income (loss) attributable to equity holders of the parent company	2,553	12,764	(1,618)	(377)	2,337	12,875	(959)	(31)	1,769	16,436	295
Other comprehensive income (loss)	—	(937)	—	—	—	508	—	—	—	—	(64)
Total comprehensive income (loss)	₱2,553	₱11,827	(₱1,618)	(₱377)	₱2,337	₱13,383	(₱959)	(₱31)	₱1,769	₱16,436	₱231
Dividends received	₱875	₱6,395	₱—	₱—	₱912	₱7,015	₱—	₱—	₱800	₱8,164	₱20



The reconciliation of the net assets of the foregoing material associates to the carrying amounts of investments and advances in these associates recognized in the consolidated statements of financial position is as follows:

2025				
	<i>ATEC</i>	<i>FPM Power / PacificLight Power</i>	<i>Pylon</i>	<i>Barracuda</i>
	<i>(Amounts in millions, except % of ownership)</i>			
Net assets of associates	₱19,662	₱26,615	₱20,736	₱6,180
Proportionate ownership in associates (%)	50	58	25.56	50
	9,831	15,437	5,300	3,090
Fair value and other adjustments	–	5,461	881	80
	₱9,831	₱20,898	₱6,181	₱3,170
2024				
	<i>ATEC</i>	<i>FPM Power / PacificLight Power</i>	<i>Pylon</i>	<i>Barracuda</i>
	<i>(Amounts in millions, except % of ownership)</i>			
Net assets of associates	₱19,538	₱22,486	₱22,271	₱1,935
Proportionate ownership in associates (%)	50	58	25.56	50
	9,769	13,042	5,692	968
Fair value and other adjustments	–	4,539	902	80
	₱9,769	₱17,581	₱6,594	₱1,048



The following is the aggregate information of associates that are considered as not individually material:

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Share in net income (loss)	₱61	(₱218)	₱55
Share in other comprehensive income	—	1	2
Share in total comprehensive income (loss)	₱61	(₱217)	₱57
Dividends received	₱153	₱110	₱28

Joint Ventures

The condensed statements of financial position of material joint ventures follow:

	2025		
	<i>RBC JV</i>	<i>SBPL</i>	<i>Chromite Holdings</i>
	<i>(Amounts in millions)</i>		
Cash and cash equivalents	₱685	₱3,957	₱69
Current assets, excluding cash and cash equivalents	363	5,265	—
Noncurrent assets	1,861	39,673	147,491
Trade payables	(84)	(714)	(5)
Current liabilities, excluding trade payables	(405)	(4,023)	(19,421)
Noncurrent liabilities	—	(25,152)	—
Net assets	₱2,420	₱19,006	₱128,134

	2024	
	<i>RBC JV</i>	<i>SBPL</i>
	<i>(Amounts in millions)</i>	
Cash and cash equivalents	₱640	₱3,940
Current assets, excluding cash and cash equivalents	316	6,686
Noncurrent assets	1,937	40,875
Trade payables	(23)	(782)
Current liabilities, excluding trade payables	(456)	(4,362)
Noncurrent liabilities	(4)	(27,585)
Net assets	₱2,410	₱18,772



The condensed statements of comprehensive income of material joint ventures are as follows:

	2025			2024		2023	
	<i>RBC JV</i>	<i>SBPL</i>	<i>Chromite Holdings</i>	<i>RBC JV</i>	<i>SBPL</i>	<i>RBC JV</i>	<i>SBPL</i>
	<i>(Amounts in millions)</i>						
Revenues	₱866	₱17,148	₱—	₱873	₱20,198	₱847	₱24,449
Costs and expenses, excluding depreciation	(152)	(9,806)	(184)	(161)	(12,677)	(165)	(17,443)
Depreciation	(218)	(1,553)	—	(215)	(1,544)	(212)	(1,499)
Other income (expense) - net	210	(2,498)	11,964	223	(2,624)	8	(2,973)
Benefit from (provision for) income tax – net	(128)	56	—	(106)	(28)	(93)	15
Net income	₱578	₱3,347	₱11,780	₱614	₱3,325	₱385	₱2,549
Dividends received	₱170	₱1,588	₱—	₱168	₱2,031	₱181	₱913

The reconciliation of the net assets of the foregoing material joint ventures to the carrying amounts of investments in these joint ventures recognized in the consolidated statements of financial position is as follows:

	2025		
	<i>RBC JV</i>	<i>SBPL</i>	<i>Chromite Holdings</i>
	<i>(Amounts in millions, except % of ownership)</i>		
Net assets of joint ventures	₱2,420	₱19,006	₱128,134
Proportionate ownership in joint ventures (%)	30	51	60
	726	9,693	76,880
Fair value and other adjustments	—	—	10,316
	₱726	₱9,693	₱87,196

	2024	
	<i>RBC JV</i>	<i>SBPL</i>
	<i>(Amounts in millions, except % of ownership)</i>	
Net assets of joint ventures	₱2,410	₱18,772
Proportionate ownership in joint ventures (%)	30	51
	₱723	₱9,574

The following is the condensed financial information of joint ventures which are considered immaterial:

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Share in net income	₱63	₱42	₱25
Share in other comprehensive income	—	(1)	1
Share in total comprehensive income	₱63	₱41	₱26
Dividends received	₱—	₱16	₱—



9. Investment Properties

The movements in investment properties are as follows:

	2025		
	Land	Buildings and Improvements	Total
	<i>(Amounts in millions)</i>		
Cost	₱1,428	₱209	₱1,637
Less accumulated depreciation:			
Balance at beginning of year	—	150	150
Depreciation	—	4	4
Balance at end of year	—	154	154
	₱1,428	₱55	₱1,483
	2024		
	Land	Buildings and Improvements	Total
	<i>(Amounts in millions)</i>		
Cost:			
Balance at beginning of year	₱1,428	₱211	₱1,639
Others	—	(2)	(2)
Balance at end of year	1,428	209	1,637
Less accumulated depreciation:			
Balance at beginning of year	—	146	146
Depreciation	—	4	4
Balance at end of year	—	150	150
	₱1,428	₱59	₱1,487

Investment properties consist of decommissioned substation sites, real properties held for capital appreciation, and other non-regulatory asset base real properties. Some of these investment properties are being leased out.

The aggregate fair values of the investment properties as at December 31, 2025 and 2024 are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Land	₱5,619	₱5,589
Buildings and improvements	164	135

The fair values of investment properties were determined by independent, professionally qualified appraisers. The fair value represents the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date.

The fair value disclosures of the investment properties are categorized as Level 3 as there is no active market for identical or similar properties. The inputs include price per square meter ranging from ₱100 to ₱409,000. There have been no changes in the valuation techniques used.



In conducting the appraisal, the independent professional appraisers used one (1) of the following approaches:

a. Market Data or Comparative Approach

Under this approach, the value of the property is based on sales and listings of comparable property registered within the vicinity. This approach requires the establishment of a comparable property by reducing comparative sales and listings to a common denominator with the subject property. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used are either situated within the immediate vicinity or at different floor levels of the same building, whichever is most appropriate to the property being valued. Comparison was premised on the following: location, size and physical attributes, selling terms, facilities offered and time element.

b. Depreciated Replacement Cost Approach

This method of valuation considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear and obsolescence.

10. Intangible Assets

The movements of intangible assets are as follows:

		2025				
				Land and Leasehold Rights	Customer Contracts	Total
	Note	Software	Franchise			



2024							
Note	Software	Franchise	Land and Leasehold Rights	Customer Contracts	Acquired Network Location	Build-to-suit Contracts	Total
(Amounts in millions)							
Cost:							
Balance at beginning of year	₱8,047	₱63	₱551	₱43,505	₱8,398	₱2,949	₱63,513
Additions	514	—	225	—	3,310	1,160	5,209
Effect of deconsolidation of <i>MIDC</i>	3 (15)	—	—	—	(11,707)	(4,110)	(15,832)
Reclassification	3 (86)	—	—	—	(1)	1	(86)
Balance at end of year	8,460	63	776	43,505	—	—	52,804
Less accumulated amortization:							
Balance at beginning of year	5,740	—	441	3,327	275	96	9,879
Amortization	472	—	108	1,050	261	92	1,983
Effect of deconsolidation of <i>MIDC</i>	3 (3)	—	—	—	(550)	(175)	(728)
Reclassification	3 (96)	—	(86)	(2)	14	(13)	(183)
Balance at end of year	6,113	—	463	4,375	—	—	10,951
Less allowance for impairment loss:							
Balance at beginning of year	—	—	—	—	—	—	—
Impairment loss	294	—	—	—	—	—	294
Balance at end of year	294	—	—	—	—	—	294
	₱2,053	₱63	₱313	₱39,130	₱—	₱—	₱41,559

The identified intangible asset from the acquisition of controlling interest in *SPNEC* pertains to the existing customer contract of *MTerra Solar* at acquisition date which was recognized at fair value.

Acquired network location intangibles represent the value to *MIDC* of the benefits from leasing the excess capacity on acquired towers to other mobile network operators. The build-to-suit contract intangibles pertain to the contractual commitment of Globe Telecom, Inc (“*Globe*”) to engage *MIDC* to build a committed number of additional towers with *Globe* as tenant.

In September 2024, as a result of the Multi-Party Share Swap Agreement, the balances of the acquired network location and build-to-suit contracts of *MIDC* were deconsolidated.

See Note 3 – *Statement of Compliance and Basis of Consolidation*.

11. Other Noncurrent Assets

This account consists of:

Note	2025	2024
(Amounts in millions)		
Financial assets:		
Financial assets at <i>FVOCI</i>	27 ₱3,231	₱4,407
Debt securities at amortized cost	15 and 27 1,088	1,091
Nonfinancial assets:		
Under-recoveries of pass-through charges – net	2 and 24 10,535	17,666
Deposits	7,147	6,688
Finance lease	899	875
Deferred input <i>VAT</i>	23	82
Receivable from the <i>BIR</i>	181	181
Construction bonds	162	165
Others	870	1,745
	₱24,136	₱32,900



Financial Assets at FVOCI

The details of financial assets at *FVOCI* are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Investments in debt securities - corporate bonds and others	₱777	₱2,023
Investments in shares of stock and club shares	2,454	2,384
	₱3,231	₱4,407

Interest income from debt and equity securities amounted to ₱420 million, ₱577 million and ₱831 million for the years ended December 31, 2025, 2024 and 2023, respectively.

The rollforward of unrealized fair value gains on quoted *FVOCI* financial assets, net of tax, included in the consolidated statements of financial position follow:

	2025	2024
	<i>(Amounts in millions)</i>	
Balance at beginning of year	₱801	₱490
Unrealized fair value gains (losses) on fair value changes on:		
Debt securities	108	194
Equity securities	(14)	117
Balance at end of year	₱895	₱801

Debt Securities at Amortized Cost

The details of debt securities at amortized cost are as follows:

	2025			2024		
	Current Portion (see Note 15)	Noncurrent Portion	Total	Current Portion (see Note 15)	Noncurrent Portion	Total
	<i>(Amounts in millions)</i>					
Government securities	₱-	₱1,056	₱1,056	₱8,601	₱1,056	₱9,657
Private debt securities	-	32	32	213	35	248
	₱-	₱1,088	₱1,088	₱8,814	₱1,091	₱9,905

Net Under-Recoveries of Pass-through Charges

This account represents generation, transmission and other pass-through costs incurred by *MERALCO* and *Clark Electric* as *DUs*, determined based on *ERC*-approved recovery mechanism, which shall be billed to customers, upon confirmation by the *ERC*. The balance also includes net under-recoveries of generation, transmission and other pass-through charges of current and prior periods, which are the subject of various applications for recovery and approval by the *ERC*.

Allowance for *ECL* for net under -recoveries of pass-through charges amounted to ₱4,602 million and ₱6,639 million as at December 31, 2025 and 2024.

See Note 13 – Trade and Other Receivables.



Deferred Input VAT

The amount represents the balance of input *VAT* incurred up to December 31, 2021, and paid in connection with purchase of capital assets in excess of ₱1 million per month. Such input tax from purchase of capital assets was deferred and offset against output tax evenly over the estimated useful lives of the related capital assets or 60 months, whichever is shorter.

Finance Lease

Spectrum entered into several bilateral *PSAs* to lease out solar power generation systems to its customers under a finance lease arrangement for periods ranging from 10 to 28 years.

Spectrum recognized finance lease receivables equivalent to its net investments under the lease. Net investment in the lease is the fair value of the asset and the present value of the minimum lease payments, whichever is lower. The average implicit interest rate of the lease arrangements ranges from 7.07% to 12.52% per annum at the inception of the lease.

Minimum lease payment pertains to the price of estimated energy output that the asset can produce and deliver to the lessee. The difference of actual and minimum lease payments from finance lease arrangements is recognized under “Other income (expense)” account in the consolidated statement of income.

The lease payments made by the lessees consist of interest and principal determined using the *EIR* method. The lease receivable is reduced by the principal portion of the lease payment made by the lessee.

12. Cash and Cash Equivalents

This account consists of:

	2025	2024
	<i>(Amounts in millions)</i>	
Cash on hand and in banks	₱41,292	₱30,165
Cash equivalents	68,025	54,315
	₱109,317	₱84,480

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are temporary cash investments, which are made for varying periods of up to three (3) months depending on *MERALCO Group's* immediate cash requirements and earn interest at the prevailing short-term investment rates.

Interest income on cash in banks and cash equivalents amounted to ₱2,849 million, ₱3,161 million and ₱2,339 million for the years ended December 31, 2025, 2024 and 2023, respectively.

As at December 31, 2025 and 2024, cash and cash equivalents include balances in bank accounts totaling ₱5,077 million and ₱4,669 million, respectively, equivalent to unpaid *SC* refund, meter deposits, *RES* bill deposits and over-recoveries of pass-through charges which *MERALCO* set aside in compliance with regulatory requirements.



13. Trade and Other Receivables

This account consists of:

	<i>Note</i>	2025	2024
		<i>(Amounts in millions)</i>	
Trade:			
Electricity sold	23 and 27	₱46,030	₱43,682
Service contracts		10,955	10,533
Energy generated	27	6,717	6,613
Unbilled receivables	24	8,150	3,387
Subscription receivable	3	12,109	—
Nontrade	23 and 27	2,441	9,336
		86,402	73,551
Less allowance for expected credit losses		9,676	8,854
		₱76,726	₱64,697

Movements in allowance for expected credit losses for trade and other receivables are as follows:

	2025		
	Balance at Beginning of Year	Provisions	Balance at End of Year
		Write-offs	
	<i>(Amounts in millions)</i>		
Trade:			
Electricity sold	₱6,349	₱504	(₱5)
Energy generated	1,279	173	(151)
Other trade receivables	787	330	—
Nontrade receivables	439	39	(68)
	₱8,854	₱1,046	(₱224)
			₱9,676

	2024		
	Balance at Beginning of Year	Provisions	Balance at End of Year
		(Reversals)	Write-offs
	<i>(Amounts in millions)</i>		
Trade:			
Electricity sold	₱5,557	₱792	₱—
Energy generated	1,276	54	(51)
Other trade receivables	916	40	(169)
Nontrade receivables	454	(15)	—
	₱8,203	₱871	(₱220)
			₱8,854



	2025					2024				
	Trade					Trade				
	Electricity Sold	Energy Generated	Other Trade Receivables	Nontrade Receivables	Total	Electricity Sold	Energy Generated	Other Trade Receivables	Nontrade Receivables	Total
	<i>(Amounts in millions)</i>									
Individually impaired	₱4,732	₱–	₱1,117	₱410	₱6,259	₱4,680	₱–	₱787	₱439	₱5,906
Collectively impaired	2,116	1,301	–	–	3,417	1,669	1,279	–	–	2,948
	₱6,848	₱1,301	₱1,117	₱410	₱9,676	₱6,349	₱1,279	₱787	₱439	₱8,854

Trade Receivables – Electricity Sold

Trade receivables of *MERALCO*, *Clark Electric* and *Shin Clark* include charges for pass-through costs. Pass-through costs of *MERALCO* as a *DU* consist of generation, transmission and *SL* charges, which represent 64%, 8% and 5%, respectively, of the total billed amount in 2025 and 63%, 7% and 5%, respectively, of the total billed amount in 2024. Billed receivables are due 10 days after bill date. *MERALCO*'s, *Clark Electric*'s and *Shin Clark*'s trade receivables are noninterest-bearing and are substantially secured by bill deposits. Electricity consumed after the meter reading cut-off dates, which will be billed to customers in the immediately following billing period, is included as part of trade receivables.

See Note 27 – *Financial Assets and Financial Liabilities*.

Trade Receivables – Energy Generated

Trade receivables – energy generated represents non-interest-bearing outstanding billings for energy generated and sold and pass-through fuel costs arising from the delivery of electricity to customers and energy sales to the *WESM* by power generation subsidiaries. Credit term is 15 to 30 days from the date of receipt of billing.

Trade Receivables – Service Contracts

Service contracts receivable arise from contracts entered into with the *MIESCOR Group*, *eMVI Group*, *CIS Group*, *MRail*, *MServ*, *Finserve*, *Comstech*, *eSakay* and *Spectrum* for construction, engineering, consulting and related manpower, light rail maintenance, telecommunications and data transport, e-transactions and bills collection, tellering and e-business development, energy systems management and harnessing renewable energy to third parties.

Receivables from service contracts and others are noninterest-bearing and are generally on 30 to 90-day terms.

See Note 11 – *Other Noncurrent Assets*.



14. Inventories

	2025	2024
	<i>(Amounts in millions)</i>	
Materials and supplies:		
At cost	₱12,000	₱12,427
At net realizable value ("NRV")	10,983	11,422
Materials and supplies at lower of cost and NRV	₱10,983	₱11,422

The net realizable value of inventories is net of allowance for inventory obsolescence of ₱1,017 million and ₱1,005 million as at December 31, 2025 and 2024, respectively. No item of inventory has been written off for the years ended December 31, 2025, 2024 and 2023.

Movements in allowance for inventory obsolescence are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Balance at beginning of year	₱1,005	₱1,013
Provision for (reversal of) allowance for inventory obsolescence	12	(8)
Balance at end of year	₱1,017	₱1,005

See Note 25 – Expenses and Income.

15. Other Current Assets

	Note	2025	2024
		<i>(Amounts in millions)</i>	
Financial assets:			
Short-term investments		₱140	₱12
Debt securities at amortized cost	11	–	8,814
Current portion of advance payments to a supplier		–	206
Nonfinancial assets:			
Input VAT		9,293	2,734
Advance payments to suppliers		3,252	2,229
Prepayments		1,275	2,241
Prepaid tax		934	953
Derivative assets		524	–
Creditable withholding taxes		456	1,286
Others		324	542
		₱16,198	₱19,017



16. Equity

Common Stock

	2025	2024
	<i>(In millions, except par value)</i>	
Authorized number of shares - ₱10 par value per share	1,250	1,250
Issued and outstanding – number of shares	1,127	1,127

There was no movement in the number of shares of *MERALCO*'s common stock.

The common shares of *MERALCO* were listed on the *PSE* on January 8, 1992. There are 40,060 and 40,476 common shareholders as at December 31, 2025 and 2024, respectively.

Unappropriated Retained Earnings

The unappropriated retained earnings include accumulated earnings of subsidiaries, associates and joint ventures, the balance of *MERALCO*'s revaluation increment in utility plant, generation plant and others, and investment properties carried at deemed cost, deferred tax assets and unrealized foreign exchange gains totaling to ₱107,107 million and ₱92,861 million as at December 31, 2025 and 2024, respectively. These amounts are h for dividend declaration purposes as of the close of the respective reporting period.

The following are the cash dividends declared on common shares for the for the years ended December 31, 2025, 2024 and 2023:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				<i>(In millions)</i>
July 28, 2025	August 27, 2025	September 22, 2025	₱11.33	₱12,768
February 24, 2025	March 12, 2025	April 4, 2025	13.74	15,482
July 29, 2024	August 28, 2024	September 23, 2024	10.30	11,603
February 26, 2024	March 27, 2024	April 24, 2024	11.24	12,663
July 31, 2023	August 30, 2023	September 14, 2023	8.52	9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year; and (ii) special dividend determined on a “look-back” basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

Hedging Reserve

In 2024, *MERALCO* entered into various foreign exchange forwards to “lock-in” investment cost for *Chromite Holdings* which is payable in foreign currency. The foreign exchange forwards were accounted for as cashflow hedge. The changes in the fair value of the foreign exchange forwards were recorded as hedging reserve account in the consolidated statement of changes in equity and accounted for in the investment balance as of closing date.



In January 2025, the investment in *Chromite Holdings* was completed and *MERALCO* infused \$1.187 billion into *MGen* as settlement for its share in the investment in *Chromite Holdings*. The hedging reserve gain was reclassified from *OCI* to investment account at ₱1,717 million.

In 2025, *MTerra Solar* entered into various forward exchange forwards to hedge its forecasted payments in foreign currency arising from its Engineering and Procurement Contracts related to the construction of its solar power plant. The forecasted payments depend on each supplier's milestone. The foreign exchange forwards were accounted for as cashflow hedges. The changes in the fair value of the foreign exchange forwards were recorded as hedging reserve account in the consolidated statement of changes in equity and were reclassified in the generation plant construction cost at each milestone payment date. The hedging reserve loss reclassified from *OCI* to generation plant construction cost amounted to ₱250 million.

Treasury Shares

Treasury shares represent the subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan (“*ESPP*”) in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

In September 2024, 6,196 unpaid shares awarded under the Employee Stock Purchase Plan (“*ESPP*”) were approved by the *SEC* for conversion to treasury shares. As at December 31, 2025, the total number of treasury shares is 178,608. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

17. Interest-bearing Long-term Financial Liabilities

This account consists of the following:

	2025	2024
	<i>(Amounts in millions)</i>	
Long-term portion of interest-bearing financial liabilities – long-term debt	₱186,531	₱54,797
Current portion of interest-bearing financial liabilities:		
Long-term debt	5,689	4,231
Redeemable preferred stock	1,459	1,461
	7,148	5,692
	₱193,679	₱60,489

All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to ₱248 million as at December 31, 2025 and 2024. Interest is no longer accrued from the time such preferred shares were called for redemption.



The details of interest-bearing long-term financial liabilities are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
<i>MERALCO</i>		
₱75.0 Billion Term Loan	₱75,000	₱—
₱10.0 Billion Term Loan	9,700	9,900
12-year Puttable Bonds	—	2,868
<i>MGen Group</i>		
₱68.6 Billion Term Loan	68,597	—
₱18.0 Billion Term Loan	15,300	16,020
₱11.6 Billion Term Loan	8,203	9,168
₱5.8 Billion Term Loan	3,190	3,770
₱4.5 Billion Term Loan	2,811	3,188
₱3.0 Billion Term Loan	2,564	2,690
₱2.7 Billion Term Loan	2,502	2,650
₱2.0 Billion Term Loan	2,034	2,034
₱3.5 Billion Term Loan	1,365	2,045
₱791 Million Term Loan	791	791
₱3.4 Billion Term Loan	762	980
₱1.5 Billion Term Loan	—	152
₱2.2 Billion Term Loan	—	1,780
<i>Radius</i>		
₱700 Million Term Loan	525	665
₱42.4 Million Term Loan	—	4
<i>MServ</i>		
₱600 Million Term Loan	240	330
<i>MIESCOR</i>		
₱375 Million Term Loan	134	187
Total long-term debt	193,718	59,222
Less unamortized debt issue costs	1,648	403
	192,070	58,819
Redeemable preferred stock	1,459	1,461
Fair value adjustment in relation to the purchase of <i>GBPC</i>	150	209
	193,679	60,489
Less current portion	7,148	5,692
Long-term portion of interest-bearing financial liabilities	₱186,531	₱54,797



The scheduled maturities of the outstanding long-term debt at nominal values as at December 31, 2025 are as follows:

	Amount in millions
Less than one (1) year	₱5,505
One (1) year up to two (2) years	6,555
More than two (2) years up to three (3) years	7,496
More than three (3) years up to four (4) years	8,540
More than four (4) years up to five (5) years	7,054
More than five (5) years	158,568
	<u>₱193,718</u>

MERALCO

₱75.0 Billion Term Loan

MERALCO has a ₱75,000 million, 12-year floating rate loan due in January 2037. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

₱10.0 Billion Term Loan

MERALCO has a ₱10,000 million, 10-year floating rate loan due in December 2032. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

12-year Puttable Bonds

The 12-year Puttable Bonds represent the remaining balance of the total ₱18,000 million bonds issued in December 2013, with a put option exercisable in the 10th year. On December 13, 2023, *MERALCO* redeemed ₱4,132 million of these bonds, followed by the redemption of the remaining balance of ₱2,868 million on December 12, 2025.

MGen Group

₱68.6 Billion Term Loan

MTerra Solar has a ₱68,597 million, 15-year term loan due in March 2040. Interest rate is subject to repricing in March 2030. The principal is payable quarterly until maturity.



₱18.0 Billion Term Loan

GBPC has a ₱18,000 million, 15-year term loan due in May 2036. Interest rate is subject to repricing in May 2026. The principal is payable semi-annually until maturity.

₱11.6 Billion Term Loan

On April 28, 2022, PEDC obtained a ₱11,580 million, 12-year term loan due in April 2034. The principal and related interest are payable quarterly.

₱5.8 Billion Term Loan

CEDC's ₱5.8 billion Term Loan represents a restructured loan from the original project financing obligation. This restructured loan is payable semi-annually over 10 years until June 2031.

₱4.5 Billion Term Loan

This bilateral term loan with a consortium of banks was used to finance the acquisition of a 50% less one share in ATEC by GBPC. The loan is a fixed rate 12-year facility with quarterly principal repayment until November 2029.

₱3.0 Billion Term Loan

First Bulacan has a ₱3,039 million, 15-year term loan with interest repricing on November 2029 and the principal amount payable semi-annually until November 2034.

₱2.7 Billion Term Loan

PHRI has a ₱2,650 million term loan due in September 2037. The principal and related interest are payable semi-annually.

₱2.0 Billion Term Loan

On May 17, 2024, Greenergy secured a 15-year term project financing facility to fund the ongoing construction of its 52.7 MWac solar project in Cordon, Isabela. The principal and related interest are payable semi-annually until May 2039.

₱3.5 Billion Term Loan

TPC has a ₱3,500 million, 5-year term loan due in July 2027. The principal and related interest are payable quarterly.



₱791 Million Term Loan

On May 17, 2024, *GSEI* secured a 15-year term project financing facility to develop its 19.8 *MWac* solar plant in Bongabon, Nueva Ecija. The principal and related interest are payable semi-annually until May 2039.

₱3.4 Billion Term Loan

Solar Philippines Calatagan has a ₱3,400 million, 12-year term loan due in April 2029. The principal and related interest are payable semi-annually.

₱1.5 Billion Term Loan

The ₱1,500 million loan of *CEDC* was used for general financing and other corporate requirements. The principal and related interest are payable semi-annually until December 2025.

₱2.2 Billion Term Loan

Solar Philippines Tarlac has a ₱2,225 million, 12-year term loan due in July 2031. The principal and related interest are payable semi-annually. In June 2025, the loan was refinanced through a new bridge loan facility.

Radius

₱700 Million Term Loan

The ₱700 million loan of *Radius* was used to finance the expansion of the residential and Micro, Small and Medium Enterprise (“*MSME*”) segment of its broadband business. The principal and related interest are payable quarterly until August 2029.

₱42.4 Million Term Loan

Radius’ ₱42.4 million loan was used to finance various information technology equipment and related peripherals for projects. The principal is payable quarterly. In April 2025, the loan was paid in full.

MServ

₱600 Million Term Loan

MServ’s ₱600 million 10-year fixed rate term loan is payable based on pre-agreed amortization until 2027 while interest is payable semi-annually.

MIESCOR

₱375 Million Term Loan

MIESCOR has a ₱375 million, fixed rate term loan, payable semi-annually until June 2028.

The annual interest rates of the interest-bearing financial liabilities range from 4.70% to 8.29% and 4.70% to 8.70% as at December 31, 2025 and 2024, respectively.



Debt Covenants

The terms of the *MERALCO* loans include compliance with debt service coverage of 1.1 times calculated on specific measurement dates. The agreements also contain restrictions with respect to the creation of liens or encumbrances on assets, issuance of guarantees, mergers or consolidations, disposition of a significant portion of its assets and related party transactions.

MERALCO's subsidiaries loan agreements require compliance with certain financial ratios at all times until full payment of the obligations. The restrictions also cover payment of dividends, distributions or other returns to its stockholders, additional liens on its assets, disposal of assets, incurrence of additional indebtedness, among others. *GBPC* is prohibited from entering into merger or consolidation with other corporation, unless *GBPC* is the surviving entity.

As at December 31, 2025 and 2024, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Interest expense on the foregoing long-term financial liabilities amounted to ₱7,129 million, ₱3,050 million and ₱3,020 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Unamortized Debt Issue Costs

The following presents the changes to the unamortized debt issue costs:

	<i>Note</i>	2025	2024
		<i>(Amounts in millions)</i>	
Balance at beginning of year		₱403	₱808
Additions		1,377	34
Amortization charged to interest and other financial charges		(132)	(86)
Effect of deconsolidation of <i>MIDC</i>	3	—	(353)
Balance at end of year		₱1,648	₱403

Redeemable Preferred Stock

The movements in the number of shares of the redeemable preferred stock, which have all been called, are as follows:

	2025	2024
Balance at beginning of year	146,108,911	146,510,496
Redemptions	(233,985)	(401,585)
Balance at end of year	145,874,926	146,108,911

The original "Terms and Conditions" of *MERALCO*'s Special Stock Subscription Agreement, which required every service applicant to subscribe to preferred stock with 10% dividend to cover the cost of extension of, or new, distribution facilities, have been amended by the *Magna Carta* and the *DSOAR*, effective June 17, 2004 and January 18, 2006, respectively. The amendment sets forth the guidelines for the issuance of preferred stock, only if such instrument is available.



18. Customers' Deposits

This account consists of:

	2025			2024		
	Current Portion (see Note 22)	Noncurrent Portion	Total	Current Portion (see Note 22)	Noncurrent Portion	Total
	<i>(Amounts in millions)</i>					
Bill deposits	₱2,482	₱39,206	₱41,688	₱2,493	₱33,274	₱35,767
Meter deposits	318	–	318	317	–	317
	₱2,800	₱39,206	₱42,006	₱2,810	₱33,274	₱36,084

Bill Deposits

Bill deposits serve to guarantee payment of bills by a customer.

As provided in the *Magna Carta* and *DSOAR*, all captive customers of the *DU* are required to pay a deposit, equivalent to the estimated monthly bill calculated based on applied load. Such deposit shall be updated annually based on the historical 12-month average bill. A captive customer who has paid his electric bills on or before due date for three (3) consecutive years may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise bill deposits and accrued interests shall be refunded within one (1) month from the termination of service, provided all bills have been paid.

Under the amended *DSOAR*, interest on bill deposits for both residential and non-residential customers shall be computed using the equivalent peso savings account interest rate of the Land Bank of the Philippines ("*Land Bank*") or other government banks, on the first working day of the year, subject to the confirmation by the *ERC*.

Under *ERC* Resolution No. 3, Series of 2026, the rules on bill deposits were simplified to make electricity service more accessible and consumer-friendly. *DUs* may now waive bill deposits or accept alternative guarantees. Deposits for new connections are capped at one month's estimated billing, payable in three installments. Consumers who receive a 100% lifeline discount under *RA 11552* are fully exempt from paying any bill deposit. *DUs* must also notify consumers before increasing deposits and automatically credit any excess deposits to their bills. Finally, bill deposits must be automatically refunded with interest to lifeline beneficiaries and to consumers who have two years of on-time payments, with refunds applied directly to their monthly bills.

On January 24, 2025, *MERALCO* received an *SC* Decision dated October 8, 2024 dismissing a Petition, which prayed to declare the provisions for bill deposits in the *Magna Carta*, as illegal and void and that *MERALCO* and other *DUs* be permanently prohibited from imposing and collecting bill deposit from captive customers.



The following are the movements of the bill deposits account:

	<i>Note</i>	2025	2024
		<i>(Amounts in millions)</i>	
Balance at beginning of year		₱35,767	₱36,591
Additions		13,259	8,311
Refunds		(7,338)	(9,135)
Balance at end of year		41,688	35,767
Less portion maturing within one year	22	2,482	2,493
Noncurrent portion of bill deposits and related interests		₱39,206	₱33,274

Interest expense on bill deposits amounted to ₱25 million, ₱22 million and ₱22 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Under *ERC* Resolution No. 03, Series of 2026, the *ERC* introduced amendments to the *Magna Carta*. With respect to bill deposits, the rules were updated to introduce automatic bill deposit refunds for (a) consumers who qualify for a 100% lifeline discount and (b) customers who have made timely payments for two consecutive years. New applicants may also pay required bill deposits in full or three (3) monthly installments and *DUs* may waive or provide alternatives to bill deposits.

In addition, under its Advisory dated January 31, 2026, the *ERC* directed all *DUs* to submit detailed information regarding its bill deposits within thirty (30) days, or until March 1, 2026. As at February 25, 2026, *MERALCO* is preparing the information required by the *ERC*.

Meter Deposits

Meter deposits were intended to guarantee the cost of meters installed.

Following the effectivity of the *Magna Carta* (for residential customers) and *DSOAR* (for non-residential customers), all customers are exempt from payment of meter deposits.

MERALCO deposited the amount equivalent to the unclaimed meter deposits in a single savings account in compliance with the *ERC* order in 2016.

19. Provisions

The movements of the provisions account follow:

	<i>Note</i>	2025	2024
		<i>(Amounts in millions)</i>	
Balance at beginning of year		₱65,493	₱71,669
Provisions (reversal of provisions) for the year – net		12,167	8,470
Settlements		(5,158)	(309)
Reclassifications	22	(8,988)	(14,337)
Balance at end of year		63,514	65,493
Less current portion	22	51,179	55,638
Noncurrent portion of provisions		₱12,335	₱9,855

Provisions represent estimated amount of over-recoveries and claims or losses related to commercial arrangements with unresolved terms and local/national tax assessments being contested as discussed



in *Note 29 – Contingencies and Legal Proceedings*. Information provided is consistent with the limited disclosure provision as allowed in *PFRS Accounting Standards*.

MERALCO recognized provisions over-recoveries. The movements in and the balance of the “Other noncurrent liabilities” and “Trade payables and other current liabilities” accounts in the consolidated statements of financial position include these. *MERALCO* recognized a net reversal of provisions included in “Other noncurrent liabilities” amounting to ₱8,228 million and net provisions amounting to ₱8,607 million for the years ended December 31, 2025 and 2024, respectively.

See *Note 2 Rate Regulations*.

20. Customers’ Refund

This account represents the balance of the refund related to the *SC* decision promulgated on April 30, 2003, which is continuously being refunded based on documents presented by qualified claimants. The unclaimed amount is deposited in a separate interest-bearing bank account.

MERALCO implemented the *SC* ruling which ordered the refund of ₱0.167 per *kWh* for billings made from February 1994 to April 2003 in four (4) phases. Even while the refund period ended, *MERALCO* continues to process refunds as the eligible customers present their required supporting documents. The refund shall continue until the *ERC* orders otherwise.

See *Note 2 – Rate Regulations*.

21. Notes Payable

Notes payable represent unsecured interest-bearing working capital loans obtained from local banks and which are due within one (1) year. Annual interest rates were up to 6.31% and 6.94% as at December 31, 2025 and 2024, respectively.

Interest expense on notes payable amounted to ₱1,504 million, ₱1,409 million and ₱1,282 million for the years ended December 31, 2025, 2024 and 2023, respectively.

22. Trade Payables and Other Current Liabilities

This account consists of the following:

	Note	2025	2024
		<i>(Amounts in millions)</i>	
Trade accounts payable	23 and 24	₱90,525	₱69,177
Accrued expenses:			
Employee benefits		4,664	3,627
Services		3,255	4,331
Interest	17	1,459	903
Others		2,845	2,096
Current portions of:			
Provisions	2, 19 and 29	51,179	55,638
Bill deposits and related interests	18	2,482	2,493
Deferred income		499	632



	Note	2025	2024
		<i>(Amounts in millions)</i>	
Meter deposits and related interests	18	318	317
Refundable service extension costs		1,017	1,457
Dividends payable on:			
Common stock	16	4,195	3,662
Redeemable preferred stock	17	248	248
Payables to customers		11,817	10,636
Taxes		10,102	13,047
Liabilities related to Put Option and Investment Agreement	3 and 8	7,545	9,506
Universal charges payable	32	3,439	3,048
FiT-All payable	32	1,393	683
Payroll related remittances		474	669
Regulatory fees payable		₱412	₱394
Lease liability		175	102
Derivative liability	16 and 27	—	961
Other current liabilities		1,577	7,845
		₱199,620	₱191,472

Trade Accounts Payable

Trade accounts payable are mainly obligations to power generating companies, *NGCP* and *IEMOP* for costs of power purchased and transmission services. In addition, this account includes liabilities due to local and foreign suppliers for purchases of goods and services, consisting of transformers, poles, coal, materials and supplies, and contracted services, among others.

Trade payables are non-interest-bearing and are generally settled within 15 to 30 days from the receipt of invoice. Other payables are non-interest-bearing and due within one (1) year from incurrence.

See *Note 23 – Related Party Transactions*, *Note 24 – Revenue and Purchased Power* and *Note 30 – Significant Contracts and Commitments*.

Taxes

Taxes represent pass-through *VAT*, output *VAT*, withholding taxes and energy taxes payable. Pass-through *VAT* pertains to *VAT* on generation and transmission costs billed to the *DU*, which are in turn billed to the customers. Remittance of such pass-through *VAT* to the generation companies is based on collection of billed receivables from the customers.

Refundable Service Extension Costs

Article 14 of the *Magna Carta*, specifically, “Right to Extension of Lines and Facilities”, requires a customer requesting for an extension of lines and facilities beyond 30-meter service distance from the nearest voltage facilities of the *DU* to advance the cost of the project. The amended *DSOAR*, which became effective April 1, 2010, requires such advances from customers to be refunded at the rate of 75% of the distribution revenue generated from the extension lines and facilities until such amounts are fully refunded. The related asset shall form part of the rate base only as the refund is paid out. Customer advances are non-interest-bearing.



As at December 31, 2025 and 2024, the noncurrent portion of refundable service extension costs of ₱3,371 million and ₱3,753 million, respectively, is presented as “Refundable service extension costs - net of current portion” account in the consolidated statements of financial position.

Universal Charges Payable

Universal charges are amounts passed on and collected from customers on a monthly basis by *PSALM* through the *DUs*. These are charges imposed to recover stranded debts, stranded contract costs of National Power Corporation (“*NPC*”), stranded contract costs of eligible contracts of *DUs*, missionary electrification and environment charges. *DUs* remit collections monthly to *PSALM* who administers the fund generated from universal charges and disburses the said funds in accordance with the intended purposes.

Payables to Customers

Payables to customers include bill credits and advance payments received from customers that are applied to their current consumption.

23. Related Party Transactions

The *MERALCO Group* has approval process and limits with respect to the amounts and extent of related party transactions.

The following summarizes the nature of transactions, which have been provided to and/or contracted by the *MERALCO Group* to/with related parties for the relevant period. The outstanding balances are unsecured, non-interest-bearing and settled in cash.

Pole Attachment Contract with PLDT

MERALCO has a pole attachment contract with *PLDT* similar to pole attachment contracts of *MERALCO* with third parties/ telecommunication companies. Under the pole attachment contract, *PLDT* shall use the contracted cable positions exclusively for its telecommunication cable network facilities.

Sale of Electricity under Various Service Contracts

MERALCO and *Clark Electric* sells electricity to its subsidiaries, associates, joint ventures and related party shareholder groups with operations within the franchise area, namely, *PLDT*, *Metro Pacific* and *JG Summit* and their respective subsidiaries and affiliates. The rates charged to related parties as captive customers are the same *ERC*-mandated rates applicable to all captive customers within the franchise area. The rates charged by *RES* to related parties as contestable customers are offered based on the same rate model for other contestable customers.

Purchase of Telecommunication Services from PLDT and Subsidiaries

The *MERALCO Group*’s telecommunications carriers include *PLDT* for its wireline and Smart Communications, Inc. for its fixed and wireless services. Such services are covered by standard service contracts between the telecommunications carriers and each legal entity within the *MERALCO Group*.



Lease Agreement with Robinsons Land Corporation (“RLC”)

MERALCO has various lease agreements with RLC for its temporary office premises until January 2024.

Purchase of Goods and Services

In the ordinary course of business, the MERALCO Group purchases goods and services from its affiliates and sells power and renders services to such affiliates.

PSAs

As discussed in Note 30, MERALCO has long-term PSAs with MTerra Solar, SPPC, EERI, SBPL, NSEC, First Bulacan, and Solar Philippines Tarlac.

Following is a summary of related party transactions in 2025, 2024 and 2023 and the outstanding balances as at December 31, 2025 and 2024:

Category	Amount of Transactions			Outstanding Receivable (Liability)		Terms	Conditions
	2025	2024	2023	2025	2024		
(Amounts in millions)							
Sale of electricity: <i>JG Summit Group</i>	₱5,081	₱4,004	₱4,372	₱870	₱951	10-days; noninterest- bearing	Unsecured, no impairment
<i>PLDT Group</i>	797	1,073	1,405	34	49	10-days; noninterest- bearing	Unsecured, no impairment
<i>Metro Pacific Group</i>	510	573	566	44	45	10-days; noninterest- bearing	Unsecured, no impairment
Purchases of IT services - <i>Indra Philippines</i>	1,253	1,081	1,012	(79)	(282)	30-days; noninterest- bearing	Unsecured
Purchases of meters and devices – <i>Aclara Meters</i>	429	169	246	(41)	(2)	30-days; noninterest- bearing	Unsecured
(Forward)							
Purchases of medical services - <i>Colinas Verdes Hospital Managers</i>	295	252	204	(12)	(1)	30-days; noninterest- bearing	Unsecured
Revenue from pole attachment - <i>PLDT</i>	733	687	688	34	14	Advance payment	Unsecured, no impairment
Lease of office premises – <i>RLC</i>	–	12	107	–	–	30-days; noninterest- bearing	Unsecured
Purchases of wireline and wireless services - <i>PLDT Group</i>	119	122	96	(5)	(15)	30-days; noninterest- bearing	Unsecured
Purchases of insurance premium - <i>MPioneer</i>	363	490	470	(7)	(14)	30-days; noninterest- bearing	Unsecured
Donations to One Meralco Foundation	141	65	94	–	–	None	None



Category	Amount of Transactions			Outstanding Receivable (Liability)		Terms	Conditions
	2025	2024	2023	2025	2024		
(Amounts in millions)							
Purchases of power:							
<i>SPPC*</i>	62,133	—	—	(12,270)	—	30-days; noninterest-bearing	Unsecured
<i>EERI*</i>	51,484	—	—	(13,170)	—	30-days; noninterest-bearing	Unsecured
<i>SBPL</i>	17,112	19,916	24,837	(1,220)	(1,223)	30-days; noninterest-bearing	Unsecured
<i>Solar Philippines Tarlac</i>	493	465	—	(95)	(69)	30-days; noninterest-bearing	Unsecured
<i>NSEC</i>	436	451	263	(34)	(35)	30-days; noninterest-bearing	Unsecured

*SPPC and EERI became related parties following Chromite Holdings acquisition of 67% stake in both companies in January 2025.

Transaction with MERALCO Retirement Benefits Fund (“Retirement Fund”)

MERALCO’s Retirement Fund holds 6,000 common shares of *RP Energy* at par value of ₱100 per share, with total carrying amount of ₱600,000 or an equivalent 3% equity interest in *RP Energy*. The fair value of *RP Energy*’s common shares cannot be reliably measured as these are not traded in the financial market. As at December 31, 2025 and 2024, the fair value of the total assets being managed by the Fund amounted to ₱29.6 billion and ₱30.3 billion, respectively.

See Note 26 – Long-Term Employee Benefits.

Compensation of Key Management Personnel

The compensation of key management personnel of the *MERALCO Group* by benefit type is as follows:

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Short-term employee benefits	₱1,125	₱861	₱755
Long-term employee incentives and retirement benefits	512	368	374
Total compensation to key management personnel	₱1,637	₱1,229	₱1,129

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed one (1) percent of the income before income tax of *MERALCO* during the preceding period.

Each of the directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock



grant based on a pre-approved number of shares for each director which was implemented beginning May 2013 as approved by the stockholders. The directors have the option to receive the number of shares granted or the equivalent cash value. On May 27, 2025, the *MERALCO*'s stockholders approved a revised per diem rate applicable to each director for every board and board committee meeting attended. Effective June 1, 2025, each of the directors is entitled to a per diem of ₱200,000 for every *BOD* meeting attended and each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱50,000 for every committee meeting attended.

As at December 31, 2025, there are no agreements between the *MERALCO Group* and any of its key management personnel providing for benefits upon termination of employment or retirement, except with respect to benefits provided under (i) a defined benefit retirement plan, (ii) a program which aims to address capability refresh and organizational optimization requirements, and (iii) a contributory provident plan. Post-retirement benefits under the defined benefit retirement plan cover employees hired up to December 31, 2003 only. The provident plan, which is implemented on a voluntary basis, covers employees hired beginning January 1, 2004.

24. Revenues and Purchased Power

Revenues

The *MERALCO Group* disaggregates its revenue information in the same manner as it reports its segment information.

See Note 6 – *Segment Information*.

Contract Assets and Contract Liabilities

The *MERALCO Group*'s contract balances are as follows:

	Note	2025	2024
		<i>(Amounts in millions)</i>	
Contract assets:			
Unbilled receivables	13	₱3,983	₱3,387
Under-recoveries of pass-through charges - net	11	10,535	17,666
Contract liabilities:			
Non-refundable liability related to asset funded by customers		946	949
Over-recoveries from transmission, lifeline subsidy and <i>SL</i> charges - net		374	375

Income recognized from the non-refundable liability related to assets funded by customers amounted to ₱168 million, ₱155 million and ₱147 million for the years ended December 31, 2025, 2024 and 2023, respectively.



Purchased Power

The details of purchased power are as follows:

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Generation costs	₱321,491	₱301,369	₱292,968
Transmission costs	55,793	45,165	35,280
	₱377,284	₱346,534	₱328,248

Purchased power costs for the captive customers are pass-through costs and are revenue-neutral to *MERALCO, Clark Electric* and *Shin Clark Power*, as *DUs*.

Generation costs include any line rentals, market fees and must-run unit charges billed by *IEMOP*.

The details of purchased power follow:

	2025	2024	2023
	<i>(Amounts in millions)</i>		
South Premiere Power Corporation (“ <i>SPPC</i> ”)	₱62,133	₱56,649	₱36,807
<i>NGCP</i>	55,851	45,212	35,319
<i>EERI</i>	51,484	—	—
First Gas Power Corporation (“ <i>FGPC</i> ”)	50,418	50,114	46,789
FGP Corp. (“ <i>FGP</i> ”)	26,438	25,162	23,490
<i>IEMOP</i>	26,116	65,294	57,420
Masinloc Power Partners Co. Ltd. (“ <i>MPPCL</i> ”)	20,720	14,327	10,991
Sual Power Inc. (“ <i>SPF</i> ”)	20,085	14,801	14,603
<i>SBPL</i>	17,112	19,916	24,837
GNPower Dinginin (“ <i>GNPD</i> ”)	13,604	—	—
<i>QPPL</i>	9,223	21,550	24,126
Mariveles Power Generation Corporation (“ <i>MPGC</i> ”)	6,793	—	—
RE Resources, Inc. (“ <i>RERF</i> ”)	3,299	—	—
Limay Power Inc. (“ <i>LPI</i> ”)	2,570	7,070	—
First NatGas Power Corp. (“ <i>FNPC</i> ”)	1,134	2,459	15,218
Southwest Luzon Power Generation Corporation	941	3,289	3,385
Therma Luzon, Inc. (“ <i>TLF</i> ”)	655	5,067	15,850
Sem-Calaca Power Corporation (“ <i>Sem-Calaca</i> ”)	628	620	633
<i>Solar Philippines Tarlac</i>	493	465	418
<i>NSEC</i>	436	451	263
AC Energy Philippines, Inc. (“ <i>AC Energy</i> ”)	—	9,016	10,586
Energy Development Corporation (“ <i>EDC</i> ”)	—	2,242	2,398
Others	7,151	2,830	5,115
	₱377,284	₱346,534	₱328,248

Generation and transmission costs are net of company use amounting to ₱581 million, ₱526 million and ₱503 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Generation and transmission costs over- or under-recoveries result from the lag in the billing and recovery of generation and transmission costs from consumers. As at December 31, 2025 and 2024, the total transmission costs and *SL* charge over-recoveries included in “Other noncurrent liabilities”



account in the consolidated statements of financial position amounted to ₱287 million and ₱216 million, respectively.

25. Expenses

Salaries, Wages and Employee Benefits

	Note	2025	2024	2023
<i>(Amounts in millions)</i>				
Salaries, wages and related employee benefits		₱17,743	₱16,306	₱15,341
Retirement benefits	26	1,851	1,552	1,075
Other post-employment benefits	26	151	116	105
		₱19,745	₱17,974	₱16,521

Depreciation and Amortization

	Note	2025	2024	2023
<i>(Amounts in millions)</i>				
Utility plant, generation plant and others	7	₱15,566	₱15,542	₱14,770
Intangible assets	10	1,464	1,983	1,851
Investment properties	9	4	4	4
		₱17,034	₱17,529	₱16,625

Other Expenses

	Note	2025	2024	2023
<i>(Amounts in millions)</i>				
Materials used	14	₱3,499	₱2,965	₱3,086
Rent and utilities		1,550	1,773	1,661
Transportation and travel		352	699	620
Insurance		502	552	565
Advertising		445	418	337
Donations		319	224	375
Communication	23	223	209	204
Others		1,438	2,690	778
		₱8,328	₱9,530	₱7,626



26. Long-term Employee Benefits

Liabilities for long-term employee benefits consist of the following:

	2025	2024
	<i>(Amounts in millions)</i>	
Retirement benefits liability	₱11,002	₱11,134
Long-term incentives	4,306	2,874
Other post-employment benefits	2,557	2,255
	17,865	16,263
Less current portion	4,300	—
	₱13,565	₱16,263

Defined Benefit Retirement Plans

The features of the *MERALCO Group's* defined benefit plans are discussed in *Note 4 – Material Accounting Policies, Changes and Improvements*.

Actuarial valuations are prepared annually by the respective independent actuaries engaged by *MERALCO* and its subsidiaries.

Expense recognized for defined benefit plans (included in “Salaries, wages and employee benefits” account in the consolidated statements of income)

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Current service costs	₱1,084	₱1,039	₱911
Net interest costs	683	437	95
Net retirement benefits expense	₱1,767	₱1,476	₱1,006

Retirement Benefits Liability

	2025	2024
	<i>(Amounts in millions)</i>	
Defined benefit obligation	₱40,606	₱41,420
Fair value of plan assets	(29,604)	(30,286)
Net retirement benefits liability	₱11,002	₱11,134

Changes in the net retirement benefits liability are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Retirement benefits liability at beginning of year	₱11,134	₱7,177
Net retirement benefits expense	1,767	1,476
Amounts recognized in <i>OCI</i>	(1,749)	2,707
Contributions by employer	(150)	(226)
Net retirement benefits liability at end of year	₱11,002	₱11,134



Changes in the present value of the defined benefits obligation are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Defined benefit obligation at beginning of year	₱41,420	₱38,029
Interest costs	2,310	2,112
Current service costs	1,084	1,039
Benefits paid	(2,807)	(2,827)
Actuarial losses (gains) due to:		
Changes in financial assumptions	(970)	(145)
Experience adjustments	(431)	3,212
Defined benefit obligation at end of year	₱40,606	₱41,420

Changes in the fair value of plan assets are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Fair value of plan assets at beginning of year	₱30,286	₱30,852
Interest income	1,627	1,675
Contributions by employer	150	226
Return on plan assets, excluding amount included in net interest on the net defined benefit obligation and interest income	348	360
Benefits paid	(2,807)	(2,827)
Fair value of plan assets at end of year	₱29,604	₱30,286

The Board of Trustees (“BoT”) of the *Retirement Fund* is chaired by the Chairman of *MERALCO*, who is neither an executive nor a beneficiary. The other members of the *BoT* are (i) an executive member of the *BOD*; (ii) two (2) senior executives; (iii) an independent member of the *BOD*; and (iv) a member of the *BOD* who represents the largest shareholder group, none of whom are beneficiaries of the plan.

The *Retirement Fund* follows a conservative approach of investing in fixed income, money market and equity assets to diversify the portfolio in order to minimize risk while maintaining an adequate rate of return. The assets of the *Retirement Fund* are managed by four (4) local and one (1) foreign trustee banks whose common objective is to maximize the long-term expected return of plan assets. The *BoT* reviews and approves the strategic mandate of the portfolio to ensure the ability of the *Retirement Fund* to service its short-term and long-term obligations.

The major categories of plan assets are as follows:

	2025	2024
	<i>(Amount in millions)</i>	
Investments quoted in active markets:		
Government securities	₱9,336	₱10,478
Bonds and commercial notes	8,200	8,066
Marketable equity securities	7,338	7,626
Receivables	2,016	1,744
Real property	1,927	1,927
Cash and cash equivalents	787	445
Fair value of plan assets	₱29,604	₱30,286



Marketable equity securities, government securities, bonds and commercial notes are investments held by the trustee banks.

Other Long-term Post-employment Benefits (included as part of "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Interest costs	₱133	₱100	₱94
Current service costs	18	16	11
	₱151	₱116	₱105

Other Long-term Post-employment Benefits Liability

Changes in the present value of other long-term post-employment benefits liability are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Balance at beginning of year	₱2,255	₱1,646
Interest costs	133	100
Current service costs	18	16
Benefits paid	(161)	(101)
Actuarial losses due to change in assumptions	312	594
Balance at end of year	₱2,557	₱2,255

Actuarial Assumptions

The principal assumptions used in determining retirement benefits and other long-term post-employment benefits obligations are shown below:

	2025	2024
Annual discount rate	6.00%-6.61%	6.09%-6.11%
Future range of annual salary increases	4.00%-10.00%	4.00%-11.00%

Sensitivity Analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting year would have increased (decreased) as a result of a change in the respective assumptions, keeping all other assumptions constant. There have been no changes in the method and assumptions used in the sensitivity analysis from prior year.



The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

	% Change	Effect on Present Value of Defined Benefit Obligation	
		2025	2024
<i>(Amounts in millions)</i>			
Annual discount rate	+1.0%	(P3,519)	(P3,734)
	-1.0%	4,119	4,394
Future range of annual salary increases	+1.0%	1,209	1,363
	-1.0%	(1,075)	(1,207)

Funding

MERALCO contributes to the *Retirement Fund* from time to time such amounts of money required under accepted actuarial principles to maintain the *Retirement Fund* in a sound condition, subject to the provisions of the *Plan*.

The amount of the annual contributions to the *Retirement Fund* is determined through an annual valuation report performed by an independent actuary.

The following is the maturity profile of the undiscounted benefit obligation (amounts in millions):

Less than one (1) year	P3,759
One (1) year up to five (5) years	14,986
More than five (5) years up to 10 years	18,074
More than 10 years up to 15 years	21,928
More than 15 years up to 20 years	22,042
More than 20 years	52,254

Risk

The *Retirement Fund* is exposed to the following risks:

Credit Risk

The *Retirement Fund*'s exposure to credit risk arises from its financial assets which comprise of cash and cash equivalents, investments and receivables. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amounts of the instruments.

The credit risk is minimized by ensuring that the exposure to the various chosen financial investment structures is limited primarily to government securities and bonds or notes duly recommended by the Trust Committees of the appointed fund managers of the *Retirement Fund*.



Share Price Risk

The *Retirement Fund*'s exposure to share price risk arises from the shares of stock it holds and are traded at the *PSE*. The share price risk emanates from the volatility of the stock market.

The policy is to limit investment in shares of stock to blue chip issues or issues with good fair values or those trading at a discount to its net asset value so that in the event of a market downturn, the *Retirement Fund* may still consider to hold on to such investments until the market recovers.

By having a balanced composition of holdings in the equities portfolio, exposure to industry or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time. Equity investments are made within the parameters of the investment guidelines approved by the *BoT*. The *BoT* also meets periodically to review the investment portfolio based on financial market conditions. Share prices are also monitored regularly.

Liquidity Risk

Liquidity risk is the risk that the *Retirement Fund* is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. Liquidity risk is being managed to ensure that adequate fixed income and cash deposits are available to service the financial obligations of the *Retirement Fund*. The schedule of the maturities of fixed income investment assets are staggered by tenure or term. Policies are established to ensure that all financial obligations are met, wherein the timing of the maturities of fixed income investments are planned and matched to the due date of various obligations. Thus, for this investment class, maturities are classified into short-, medium- and long-term. A certain percentage of the portfolio is kept as cash to manage liquidity and settle all currently maturing financial obligations.

Defined Contribution Provident Plan

MERALCO has a defined contributory Provident Plan effective January 1, 2009, intended to be a supplemental retirement benefit for employees hired beginning 2004, the participation of which is voluntary. Each qualified employee-member who chooses to participate in the plan shall have the option to contribute up to a maximum of 25% of his base salary. *MERALCO* shall match the member's contribution up to 100% of employee's contribution or 10% of the member's monthly base salary, subject to a certain threshold. Upon resignation, the member shall be entitled to the total amount credited to his personal retirement account immediately preceding his actual retirement date, subject to provisions of the Provident Plan. *MERALCO*'s contribution to the Provident Plan amounted to ₱84 million, ₱76 million and ₱69 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Consolidated Retirement Benefits Cost (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Expense recognized for defined benefit plans	₱1,767	₱1,476	₱1,006
Expense recognized for defined contribution plan	84	76	69
Retirement benefits expense	₱1,851	₱1,552	₱1,075



Long-term Incentive Plan (“LTIP”)

MERALCO’s LTIP covers qualified employees and is based on *MERALCO Group’s* achievement of specified metrics approved by the *BOD* and determined on an aggregate basis for a three (3)-year period as well as employees’ attainment of a minimum level of performance rating. Employees invited to *LTIP* must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

27. Financial Assets and Financial Liabilities

Financial assets consist of cash and cash equivalents, short-term investments and trade and other receivables, which are generated directly from operations, advance payments to a supplier, financial assets at *FVOCI* and debt securities at amortized cost. The principal financial liabilities consist of bank loans, redeemable preferred shares, trade and nontrade payables, which are incurred to finance operations in the normal course of business. Accounting policies related to financial assets and financial liabilities are set out in *Note 4 – Material Accounting Policies, Changes and Improvements*.

The following table sets forth the financial assets and financial liabilities:

	Financial Assets at Amortized Cost	<i>FVOCI</i> Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
<i>(Amounts in millions)</i>				
Assets as at December 31, 2025				
<i>Noncurrent</i>				
Other noncurrent assets	₱1,088	₱3,231	₱–	₱4,319
<i>Current</i>				
Cash and cash equivalents	109,317	–	–	109,317
Trade and other receivables	68,606	–	–	68,606
Other current assets	140	524	–	664
Total Financial Assets	₱179,151	₱3,755	₱–	₱182,906
Liabilities as at December 31, 2025				
<i>Noncurrent</i>				
Interest-bearing long-term financial liabilities - net of current portion	₱–	₱–	₱186,531	₱186,531
Customers’ deposits - net of current portion	–	–	39,206	39,206
Refundable service extension costs - net of current portion	–	–	3,371	3,371
<i>Current</i>				
Notes payable	–	–	36,367	36,367
Trade payables and other current liabilities	–	–	122,492	122,492
Customers’ refund	–	–	2,851	2,851
Current portion of interest-bearing long-term financial liabilities	–	–	7,148	7,148
Total Financial Liabilities	₱–	₱–	₱397,966	₱397,966



	Financial Assets at Amortized Cost	<i>FVOCI</i> Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
<i>(Amounts in millions)</i>				
Assets as at December 31, 2024				
<i>Noncurrent</i>				
Other noncurrent assets	₱1,091	₱4,407	₱—	₱5,498
<i>Current</i>				
Cash and cash equivalents	84,480	—	—	84,480
Trade and other receivables	61,335	—	—	61,335
Other current assets	9,032	—	—	9,032
Total Financial Assets	₱155,938	₱4,407	₱—	₱160,345
Liabilities as at December 31, 2024				
<i>Noncurrent</i>				
Interest-bearing long-term financial liabilities - net of current portion	₱—	₱—	₱54,797	₱54,797
Customers' deposits - net of current portion	—	—	33,274	33,274
Refundable service extension costs - net of current portion	—	—	3,753	3,753
<i>Current</i>				
Notes payable	—	—	34,287	34,287
Trade payables and other current liabilities	—	—	100,396	100,396
Customers' refund	—	—	2,853	2,853
Current portion of interest-bearing long-term financial liabilities	—	—	5,692	5,692
Total Financial Liabilities	₱—	₱—	₱235,052	₱235,052

Fair Values

The fair values of the financial assets and financial liabilities are amounts that would be received to sell the financial assets or paid to transfer the financial liabilities in orderly transactions between market participants at the measurement date. Set out below is a comparison of carrying amounts and fair values of the *MERALCO Group's* financial instruments:

	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(Amounts in millions)</i>				
Financial assets				
Debt securities at amortized cost	₱1,088	₱1,088	₱9,905	₱9,520
Financial assets at <i>FVOCI</i>	3,231	3,231	4,407	4,407
Short-term investments	140	140	12	12
Financial assets at amortized cost - Advance payments to a supplier	—	—	206	206
	₱4,459	₱4,459	₱14,530	₱14,145
Financial liabilities				
Financial liabilities carried at amortized cost - Interest-bearing-long-term financial liabilities	₱192,220	₱196,407	₱59,028	₱60,348



The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Investments, Trade Payables and Other Current Liabilities and Notes Payable

Due to the short-term nature of transactions, the fair values of these instruments approximate their carrying amounts as at reporting date.

Financial Assets at FVOCI

The fair values were determined by reference to market bid quotes as at reporting date.

Debt Securities at Amortized Cost

The fair values were determined by discounting the expected future cash flows using the interest rate as at reporting date.

Meter Deposits and Customers' Refund

Meter deposits and customers' refund are due and demandable. Thus, the fair values of these instruments approximate their carrying amounts.

Bill Deposits

The carrying amounts of bill deposits approximate their fair values as bill deposits are interest-bearing.

Interest-bearing Long-term Financial Liabilities

The fair values of interest-bearing long-term debt (except for redeemable preferred stock) were computed by discounting the instruments' expected future cash flows using the rates ranging from 4.93% to 6.15% and 5.80% to 6.03% as at December 31, 2025 and 2024, respectively.

Redeemable Preferred Stock

The carrying amount of the preferred stock represents the fair value. Such preferred shares have been called and are payable anytime upon presentation by the shareholder of their certification. This is included under "Interest-bearing long-term financial liabilities" account.

Refundable Service Extension Costs

The fair values of refundable service extension costs cannot be reliably measured since the timing of related cash flows cannot be reasonably estimated and are accordingly measured at cost.



Fair Value Hierarchy

Below is the list of financial assets and financial liabilities that are classified using the fair value hierarchy:

	2025				2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>(Amounts in millions)</i>								
Financial assets								
Financial assets at <i>FVOCI</i>	₱3,231	₱—	₱—	₱3,231	₱4,407	₱—	₱—	₱4,407
Debt securities at amortized cost	1,088	—	—	1,088	9,520	—	—	9,520
Short-term investments	—	—	140	140	—	—	12	12
Advance payments to a supplier	—	—	—	—	—	206	—	206
	₱4,319	₱—	₱140	₱4,459	₱13,927	₱206	₱12	₱14,145
Financial liabilities								
Interest-bearing long-term financial liabilities	₱—	₱196,407	₱—	₱196,407	₱—	₱60,348	₱—	₱60,348

For the years ended December 31, 2025, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

The main risks arising from the financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in the Philippine and international financial markets. The *BOD* reviews and approves policies for managing each of these risks. Management monitors the market price risk arising from all financial instruments. The policies for managing these risks are as follows:

Interest Rate Risk

The *MERALCO Group*'s exposure to the changes in market interest rates relate to changes of fair value of its long-term financial assets and to the fluctuation of future cash flows in relation to its long-term interest-bearing financial liabilities.

MERALCO's policy is to manage its interest rate risk exposure using a mix of fixed and variable rate debts. The strategy, which yields a reasonably lower effective cost based on market conditions, is adopted. Refinancing of fixed rate loans may also be undertaken to manage interest cost.

The exposure of *MERALCO* and its subsidiaries to the risk of changes in market interest rate relates primarily to its long-term debt obligations with variable interest rates. *MERALCO* and its subsidiaries' loans which bear fixed interest rates are subject to repricing after a minimum of quarterly for *PEDC*, one (1) year for *MERALCO* and *Radius*, three (3) years for *PHRI*, *GSEI* and *Greenenergy*, five (5) years for *GBPC*, *MTerra Solar* and *Solar Philippines Calatagan*, seven (7) years for *CEDC* and ten (10) years for *First Bulacan*.



The following table sets out the maturity profile of the financial instruments that are exposed to interest rate risk (exclusive of debt issuance costs):

	Within 1 Year	Over 1–2 Years	Over 2–3 Years	Over 3–4 Years	Over 4–5 Years	More than 5 Years	Total
	<i>(Amounts in millions)</i>						
2025	₱3,057	₱3,291	₱3,291	₱3,256	₱3,151	₱95,183	₱111,229
2024	1,205	1,205	1,205	1,205	1,170	13,743	19,733

Floating interest rate of bank loans is repriced at intervals of less than one year. The other financial liabilities of the *MERALCO Group* that are not included in the foregoing have fixed interest rate and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of floating rate loans from various banks, with all other variables held constant, of the *MERALCO Group's* income before income tax for the years ended December 31, 2025 and 2024 through the impact on floating rate borrowings. There is no other impact on the *MERALCO Group's* equity other than those already affecting the consolidated statement of income.

2025		2024	
Increase (Decrease) in Basis Points	Effect on Income before Income Tax	Increase (Decrease) in Basis Points	Effect on Income before Income Tax
	<i>(Amounts in millions)</i>		
+75	(₱834)	+75	(₱148)
(75)	834	(75)	148

Interest expense of floating rate loans for the period is computed by taking into account actual principal movements, based on management's best estimate of a +/-75 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analysis.

Foreign Currency Risk

The revaluation of any of foreign currency-denominated financial assets and financial liabilities as a result of the appreciation or depreciation of the Philippine peso is recognized as foreign exchange gains or losses as at the end of each reporting period. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency-denominated financial instruments. While an insignificant percentage of the *MERALCO Group's* revenues and liabilities is denominated in *U.S.* dollars, a substantial amount of the *MERALCO Group's* expenditures for electricity capital projects and a portion of the operating expenses are denominated in foreign currencies, mostly in *U.S.* dollars. As such, a strengthening or weakening of the Philippine peso against the *U.S.* dollar will decrease or increase in Philippine peso terms, the principal amount of the *MERALCO Group's* foreign currency-denominated liabilities and the related interest expense, foreign currency-denominated capital expenditures and operating expenses.



The following table shows the consolidated foreign currency-denominated financial assets and financial liabilities as at December 31, 2025 and 2024, translated to Philippine peso at ₱58.79 and ₱57.85 to US\$1, respectively.

	2025		2024	
	U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
<i>(Amounts in millions)</i>				
Financial assets:				
Cash and cash equivalents	\$331	₱19,452	\$144	₱8,345
Financial assets at <i>FVOCI</i>	4	251	26	1,506
Short-term investments	27	1,603	25	1,451
Advance payments to a supplier	—	—	4	206
	362	21,306	199	11,508
Financial liabilities:				
Trade payables and other liabilities	(5)	(298)	(11)	(655)
	\$357	₱21,008	\$188	₱10,853

All of the *MERALCO Group's* long-term financial liabilities are denominated in Philippine peso and an insignificant portion of its trade payables are denominated in *U.S.* dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the *U.S.* dollar exchange rate vis-a-vis the Philippine peso, with all other variables held constant, of the *MERALCO Group's* income before income tax due to changes in the fair value of financial assets and financial liabilities. There is no other impact on the *MERALCO Group's* equity other than those already affecting the consolidated statements of income.

2025		2024	
Appreciation (Depreciation) of U.S. Dollar	Effect on Income before Income Tax	Appreciation (Depreciation) of U.S. Dollar	Effect on Income before Income Tax
<i>(In %)</i>	<i>(In millions)</i>	<i>(In %)</i>	<i>(In millions)</i>
+5	₱1,050	+5	₱543
-5	(1,050)	-5	(543)

Foreign exchange gain or loss for the year is computed based on management's best estimate of a +/- 5 percent change in the closing Philippine peso to *U.S.* dollar conversion rate using the balances as at financial reporting date of *U.S.* dollar-denominated cash and cash equivalents, receivables and other assets and liabilities. There has been no change in the methods and assumptions used by management in the above analysis.

Derivative Financial Instruments and Hedging Activities

MERALCO uses derivative financial instruments to manage exposure to foreign currency risk arising from forecasted investment denominated and payable in *U.S.* dollar. The objective of the hedge is to reduce volatility in cash flows associated with foreign exchange fluctuations.

To achieve this objective, *MERALCO* has designated forward foreign exchange contracts as cash flow hedges for its forecasted foreign currency denominated investments over the next 12 months. The hedging relationships are expected to be highly effective in offsetting changes in cash flows attributable to currency fluctuations.



In 2024, *MERALCO* entered into forward contracts to hedge 100% of its forecasted U.S. dollar investment payable upon closing of such forecasted transaction. The total notional value of these hedging instruments amounted to \$1.03 billion, with maturities dated January 21 to 24, 2025.

The foreign exchange risk arising from these transactions was designated as the hedged risk.

Hedge effectiveness was assessed using the dollar-offset method. The hedge was highly effective, with no significant hedge ineffectiveness recognized.

When the forecasted transactions occurred, the related hedge reserve amounts were reclassified from *OCI* to investment.

Prior to the closing of the investment transaction in *Chromite Holdings* in 2025, *MERALCO*'s outstanding hedging instruments amounted to \$1.187 billion. In January 2025, the forecasted investment was realized and *MERALCO* infused \$1.187 billion into *MGen* as settlement for its share in the investment in *Chromite Holdings*. The hedging reserve was reclassified from *OCI* account to investment account at ₱1,717 million.

Commodity Price Risk

Commodity price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in world prices or index of the commodity. The exposure of *MERALCO* and *Clark Electric* to price risk is minimal. The cost of fuel is part of *MERALCO*'s and *Clark Electric*'s generation costs that are recoverable through the generation charge in the billings to captive customers. On the other hand, *RES* and power generation business segments face risk due to fuel price fluctuations.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The *MERALCO Group* is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and Other Receivables and Contract Assets

MERALCO as a franchise holder serving public interest cannot refuse customer connection. To mitigate risk, the *DSOAR* allows *MERALCO* to collect bill deposit equivalent to one (1) month's consumption to secure credit. Also, as a policy, disconnection notices are sent three (3) days after the bill due date and disconnections are carried out beginning on the third day after receipt of disconnection notice.

Customer credit risk is managed by each business segment subject to *MERALCO Group*'s procedures and controls relating to customer credit risk management. The *MERALCO Group* manages and controls credit risk by setting limits on the amount of risk that it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are grouped according to contract status (e.g. active, terminated, etc.). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.



The provision matrix is initially based on the *MERALCO* customer segment's historical observed default rates. Each business segment of the *MERALCO* calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assumptions used in determining the historical default rates, and forecast of economic conditions to *MERALCO* customers and *ECLs* involved significant estimation. The amount of *ECLs* is sensitive to changes in circumstances and forecast of economic conditions. The historical credit loss experience, expected deferred payment arrangements, expected default upon resumption of service disconnection activities and forecast of economic conditions may also not be representative of customers' actual default in the future.

The subsidiaries of *MERALCO* trade only with recognized, creditworthy third parties. It is the *MERALCO Group's* policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis to reduce exposure to bad debt.

GBPC and its subsidiaries applied the simplified approach under *PFRS 9*, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. *GBPC* and its subsidiaries have identified the gross domestic product ("*GDP*") and consumer price index ("*CPI*") to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

No impairment losses resulted from performing collective impairment test, due to the past experience of *GBPC* and its subsidiaries of realizing receivables within the credit period which help reduce the credit risk exposure in case of default by the customers.

Set out below is the information about the credit risk exposure of the *MERALCO Group's* trade and other receivables and contract assets using a provision matrix:

	2025							
	Trade – electectricity distributed							
	Contract Status							
		Active -	Active –		Energy	Other trade	Nontrade	
	Active	Disconnected	Pending to	Terminated	Generated	receivables	receivables	Total
	(Amounts in millions, except ECL rate)							
ECL Rate	0.48%	0.63%	5.10%	78.40%	19.38%	7.48%	2.81%	
Estimated total gross carrying amount at default	₱39,029	₱2,536	₱167	₱8,465	₱6,717	₱14,938	₱14,550	₱86,402
Expected credit loss	186	16	9	6.637	1,301	1,117	410	9,676



2024								
	Trade – electelectricity distributed							
	Contract Status							
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated	Energy Generated	Other trade receivables	Nontrade receivables	Total
	(Amounts in millions, except ECL rate)							
ECL Rate	0.28%	0.70%	0.65%	73.48%	19.34%	5.20%	4.69%	
Estimated total gross carrying amount at default	₱31,484	₱1,569	₱2,143	₱8,487	₱6,613	₱13,921	₱9,334	₱73,551
Expected credit loss	88	11	14	6,236	1,279	787	439	8,854

Financial Instruments and Cash and Cash Equivalents

With respect to placements of cash with financial institutions, these institutions are subject to the *MERALCO Group's* accreditation evaluation based on liquidity and solvency ratios and on the bank's credit rating. The *MERALCO Group* transacts derivatives only with similarly accredited financial institutions. In addition, the *MERALCO Group's* deposit accounts in banks are insured by the Philippine Deposit Insurance Corporation up to ₱1,000,000 per depositor, per bank.

The *MERALCO Group* invests only in quoted debt securities with very low credit risk. The *MERALCO Group's* debt instruments at *FVOCI* comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies and therefore, are considered to be low credit risk investments.

Finally, credit quality review procedures are in place to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial information of counterparties, credit ratings and liquidity. The *MERALCO Group's* credit quality review process allows it to assess any potential loss as a result of the risks to which it may be exposed and to take corrective actions.

MERALCO, Clark Electric and Shin Clark, as *DUs*, requires their captive customers to pay bill deposit equivalent to their estimated monthly bill. Such deposit is updated annually based on the historical 12-month average bill. The bill deposits serve to guarantee payment of bills by a customer.



The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is equivalent to the nominal amount of the accounts.

	Gross Maximum Exposure	
	2025	2024
	<i>(Amounts in millions)</i>	
Cash and cash equivalents:		
Cash in banks	₱41,003	₱29,838
Cash equivalents	68,025	54,315
Trade and other receivables:		
Electricity sold	39,182	37,333
Energy generated	5,416	5,334
Service contracts	9,868	9,771
Subscription receivable	12,109	—
Nontrade receivables	2,031	8,897
Other current financial assets:		
Derivative asset	524	—
Short-term investments	140	12
Debt securities at amortized cost	—	8,814
Current portion of advance payments to a supplier	—	206
Other noncurrent financial assets:		
Financial assets at <i>FVOCI</i>	3,231	4,407
Debt securities at amortized cost	1,088	1,091
	₱182,617	₱160,018

The credit quality of financial assets is managed by *MERALCO* using “High Grade”, “Standard Grade” and “Sub-standard Grade” for accounts, which are neither impaired nor past due using internal credit rating policies.

The following tables show the credit quality by asset class:

	2025					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱109,028	₱—	₱—	₱—	₱—	₱109,028
Trade and other receivables:						
Electricity sold	6,281	3,868	16,755	12,278	6,848	46,030
Service contracts	6,518	—	—	3,350	1,087	10,955
Energy generated	5,416	—	—	—	1,301	6,717
Subscription receivable	12,109	—	—	—	—	12,109
Nontrade receivables	1,734	272	—	25	410	2,441
Other current assets:						
Derivative asset	524	—	—	—	—	524
Short-term investments	140	—	—	—	—	140
Other noncurrent assets:						
Financial assets at <i>FVOCI</i>	3,231	—	—	—	—	3,231
Debt securities at amortized cost	1,088	—	—	—	—	1,088
	₱146,069	₱4,140	₱16,755	₱15,653	₱9,646	₱192,263



2024						
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱84,153	₱—	₱—	₱—	₱—	₱84,153
Trade and other receivables:						
Electricity sold	8,226	3,548	15,638	9,921	6,349	43,682
Service contracts	6,678	—	—	3,093	762	10,533
Energy generated	5,333	—	—	1	1,279	6,613
Nontrade receivables	7,833	—	—	1,064	439	9,336
Other current assets:						
Debt securities at amortized cost	8,814	—	—	—	—	8,814
Current portion of advance payments to a supplier	206	—	—	—	—	206
Short-term investments	12	—	—	—	—	12
Other noncurrent assets:						
Debt securities at amortized cost	1,091	—	—	—	—	1,091
Financial assets at <i>FVOCI</i>	4,407	—	—	—	—	4,407
	₱126,753	₱3,548	₱15,638	₱14,079	₱8,829	₱168,847

Credit ratings are determined as follows:

▪ High Grade

High grade financial assets include cash in banks, cash equivalents, short-term investments, debt securities at amortized cost investments, *FVOCI* financial assets and advance payments to a supplier transacted with counterparties of good credit rating or bank standing. Consequently, credit risk is minimal. These counterparties include large prime financial institutions, large industrial companies and commercial establishments, and government agencies. For trade receivables, these consist of current month's billings (less than 30 days) that are expected to be collected within 10 days from the time bills are delivered.

▪ Standard Grade

Standard grade financial assets include trade receivables that consist of current month's billings (less than 30 days) that are expected to be collected before due date (10 to 14 days after bill date).

▪ Sub-standard Grade

Sub-standard grade financial assets include trade receivables that consist of current month's billings, which are not expected to be collected within 60 days.

Liquidity Risk

Liquidity risk is the risk that the *MERALCO Group* will be unable to meet its payment obligations when these fall due. The *MERALCO Group* manages this risk through monitoring of cash flows in consideration of future payment of obligations and the collection of its trade receivables. The *MERALCO Group* also ensures that there are sufficient, available and approved working capital lines that it can draw from at any time.

The *MERALCO Group* maintains an adequate amount of cash, cash equivalents and *FVOCI* financial assets, which may be readily converted to cash in any unforeseen interruption of its cash collections.



The *MERALCO Group* also maintains accounts with several relationship banks to avoid significant concentration of funds with one (1) institution.

The following table sets out the maturity profile of the financial liabilities and contract liabilities based on contractual undiscounted payments plus future interest:

2025					
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
<i>(Amounts in millions)</i>					
Notes payable	₱9,674	₱26,728	₱–	₱–	₱36,402
Trade payables and other current liabilities	118,675	–	–	–	118,675
Customers' refund	2,851	–	–	–	2,851
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	437	2,509	17,585	62,995	83,526
Floating rate borrowings	2,604	6,944	37,287	117,611	164,446
Redeemable preferred stock	1,459	–	–	–	1,459
Customers' deposits	1,298	1,502	8,518	30,688	42,006
Refundable service extension costs	345	672	3,303	68	4,388
Non-refundable liability related to asset funded by customers	127	127	127	565	946
Total undiscounted financial liabilities	₱137,470	₱38,482	₱66,820	₱211,927	₱454,699

2024					
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
<i>(Amounts in millions)</i>					
Notes payable	₱7,721	₱28,111	₱–	₱–	₱35,832
Trade payables and other current liabilities	96,129	–	–	–	96,129
Customers' refund	2,853	–	–	–	2,853
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	947	10,485	15,757	18,570	45,759
Floating rate borrowings	159	1,408	7,304	15,412	24,283
Redeemable preferred stock	1,461	–	–	–	1,461
Customers' deposits	379	2,431	7,263	26,011	36,084
Refundable service extension costs	345	1,112	3,304	449	5,210
Non-refundable liability related to asset funded by customers	127	127	127	568	949
Total undiscounted financial liabilities	₱110,121	₱43,674	₱33,755	₱61,010	₱248,560

The maturity profile of bill deposits is not determinable since the timing of each refund is linked to the cessation of service, which is not reasonably predictable. However, *MERALCO* estimates that the amount of bill deposits (including related interests) of ₱2,482 million will be refunded within a year. This is shown as part of “Trade payables and other current liabilities” account in the consolidated statement of financial position as at December 31, 2025.

Capital Management

The primary objective of the *MERALCO Group*'s capital management is to enhance shareholder value. The capital structure is reviewed with the end view of achieving a competitive cost of capital and at the same time ensuring that returns on capital expenditure are consistent with the levels approved by its regulators for its core distribution business.



The capital structure optimization plan is complemented by efforts to improve capital efficiency to increase yields on invested capital. This entails efforts to improve the efficiency of capital assets, working capital and non-core assets.

The *MERALCO Group* monitors capital using, among other measures, debt to equity ratio, which is gross debt divided by equity attributable to equity holders of the parent company. The *MERALCO Group* considers long-term debt, redeemable preferred stock and notes payable as debt.

	2025	2024
<i>(Amounts in millions, except debt to equity ratio)</i>		
Long-term debt	₱192,220	₱59,028
Notes payable	36,367	34,287
Redeemable preferred stock	1,459	1,461
Debt (a)	₱230,046	₱94,776
Equity attributable to equity holders of the parent company (b)	₱173,137	₱144,599
Debt to equity ratio(a)/(b)	1.33	0.66

28. Income Taxes and Local Franchise Taxes

Income Taxes

The components of net deferred income tax assets and liabilities are as follows:

	Note	2025	2024
<i>(Amounts in millions)</i>			
Deferred income tax assets:			
Provisions for probable losses and expenses from claims	19 and 22	₱25,670	₱27,078
Unfunded retirement benefits cost and unamortized past service cost	26	3,301	2,948
Allowance for expected credit losses	13	1,708	1,582
Accrued employee benefits	26	1,604	1,207
Decommissioning liability		100	93
Others		1,514	1,316
		33,897	34,224
Deferred income tax liabilities:			
Revaluation increment in utility plant and others	7, 9 and 16	8,043	8,092
Fair value of net assets from acquisitions	3	6,297	6,628
Capitalized interest		1,054	938
Actuarial gains	26	555	193
Capitalized duties and taxes deducted in advance		297	331
Others		377	429
		16,623	16,611
		₱17,274	₱17,613



The deferred income tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Deferred income tax assets – net	₱25,706	₱26,382
Deferred income tax liabilities – net	(8,432)	(8,769)
	₱17,274	₱17,613

Provision for (benefit from) income tax consists of:

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Current	₱12,770	₱12,232	₱9,153
Deferred	(20)	(2,018)	(1,042)
	₱12,750	₱10,214	₱8,111

Deferred income tax charged directly to *OCI* amounted to ₱359 million (expense), ₱812 million (benefit) and ₱1,278 million (benefit) for the years ended December 31, 2025, 2024 and 2023, respectively.

A reconciliation between the provision for income tax computed at statutory income tax rates of 25%, for the years ended December 31, 2025, 2024 and 2023, and provision for income tax as shown in the consolidated statements of income is as follows:

	2025	2024	2023
	<i>(Amounts in millions)</i>		
Income tax computed at statutory tax rate	₱15,898	₱14,171	₱11,697
Income tax effects of:			
Equity in net earnings of associates and joint ventures	(4,183)	(2,567)	(2,870)
Interest income subjected to lower final tax rate	(820)	(932)	(804)
Nontaxable income	(304)	(391)	(439)
Nondeductible interest expense	506	232	201
Nondeductible expense	405	326	151
Difference in calculation of tax deductible costs and expenses	(354)	(1,568)	(218)
Movement of unrecognized deferred tax assets	1,229	1,224	127
Others	373	(281)	266
	₱12,750	₱10,214	₱8,111

Certain deferred tax assets and liabilities expected to be recovered or settled in subsequent taxable years, for which the related income and expense were not considered in determining gross income for income tax purposes, were not recognized. This is because the manner by which *MERALCO* expects to recover or settle the underlying assets and liabilities would not result in any future tax consequence under the current method of computing taxable income.



MERALCO's net deferred tax assets which were not recognized as at December 31, 2025 and 2024 are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Deferred tax assets:		
Allowance for impairment losses	₱4,092	₱4,004
Net operating loss carryover (" <i>NOLCO</i> ")	1,896	1,913
Provisions for various claims	452	1,035
Unfunded retirement benefits cost and unamortized past service cost	142	147
Decommissioning liability	112	103
Others	75	78
	₱6,769	₱7,280

The temporary differences for which deferred tax assets have not been recognized pertain to the tax effect of *NOLCO* of *MGen* amounting to ₱10,164 million and ₱7,657 million as at December 31, 2025 and 2024, respectively. These are not recognized because *MGen* does not expect to utilize such deferred tax assets against sufficient taxable profit in the future.

NOLCO totaling to ₱10,164 million may be claimed as deduction against taxable income as follows:

Date Incurred	Expiry Date	Amount
		<i>(In millions)</i>
December 31, 2021	December 31, 2026	₱2,037
December 31, 2023	December 31, 2026	1,859
December 31, 2024	December 31, 2027	2,003
December 31, 2025	December 31, 2028	4,265
		₱10,164

NOLCO amounting to ₱3,257 million expired in 2025.

On September 30, 2020, the *BIR* issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the *NOLCO* incurred for taxable years 2020 and 2021 may be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

LFT

Consistent with the decisions of the *ERC*, *LFT* is a recoverable charge of the *DU* from the particular province or city imposing and collecting the *LFT*. It is presented as a separate line item in the customer's bill and computed as a percentage of the sum of generation, transmission, distribution services and related *SL* charges.

The Implementing Rules and Regulations ("*IRR*") issued by the *ERC* provide that *LFT* shall be paid only on its distribution wheeling and captive market supply revenues. Pending the promulgation of guidelines from the relevant government agencies, *MERALCO* is paying *LFT* based on the sum of generation, transmission, distribution services and related *SL* charges in the customers' bill.



In *ERC* Resolution No. 2, Series of 2021, or the *RuFles* on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of *DUs*, the *ERC* amended and modified the rules with respect to the recovery of any *LFT*, including the filing of applications for recovery.

29. Contingencies and Legal Proceedings

Overpayment of Income Tax related to SC Refund

After several rounds of motions and appeals in the Court of Tax Appeals (“*CTA*”), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*’s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA en Banc*’s Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*’s appeal, which reversed and set aside the *CTA En Banc*’s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at February 25, 2026, the Omnibus Motion is pending resolution by the *SC*.

LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code (“*LGC*”), only cities and provincial governments may impose *LFT* on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the *LGC*. Thereafter, *MERALCO* began the process of settlement with the affected *LGUs* and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, “Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes”, approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGUs* during the years prior to the Resolution to address tax arrearages; and (ii) *RPT* assessed by *LGUs* on assets located outside the *DU*’s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 25, 2026, the Petition is pending with the *ERC*.

See Note 19 – Provisions.



Mediation with NPC

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity (“*CSE*”) with *NPC* beginning January 1, 1995, as required by the *DOE* to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The *CSE*, rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the early years of *CSE*, *MERALCO*’s total purchases from *NPC* exceeded the contract level. However, following the Asian crisis in 1997, a decline in energy demand occurred. A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003 which was filed with the *ERC* for approval. After the validity of the Settlement Agreement was questioned by the Office of the Solicitor General, the matter was elevated to the *RTC* under a petition for declaratory relief. The *RTC* Decision declaring the Settlement Agreement valid and binding, except for the pass-through provision which remains under the *ERC*’s jurisdiction, was affirmed by both the *CA* and *SC*.

In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*’s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at February 25, 2026, *MERALCO* is preparing to file the appropriate motion for the revival of the proceedings before the *ERC* for the pass-through of such generation charge.

Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against *NPC* with the *RTC-Makati* to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The *RTC-Makati* granted a preliminary injunction on April 3, 2000, which was affirmed by the *SC* on March 23, 2006. *MERALCO* intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy, and the shutdown of the 230 kV line will result in widespread and rotating brownouts within *MERALCO*’s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* allowed *MERALCO* and *NGCP* to intervene and dissolved the injunction, subject to the posting of a bond to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at February 25, 2026, *MERALCO* is awaiting further action from the *SC* on the matter.



Petition for Dispute Resolution against Philippine Electricity Market Corporation (“PEMC”), TransCo, NPC and PSALM

A Petition for Dispute Resolution was filed by *MERALCO* against *PEMC*, *TransCo*, *NPC* and *PSALM*, as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*’s San Jose, Bulacan substation on July 11, 2008. The Petition sought to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use (“*TOU*”) rate or the price determined through the *ERC*-approved price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

The *ERC* eventually found merit in *MERALCO*’s petition and ruled that there is double charging. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. Discussions ensued on the methodology for segregation of line rental into congestion cost and line losses from the start of the *WESM* operation. Amounts of refunds were determined and *NPC* was directed to refund amounts collected for the period November 2006 to August 2012. Additionally, *MERALCO* was directed to file a petition against several successor generating companies (“*SGCs*”) to recover the line loss collected by them. Among subsequent filings was a Petition for Review on Certiorari (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) filed by *PSALM*. The *CA* dismissed the Petition for Certiorari and upheld the decision on the *ERC* with respect to the double charging. Another *MR* filed by *PSALM* was also denied by the *CA* with *PSALM* elevating the case to the *SC*. The motion has been given due course and is awaiting further action of the *SC* on the Petition as of February 25, 2026.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SPI and Sem-Calaca

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca*. Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGCs*; and 2) approval of *MERALCO*’s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGCs*, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGCs*’ Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGCs* Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*’s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*’s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC*’s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*’s filed their Sur-Rejoinder dated November 4, 2013. As at February 25, 2026, the Joint Motion to Dismiss is pending resolution by the *ERC*.



Petition for Dispute Resolution with NPC on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 25, 2026, the Petition is pending resolution by the *ERC*.

SC TRO on MERALCO's December 2013 Billing Rate Increase

After several hearings, petitions and motions, on August 3, 2022, the *SC* affirmed the December 9, 2013 letter of the *ERC* approving *MERALCO*'s proposal to implement a staggered collection over three (3) months and also voided the *ERC*'s March 3, 2014 Order imposing a regulated rate for the said period. A subsequent *MR* was denied with finality by the *SC* on October 11, 2022.

With the foregoing, *MERALCO* and *IEMOP* completed the reconciliation of the final amount to be recovered and a joint letter has been sent to the *ERC* on March 12, 2024 for implementation of the *SC* Decision. As of February 25, 2026, the parties are awaiting the decision of the *ERC* on the recovery of such pass-through charges.

ERC IU Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013.

Several proceedings ensued at the *ERC*, *CA* and the *SC*. In a resolution dated September 29, 2021, the *SC* affirmed with the *CA* that the *ERC* has jurisdiction over the cases. In the meantime, the *ERC* resumed hearing to discuss updates and developments related to the case. Pre-trial conferences have been conducted and the *ERC* is in the process of resolving the pending motions filed by the *GenCos* and *MERALCO*. As of February 25, 2026, the parties are awaiting further action by the *ERC*.

SC Petition on WESM Sales

On May 20, 2024, *MERALCO* received a copy of the Resolution dated April 3, 2024, issued by the *SC* requiring respondents *ERC*, *MERALCO* and *IEMOP* to file a comment on the Petition for Mandamus and Injunction against *ERC*, *MERALCO* and *IEMOP*. The Petition seeks to, among other things, compel the *ERC* to ban the purchase of electricity by *DUs*, like *MERALCO*, at the *WESM*. On June 10, 2024, *MERALCO* filed its Comment on the Petition. As at February 25, 2026, *MERALCO* awaits further action of the *SC* on the case.



Ombudsman Cases Against MERALCO Directors

Certain consumer groups charged the *MERALCO* directors and the *ERC* with alleged conspiracy on the misappropriation of bill deposits received from consumers. On May 18, 2018, the criminal complaint for syndicated estafa was dismissed but the case was referred to the *COA* for conduct of audit with respect to compliance therewith. A subsequent *MR* filed by the same consumer group was denied by the *SC*. Thereafter, the same consumer group filed an Urgent Motion for Immediate Execution dated September 21, 2018 praying that the Ombudsman issue a Writ of execution to implement the Resolution dated May 18, 2018. As at February 25, 2026, the matter is still pending.

Petition for Dispute Resolutions

Certain customers have filed a petition with the *ERC* and initiated arbitration proceedings over disputed billings, both of which remain pending, with the appointment of the arbitral tribunal still ongoing as at February 25, 2026.

Others

Management and its internal and external counsels believe that the probable resolution of these issues will not materially affect *MERALCO*'s financial position and results of operations.

30. Significant Contracts and Commitments

MERALCO

Independent Power Producers ("IPPs")

FGPC and FGP

MERALCO entered into separate 25-year *PPAs* with *FGPC* (March 14, 1995) and *FGP* (July 22, 1999) for a minimum net electric output of the Sta. Rita and San Lorenzo power plants, respectively, from the start of their commercial operations. The *PPA* for the Sta. Rita plant ended on August 17, 2025. There was an 11-day extension initially implemented and thereafter an Interim Extension through January 31, 2026, both duly approved by the *ERC*. On January 30, 2026, the *ERC* approved the Second Interim Extension of the *PPA* until June 25, 2026 under the same terms and conditions for the implementation of the First Interim Extension. The *PPA* for the San Lorenzo plant ends on October 1, 2027.

QPPL

The 25-year *PPA* of *MERALCO* with *QPPL* ended on May 31, 2025.

See Note 11 – Other Noncurrent Assets.



Committed Energy Volume to be Purchased

The following are forecasted purchases from/payments to *FGPC* and *FGP* corresponding to the Minimum Energy Quantity (“*MEQ*”) provisions of the contracts. The forecasted fixed payments include capacity charge and fixed operation and maintenance cost escalated using the *U.S.* and Philippine Consumer Price Index.

Year	MEQ	Equivalent Amount
	<i>(In million kwh)</i>	<i>(In Millions)</i>
2026	6,331	₱10,927
2027	3,328	5,716

SBPL

MERALCO and *SBPL* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations up to September 25, 2039.

PEDC

The 20-Year *PSA* between *MERALCO* and *PEDC* was ultimately terminated after *PEDC* notified *MERALCO* of its decision to cease energy supply, citing the *ERC*’s failure to act on its Urgent Motion for Contract Adjustment amid rising coal prices driven by global geopolitical developments.

The *ERC*, though, approved *PEDC*’s application for recovery of actual fuel costs totaling ₱380 million representing the unrecovered losses from September 26, 2022 to December 4, 2022. The collection and settlement by *MERALCO* from its consumers shall begin with the March 2026 billing period.

First Bulacan

MERALCO and *First Bulacan* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations until 2031.

Solar Philippines Tarlac Phase 1

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 85 *MW* of electric output from Phase one (1) of its solar plant in Tarlac until July 2038. The *ERC* approved a 2% annual escalation but left the adjustment of the timelines set under the *PSA* to the discretion of *MERALCO* and *Solar Philippines Tarlac*. The parties have jointly filed its application with the *ERC* and is awaiting final decision of the *ERC*.

Solar Philippines Tarlac Phase 2

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 50 *MW* of electric output from Phase 2 of its solar plant in Tarlac, which was filed with the *ERC* for approval. However, the 5-year approval period had lapsed without any resolution from the *ERC*. *Solar Philippines Tarlac* eventually filed a Motion to Withdraw the Application of the *PSA* on the basis of the *PSA*’s Longstop Date provision. This Motion to Withdraw Application remains pending the decision of the *ERC*. *Solar Philippines Tarlac* is of the position that it has no obligation to supply *MERALCO* for the additional 50 *MW* capacity.



SPI, AC Energy and SPPC – Baseload PSAs

MERALCO's baseload capacities with SPI (330 MW) and SPPC (670 MW) were terminated when the ERC denied the Joint Motions for the Price Adjustment on Notices of CIC of SPI and SPPC. Cases were filed with the CA, and the ERC elevated the case to the SC when the CA set aside the order of the ERC that denied the Joint Motions for Price Adjustment. On July 4, 2024, the SC issued a Resolution denying the ERC's Motion for Reconsideration.

Thereafter, the ERC approved the two (2) CIC claims of SPI and SPPC totalling ₱34.2 billion. CIC 1 totalling ₱5 billion is billable to customers beginning September 2025 billing period over six (6) months until full recovery. CIC 2 on the other hand totaling ₱29.3 billion is recoverable over 36 months starting the March 2026 billing period.

AC Energy filed similar CIC claims totaling ₱2.56 billion. On January 26, 2026, the ERC granted AC Energy's Updated and Supplemental Joint Motions for Price Adjustment and allowed AC Energy to recover from MERALCO customers the amount of ₱1.75 billion, over 12 months starting the March 2026 billing period.

First Gen Hydro Power Corporation ("First Gen Hydro"), AC Energy and SPPC – Mid-merit PSAs

MERALCO signed three (3) PSAs for mid-merit capacity with First Gen Hydro for 100 MW, AC Energy for 110 MW, and SPPC for 290 MW. On January 30, 2020 and March 16, 2020, MERALCO received ERC orders granting provisional authority to implement MERALCO's PSAs for mid-merit capacity with AC Energy, and First Gen Hydro and SPPC, respectively. In its Orders dated November 26, 2020, the ERC granted interim relief authorizing continued implementation of the PSAs, until revoked or until the issuance of a final decision by the ERC. As at February 25, 2026, the three (3) PSA applications are pending final decision by the ERC.

MTerra Solar

MERALCO has a 20-year PSA with MTerra Solar for 850 MW renewable energy mid-merit capacity. The ERC approved the PSA on August 8, 2023, with notification of acceptance by MTerra Solar upon Receipt of the approval in December 2023. Phase 1 of MTerra Solar consisting of 650 MW capacity is expected to commence commercial operations in August 2026.

EERI, GNPD and MPGC – 2024 Baseload PSAs

MERALCO has three (3) PSAs with a) EERI with commercial operations date in December 2024 for 1,200 MW, b) GNPD with commercial operations date in May 2025 for 300 MW, and c) MPGC with commercial operations date in May 2025 for 300 MW. The ERC, in a Notice of Resolution dated November 26, 2024 (for the PSA with GNPD); Notice of Resolution dated December 10, 2024 (for the PSA with EERI) and final Decision dated November 26, 2024 (but received by MERALCO on May 30, 2025) (for the PSA with MPGC) has approved the PSAs with EERI, GNPD and MPGC. On December 26, 2024 and April 26, 2025, EERI and GNPD, respectively, commenced supply to MERALCO. On June 2, 2025, MPGC commenced supply to MERALCO. As at February 25, 2026, the formal/complete final decisions approving the said PSAs have already been issued by the ERC.



SPPC – 2024 Baseload PSA

On February 5, 2022, *MERALCO* signed a *PSA* for baseload capacity with *SPPC* for 1,200 *MW*. On June 11, 2024, the *ERC* released an Order (dated May 9, 2024) granting provisional authority to implement the *PSA* under several conditions, which includes implementation covering only 910 *MW* capacity, pending *ERC* resolution of the Joint Manifestation dated February 23, 2024 in *ERC* Case No. 2019-080RC on assignment of the 290 *MW* capacity thereat from *SPPC* to *SPI*. *MERALCO* and *SPPC* proceeded to implement the 2024 1,200 *MW PSA* following the *ERC*'s provisional authority Order. On June 26, 2024, *MERALCO* and *SPPC* filed a Joint Motion for Partial Reconsideration which questioned the *ERC*'s provisional authority Order. In a Notice of Resolution dated March 19, 2025, the *ERC* granted the Joint Motion for Partial Reconsideration and the *ERC*'s provisional authority Order dated May 9, 2024 was amended to cover the entire contract capacity of 1,200 *MW*. As at February 25, 2026, the formal/complete order of the said Notice of Resolution dated March 19, 2025 is pending release by the *ERC*.

San Roque Hydropower Inc. ("SRHI"), Gigasol3, Inc. ("Gigasol3") and Santa Cruz Solar Energy Inc. ("SCSEI") – Renewable Energy (RE) Mid-merit PSAs

Following conduct of *CSP*, *MERALCO* has three (3) renewable energy mid-merit supply *PSAs* with a) *SRHI* with operations effective date in March 2025 for 340 *MW*, b) *Gigasol3* with operations effective date in March 2025 for 139 *MW*, and c) *SCSEI* with commercial operations date in March 2026 for 21 *MW*. The joint applications for approval of *MERALCO*'s *PSAs* with *SRHI*, *Gigasol3* and *SCSEI* were filed with the *ERC* on September 23, 2024, September 23, 2024, and September 27, 2024, respectively. On September 10, 2025, the *ERC* promulgated the Decisions of even date for both the *Gigasol3* and *SRHI PSAs* approving with final authority the *PSAs* to be implemented as applied for, subject to conditions. On September 17, 2025, *SRHI* commenced supply to *MERALCO*. On December 2, 2025 and January 22, 2026, *MERALCO* filed Urgent Motions to Resolve with the *ERC*, asking the *ERC* to resolve with finality the *SCSEI PSA*. As at February 25, 2026, the parties are awaiting *ERC*'s final decision on the application for approval of the *SCSEI PSA*.

GNPD and Masinloc Power Co. Ltd. ("MPCL") – Baseload PSAs

Following conduct of *CSP*, *MERALCO* has two (2) baseload supply *PSAs* with *MPCL* for 500 *MW* and with *GNPD* for 100 *MW*, both with operations effective date in September 2025. The joint applications for approval of *MERALCO*'s *PSAs* with *GNPD* and *MPCL* were filed with the *ERC* on October 2, 2024. On August 22, 2025, the *ERC* issued an Order of even date granting Interim Relief to implement the *PSA* as applied for subject to conditions. On August 26, 2025, *GNPD* commenced supply to *MERALCO*. On September 25, 2025, *GNPD* filed with the *ERC* a Motion for Issuance of Final Authority. On January 14, 2026, the *ERC* promulgated the final decision for the *GNPD PSA*. As at February 25, 2026, the parties are awaiting the *ERC*'s final decision for the *MPCL PSA*.

GNPD – Mid-merit PSA

Following conduct of *CSP*, *MERALCO* has executed a mid-merit supply *PSA* with *GNPD* for 400 *MW* with operations effective date in September 2025. The joint application for approval of *MERALCO*'s *PSA* with *GNPD* was filed with the *ERC* on December 6, 2024. On June 5, 2025 and June 23, 2025, *MERALCO* filed a First and Second Urgent Motions to Resolve. On August 22, 2025, the *ERC* promulgated the Decision of even date approving with final authority the *PSA* to be implemented as applied for, subject to conditions. On August 26, 2025, *GNPD* commenced supply to *MERALCO*. As at February 25, 2026, the parties are awaiting *ERC*'s final decision on the applications.



Interim Power Supply Agreements (“IPSAs”)

From 2017 to 2025, *MERALCO* entered into various *IPSAs*, emergency power supply agreements, and short-term *PSAs* with several suppliers to address temporary supply shortfalls arising from fuel supply disruptions, plant outages, regulatory delays, and court-issued injunctions affecting existing power supply contracts. These agreements were generally implemented under *DOE*-issued exemptions from the competitive selection process and were filed with the *ERC* for approval. Most of these contracts were short-term in nature and have already expired. As of February 25, 2026, several applications for approval and related regulatory matters remain pending with the *ERC*.

Clark Electric

Sem-Calaca

Clark Electric has a *PSA* with *Sem-Calaca*, the power generation company which owns, operates and maintains the 600 *MW* Batangas Coal-Fired Thermal Power Plant located in Calaca, Batangas for the supply of 20 *MW* of baseload power supply for a contract term of ten (10) years commencing on December 26, 2020.

The *ERC* approved the *PSA* between *Clark Electric* and *Sem-Calaca* through provisional authority in March 2021 and subsequently allowed its continued implementation by granting Interim Relief in February 2022 upon the authority’s expiration.

SPDC

Clark Electric entered into a *PSA* with *SPDC* for the supply of 25 *MW* , which was implemented under *ERC*-granted provisional authority and subsequent interim relief. The *PSA* remained in effect until its termination on December 25, 2025.

SPI

Clark Electric has a *PSA* with *SPI* for the supply of 15 *MW* baseload contract capacity and associated energy beginning December 26, 2025, with provisional authority to implement the *PSA* granted by the *ERC* on November 21, 2025.

TransCo/NGCP

Clark Electric has a Transmission Service Agreement with *NGCP* for the provision of necessary transmission services in accordance with the *OATS* rules December 25, 2028.

Shin Clark

Temporary Power Supply Agreement (“TPSA”) and Sale for Resale Agreement (“SRA”)

Shin Clark Power entered into a *SRA* with *Clark Electric* to supply the entire power requirements of *NCC*, effective May 7, 2024 upon the expiration of its temporary *PSA* with another distribution utility. The initial approval of the *ERC* of the *SRA* excluded the Overhead Line Recovery Charge (“*OLRC*”). The *ERC* subsequently allowed the recovery of the Administrative and Overhead Line Recovery Charges, both prospectively and for the period from June 2024 to April 2025.



On September 18, 2025, the *ERC* approved the distribution tariff of *Shin Clark Power* at ₱4.0230 per *kWh*.

Supply and Equipment Loan Agreement with Shell Pilipinas Corporation ("Shell")

Panay Power has a Supply and Equipment Loan Agreement with *Shell*, whereby *Shell* will supply *Panay Power's* requirements of petroleum products at prices based on a pre-agreed formula. In May 2023, following the decommissioning of units 1 and 2 on March 31, 2023 and December 31, 2022, respectively, *Panay Power* informed *Shell* of its intention to terminate the contract. As at February 25, 2026, the termination of the contract is ongoing discussion.

Long-term Coal Supply Agreements ("CSA")

In order to ensure that there is an adequate supply of coal to operate the power plants, the following operating plants entered into several long-term contracts with local and foreign coal suppliers:

PEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Sakti Nusantara Bakti	Indonesia	2022 - 2026	ICI4	220,000 MT
PT Mustika Indah Permai	Indonesia	2025-2027	ICI4	440,000 MT
Vitol Asia Pte. Ltd	Indonesia	2025 - 2027	GNewC/ICI4	165,000 MT
PT Bayan Resources TBK	Indonesia	2025-2027	GNewC/ICI4	220,000 MT
Semirara Mining and Power Corporation	Local	Jan-Dec 2026	Fixed Price	60,000 MT
Galaxy Energy & Resources Co. Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	55,000 MT
Bulk Trading Far East Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	55,000 MT

CEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Antang Gunung Meratus	Indonesia	2025-2026	GNewC/ICI4	220,000 MT
PT Bara Indah Sinergi	Indonesia	2025-2027	ICI4	110,000 MT
PT Bayan Resources	Indonesia	2025-2027	GNewC/ICI4	275,000 MT
Vitol Asia Pte. Ltd.	Indonesia	2025-2027	GNewC/ICI4	165,000 MT
Bulk Trading Far East Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	110,000 MT

TPC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Antang Gunung Meratus	Indonesia	2025-2026	GNewC/ICI4	55,000 MT
PT Bayan Resources	Indonesia	2026-2027	GNewC/ICI4	55,000 MT
PT Bara Indah Sinergi	Indonesia	2025-2026	GNew/ICI4	55,000 MT



MGen RES

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
Bulk Trading Far East Pte Ltd	Indonesia	Jan-Dec 2026	ICI4	55,000 MT
LX International	Indonesia	Jan-Dec 2026	ICI4	55,000 MT

Cagbalete Island Microgrid Electrification Expansion Capital Expenditure Project (“Cagbalete Microgrid Project”)

On July 23, 2019, the Cagbalete Microgrid pilot project was energized with 60 *kW* PV system, 150 *kWh* battery energy storage system and two (2) units of 30 *kW* diesel generators, which shall provide 24 x 7 power to the residents of the island.

MERALCO filed an application with the *ERC* to implement the Cagbalete Microgrid Expansion Project, to allow *MERALCO* serve the rest of the residents in Cagbalete Island. This was subsequently withdrawn and remains pending further regulatory action. Pursuant to the Revised Microgrid Law *IRR*, *MERALCO* later notified the *DOE* of its intent to develop a *DU* microgrid system for Cagbalete Island, and received authority to proceed. As of January 25, 2026, *MERALCO* is preparing the necessary application with the *ERC* to secure required approvals.

Lease Agreement with CDC

Clark Electric has a lease agreement through 2032 with *CDC* covering land where its structures and offices are located.

In addition, there are two (2) supplemental lease agreements for an allocated space in *CDC*-owned Dolores Substation 2 and Clark-Mabalacat-Angeles Road Substation.

The annual lease payment is equivalent to ₱0.12 per *kWh* sold by *Clark Electric*.

Estimated future minimum guarantee fees to be remitted to *CDC* are as follows:

	2025	2024
	<i>In millions</i>	
Within one (1) year	₱91	₱92
After one (1) year but not more than five years	513	540
	₱604	₱632



IMC with PELCO II

Comstech has an *IMC* with *PELCO II* for a period of 20 years until 2034. *PELCO II* is an electric cooperative with franchise to distribute electric power in certain municipalities of Pampanga.

Pursuant to the *IMC*, *Comstech* shall render technical and management services for the operation, maintenance and management and improvement of *PELCO II*'s electric distribution. As consideration for its technical, consultancy and management services, *Comstech* is entitled to a performance-based remuneration and management fee based on a certain percentage of the operating revenues of *PELCO II*.

Agreement and Registration with PEZA

MERALCO operates the distribution system of *CEZ* under a concession agreement with *PEZA* for 25 years until May 2039. It operates under a Certificate of Registration No.10-01-U from *PEZA*.

MERALCO has a tripartite agreement with *PEZA* and *FNPC* for 77 MW power supply agreement beginning until June 25, 2026, reflecting the second interim extension approved by the *ERC*.

Joint Venture Agreement with NCC

Shin Clark has a Joint Venture Agreement with the *BCDA* for the construction, operation and maintenance of the electric distribution system in *NCC*. *Shin Clark* completed the construction of Phase 1A of the Interim Electrical Distribution facilities, which consists of (i) a 33 MVA, 69 kV-13.8 kV interim substation; (ii) 2.2 kilometers of 13.8 kV overhead lines; and (iii) 1.5 kilometers of 13.8 kV underground line. The joint venture company, *Shin Clark Power*, was incorporated in May 2022 and was granted a *CPCN* by the *ERC* to operate as a *DU* until September 2044.

On October 15, 2024, *Shin Clark Power* filed an Application for its initial distribution rate structure to its various customer classes. On September 18, 2025, the *ERC* approved the Application, granting *Shin Clark Power* to collect an effective average rate of ₱4.0230 per kWh. As at February 25, 2026, *Shin Clark Power* filed a Motion for Partial Reconsideration which is pending before the *ERC*.

31. Earnings Per Share Attributable to Equity Holders of the Parent Company

Basic and diluted earnings per share are calculated as follows:

	2025	2024	2023
	<i>(In millions except per share amounts)</i>		
Net income attributable to equity holders of the parent company (a)	₱51,130	₱45,859	₱38,023
Weighted average common shares outstanding (b)	1,127	1,127	1,127
Per Share Amounts:			
Basic and diluted earnings per share (a/b)	₱45.36	₱40.69	₱33.74

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to common shareholders of the parent company by the weighted average number of common shares outstanding during the period. There are no potential dilutive common shares in 2025 and 2024.



There are no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

32. Other Matters

RCOA

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled “A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access (“*RCOA*”)”. In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis. On August 15, 2025, the *ERC* released Resolution No. 22, Series of 2025, entitled “A Resolution Lowering the Eligibility Threshold for Retail Competition and Open Access (“*RCOA*”) and Retail Aggregation Program (“*RAP*”)”. In said Resolution, the *ERC* lowered the demand threshold for eligibility to the Competitive Retail Electricity Market (“*CREM*”)/*RCOA* to an average monthly peak demand of at least 100 *kW* effective June 26, 2026.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014. The *ERC* promulgated *ERC* Resolution No. 13, Series of 2024 entitled “A Resolution Adopting the Omnibus Rules for Customer Choice Programs in the Retail Market”, which consolidated the relevant regulations of the *ERC* on the different Customer Choice Programs, i.e., *RCOA* (now *CREM*), *GEOP* and Aggregation. The Omnibus Rules became effective on September 6, 2024.

Pre-Emptive Mitigating Measure in the WESM

On November 26, 2025, the *ERC* promulgated *ERC* Resolution No. 26, Series of 2025, which amended *ERC* Resolution No. 07, Series of 2021 and updated the Secondary Price framework based on 2023-2025 market data. The revised rules retained the 72-hour rolling average period and set the secondary price cap at ₱7,423 per *mWh*, triggered once the Cumulative Price Threshold (“*CPT*”) of ₱12,413 per *mWh* is breached. The island/regional Secondary Price Cap (“*SPC*”) mechanism is maintained for use during grid interconnection outages. Additional Compensation is now limited to oil-based and *LNG* plants whose verified short-run marginal costs exceed the *SPC*, with all other technologies excluded. The *ERC* also established that the *SPC* parameters, including the *SPC* value, *CPT*, and rolling period will undergo review every five years, or earlier if warranted.

PEZA – ERC Jurisdiction

On September 13, 2007, *PEZA* issued guidelines which effectively bestowed upon itself franchising and regulatory powers in Ecozones operating within the legislative franchise areas of *DUs* which are under the legislatively-authorized regulatory jurisdiction of the *ERC*. The guidelines are the subject of an injunction case filed by the *DUs* in *RTC-Pasig*.



MERALCO, PEZA and PEPOA submitted their Tripartite Agreement for approval of the *RTC-Pasig*. In a Decision dated July 3, 2015, the *RTC-Pasig* approved the Compromise Agreement between *PEZA, PEPOA* and *MERALCO*. In the hearing on February 10, 2016, the *RTC-Pasig* dismissed the petition upon motion by *PEZA*. The *ERC* filed a *MR* which is pending resolution by the *RTC-Pasig*.

Purchase of Subtransmission Assets (“STAs”)

MERALCO and *TransCo* sought regulatory approval for the acquisition of Batch 4 sub-transmission assets, which was denied by the *ERC* and became the subject of prolonged regulatory, appellate, and *SC* proceedings, with a motion for reconsideration currently pending. Separately, *MERALCO* pursued an interpleader case relating to the payment and transfer of certain *TransCo* assets, which was ultimately remanded for proper disposition and attained finality. In December 2020, *MERALCO* and *TransCo* executed the deeds of absolute sale covering the Batch 2 and Batch 4 assets, resulting in *MERALCO*’s full acquisition and possession of these assets and corresponding adjustments to transmission charges effective December 2021.

On December 15, 2016, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 3 contract to sell with the *ERC*. Hearings were conducted on August 10, 2018 and October 15, 2018. The *ERC* has yet to set the next hearing of the case.

FiT

Pursuant to *RA* No. 9513, or the Renewable Energy Act of 2008 (“*RE Act*”), the *ERC* issued Resolution No. 16, Series of 2010, Adopting the *FiT* Rules, on July 23, 2010. As defined under the *FiT* Rules, the *FiT* system is a renewable energy policy that offers guaranteed payments on a fixed rate per *kWh* for electricity from wind, solar, ocean, hydropower and biomass energy sources, excluding any generation for own use.

To fund the *FiT* payments to eligible *RE* developers, a *FiT-All* charge shall be imposed on all end-users. The *FiT-All* will be established by the *ERC* upon petition by *TransCo*, which had been designated as the *FiT* Fund Administrator.

TransCo applied for *FiT-All* rates with the *ERC*, the *ERC* approval and status of applications are indicated in the table below:

Year	Applied Rate per <i>kWh</i>	Approved Rate per <i>kWh</i>	Date Approved / Status
2019	₱0.2780	₱0.0495	October 28, 2019
2020	₱0.2278	₱0.0983	November 23, 2020
2021	₱0.1881	₱0.0983	August 17, 2022
2022	₱0.3320 or ₱0.3165 (alternative rate in consideration of <i>Covid-19</i>)	₱0.0364	August 30, 2022
2023	₱0.2382	₱0.0838	March 20, 2024
2024	₱0.0867	₱0.1189	February 19, 2025
2025	₱0.1006	₱0.2073	October 22, 2025
2026	₱0.1488	₱0.2011	December 26, 2025

The *FiT* regime has been subject to various regulatory and judicial actions including periodic rate adjustment and temporary suspension of collections.



Renewable Portfolio Standards (RPS)

In accordance with the *RE Act*, the *DOE* issued Department Circular No. DC2017-12-0015 “Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas” or the *RPS Rules* on December 22, 2017. In compliance with the *RPS Rules*, *MERALCO* has been submitting its *RPS* form to the *DOE* on an annual basis. The *RPS* form contains *MERALCO*’s computation of its requirements, as well as plans to comply with the requirements. *MERALCO* was approved by *PEMC* as a mandated participant in the Renewable Energy Market, which has since commenced full commercial operations.

On May 23, 2022, the *DOE* issued Department Circular No. 2023-05-0015 “Prescribing the Amendments to Department Circular No. 2017-12-0015 or the Renewable Portfolio Standards (*RPS*)”, increasing the minimum annual *RE* increment (*Km*) from one percent (1%) to 2.52% starting 2023 compliance year to meet the aspirational targets of increasing the *RE* share in the power generation mix. *MERALCO* fully complies with its *RPS* obligations while minimizing the rate impact to its customers.

Green Energy Option Program (GEOP)

Pursuant to the Renewable Energy Act, the *DOE* issued the rules and supplemental guidelines establishing the Green Energy Option Program (“*GEOP*”), while the *ERC* subsequently adopted the implementing rules. As of December 31, 2025, *MERALCO* has processed the switching of 657 customers to *GEOP*.

On January 26, 2026, the *DOE* issued Department Circular No. DC2026-01-002 “Promulgating the Revised Rules and Guidelines Governing the Implementation of the Green Energy Option Program (“*GEOP*”)”. The Department Circular expands *GEOP* eligibility by lowering the minimum threshold from 100 *kW* to 50 *kW*. It likewise introduces aggregation for end-users whose individual demand falls below 50 *kW*, allowing them to collectively participate in the program. However, unlike the Retail Aggregation Program (“*RAP*”), *GEOP* aggregation is limited to participants located within a contiguous area. The Department Circular takes effect fifteen (15) days after its publication on February 6, 2026 in the Daily Tribune and BusinessWorld.

Recovery of NPC Stranded Contract Costs

In an Order dated May 22, 2018, the *ERC* approved *PSALM*’s petition for the recovery of *NPC*’s stranded contract costs portion of the universal charge (“*UC-SCC*”). Accordingly, *PSALM* was authorized to recover the stranded contract costs for Luzon, Visayas and Mindanao grids totaling ₱8,547 million with a monthly rate of ₱0.1938 per *kWh* starting May 2018 billing period until the full amount has been recovered.

On January 14, 2019, *MERALCO* received a letter dated December 28, 2018 from *PSALM* advising *MERALCO* to cease the implementation of the collection of the ₱0.1938 per *kWh* for the recovery of the additional *SCC* effective January 2019 as it already recovered the full amount of the stranded contract costs. This was after *MERALCO* had already completed the billing program for January 2019. Accordingly, on February 6, 2019, *MERALCO* wrote the *ERC* proposing to reverse the said collections of the additional *UC-SCC*. On February 7, 2019, *MERALCO* received a letter from the *ERC* which allowed the full reversal of the subject *UC-SCC* in its February billing equivalent to ₱0.3876 per *kWh*, without prejudice to further validation by the *ERC* as to the final amounts due.



In its letter dated January 15, 2020, *MERALCO* informed the *ERC* that it accumulated additional total excess *UC-SCC* collections in the amount of ₱545 million and proposed to implement another refund to its customers in the amount of ₱0.1453 per *kWh* for the month of February 2020. In its letter dated February 6, 2020, the *ERC* directed *MERALCO* to implement the refund, subject to post-validation. *MERALCO* was then directed to provide additional information as well as status report to the *ERC* with respect to the implementation of refund. *MERALCO* implemented the refund starting its March 2020 billing.

On March 4, 2020, *MERALCO* received a letter dated March 3, 2020, directing it to comment on a petition filed by a consumer group which sought to stop the collection of *UC-SCC* and stranded debts portion of the universal charge ("*UC-SD*") from consumers because of the Murang Kuryente Act. *MERALCO* filed its comment on March 16, 2020.

In a Decision dated April 10, 2019, the *ERC* approved with modification *PSALM*'s petition for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar year 2014. *PSALM* is hereby authorized to recover the *UC-SCC* for Luzon, Visayas and Mindanao grids totaling ₱5,117 million with a monthly rate of ₱0.0543 per *kWh* within a period of 12 months.

In separate Orders dated May 28, 2020, the *ERC* dismissed *PSALM*'s petitions for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar years 2015 to 2018 due to the promulgation of the Murang Kuryente Act.

Net Metering Program

The *RE* Act mandates the *DUs* to provide the mechanism for the "physical connection and commercial arrangements necessary to ensure the success of the *RE* programs", specifically the Net Metering Program. The *RE* Act defines Net Metering as "a system, appropriate for distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid". By their nature, net metering installations will be small (less than 100 *kW*) and will likely be adopted by households and small business end-users of *DUs*.

The *ERC* issued on July 3, 2013 its Resolution No. 09, Series of 2013, entitled, "A Resolution Adopting the Rules enabling the Net Metering Program for Renewable Energy". The Rules will govern the *DUs*' implementation of the Net Metering Program. Included in the Rules are the interconnection standards that shall provide technical guidance to address engineering, electric system reliability, and safety concerns for net metering interconnections. However, the final pricing methodology to determine the rate at which energy exported back to the distribution system by Net Metering Program participants will be addressed in another set of rules by the *ERC* in due course. In the meantime, the *DUs*' blended generation cost equivalent to the generation charge shall be used as the preliminary reference price in the net metering agreement. The Rules took effect on July 24, 2013. Under *ERC* Resolution No. 6, Series of 2019, entitled, "A Resolution Adopting the Amendments to the Rules enabling the Net Metering Program for Renewable Energy", the *ERC* adopted amendments to the Net Metering Rules. On June 23, 2020, the *ERC* issued Resolution No. 5, Series of 2020 entitled, "A Resolution Clarifying *ERC* Resolution No. 6, Series of 2019, entitled "A Resolution Adopting the amendments to the Rules Enabling the Net-Metering Program for Renewable Energy". As at December 31, 2025, *MERALCO* has already installed 19,389 meters and energized 19,299 net metering customers.



Interruptible Load Program (“ILP”)

In an *ERC* Order dated April 11, 2014, the *ERC* approved with modification *MERALCO*’s request that it be allowed to adopt and implement the *ILP*. *ILP* protocols, compensation and recovery mechanism are governed by *ERC* Resolution No. 5, Series of 2015 “A Resolution Adopting the Amended Rules to Govern the Interruptible Load Program”, *DOE* Circular No. DC2015-06-0003 “Providing the Interim Manner for Declaring Bilateral Contract Quantities in the Wholesale Electricity Spot Market and Directing the Philippine Electricity Market Corporation to Establish Necessary Protocols to Complement the Interruptible Load Program” and *ERC* Resolution No. 3, Series of 2019 “A Resolution Clarifying Section 3, Article III of the Amended Interruptible Load Program Rules”.

As at December 31, 2025, there are 105 companies with a total committed de-loading capacity of 524.38 *MW* that have signed up with *MERALCO*, *MPower* and with other retail electricity suppliers as *ILP* participants.

Long-Term Indebtedness Application

On June 25, 2015, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness for as long as it maintains 50:50 long-term debt to equity ratio; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* filed a Motion to withdraw the application without prejudice to its refiling at a later date. In an Order dated March 22, 2016, the *ERC* granted *MERALCO*’s Motion to Withdraw but still required *MERALCO* to submit certain documents. *MERALCO* filed a Motion for Partial Reconsideration questioning the requirement which is pending before the *ERC*. As at February 25, 2026, the *ERC* has yet to resolve *MERALCO*’s Motion for Partial Reconsideration.

On October 29, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* filed a Motion to Withdraw the Application which was granted by the *ERC* in its Order dated September 8, 2025.

CSP Requirement for PSAs

On July 19, 2023, the *DOE*’s new *CSP* policy under Department Circular No. DC2023-06-0021 (“2023 *CSP* Circular”) took effect. The 2023 *CSP* Circular requires issuance by *DOE* of a Certificate of Conformity prior to commencement of a *CSP*. It is also provided that *CSP*s shall be consistent with the latest and duly accepted *DDP* and posted *PSPP*.

On October 23, 2023, the *ERC* promulgated its *Resolution No. 16, Series of 2023 (“ERC CSP Guidelines”)*. The *ERC CSP Guidelines* provided for a maximum term of *PSAs* of ten (10) years for financial *PSAs*, fifteen (15) years for physical *PSAs* and twenty (20) years for physical *PSAs* where the nominated plants are renewable energy power plants. *PSA* templates, containing minimum terms and conditions, for financial and physical *PSAs* were also provided in the *ERC CSP Guidelines*. *DUs* may include additional contractual terms and conditions in their *PSAs* consistent with their terms of reference and the *ERC CSP Guidelines*. Under the *ERC CSP Guidelines*, the entire process of the *CSP*, including the award of contract, shall be completed within one hundred eighty (180) calendar days from the first publication of the Invitation to Bid.



Under the *ERC CSP Guidelines*, direct negotiation is allowed after at least two (2) failed *CSPs*.

Termination of the *PSA*, other than due to expiration of the term, requires approval by the *ERC* under the *ERC CSP Guidelines*.

EPSAs are allowed to be immediately executed and implemented under the *ERC CSP Guidelines* provided certain conditions are present.

SC Petitions on CSP

On September 5, 2019, representatives of the *Bayan Muna* partylist filed a petition with the *SC* claiming that the *2018 DOE Circular*, which repealed portions of the *2015 CSP Circular*, is void for violating policies/provisions intended to protect consumers under *EPIRA* and the Constitution (the "*Bayan Muna Petition*"). The *Bayan Muna Petition* also sought for the issuance of *TRO* and/or writ of preliminary injunction to prevent continuation of the on-going *CSPs* of *MERALCO* and some electric cooperatives. On December 17, 2019, *MERALCO* filed its Comment to the *Bayan Muna Petition*. As at February 25, 2026, the Petition remains pending before the *SC*.

True-up Adjustments of Fuel and Purchased Power Costs ("TAFPPC") and Foreign Exchange-Related Costs ("TAFxA")

On June 20, 2017, the *ERC* issued a consolidated Decision in *ERC Case Nos 2011-115 RC, 2012-067 RC, 2013-092 RC, 2014-098 RC and 2015-124 RC* authorizing *PSALM* to recover, within a 60-month period, the amount of ₱3,592 million in the Luzon grid, among others, as part of the *TAFPPC* and *TAFxA*; and directed all distribution utilities to comply with the directive.

On January 10, 2018, *MERALCO* filed a Motion for Partial Reconsideration. In February 2023, the amount was fully refunded. As at February 25, 2026, the *ERC* has yet to act on the Motion.

Clean Air Act

The Clean Air Act and the related *IRR* contain provisions that have an impact on the industry as a whole and to *TPC, PPC, GRPI, PEDC* and *CEDC* ("the Operating Subsidiaries of *GBPC*") in particular, that need to be complied with within 44 months from the effectivity date or by July 2004. Based on the assessment made on the Operating Subsidiaries of *GBPC*'s existing facilities, the Operating Subsidiaries of *GBPC* believe that they have complied with the provisions of the Clean Air Act and the related *IRR*.

Energy Regulation (ER) 1-94

Based on *ER 1-94* and the *IRR* of the *EPIRA*, generation companies are mandated to provide benefits to its host communities, equivalent to ₱0.01 per *kWh* of energy generated and sold. The operating subsidiaries of *GBPC* accrue the required benefits to their host community (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position) prospectively from the date of effectivity of *ER 1-94*. Such amount accrued shall be remitted to the trust account of the host *LGUs* and *DUs*, subject to audit by the *DOE*. On October 25, 2025, the *DOE* released Department Circular No. DC2025-10-0023, entitled "Promulgating the Enhanced Policy to Rationalize the Provision of Benefits to Communities Hosting Energy Generation and Resource Development Facilities, Including Generating Facilities with Integrated Energy Storage System Facilities, Amending Rule 29 (A) of the Implementing Rules and Regulations of Republic Act No. 9136". In said Department Circular, *MGSPs* were exempted from from *ER* financial obligations and generation companies' *ER* financial obligation was increased from ₱0.01 per *kWh* to ₱0.03 per *kWh*.



33. Notes to Consolidated Statements of Cash Flows

	2025			2024		
	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable
	<i>(Amounts in millions)</i>					
Balance at beginning of year	₱60,489	₱34,287	₱3,662	₱71,863	₱27,583	₱3,219
Cash movements:						
Payments	(9,101)	(18,309)	(29,167)	(8,129)	(1,038)	(23,823)
Preferred stock redemption	(2)	—	—	(4)	—	—
Availments	143,597	20,389	—	6,523	7,742	—
Non-cash movements:						
Dividend declarations	—	—	29,700	—	—	24,266
Additions to debt issue cost	(1,377)	—	—	(34)	—	—
Amortization of debt issue cost	132	—	—	86	—	—
Effect of deconsolidation of <i>MIDC (Note 3)</i>	—	—	—	(9,749)	—	—
Amortization of fair value adjustment on interest-bearing long-term financial liabilities on the acquisition of <i>GBPC</i>	(59)	—	—	(67)	—	—
Balance at end of year	₱193,679	₱36,367	₱4,195	₱60,489	₱34,287	₱3,662

Below are the significant noncash transactions not included in the adjustments for income before tax in the consolidated statement of cash flows for the year ended December 31, 2025.

- Recognition of subscription receivable of ₱12.1 billion representing the unpaid subscription price; a contingent liability of ₱8.4 billion, and a corresponding equity reserve of ₱4.1 billion, arising from the investment transaction with *Actis* in 2025 (see Notes 3, 16 and 22).
- Reclassification of hedging reserve gain of ₱1.7 billion from *OCI* to investment account, following the completion of the investment transaction in *Chromite Holdings* in 2025 (see Notes 3, 8 and 27).
- Recognition of an equity reserve amounting to ₱547.6 million arising from the difference between the redemption of shares and settlement of dividends of *Solar Philippines Tarlac* in 2025 (see Note 3 and 16).
- Recognition of non-controlling interest and equity reserve amounting to ₱2,010.9 million and ₱189.1 million, respectively, following the change in management decision to proceed with the planned acquisition of 1.6 billion common shares of *SPNEC* in 2025 (see Note 3 and 16).



34. Event After the Financial Reporting Date

On February 25, 2026, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱16.672 a share to all shareholders of record as at March 26, 2026, payable on April 20, 2026.

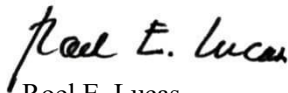


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Manila Electric Company and Subsidiaries
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 25, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed under "Supplementary Schedules" in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas

Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

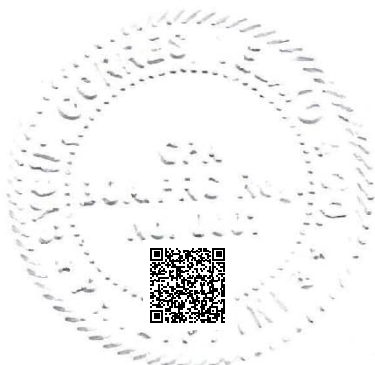
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-095-2025, October 1, 2025, valid until September 30, 2028

PTR No. 10765069, January 2, 2026, Makati City

February 25, 2026



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule A: Financial Assets
As at December 31, 2025
(Amounts in Millions Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
Cash and cash equivalents:				
Cash in banks	not applicable	41,003	41,003	345
Cash equivalents	not applicable	68,025	68,025	2,503
Trade and other receivables:				
Electricity sold	not applicable	39,182	39,182	-
Energy generated	not applicable	5,416	5,416	-
Service contracts	not applicable	9,868	9,868	-
Subscription receivable	not applicable	12,109	12,109	-
Nontrade receivables	not applicable	2,031	2,031	-
Debt securities at amortized cost:				
Government securities	various	1,056	1,056	220
Private debt securities	various	32	32	5
Financial assets at FVOCI:				
Corporate bonds	various	777	777	195
Ordinary and club shares	various	2,454	2,454	-
Other financial assets:				
Derivative asset	not applicable	524	524	-
Short-term investments	not applicable	140	140	1
		182,617	182,617	3,269

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule C: Accounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2025
(Amounts in Millions Pesos)

Name of Related Party	January 1, 2025	Additions	Collections	Others	Amount written off	Current	Noncurrent	December 31, 2025
Vantage Energy Solutions and Management, Inc.	525	5	(83)	-	-	447	-	447
Meralco Industrial Engineering Services Corporation	263	9	(30)	-	-	242	-	242
Meralco Energy Inc.	101	3	(2)	-	-	102	-	102
Meralco Financial Services Corporation	100	-	(10)	-	-	90	-	90
MSpectrum, Inc.	52	-	(1)	-	-	51	-	51
Comstech Integration Alliance, Inc.	72	3	(31)	-	-	44	-	44
Movem Electric Inc.	-	43	-	-	-	43	-	43
Miescor Logistics, Inc.	26	18	(7)	-	-	37	-	37
Radius Telecoms, Inc.	40	119	(132)	-	-	27	-	27
Meralco Powergen Corporation	10	20	(3)	-	-	27	-	27
MRAIL, Inc.	17	-	-	-	-	17	-	17
Shin Clark	-	14	-	-	-	14	-	14
CIS Bayad Center Inc.	7	20	(16)	-	-	11	-	11
Clark Electric	-	8	-	-	-	8	-	8
Miescor Builders, Inc.	27	-	(22)	-	-	5	-	5
Customer Frontline Solutions Inc.	-	1	-	-	-	1	-	1
	1,240	263	(337)	-	-	1,166	-	1,166

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule D: Interest Bearing Long-term Financial Liabilities
As at December 31, 2025
(Amounts In Million Pesos)

Title of issue and type of obligation	Interest Rate	Amount authorized by indenture	Amount shown under "Current portion of interest-bearing long-term financial liabilities" in the Consolidated Statement of Financial Position	Amount shown under "Interest-bearing long-term financial liabilities - net of current portion" in the Consolidated Statement of Financial Position
Fixed Rate Loans	4.70%-8.29%		2,833	79,806
Floating Rate Loans	5.00%-7.23%		3,057	108,172
Redeemable Preferred Stock	10.00% *		1,459	-
Total			7,349	187,978
Less Unamortized debt issue cost			201	1,447
Balance at the end of the year			7,148	186,531

Note: The number of periodic payments of the fixed rate loans are disclosed in Note 17 - Interest-bearing Long-term Financial Liabilities in the Consolidated Financial Statements.

* All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to Php248 million as at December 31, 2025 and 2024. Interest is no longer accrued from the time such preferred shares were called for redemption.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule G. Capital Stock
As at December 31, 2025
(Number of shares in millions)

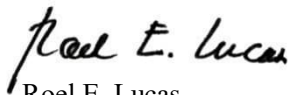
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	1,250	1,127	-	832	1	294

**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
Manila Electric Company and Subsidiaries
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 25, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Group's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas
Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

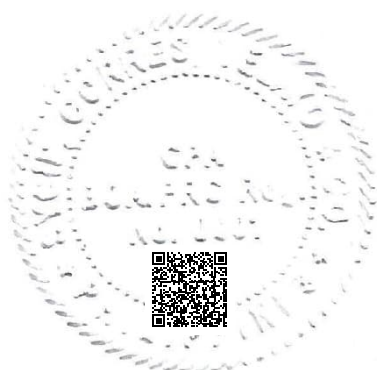
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-095-2025, October 1, 2025, valid until September 30, 2028

PTR No. 10765069, January 2, 2026, Makati City

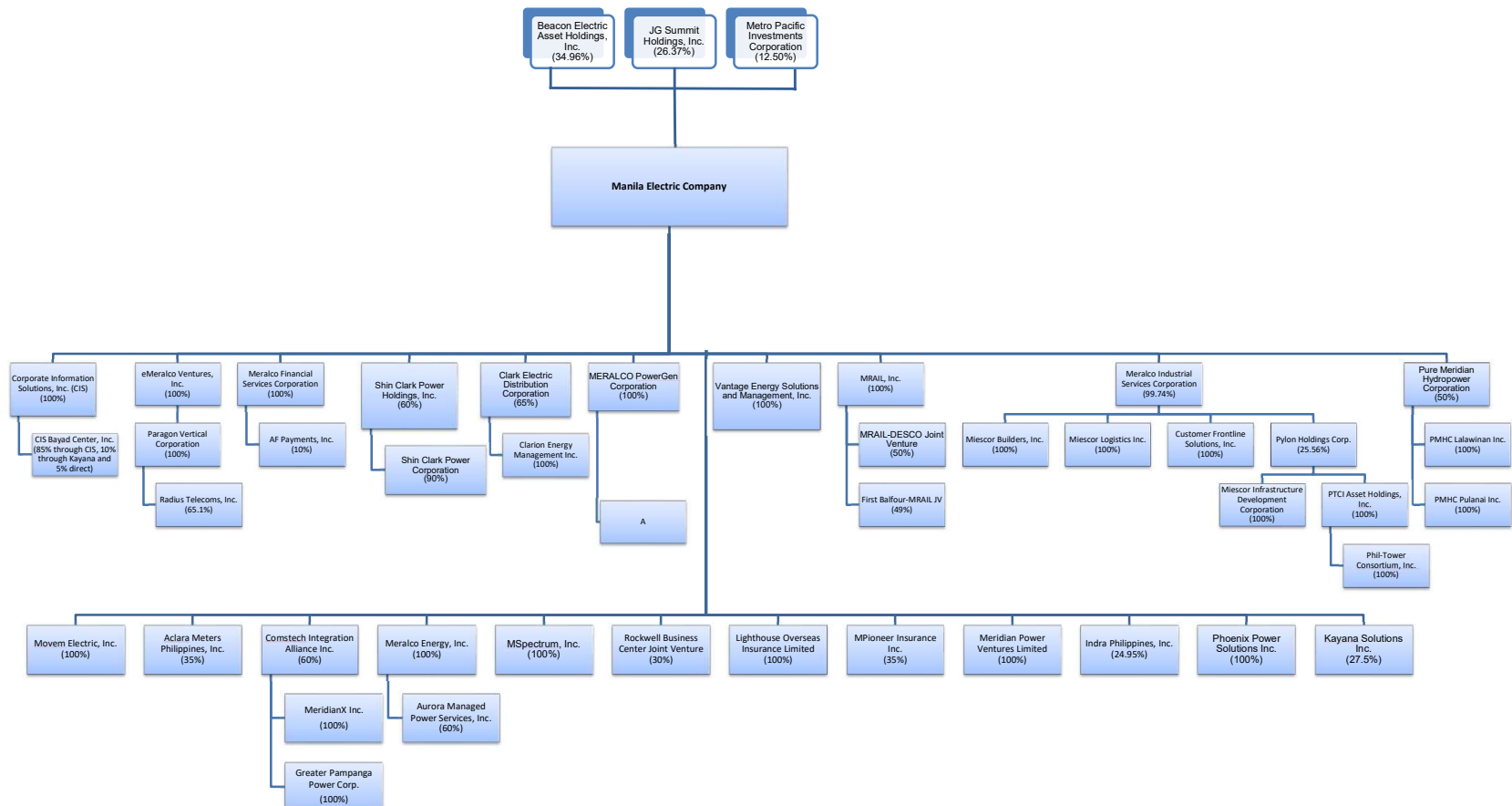
February 25, 2026



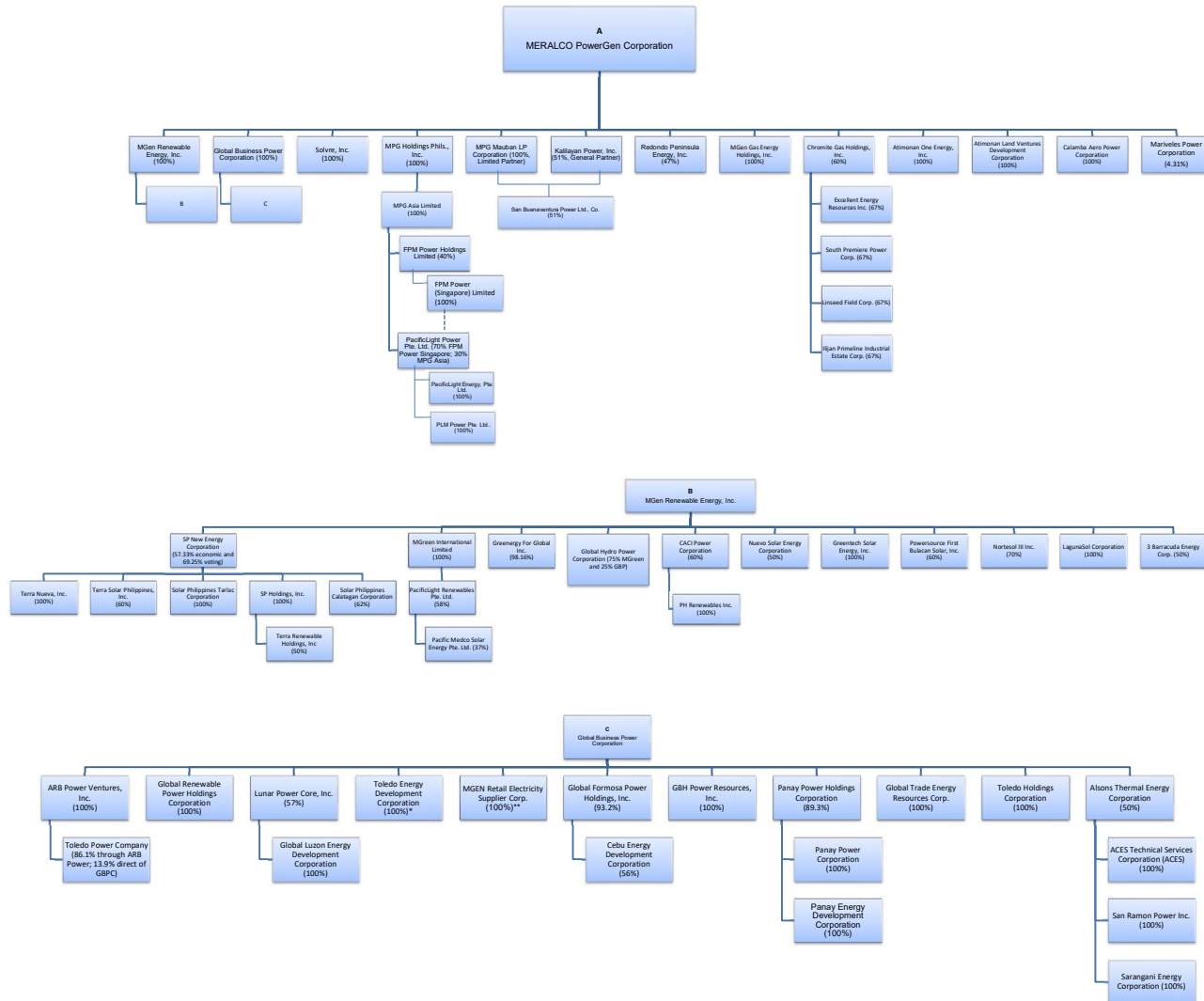
MANILA ELECTRIC COMPANY
Schedule H: Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2025
(Amounts in millions)

Unappropriated retained earnings, as adjusted to available for dividends declaration as at January 1, 2025	₱	30,478
Less: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting year		28,250
Unappropriated retained earnings, as adjusted		<u>2,228</u>
Add: Net income during the year		35,408
Less: Unrealized income recognized in the profit or loss during the reporting year (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents		196
Add: Unrealized income recognized in the profit or loss in prior reporting year but realized in the current year (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents		350
Adjusted net income		<u>37,790</u>
Add: Non-actual losses recognized in profit or loss during the reporting year (net of tax)		
Depreciation of revaluation increment on utility plant and others	208	
Impact of discounting on certain liabilities	<u>592</u>	<u>800</u>
Less: Others items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement of deferred tax assets		<u>(522)</u>
Unappropriated retained earnings available for dividend declaration as at December 31, 2025	₱	<u><u>39,112</u></u>

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule I: Map Showing the Relationships among the Companies within the Group
As at December 31, 2025



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule I: Map Showing the Relationships among the Companies within the Group
As at December 31, 2025



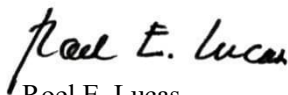
*Mindanao Energy Development Corporation was renamed to Toledo Energy Development Corporation effective July 18, 2025
 **Global Energy Supply Corporation was renamed to MGen Retail Electricity Supplier Corp. effective Nov 18, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Manila Electric Company and Subsidiaries
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 25, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements 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, is 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 for each of the three years in the period ended December 31, 2025, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas

Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

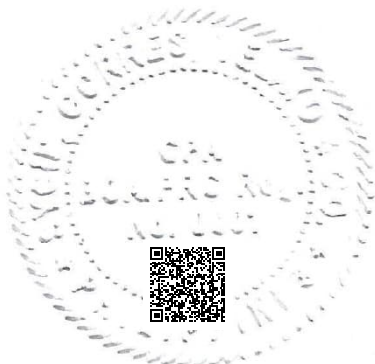
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-095-2025, October 1, 2025, valid until September 30, 2028

PTR No. 10765069, January 2, 2026, Makati City

February 25, 2026



MANILA ELECTRIC COMPANY AND SUBSIDIARIES

Schedule of Financial Soundness Indicators

As at December 31, 2025, 2024 and 2023

	2025	2024	2023
Current Ratio ⁽¹⁾	0.85 : 1.00	0.76 : 1.00	0.70 : 1.00
Acid ratio ⁽²⁾	0.78 : 1.00	0.69 : 1.00	0.62 : 1.00
Solvency Ratio ⁽³⁾	0.11 : 1.00	0.16 : 1.00	0.15 : 1.00
Debt to Equity Ratio ⁽⁴⁾	1.33 : 1.00	0.66 : 1.00	0.81 : 1.00
Asset to Equity Ratio ⁽⁵⁾	4.76x	4.27x	4.81x
Interest Coverage Ratio ⁽⁶⁾	7.76x	10.96x	9.47x
Profit margin Ratio ⁽⁷⁾	0.10x	0.10x	0.09x
Return on Equity ⁽⁸⁾	0.30x	0.32x	0.31x
Return on Assets ⁽⁹⁾	0.06x	0.07x	0.06x
EBITDA Margin ⁽¹⁰⁾	17.56%	16.06%	14.73%

⁽¹⁾ Current ratio is measured as current assets divided by current liabilities.

⁽²⁾ Acid ratio is measured as current assets minus inventory and prepayments divided by current liabilities.

⁽³⁾ Solvency ratio is measured as net income plus non-cash expenses divided to total liabilities.

⁽⁴⁾ Debt to equity ratio is measured as total debts divided to total equity attributable to equity holders of the parent.

⁽⁵⁾ Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of the parent.

⁽⁶⁾ Interest coverage ratio is measured as earnings before interest and taxes, divided by total interest and other financial charges.

⁽⁷⁾ Profit margin ratio is computed by dividing net income attributable to equity holders of the parent with total revenues.

⁽⁸⁾ Return on equity is measured as net income attributable to equity holders of the parent with total equity attributable to equity holders of the p

⁽⁹⁾ Return on assets is measured as net income attributable to equity holders of the parent with total assets.

⁽¹⁰⁾ EBITDA margin is measured as EBITDA divided by total revenues.

EBITDA is measured as net income excluding depreciation and amortization, impairment of noncurrent assets, interest and other financial charges, interest and other financial income, equity in net earnings or losses of associates and joint ventures, foreign exchange gains or losses, mark-to-market gains or losses, provision for income tax and other non-recurring gains or losses, if any.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Supplementary Schedule of External Auditor Fee - Related Information
As at December 31, 2025 and 2024
Amounts in Millions Pesos

	2025	2024
Total Audit Fees	26.9	24.8
Non-audit services fees:		
Other assurance services *	1.4	1.8
Tax services	-	-
All other services	9.6	0.2
Total Non-audit Fees	11.0	2.0
Total Audit and Non-audit Fees	37.9	26.8

*includes Audit of financial statements prepared in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC and Audit of universal charge reports as required by PSALM and quarterly reviews for SPNEC.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Manila Electric Company (the "Parent Company") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the years ended December 31, 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 presentation 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the Parent Company's financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Parent 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.

Signed this APR 10 2026 day of _____ 2026.

MANUEL V. PANGILINAN

Chairman of the Board and Chief Executive Officer

BETTY C. SIY-YAP
Chief Finance Officer

APR 10 2026

SUBSCRIBED AND SWORN to before this ____ day of _____ 2026 in Pasig City, by the above-named persons who exhibited to me their respective Tax Identification Numbers as follows:

MANUEL V. PANGILINAN
BETTY C. SIY-YAP

914-481-801
102-100-627

Doc. No. 136;
Page No. 29;
Book No. XV;
Series of 2026.

MAUREEN C. DELOS SANTOS
NOTARY PUBLIC

Appointment No. 183 (2025-2026)
City of Pasig and Municipality of Pateros
Issued on 24 February 2025, until December 31, 2026
Roll No. 64977; IBP No. 568242; 12/19/2025; RSM
PTR No. 4005314; 01/07/2026; Pasig City
MCLE Compliance No. VIII-0008475; Valid until 14 April 2025
7th Floor Lopez Bldg., Ortigas Ave. Pasig City



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Home: +63(2) 16211
Businesses: +63(2) 16210



Meralco Operating Center,
Ortigas Avenue, Pasig City
1600 Philippines



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Manila Electric Company
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Manila Electric Company (the Company), which comprise the parent company statements of financial position as at December 31, 2025 and 2024, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its 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 *Auditor's Responsibilities for the Audit of the Parent Company 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 the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of financial statements of public interest entities in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the parent company 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.



Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 parent company 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 parent company 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 auditor's report to the related disclosures in the parent company 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 auditor's 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 parent company financial statements, including the disclosures, and whether the parent company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

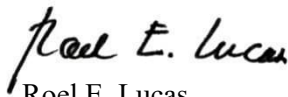


Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Manila Electric Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Roel E. Lucas.

SYCIP GORRES VELAYO & CO.



Roel E. Lucas

Partner

CPA Certificate No. 98200

Tax Identification No. 191-180-015

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 98200-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

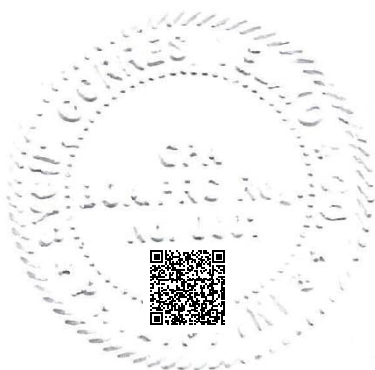
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PTR No. 10765069, January 2, 2026, Makati City

February 25, 2026



MANILA ELECTRIC COMPANY
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2025	2024
(Amounts in millions)			
ASSETS			
Noncurrent Assets			
Utility plant and others	6	₱214,504	₱197,630
Investments in subsidiaries and associates and interests in joint ventures	7 and 21	147,111	73,890
Investment properties	8	1,442	1,446
Deferred tax assets - net	26	25,196	26,040
Other noncurrent assets	2, 9, 13, 25 and 28	15,870	24,011
Total Noncurrent Assets		404,123	323,017
Current Assets			
Cash and cash equivalents	10 and 25	65,920	51,602
Trade and other receivables	11, 21 and 25	48,282	38,694
Inventories	12	7,536	7,877
Other current assets	9, 13 and 25	4,576	12,175
Total Current Assets		126,314	110,348
Total Assets		₱530,437	₱433,365
EQUITY AND LIABILITIES			
Equity			
Common stock	14	₱11,273	₱11,273
Additional paid-in capital		4,111	4,111
Employee stock purchase plan	14	1,049	1,049
Hedging reserve	14 and 25	–	1,277
Unrealized fair value gains on financial assets at fair value through other comprehensive income (“FVOCI”)	9	497	479
Remeasurement adjustments on retirement and other post- employment liabilities	24	1,665	580
Treasury shares	14	(13)	(13)
Retained earnings	14	95,270	88,112
Total Equity		113,852	106,868
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	15 and 25	83,333	12,615
Customers’ deposits - net of current portion	16, 20 and 25	38,361	32,514
Refundable service extension costs - net of current portion	20 and 25	3,371	3,753
Long-term employee benefits	24	12,569	15,405
Provisions	17, 20 and 27	12,288	9,741
Other noncurrent liabilities	6, 22 and 27	68,917	64,802
Total Noncurrent Liabilities		218,839	138,830
Current Liabilities			
Notes payable	19 and 25 14, 16, 20, 21, 22, 25	26,728	26,952
Trade payables and other current liabilities	and 27	160,384	154,620
Customers’ refund	2, 18 and 25	2,851	2,853
Income tax payable		1,229	1,696
Current portion of long-term employee benefits		4,300	–
Current portion of interest-bearing long-term financial liabilities	15 and 25	2,254	1,546
Total Current Liabilities		197,746	187,667
Total Liabilities		416,585	326,497
		₱530,437	₱433,365

See accompanying Notes to Parent Company Financial Statements.



MANILA ELECTRIC COMPANY
PARENT COMPANY STATEMENTS OF INCOME

		Years Ended December 31	
	<i>Note</i>	2025	2024
<i>(Amounts in millions, except per share data)</i>			
REVENUES			
Sale of electricity	21, 22, 28 and 30	₱444,002	₱418,326
Lease income	8 and 21	2,096	2,083
		446,098	420,409
COSTS AND EXPENSES			
Purchased power	21, 22 and 28	366,889	339,478
Salaries, wages and employee benefits	23 and 24	13,708	12,356
Depreciation and amortization	6, 8, 9 and 23	11,251	10,697
Contracted services		10,253	9,316
Provisions for (reversal of provision) probable losses and expenses from claims	9, 17, 20, 22 and 27	(5,949)	6,028
Taxes, fees and permits		729	728
Provision for expected credit losses (“ECL”)	11	497	755
Other expenses	21 and 23	3,636	3,334
		401,014	382,692
OTHER INCOME (EXPENSES)			
Interest and other financial income	2	3,535	4,342
Interest and other financial charges	6, 15, 16 and 19	(5,770)	(1,810)
Foreign exchange gains (losses) - net		(198)	118
Others	2, 21, 22 and 28	2,964	1,494
		531	4,144
INCOME BEFORE INCOME TAX		45,615	41,861
PROVISION FOR (BENEFIT FROM) INCOME TAX	26		
Current		9,723	10,329
Deferred		484	(2,013)
		10,207	8,316
NET INCOME		₱35,408	₱33,545
Earnings Per Share - Basic and Diluted	29	₱31.42	₱29.76

See accompanying Notes to Parent Company Financial Statements.



MANILA ELECTRIC COMPANY**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31	
	<i>Note</i>	2025	2024
		<i>(Amounts in millions)</i>	
NET INCOME		₱35,408	₱33,545
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to profit or loss in subsequent years:			
Unrealized fair value gains on financial assets at <i>FVOCI</i>	9	5	81
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement adjustments on retirement and other post-employment liabilities	24	1,447	(3,206)
Income tax effect		(362)	802
		1,085	(2,404)
Change in fair value of cash flow hedges	14 and 25	(1,277)	1,277
Unrealized fair value gains on equity securities at <i>FVOCI</i>		15	130
Income tax effect		(2)	(13)
		13	117
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX		(174)	(929)
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		₱35,234	₱32,616

See accompanying Notes to Parent Company Financial Statements.



MANILA ELECTRIC COMPANY

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

2025									
	Common Stock (Note 14)	Additional Paid-in Capital	Employee Stock Purchase Plan (Note 14)	Hedging Reserve (Note 14)	Unrealized Fair Value Gains on Financial Assets at <i>FVOCI</i> (Note 9)	Remeasurement Adjustments on Retirement and Other Post- Employment Liabilities (Note 24)	Treasury Shares (Note 14)	Retained Earnings (Note 14)	Total Equity
<i>(Amounts in millions)</i>									
At January 1, 2025	₱11,273	₱4,111	₱1,049	₱1,277	₱479	₱580	(₱13)	₱88,112	₱106,868
Net income	—	—	—	—	—	—	—	35,408	35,408
Other comprehensive income (loss)	—	—	—	(1,277)	18	1,085	—	—	(174)
Total comprehensive income (loss)	—	—	—	(1,277)	18	1,085	—	35,408	35,234
Dividends	—	—	—	—	—	—	—	(28,250)	(28,250)
At December 31, 2025	₱11,273	₱4,111	₱1,049	₱—	₱497	₱1,665	(₱13)	₱95,270	₱113,852
2024									
	Common Stock (Note 14)	Additional Paid-in Capital	Employee Stock Purchase Plan (Note 14)	Hedging Reserve (Note 14)	Unrealized Fair Value Gains on Financial Assets at <i>FVOCI</i> (Note 9)	Remeasurement Adjustments on Retirement and Other Post- Employment Liabilities (Note 24)	Treasury Shares (Note 14)	Retained Earnings (Note 14)	Total Equity
<i>(Amounts in millions)</i>									
At January 1, 2024	₱11,273	₱4,111	₱1,049	₱—	₱281	₱2,984	(₱11)	₱78,833	₱98,520
Net income	—	—	—	—	—	—	—	33,545	33,545
Other comprehensive income (loss)	—	—	—	1,277	198	(2,404)	—	—	(929)
Total comprehensive income (loss)	—	—	—	1,277	198	(2,404)	—	33,545	32,616
Dividends	—	—	—	—	—	—	—	(24,266)	(24,266)
Others	—	—	—	—	—	—	(2)	—	(2)
At December 31, 2024	₱11,273	₱4,111	₱1,049	₱1,277	₱479	₱580	(₱13)	₱88,112	₱106,868

See accompanying Notes to Parent Company Financial Statements.



MANILA ELECTRIC COMPANY
PARENT COMPANY STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2025	2024
(Amounts in millions)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱45,615	₱41,861
Adjustments for:			
Provisions for probable losses and expenses from claims - net	17, 20, 22 and 27	4,017	10,580
Depreciation and amortization	6, 8 and 9	11,251	10,697
Interest and other financial income	23	(3,535)	(4,342)
Interest and other financial charges	6, 15, 16 and 23	5,770	1,810
Provision for <i>ECL</i>		497	755
Others		(814)	(221)
Operating income before working capital changes		62,801	61,140
Decrease (increase) in:			
Trade and other receivables		(11,041)	(14,737)
Inventories		341	(1,149)
Other current assets		(893)	331
Increase (decrease) in:			
Trade payables and other current liabilities		12,390	924
Customers' deposits		5,767	(564)
Long-term employee benefits		1,464	2,688
Customers' refund		(2)	(10)
Cash generated from operations		70,827	48,623
Income tax paid		(6,439)	(6,742)
Net cash provided by operating activities		64,388	41,881
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at <i>FVOCI</i>	9 and 25	(52,532)	(22,750)
Utility plant and others	6	(27,094)	(23,205)
Investments in subsidiaries and associates and interests in joint ventures	7	(73,274)	(6,582)
Short-term investments		(50)	(1,062)
Debt securities at amortized cost	9 and 25	(1)	—
Intangible assets	9	(596)	(621)
Interest and other financial income received		2,389	2,804
Return of capital received	7	53	—
Dividends received		486	3,128
Proceeds from disposal of:			
Financial assets at <i>FVOCI</i>	9 and 25	53,794	23,144
Debt securities at amortized cost	9 and 25	8,587	7,710
Short-term investments		12	1,059
Utility plant and others		692	369
Net proceeds from settlement of cash flow hedges	14	(420)	2,238
Decrease in financial and other noncurrent assets		3	1
Net cash used in investing activities		(87,951)	(13,767)

(Forward)



		Years Ended December 31	
	Notes	2025	2024
		(Amounts in millions)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of interest-bearing long-term financial liabilities		₱74,438	₱–
Payments of:			
Dividends	14	(27,416)	(23,969)
Interest-bearing long-term financial liabilities	15 and 31	(3,068)	(3,960)
Interest and other financial charges		(5,848)	(2,030)
Notes payable	19 and 31	(224)	(452)
Net cash provided by (used in) financing activities		37,882	(30,411)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		14,319	(2,297)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		51,602	53,918
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(1)	(19)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	10	₱65,920	₱51,602

See accompanying Notes to Parent Company Financial Statements.



MANILA ELECTRIC COMPANY

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Manila Electric Company (“*MERALCO*”) holds a 25-year congressional franchise under Republic Act (“*RA*”) No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission (“*ERC*”) granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity (“*CPCN*”) for the operation of electric service within its franchise area, which shall be valid within the franchise period. The franchise of *MERALCO* has been renewed for another 25 years through 2053 under *RA* No. 12146, “An Act Renewing for another Twenty-Five (25) Years the Franchise Granted to the Manila Electric Company” under *RA* No. 9209, entitled “An act granting the Manila Electric Company a franchise to construct, operate and maintain a distribution system for the conveyance of electric power to the end-users in the cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga”.

The regulated and unregulated segments of the energy supply chain of *MERALCO* include electricity distribution and retail electricity supply (“*RES*”).

MERALCO is owned directly by two (2) major shareholder groups, Metro Pacific Investments Corporation (“*Metro Pacific*”) and JG Summit Holdings, Inc. (“*JG Summit*”).

As at December 31, 2025, *Metro Pacific* has combined direct equity interest in *MERALCO* and indirect ownership through its wholly-owned subsidiary, Beacon Electric Asset Holdings, Inc. *Metro Pacific*’s combined direct and indirect ownership interests in *MERALCO* totaled 47.46% while *JG Summit* has 26.37% direct ownership interest in *MERALCO*. The remaining 26.17% common shares are held by institutional investors and the public.

The shares of *MERALCO* are listed and traded in the Philippine Stock Exchange (“*PSE*”) with ticker symbol, *MER*.

The registered office address of *MERALCO* is Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, Metro Manila, Philippines.

The parent company financial statements were approved and authorized for issue by the Board of Directors (“*BOD*”) on February 25, 2026.

2. Rate Regulations

As a distribution utility (“*DU*”), *MERALCO* is subject to the rate-making regulations and regulatory policies of the *ERC*. Billings of *MERALCO* to customers are itemized or “unbundled” into a number of bill components that reflect the various activities and costs incurred in providing electricity distribution services. The adjustment to each bill component is determined in accordance with *ERC*-approved mechanism that governs the recovery of pass-through charges, address over- or under-recoveries, and establish *MERALCO*’s distribution, supply and metering charges.



The following is a discussion of matters related to rate-setting of *MERALCO*:

Performance-Based Regulations (“PBR”)

MERALCO is among the Group A entrants to the *PBR*, together with three (3) other private *DUs*.

Rate-setting under *PBR* framework for the first Regulatory Period (“*RP*”), effective from July 1, 2026 to June 30, 2030 (“*IRP*”), is governed by the Rationalized Rules for the Setting of Distribution Wheeling Rates (“*RRDWR*”). Under *PBR*, tariffs are set once every *RP* based on a rate-setting framework which includes the required operating and capital expenditures as well as regulated return on the regulatory asset base (“*RAB*”) of each *DU*, to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC*. *PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years (“*RYs*”). Each *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

Implemented Distribution Rate During Lapsed Period

The *ERC*’s approved average rate for the Lapsed Period is ₱1.3522 per *kWh*. *MERALCO* was authorized to continue implementing the said rate until otherwise directed, net of the Regulatory Reset Fees in the amount of ₱0.0023 per *kWh*, which is directed to no longer be collected under *ERC* Resolution No. 18, Series of 2024.

MERALCO recognized provisions for any resulting over-recoveries. The movements in and the balance of the “Other noncurrent liabilities” and “Trade payables and other current liabilities” accounts in the parent company statements of financial position include these provisions, consistent with the limited disclosure as allowed in Philippine Financial Reporting Standards (“*PFRS*”) Accounting Standards as it may prejudice the position of *MERALCO*.

Regulatory Reset Costs

On December 17, 2024, in *ERC* Resolution No. 18, Series of 2024, the *ERC* also required *DUs* under *PBR* to refund the collected regulatory reset costs from July 2015 to October 2024, including interest. In the case of *MERALCO*, it was directed to refund the amount of ₱987.2 million, subject to further verification by the *ERC*. *MERALCO* implemented a one-time refund of ₱0.226 per *kWh* in its February 2025 billing, as a separate line item in its electricity bill to customers and no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per *kWh*, representing the regulatory reset costs. While *MERALCO* complied with the directives, in a letter dated January 17, 2025, *MERALCO* wrote the *ERC* to ask for the basis for the computations and basis for the refund. As at February 25, 2026, the *ERC* has yet to reply to *MERALCO*’s letter.

See Note 16 – Customers’ Refund.

Distribution Rate True-Up (“DRTU”) Applications

The *ERC*’s Orders for *DRTU* refunds totaling ₱48,247 million were implemented starting 2021 and have been fully refunded to the customers as of the May 2023 billing. This resulted in an excess refund of ₱862 million, which has been reported to the *ERC* in June 2023, including a proposed recovery mechanism. As at February 25, 2026, the *ERC* has not responded to *MERALCO*’s letter.



Several intervenors have filed petitions before the Court of Appeals (“CA”) and the Supreme Court (“SC”) questioning the ERC’s decision approving the DRTU refund application. As at February 25, 2026, the petitions are pending before the CA and SC.

In compliance with the Order dated December 17, 2024, MERALCO filed an application for the confirmation of the true-up calculation of the AWAT for the period July 1, 2022 to December 31, 2024. The application also included MERALCO’s proposal to offset the recovery of the over refund implemented during the previous DRTU application. In an Order dated March 5, 2025, the ERC directed the refund of ₱19.9 billion, or an equivalent average refund rate of ₱0.1189 per kWh for all customer classes but excluded the over-refund from the previous AWAT refund implementation as this was still to be verified by the ERC. As at February 25, 2026, hearings at the ERC have been completed and MERALCO has filed its Formal Offer of Evidence.

Additionally, on September 25, 2025, MERALCO filed an application for the confirmation of the true-up calculation of the AWAT for the period January 1, 2025 to June 30, 2025. As at February 25, 2026, MERALCO is awaiting further action from the ERC.

Under ERC Resolution No. 23, Series of 2025, entitled, “A Resolution Directing All Private Distribution Utilities (“PDUs”) to File Their Respective AWAT Applications for the Lapsed Period”, the ERC resolved to adopt a confirmation and true-up process in determining the rates of the PDUs to address the lapsed period for their respective Entry Groups and defined the lapsed period for each Entry Group. The ERC then directed all PDUs to file an application for the confirmation of their AWAT as against their last approved rates, within sixty (60) calendar days from the effectivity of the Resolution. However, in ERC Resolution No. 1, Series of 2026, the ERC clarified the timeline for filing of the AWAT and directed all PDUs to file, within one hundred twenty (120) days from the effectivity of the AWAT Resolution on November 22, 2025, or until March 22, 2026. As at February 25, 2026, MERALCO is set to file its application covering the period from July 1, 2025 to December 31, 2025 on or before the stated deadline.

Capital Expenditure (“CAPEX”)

Absent the final rules governing the lapsed period from 2016, MERALCO filed its applications for approval of authority to implement its CAPEX program for each of the RYs beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. For forecast CAPEX after June 30, 2022, the proposals were filed as part of MERALCO’s regulatory reset applications.

Except with respect to partial approval by the ERC of the RY 2016 CAPEX amounting to ₱15,466 million and provisional authority granted by the ERC to implement certain projects for RY 2017 amounting to ₱8,758 million, all other applications remain pending with the ERC. As at February 25, 2026, MERALCO is awaiting the final resolution and approval of the ERC.

Pending ERC’s approval, MERALCO manifested several projects as “urgent” or “emergency in nature” and proceeded with the implementation of said CAPEX.

Regulatory Reset Process Application

MERALCO filed its reset application for the new 5RP, covering the period from RY 2026 to RY 2029, on February 7, 2025. As the first RY of this reset period lapsed, MERALCO filed an Omnibus Motion to: (a) withdraw the application; (b) allow MERALCO to re-file its 5RP Application to cover the period from RY2027- RY2030; and (c) to consider RY2026 as lapsed period. In an Order dated



January 30, 2026, the *ERC* issued an Order allowing the withdrawal of the Application and directed *MERALCO* to file its new regulatory reset application in accordance with the *RRDWR*.

In accordance with the *RRDWR*, on February 2, 2025, *MERALCO* filed its regulatory reset application for the *IRP*, covering the period from July 1, 2026 to June 30, 2030. In an Order dated February 6, 2026, the *ERC* set the case for initial hearings on March 3 and 10, 2026, respectively.

SC Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* approved *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. On December 6, 2006, the *SC* En Banc set aside and reversed the *CA* ruling saying that *COA* audit is not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA* to conduct an audit of the books, records and accounts of *MERALCO*. The *COA* then submitted its audit report to the *ERC*.

On June 21, 2011, the *ERC* maintained its Decision dated March 20, 2003, and stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. On appeal, in a Decision dated November 13, 2019, the *SC*: (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (a) the valuation of the *RAB* of *MERALCO*; and (b) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers. The *SC* Decision is now final and executory.

Under *ERC* Resolution No. 19, Series of 2025, the *ERC* adopted its policy direction in compliance with the *SC* Decision. The *ERC* clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other *DUs*, regulatory periods or affects final *ERC* decisions. The *ERC* also adopted the trending method for valuing *MERALCO*'s *RAB* for the affected period. A separate Order will be issued to *MERALCO* to submit a revised *RAB* valuation for the covered period using the trending method. The *ERC* will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. As at February 25, 2026, *MERALCO* is awaiting the *ERC*'s Order with respect to the revised *RAB* valuation.

Applications for the Confirmation of Under- or Over-recoveries of Pass-through Charges

The *ERC* issued resolutions to govern the recovery of pass-through costs, including under- or over-recoveries with respect to the following bill components: generation charge, transmission charge, *SL* charge, lifeline and inter-class rate subsidies, senior citizen discounts, local franchise and real property taxes, including the timelines for *DUs* to file their respective application and post-verification.

On various dates, the *ERC* provisionally approved *MERALCO*'s applications to refund net over-recoveries of generation, transmission, net lifeline subsidy, *SL* and net senior citizens discount totalling ₱657.4 million (February 2011 to October 2013) and ₱6,927 million (January 2014 to December 2016). As at February 25, 2026, *MERALCO* is awaiting final resolution of the *ERC*.

Separately, *MERALCO* also filed for recovery of net under-recoveries of generation charge for special programs of ₱250.7 million, excluding carrying charges, covering the period March 2007 to December 2011. As at February 25, 2026, the *ERC* has not acted on such application.



On June 1, 2023, *MERALCO* filed an application with the *ERC* to confirm its net generation charge under-recoveries of ₱6,413 million, net transmission charge under-recoveries of ₱607 million, net lifeline subsidy over-recoveries of ₱1 million, net *SL* under-recoveries of ₱764 million and net senior citizen discount over-recoveries of ₱3 million from January 2020 to December 2022, and net real property tax ("*RPT*") under-recoveries of ₱229 million and net local franchise tax ("*LFT*") over-recoveries of ₱27 million from January 2021 to December 2022. Initial hearings were conducted.

Relative to said true-up confirmation, in the Decision dated March 8, 2023, received on August 29, 2023, which approved the termination of the Power Supply Agreement ("*PSA*") between *MERALCO* and Panay Energy Development Corporation ("*PEDC*"), *MERALCO* was directed to include *PEDC*'s actual fuel losses due to Change in Circumstances ("*CIC*") from April 2 to September 25, 2022, amounting to ₱884 million as part of *MERALCO*'s true-up confirmation for *ERC*'s evaluation.

In compliance therewith, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC* on October 3, 2023 to be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*. In an Order dated February 16, 2026, the *ERC* directed *MERALCO* to comply with the pre-filing requirements for its Supplemental Application dated September 29, 2023 and to submit its written compliance within five (5) calendar days from receipt of said Order. As at February 25, 2026, *MERALCO* filed its Compliance with the Order.

For the period from January 2023 to December 2025, *MERALCO* is also set to file its application to confirm its over/under recoveries on or before March 30, 2026.

Application for Approval of the Staggered Recovery and Payment of the Differential Generation Charge for February 2017 Supply

On January 31, 2017, *MERALCO* filed an Application seeking the *ERC*'s approval of the staggered recovery and payment scheme for the generation charge for the February 2017 supply month to mitigate the impact of scheduled outages and maintenance of certain generation power plants. On March 6, 2017, the *ERC* provisionally approved the recovery of the incremental fuel cost through a staggered scheme. The incremental fuel cost was included in the March 2017 until May 2017 billings to customers. As at February 25, 2026, the *ERC* has not issued its final decision.

Application for the Recovery of Differential Generation Costs

On February 17, 2014, *MERALCO* filed for the recovery of the unbilled generation costs for December 2013 supply month amounting to ₱11,075 million. An amended application was filed on March 25, 2014 to adjust the unbilled generation costs for recovery to ₱1,310 million, following the receipt of the Wholesale Electricity Spot Market ("*WESM*") billing adjustments based on regulated Luzon *WESM* prices. The *ERC* suspended the proceedings, pending resolution of related cases at the *SC* involving generation costs for the November and December 2013 supply months and the regulated *WESM* prices for the said period.

In a Decision dated August 3, 2021, the *SC* voided the March 3, 2014 Order of the *ERC* which imposed regulated *WESM* prices for the November and December 2013 supply months. The Decision is now final and executory and entry of judgement has been issued by the *SC*. In a letter dated September 25, 2023, *MERALCO* wrote the *ERC* on its proposed recovery mechanism for the November and December 2013 supply months as a result of the Decision. As directed by the *ERC*, *MERALCO* and the Independent Electricity Market Operator ("*IEMOP*") have completed the



reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at February 25, 2026, the same is pending with the *ERC*.

Deferred Purchase Price Adjustment (“PPA”)

On October 12, 2009, the *ERC* released its findings on *MERALCO*’s implementation of the collection of the approved pass-through cost under-recoveries for the period June 2003 to January 2007 which *MERALCO* has implemented beginning November 2009 until September 2010. However, the *ERC* did not rule on *MERALCO*’s deferred *PPA* under-recoveries of ₱106 million. On November 4, 2009, *MERALCO* filed an *MR* with the *ERC*. As at February 25, 2026, the *MR* is still pending resolution by the *ERC*.

Applications for Recovery of LFT

MERALCO has filed distinct applications with request for provisional authority to implement new *LFT* rates based on Ordinances from the cities of Manila, Quezon, Binan, Makati, Valenzuela, Taguig and Pasig. Some hearings have been completed and are awaiting final approval. Applications for recovery of taxes paid have been filed and pending decision of the *ERC*.

Thereafter, *LFT* paid are subject to a pass-through mechanism under the *ERC* Resolution No. 2, Series of 2021, “Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes”).

SC Decision on the ₱0.167 per kWh Refund

Following the *SC*’s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*’s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*’s Motion authorizing *MERALCO* to continue the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme for the unclaimed refund. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* of its action taken with respect to all the unclaimed amounts of the *SC* Refund. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at February 25, 2026, there has been no further action from the *ERC*.

See Note 18 – Customers’ Refund.



3. Statement of Compliance

The parent company financial statements have been prepared in compliance with *PFRS* Accounting Standards. *MERALCO* also prepares and issues consolidated financial statements in compliance with *PFRS* Accounting Standards. These are available publicly and may be downloaded from www.meralco.com.ph.

4. Material Accounting Policies, Changes and Improvements

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. *MERALCO* has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements of *MERALCO*.

- Amendments to *PAS 21, Lack of Exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted, and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments have no material impact on the parent company financial statements of *MERALCO*.

Pronouncements issued but not yet effective are listed below. *MERALCO* intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant on the parent company financial statements of *MERALCO*.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on *PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26* and *PAS 37, Disclosures about Uncertainties in the Financial Statements*
- Amendments to *PFRS 9* and *PFRS 7, Classification and Measurement of Financial Instruments*
- Amendments to *PFRS 9* and *PFRS 7, Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to *PFRS* Accounting Standards - Volume 11
 - Amendments to *PFRS 1, Hedge Accounting by a First-time Adopter*
 - Amendments to *PFRS 7, Gain or Loss on Derecognition*
 - Amendments to *PFRS 9, Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to *PFRS 10, Determination of a 'De Facto Agent'*
 - Amendments to *PAS 7, Cost Method*

Effective beginning on or after January 1, 2027

- *PFRS 17, Insurance Contracts*
- *PFRS 18, Presentation and Disclosure in Financial Statements*
- *PFRS 19, Subsidiaries without Public Accountability*



Deferred effectivity

Amendments to *PFRS 10, Consolidated Financial Statements*, and *PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policies

The principal accounting policies adopted in the preparation of the parent company financial statements are as follows:

Utility Plant and Others

Utility plant and others, except land, are stated at cost, net of accumulated depreciation, amortization and impairment losses, if any. Cost includes the cost of replacing part of such utility plant and other properties when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are charged to operating expenses as incurred in the parent company statement of income. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

MERALCO's utility plant and others acquired before January 1, 2004 are stated at deemed cost. The revalued amount recorded as at January 1, 2004 was adopted as deemed cost as allowed by the transition provisions of *PFRS 1*. The balance of revaluation increment was closed to the retained earnings account.

See *Note 14 – Equity* for the related discussion.

Depreciation and amortization of utility plant and others are computed using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Subtransmission and distribution	10-40 years, depending on the life of the significant parts
Buildings and improvements	15-40 years
Communication equipment	5-10 years
Office furniture, fixtures and other equipment	5-20 years
Transportation equipment	5-10 years
Others	5-20 years

An item of utility plant and others is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising as a result of the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted prospectively, if appropriate, at each reporting year to ensure that the residual values, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of utility plant and others.



Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the qualifying asset for its intended use or sale have been undertaken and expenditures and borrowing costs have been incurred. Borrowing costs are capitalized until the asset is substantially completed and available for its intended use.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as any exchange differences arising from any foreign currency denominated borrowings used to finance the projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Investments in Subsidiaries and Associates and Interests in Joint Ventures

Investments in subsidiaries (entities over which *MERALCO* has control) and associates (entities over which *MERALCO* has significant influence) and interests in joint ventures (entities over which *MERALCO* has joint control) are accounted for under the cost method of accounting in the parent company financial statements. Investments in subsidiaries and associates and interests in joint ventures are carried in the parent company statement of financial position at cost less any impairment in value. *MERALCO* recognizes income from the investments only to the extent that *MERALCO* receives distributions from accumulated profits of the subsidiaries, associates and joint ventures arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

Control is achieved when *MERALCO* is exposed, or has the right, to variable returns from its involvement with the investee. Specifically, *MERALCO* controls an investee if and only if *MERALCO* has (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When *MERALCO* has less than majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) *MERALCO*'s voting rights and potential voting rights.

MERALCO re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control.

Upon loss of significant influence over the associate or joint control over the joint venture, the *MERALCO* measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the investment in associate or interest in joint venture upon loss of



significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the parent company statement of income.

Investment Properties

Investment properties, except land, are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. The carrying amount includes transaction costs and costs of replacing part of an existing investment property at the time such costs are incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties include properties that are being constructed or developed for future use.

Land classified as investment property is carried at cost less any impairment in value.

MERALCO's investment properties acquired before January 1, 2004 are stated at deemed cost.

See *Note 14 – Equity* for the related discussions.

Investment properties, except land, are being depreciated on a straight-line basis over the useful life of 40 years.

Investment properties are derecognized either when they have been disposed of or when these are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss from the derecognition of the investment properties is recognized in the parent company statement of income in the year these are disposed or retired.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the commencement of an operating lease to another party. If owner-occupied property becomes an investment property, *MERALCO* accounts for such property in accordance with the policy stated under utility plant and others up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or the commencement of development with a view to sale. Transfers from investment property are recorded using the carrying amount of the investment property as at the date of change in use.

Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic lives of five (5) to 30 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the parent company statement of income.



Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the parent company statement of income.

Intangible assets generated within the business are not capitalized and expenditures are charged to profit or loss in the year these are incurred.

Fair Value Measurement

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 (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to *MERALCO*.

The fair value of an asset or a 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. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques used are those 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 parent company 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:

- i. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ii. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- iii. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, *MERALCO* determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the classes of assets and liabilities are identified on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.



Impairment of Nonfinancial Assets

At each reporting date, an assessment is done to determine whether there is an indication that a nonfinancial asset [utility plant and others, intangible assets, investment properties, investments in subsidiaries, associates and interests in joint ventures and receivable from the Bureau of Internal Revenue (“BIR”)], may be impaired. If any such indication exists, an estimate of the asset’s recoverable amount is made. An asset’s recoverable amount is the higher of an individual asset’s or a cash-generating unit’s fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value is the amount obtainable from the sale of the asset in an arm’s-length transaction. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation factors/parameters, quoted share prices for publicly traded securities or other available fair value indicators. 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. Impairment losses are recognized in the parent company statement of income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, *MERALCO* estimates the individual asset’s or cash generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If a reversal of impairment loss is to be recognized, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income. After such reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually at every reporting date or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, either individually or at the cash-generating unit level, as appropriate. The amount of impairment is calculated as the difference between the recoverable amount of the intangible asset and its carrying amount. The impairment loss is recognized in the parent company statement of income. Impairment losses relating to intangible assets may be reversed in future years.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified and measured at amortized cost, *FVOCI*, and fair value through profit or loss (“*FVPL*”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component, financial asset is initially measured at its fair value and in the case of a financial asset not at *FVPL*, plus transaction costs.



In order for a financial asset to be classified and measured at amortized cost or *FVOCI*, it needs to give rise to cash flows that are solely payments of principal and interest (“*SPPI*”) on the principal amount outstanding. This assessment is referred to as the *SPPI* test and is performed at an instrument level.

The business model for managing financial assets refers to how financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized at the trade date, i.e., the date that a commitment to purchase or sell the asset is made.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at *FVOCI* with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at *FVOCI* with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at *FVPL*

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to *MERALCO*. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (“*EIR*”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. *MERALCO*’s financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, short-term investments, debt securities at amortized cost and advance payments to a supplier.

Financial Assets at FVOCI (Debt Instruments)

MERALCO measures debt instruments at *FVOCI* if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

For debt instruments at *FVOCI*, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the parent company statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (“*OCI*”). Upon derecognition, the cumulative fair value



change recognized in *OCI* is recycled to profit or loss. *MERALCO*'s debt instruments at *FVOCI* include investments in corporate and government bonds.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, equity instrument may be classified irrevocably as equity instruments designated at *FVOCI* when they meet the definition of equity under *PAS 32, Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the parent company statement of income when the right to receive payment has been established, except when such proceeds as a partial recovery of the cost of the financial asset, in which case, such gains are recorded in *OCI*. Equity instruments designated at *FVOCI* are not subject to impairment assessment.

MERALCO elected to classify irrevocably its non-listed equity investments and investment in club shares under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e., removed from parent company statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The rights to receive cash flows from the asset have been transferred or when an obligation to pay the received cash flows is assumed in full without material delay to a third party under a 'pass-through' arrangement; and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) when all the risks and rewards of the asset are neither transferred nor retained substantially but control of the asset has been transferred.

When the rights to receive cash flows from an asset have been transferred or a pass-through arrangement has been entered, an evaluation of the extent that such risks and rewards of ownership is retained shall be made.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the transferred asset to the extent of *MERALCO*'s continuing involvement and an associated liability are recognized. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that could be required to repay.

Modification of Financial Assets

MERALCO derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.



Both qualitative and quantitative factors are considered in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the following factors, among others, are used:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered *SPPI*

A quantitative assessment similar to that being performed for modification of financial liabilities is also done. In performing the quantitative assessment, the new terms of a financial asset are considered to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR* is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is calculated as the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* (or credit-adjusted *EIR* for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for *ECL* measurement purposes, unless the new financial asset is deemed to be purchased or originated credit-impaired financial assets ("*POCP*").

Impairment of Financial Assets

An allowance for *ECL* is assessed for all debt instruments not held at *FVPL*. *ECLs* are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original *EIR*. The expected cash flows shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, *ECLs* are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month *ECL*). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-



impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime *ECL*).

Financial assets are credit-impaired when one (1) or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime *ECLs* are recognized and interest revenue is calculated by applying the credit-adjusted *EIR* to the amortized cost of the financial assets.

For trade receivables and contract assets, a simplified approach is applied in calculating *ECLs*. Changes in credit risk are not tracked, instead a loss allowance based on lifetime *ECLs* of each customer segment (e.g., residential, commercial, industrial, etc.) is recognized at each reporting date. A provision matrix that is based on its current credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment has been established and used. In determining the *ECLs* of trade receivables, the credit loss experience for each contract status of customers for the current year, adjusted for forward-looking factors as well as the economic environment, was considered.

For debt instruments, the low credit risk simplification is applied. At every reporting date, an assessment is made on whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the internal credit rating of the debt instrument is reassessed. There is significant increase in credit risk when contractual payments are more than 30 days past due.

MERALCO's debt instruments at *FVOCI* comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. As a policy, *ECLs* are measured on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the expected lifetime credit losses.

Credit losses are recognized based on 12-month *ECL* for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

At each reporting date, an assessment is made for any significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the investment grade criteria, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month *ECL*. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria from the time of origination.



An exposure will migrate through the *ECL* stages as asset quality deteriorates. If, in a subsequent year, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime *ECL* to 12-month *ECL*.

A financial asset is considered in default when contractual payments are 300 days past due (average days to terminate customer contract). In certain cases, a financial asset is also considered to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at *FVPL*, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

MERALCO's financial liabilities include interest-bearing long-term financial liabilities, customer deposits and refunds, refundable service extension costs, notes payable and trade payables and other current liabilities.

Subsequent Measurement

Financial Liabilities at FVPL

Financial liabilities at *FVPL* include financial liabilities held for trading and financial liabilities designated upon initial recognition as at *FVPL*.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by *PFRS 9*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the parent company statement of income. Financial liabilities designated upon initial recognition at *FVPL* are designated at the initial date of recognition, and only if the criteria in *PFRS 9* are satisfied. *MERALCO* has not designated any financial liability as at *FVPL*.

Loans and Borrowings

This is the category most relevant to *MERALCO*. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the *EIR* method. Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized as well as through the *EIR* amortization process.



Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the *EIR*. The *EIR* amortization is included as finance cost in the parent company statement of income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

Exchange or Modification of Financial Liabilities

Both qualitative and quantitative factors are used in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR*, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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 between the carrying value of the original financial liability and the fair value of the new liability is recognized in the parent company statement of income.

When the exchange or modification of the existing financial liability is not considered as substantial, the gross carrying amount of the financial liability is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* and a modification gain or loss is recognized in the parent company statement of income.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

MERALCO has not availed of any reliefs and has not renegotiated the terms of its existing loan agreements with its lenders.



Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivatives and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. *MERALCO* designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

MERALCO documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. *MERALCO* also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in *Note 20 – Trade Payables and Other Current Liabilities* and *Note 25 – Financial Assets and Financial Liabilities*. Movements in the hedging reserve are shown in other comprehensive income that will not be reclassified to profit and loss in the subsequent period.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.



Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of acquiring materials and supplies including costs incurred in bringing each item to their present location and condition are accounted using the moving average and weighted average cost method, as applicable. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell or the current replacement cost of the asset.

Value-Added Tax ("VAT")

Input *VAT* pertains to the 12% indirect tax paid in the course of trade or business on purchases of goods or services.

Output *VAT* pertains to the 12% tax due on the local sale of goods or services.

If at the end of any taxable month, the output *VAT* exceeds the input *VAT*, the outstanding balance is included under "Trade payables and other current liabilities" account. If the input *VAT* exceeds the output *VAT*, the excess shall be carried over to the succeeding months and included under "Financial and other current assets" account.

Provisions

Provisions are recognized when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When a provision, or a portion of such provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liabilities.

Retirement Benefits

MERALCO has a distinct, funded, noncontributory defined benefit retirement plans covering all permanent employees. *MERALCO*'s retirement plan provides for post-retirement benefits in addition to a lump sum payment to employees hired as at December 31, 2003. Retirement benefits for employees of *MERALCO* hired beginning January 1, 2004 were amended to provide for a defined lump sum payment only upon retirement of qualified employees. *MERALCO* also has a contributory provident plan introduced in January 2009 whereby employees hired beginning January 1, 2004 may elect to participate.

The net defined benefit liability or asset of the retirement plan is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefit costs comprise of (i) service costs; (ii) net interest on the net defined benefit liability or asset; and (iii) remeasurements of the net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the parent company statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the year in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in *OCI* in the year in which they arise. Remeasurements are not reclassified to profit or loss in subsequent year.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of *MERALCO*, nor can they be paid directly to *MERALCO*. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected year until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The right to be reimbursed for some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

The retirement costs under the defined contribution plan are recorded based on contributions to the defined contribution plan as services are rendered by the employee.

Termination Benefits

Termination benefits are provided in exchange for employee's severance as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefits, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.



Employee Leave Entitlements

Employee entitlements to annual leave are recognized as a liability when such accrues to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting year is recognized for services rendered by employees up to the end of the reporting period.

Unused sick leaves are accumulated, up to a certain limit, and commuted to cash upon separation or retirement. An actuarial valuation of the obligations on the accumulated unused sick leaves is conducted periodically in accordance with the relevant accounting standards.

Long-term Incentive Plan

The liability relating to the *BOD*-approved long-term incentive plan comprises the present value of the obligation at the end of the reporting date.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which *MERALCO* expects to be entitled in exchange for those goods or services. *MERALCO* assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. *MERALCO* has concluded that it is acting as principal in majority of its revenue arrangements.

The following specific recognition criteria must also be met before revenue from contracts with customers is recognized:

Sale of Electricity

As *DU*, revenues are recognized upon supply of power to the customers and are stated at amounts invoiced to customers, inclusive of pass-through components, and net of any discounts and/or rebates. The Uniform Filing Requirements (“*UFR*”) on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) *SL* charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment (“*CERA*”) I and II, where applicable and (h) inter-class rate and lifeline subsidies. *VAT*, business taxes such as *LFT*, *RPT* (beginning March 2021), the Power Act Reduction (for residential customers) adjustment, universal charges, and Feed-in-Tariff - Allowance (“*FiT-All*”) are also separately presented in the customer’s billing statement.

Taxes billed and collected on behalf of the national government and local government units, universal charges and *FiT-All* [billed and collected on behalf of Power Sector Assets and Liabilities Management Corporation (“*PSALM*”) and National Transmission Corporation (“*TransCo*”), respectively] do not form part of the revenues of the distribution utilities. Revenues are adjusted for the over and/or under-recoveries of pass-through charges.

As *RES*, revenues are recognized upon supply of power to the customers, based on the actual energy delivered.

Interest Income

Interest income is recognized as interest accrues, using the *EIR* method. The *EIR* is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.



Lease Income

Income arising from lease of investment properties and pole positions is accounted for on a straight-line basis over the lease term.

Lease income is presented as part of other services in the parent company statement of income.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If goods or services are transferred to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

MERALCO's contract assets include unbilled receivables and under-recoveries of pass-through charges.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which a consideration (or an amount of consideration) is due from the customer. If a customer pays the consideration before the good or services are transferred to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the performance under the contract is satisfied.

Contract liabilities include assets funded by customers and over-recoveries of pass-through charges.

Assets Funded by Customers

In accordance with the Distribution Services and Open Access Rule ("DSOAR"), the costs of non-standard connection facilities to connect the customers to a distribution utility's distribution network and to provide the customers with ongoing access to the supply of electricity are funded by the customers. The distribution utility assesses whether the constructed or acquired non-standard connection facilities meet the definition of an asset in accordance with PAS 16. If the definition of an asset is met, such asset is recognized at its acquisition or construction cost with an equivalent credit to the liability account. Such liability to the customers is included under "Other noncurrent liabilities" account in the parent company statement of financial position, and is recognized as income over the average duration of relationship with the customer. Assets funded by customers do not form part of the distribution utility's regulatory asset base until amounts are refunded to the customers.

Net Over-recoveries of Pass-through Charges

Lifeline subsidy over-recoveries which resulted from the difference in the power suppliers' billings and recovery of such pass-through costs from consumers are included in "Other noncurrent liabilities" account in the parent company statement of financial position.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the financial reporting date in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized when incurred.



Short-term Leases and Leases of Low-value Assets

Short-term lease recognition exemption is applied to short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases

At contract inception, an assessment is made whether such contract contains a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange of a consideration.

Company as Lessor

Leases where the risks and benefits of ownership of the asset are not substantially transferred are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which these are earned.

Foreign Currency-Denominated Transactions and Translations

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using functional currency closing rate of exchange prevailing at the end of the reporting date. All differences are recognized in the parent company statement of income except for foreign exchange differences that relate to capitalizable borrowing costs on qualifying assets. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transactions.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and



- in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent these have become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax items are recognized in correlation to the underlying transaction either in profit or loss or directly in equity.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements. These are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized unless the realization of the assets is virtually certain. These are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post reporting date events that provide additional information as at the reporting date (adjusting events) are reflected in parent company financial statements. Post reporting date events that are non-adjusting events are disclosed in the notes to parent company financial statements, when material.



5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent assets and liabilities, at the end of the reporting year. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future years.

Judgments

In the process of applying *MERALCO*'s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the parent company financial statements.

Uncertain Tax Position

MERALCO assesses whether it has any uncertain tax position in accordance with *IFRIC 23*. Significant judgement is applied in identifying uncertainties over the income tax treatments. Based on review and assessment of the income tax computations and filings, in consultation with external tax expert, it is determined that it is not probable that its uncertain tax treatments will be accepted by the taxation authorities. Any effect of each uncertain tax treatment is quantified using the most likely amount which *MERALCO* expects to better predict the resolution of the uncertainty.

Arrangement that Contains a Lease

As assessed, the *PPAs* and *PSAs* do not qualify as leases and are accounted for as ordinary service contracts, since the distribution utilities do not have the right to direct the use and operate and were not involved in the design of the identified assets.

Principal versus Agent

Revenue recognition requires certain judgments on its arrangements with power generation companies such as *PPAs* and *PSAs* to be made. *MERALCO* has concluded that it is acting as a principal in substantially all of its revenue arrangements.

Revenue from sale of electricity requires billings to customers based on various billing cycle cut-off dates, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPAs* and *PSAs*. The difference between the amounts initially billed to customers and the settlement of the actual billings with power generation companies is adjusted to revenue at month end.

Revenues from electricity service re-connection and other non-standard connection services arise from a single performance obligation which is satisfied over the period when the services are expected to be provided.

Contingencies

There are possible claims from or obligation to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within its control. Management has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts.



See Note 27 – Contingencies and Legal Proceedings.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Estimating Useful Lives of Utility Plant and Others, Intangible Assets with Finite Lives and Investment Properties

The useful lives of utility plant and others, intangible assets with finite lives, and investment properties are estimated based on the years over which such assets are expected to be available for use. The estimate of the useful lives of the utility plant and others, intangible assets with finite lives, and investment properties is based on management's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least at each financial reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of such assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned in the foregoing. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant and others, intangible assets with finite lives, and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The total depreciation and amortization expense of utility plant and others amounted to ₱10,914 million and ₱10,348 million for the years ended December 31, 2025 and 2024, respectively. Total carrying values of utility plant and others, net of accumulated depreciation and amortization, amounted to ₱214,504 million and ₱197,630 million as at December 31, 2025 and 2024, respectively.

Total depreciation of investment properties amounted to ₱4 million for the years ended December 31, 2025 and 2024. Total carrying values of investment properties, net of accumulated depreciation, amounted to ₱1,442 million and ₱1,446 million as at December 31, 2025 and 2024, respectively.

Total amortization of intangible assets with finite lives amounted to ₱334 million and ₱345 million for the years ended December 31, 2025 and 2024, respectively. Total carrying values of intangible assets with finite lives, net of accumulated amortization and accumulated impairment loss, amounted to ₱2,356 million and ₱2,104 million as at December 31, 2025 and 2024, respectively.

See Note 6 – Utility Plant and Others, Note 8 – Investment Properties and Note 9 – Other Noncurrent Assets.

Impairment of Nonfinancial Assets

PFRS Accounting Standards requires that an impairment review be performed when certain impairment indicators are present. These conditions include obsolescence, physical damage, significant changes in the manner by which an asset is used, worse than expected economic performance, drop in revenues or other external indicators, among others. Such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. Estimating the value in use requires preparation of an estimate of the expected



future cash flows from the cash generating unit and choosing an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of utility plant and others, intangible assets with finite life, investment properties, investments in subsidiaries and associates and interest in joint ventures, and other noncurrent assets, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the parent company financial statements. Future events may cause management to conclude that utility plant and others, intangible assets with finite life, investment properties, investments in subsidiaries and interest in joint ventures, and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the parent company financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While management believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges under *PFRS* Accounting Standards.

The carrying values of nonfinancial assets as at December 31, 2025 and 2024 subject to impairment review are as follows:

Account	2025	2024
	<i>(Amounts in millions)</i>	
Utility plant and others	₱214,504	₱197,630
Investments in subsidiaries and associates and interests in joint ventures	147,111	73,890
Intangible assets	2,356	2,104
Investment properties	1,442	1,446

Allowance for impairment loss on investments in subsidiaries, associates and joint ventures amounted to ₱10,791 million as at December 31, 2025 and 2024.

See *Note 6 – Utility Plant and Others*, *Note 7 – Investments in Subsidiaries, Associates and Interest in Joint Ventures*, *Note 8 – Investment Properties* and *Note 9 – Other Noncurrent Assets*.

Realizability of Deferred Income Tax Assets

The carrying amounts of deferred income tax assets are reviewed at the end of each reporting year and these may be reduced to the extent that such deferred tax assets are no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income for the subsequent reporting year. This forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized. The amounts of the deferred income tax assets considered realizable could be adjusted in the future if estimates of taxable income are revised.

As of December 31, 2025 and 2024, the temporary differences without deferred tax amounted to nil and ₱2,956, respectively.



See Note 26 – Income Taxes and Local Franchise Taxes.

Provision for ECL of Receivables and Contract Assets

MERALCO applies the PFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

ECL is provided for certain identified trade receivables which have been the subject of disputes from customers. In determining the ECLs of trade receivables, the credit loss experience for each contract status of customers for the current year, adjusted for forwarding looking factors, and taking into account the economic environment is considered. The contract assets relate to unbilled receivables and have substantially the same risk characteristics as the trade and other receivables. MERALCO has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Forward-looking information is incorporated in the assessments for any significant increase in credit risk since the initial recognition and measurement of ECL. A range of relevant forward-looking macroeconomic assumptions such as inflation rate, gross domestic product and unemployment rate for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs are considered.

ECLs for trade and other receivables, net of recoveries, amounted to ₱497 million and ₱755 million for the years ended December 31, 2025 and 2024, respectively. Trade and other receivables, net of allowance for expected credit losses, amounted to ₱48,282 million and ₱38,694 million as at December 31, 2025 and 2024, respectively.

See Note 11 – Trade and Other Receivables.

Estimating Net Realizable Value of Inventories

Inventories consist of materials and supplies used in the electricity distribution and are valued at the lower of cost and net realizable value. The cost of inventories is written down whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and unusable are written off and charged as expense in the parent company statement of income.

The carrying values of inventories amounted to ₱7,536 million and ₱7,877 million as at December 31, 2025 and 2024, respectively.

See Note 12 – Inventories.

Estimation of Retirement Benefit Costs

The cost of defined benefit retirement plans and other long-term post-employment benefits as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement benefit increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement and other post-employment benefits expense amounted to ₱1,722 million and ₱1,431 million for the years ended December 31, 2025 and 2024, respectively.



Retirement liability as at December 31, 2025 and 2024 amounted to ₱10,004 million and ₱10,276 million, respectively. Other long-term post-employment benefits liability as at December 31, 2025 and 2024 amounted to ₱2,557 million and ₱2,255 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and retirement increases are based on expected future inflation rates in the Philippines.

See *Note 23 – Expenses and Income* and *Note 24 – Long-term Employee Benefits*.

Provisions

Note 2 – Rate Regulations and *Note 27 – Contingencies and Legal Proceedings* discusses various claims, assessments and cases of *MERALCO*. An estimate for probable costs for the resolution of these claims, assessments and cases has been developed in consultation with external counsel and/or internal counsels handling the defense for these claims, assessments and cases and is based upon thorough analysis of potential outcome.

In consultation with its external and internal legal counsels, management does not believe that these claims and legal proceedings will have a material adverse effect on the parent company financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies and actions relating to these proceedings.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. As at December 31, 2025 and 2024, provisions and other noncurrent liabilities are presented net of the effect of the time value of money amounting to ₱7,476 million and ₱8,265 million, respectively.

See *Note 17 – Provisions* and *Note 20 – Trade Payables and Other Current Liabilities*.

Revenue Recognition

The overall revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

Revenues from sale of electricity are billed based on customer-specific billing cycle cut-off date for each customer, while recording of related purchased power cost in the accounts is based on calendar month as provided in the terms of the *PPAs* and *PSAs*. The recognition of unbilled revenues for billing cycles with earlier than month-end cut-off dates requires the use of estimates. The difference between the amounts initially recognized based on provisional invoices and the settlement of the actual billings by the generators is taken up in the subsequent year. Also, revenues from sale of electricity are adjusted for the estimated over and/or under-recoveries of pass-through charges, which are subject of various applications for recovery and approval by the *ERC*.



Revenues from sale of electricity also account for variable considerations included in the transaction price resulting from historical refunds to customers. The refund liability related to these variable considerations is included as part of “Trade payables and other liabilities” and “Other noncurrent liabilities” accounts in the parent company statement of financial position. As at December 31, 2025 and 2024, the balance of refund liability amounted to ₱22,839 million and ₱18,822 million, respectively.

Management believes that such use of estimates will not result in material adjustments in future periods.



6. Utility Plant and Others

The movements in utility plant and others are as follows:

2025									
Note	Land	Subtransmission and Distribution	Buildings and Improvements	Communication Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
(Amounts in millions)									
Cost:									
Balance at beginning of year	₱15,217	₱252,154	₱8,056	₱2,277	₱5,936	₱4,324	₱5,598	₱22,454	₱316,016
Additions	149	608	–	37	693	475	496	25,349	27,807
Transfers from construction in progress	–	18,585	1,228	40	35	–	305	(20,193)	–
Disposals/retirements	–	(3,051)	(5)	(1)	(8)	(71)	(127)	–	(3,263)
Reclassifications	9	–	8	–	10	–	(8)	–	10
Balance at end of year	15,366	268,296	9,287	2,353	6,666	4,728	6,264	27,610	340,570
Less accumulated depreciation and amortization:									
Balance at beginning of year	–	103,826	3,652	1,147	4,252	2,780	2,729	–	118,386
Depreciation and amortization	–	9,489	213	123	563	287	239	–	10,914
Disposals/retirements	–	(3,050)	(1)	–	(6)	(65)	(112)	–	(3,234)
Balance at end of year	–	110,265	3,864	1,270	4,809	3,002	2,856	–	126,066
	₱15,366	₱158,031	₱5,423	₱1,083	₱1,857	₱1,726	₱3,408	₱27,610	₱214,504

2024									
Note	Land	Subtransmission and Distribution	Buildings and Improvements	Communication Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
(Amounts in millions)									
Cost:									
Balance at beginning of year	₱15,217	₱241,500	₱7,427	₱2,067	₱5,786	₱4,141	₱5,168	₱14,707	₱296,013
Additions	–	468	–	6	187	266	200	22,643	23,770
Transfers from construction in progress	–	13,664	633	222	144	–	233	(14,896)	–
Disposals/retirements	–	(3,452)	(4)	(44)	(249)	(83)	(3)	–	(3,835)
Reclassifications	9	–	–	26	68	–	–	–	68
Balance at end of year	15,217	252,154	8,056	2,277	5,936	4,324	5,598	22,454	316,016
Less accumulated depreciation and amortization:									
Balance at beginning of year	–	98,299	3,461	1,080	3,917	2,586	2,516	–	111,859
Depreciation and amortization	–	8,974	192	111	584	272	215	–	10,348
Disposals/retirements	–	(3,447)	(1)	(44)	(249)	(79)	(1)	–	(3,821)
Reclassification	–	–	–	–	–	1	(1)	–	–
Balance at end of year	–	103,826	3,652	1,147	4,252	2,780	2,729	–	118,386
	₱15,217	₱148,328	₱4,404	₱1,130	₱1,683	₱1,544	₱2,869	₱22,454	₱197,630



As at December 31, 2025 and 2024, the net book values of customer-funded assets included in “Utility plant and others” account amounted to ₱6,643 million and ₱6,503 million, respectively. The corresponding liabilities to customers in the same amounts as at December 31, 2025 and 2024 are included in “Other noncurrent liabilities” account in the parent company statements of financial position.

See Note 22 – Revenues and Purchased Power.

Construction in progress mainly pertains to on-going electric capital projects (“ECPs”) and non-ECPs. ECPs are capital projects involving construction of new electric distribution-related facilities and the upgrade and major rehabilitation of existing electrical facilities. Non-ECPs mainly represent construction of MERALCO’s buildings and improvements.

Total interest capitalized amounted to ₱712 million and ₱566 million based on average capitalization rate of 6% and 7% for the years ended December 31, 2025 and 2024, respectively.

7. Investments in Subsidiaries and Associates and Interests in Joint Ventures

This account consists of the following as at December 31, 2025 and 2024:

	Place of Incorporation	Principal Business Activities	2025		2024	
			Percentage of Ownership			
			Direct	Indirect	Direct	Indirect
Subsidiaries						
Corporate Information Solutions, Inc. ("CIS") Bayad	Philippines	e-Transactions	100	—	100	—
	Philippines	Bills payment collection	5	87.75	5	87.75
Meralco Energy, Inc. ("MServ")	Philippines	Energy systems management	100	—	100	—
eMeralco Ventures, Inc. ("e-MVT")	Philippines	e-Business development	100	—	100	—
MGen	Philippines	Development of power generation plants	100	—	100	—
MSpectrum, Inc. ("Spectrum")	Philippines	Renewable energy	100	—	100	—
Vantage Energy Solutions and Management, Inc. ("Vantage")	Philippines	Retail electricity supplier	100	—	100	—
Meralco Financial Services Corporation ("Finserve")	Philippines	Property management and leasing	100	—	100	—
Lighthouse Overseas Insurance Limited ("LOIL")	Bermuda	Insurance	100	—	100	—
MRAIL, Inc. ("MRail")	Philippines	Engineering, construction and maintenance of mass transit system	100	—	100	—
Phoenix Power Solutions, Inc. ("Phoenix Power") ²	Philippines	Retail electricity supplier	100	—	100	—
Movem Electric, Inc. ("Movem")	Philippines	Maintenance and operation of transport service networks	100	—	100	—
Meralco Industrial Engineering Services Corporation ("MIESCOR")	Philippines	Engineering, construction and consulting services	100	—	100	—
Clark Electric Distribution Corporation ("Clark Electric")	Philippines	Power distribution	65	—	65	—
Comstech Integration Alliance, Inc. ("Comstech")	Philippines	Management of power distribution	60	—	60	—
Meridian Power Ventures Limited ("MPV Limited") ²	Hongkong	Investment holdings	100	—	100	—
Shin Clark Power Holdings, Inc. ("Shin Clark")	Philippines	Holding company	60	—	60	—



	Place of Incorporation	Principal Business Activities	2025		2024	
			Percentage of Ownership			
			Direct	Indirect	Direct	Indirect
Associates						
Aclara Meters Philippines, Inc. (“ <i>Aclara Meters</i> ”)	Philippines	Sale of metering products and services	35	–	35	–
Indra Philippines, Inc. (“ <i>Indra Philippines</i> ”)	Philippines	Management and <i>IT</i> consultancy	25	–	25	–
Kayana Solutions, Inc. (“ <i>Kayana</i> ”)	Philippines	Electronic payment and reward system	27.50	–	27.50	–
Joint Ventures						
Pure Meridian Hydropower Corporation (“ <i>Pure Meridian</i> ”)	Philippines	Renewable energy	50	–	50	–
MPioneer Insurance, Inc. (“ <i>MPioneer</i> ”)	Philippines	Insurance	35	–	35	–
Rockwell Business Center Joint Venture (“ <i>RBC JV</i> ”)	Philippines	Real estate	30	–	30	–

¹ The BOD of AMPSI approved the dissolution and shortening of corporate life until March 31, 2021. As of December 31, 2025, the dissolution and shortening of corporate life of AMPSI is still pending approval by the SEC.

² Has not started commercial operations.

³ MIESCOR Retirement Fund has less than 1% equity interest in MIESCOR.

⁴ In September 2025, MIESCOR completed the acquisition of 400,000 common shares of CFSI from Bayad, representing 100% equity interests.

The movements of investments in subsidiaries and associates and interests in joint ventures are as follows:

	2025	2024
	(Amounts in millions)	
Cost:		
Balance at beginning of year	₱84,681	₱78,174
Additions	73,274	6,582
Return of capital	(53)	(75)
Balance at end of year	157,902	84,681
Allowance for impairment:		
Balance at beginning of year	(10,791)	(10,943)
Reclassification	—	152
Balance at end of year	(10,791)	(10,791)
Net book value	₱147,111	₱73,890

Changes in Ownership

MTerra Solar

In March 2025, Actis Rubyred (Singapore) Pte. Ltd., through its wholly owned subsidiary Actis Rubyred (Philippines) Holdings, Inc. (“Actis”), completed its subscription of a 40% equity stake in MTerra Solar, subject to certain conditions, for a total consideration of ₱29.9 billion. As part of this investment deal, Actis infused ₱17.8 billion in cash into MTerra Solar. Consequently, unpaid subscription price amounting to ₱12.1 billion was recognized as a subscription receivable. On December 17, 2025, MGreen and Actis entered into a Memorandum of Agreement (“MOA”), establishing a mechanism for certain payments to Actis. As a result of these equity transactions, a ₱8.4 billion contingent liability was recognized, while the excess of ₱4.1 billion over Actis share in the net assets of MTerra Solar was recorded as an equity reserve.



Solar Philippines Tarlac

In June 2025, *Solar Philippines Tarlac* redeemed the preferred shares held by Prime Metro Power Holdings amounting to ₱1,500.0 million and settled dividends amounting to ₱300.0 million. As a result, the difference between the redemption of shares and settlement of dividends and the ₱2,348.0 million balance of the non-controlling interest amounting to ₱547.6 million was recognized as an equity reserve.

SPNEC

On October 12, 2023, a Put Option Agreement was executed by and among *MGreen*, *Solar Philippines Power Project Holdings, Inc. ("SPPPHI")* and *SPNEC*, covering *MGreen's* grant to *SPPPHI* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the "Put Option Price"), for a total price of up to ₱9.2 billion. The Put Option Agreement also includes additional put option price equivalent to ₱0.10 per share or ₱800.0 million, subject to certain conditions. In January 2024, *MGreen* acquired 2.2 billion shares of *SPNEC*, attaining a 53.7% equity interest. The following month, *MGreen* extended a ₱6,700.0 million exchangeable loan to *SPPPHI*, which was settled in October 2025 by exchanging it for the remaining 5.8 billion common shares of *SPNEC*, resulting in derecognition of the liability related to the Put Option.

The purchase consideration in the Put Option Agreement included the value of certain entities which may be transferred back to *SPPPHI* at the option of *SPNEC*. On September 3, 2024, *SPNEC* exercised its put option and executed a Deed of Absolute Sale of Shares with *SPPPHI* to sell its shares in certain entities for ₱80.0 million. Consequently, *SPNEC* derecognized in its financial statements the related assets, liabilities, non-controlling interests and equity reserve of these entities with net amount of ₱176.0 million and recognized a loss of ₱96.0 million.

In March 2025, *MGreen* extended an additional loan to *SPPPHI* amounting to ₱6,259.1 million which was settled in exchange for 5.0 billion common shares of *SPNEC* in October 2025. As result, *MGreen's* voting interest in *SPNEC* increased to 69.25% and a reduction in non-controlling interest amounting to ₱6,293.2 million was recognized.

Furthermore, *MGreen* derecognized the liability related to the initial investment in *SPNEC* amounting to ₱2,200.0 million following change in management decision to proceed with the planned acquisition of 1.6 billion common shares of *SPNEC* in 2025. Consequently, a corresponding increase in non-controlling interest and equity reserve amounting to ₱2,010.9 million and ₱189.1 million, respectively, was recognized.

MIDC

On March 1, 2024, *MIESCOR* entered into a Multi-Party Share Swap Agreement with Connect Infrastructure (Philippines) Pte. Limited ("*Connect*"), PTCI Holdings Pte. Ltd. ("*PHPL*"), and Pylon Holdings Corp. ("*Pylon*"). Under the agreement, the shareholders of *MIDC* and *PhilTower Consortium, Inc. ("PhilTower")* (collectively referred to as the "*TowerCos*") shall transfer their respective ownerships in the *TowerCos* to *Pylon*. After the swap, *MIESCOR* owns 25.56% of *Pylon* with *Pylon* owning 100% each of *MIDC* and *PhilTower*. As a result, *MIESCOR* lost its power to govern the financial and operating policies of *MIDC* with the reduction in the voting rights at meetings of the Board of Directors.



Accordingly, upon approval by the Philippine Competition Commission (“PCC”) and the Securities and Exchange Commission (“SEC”), and completion of other conditions of the transaction on September 13, 2024, *MIESCOR* derecognized in its financial statements the related assets, liabilities and non-controlling interests of *MIDC*, and recognized an investment in *Pylon* equivalent to the carrying amount of its investment in *MIDC*. No gain or loss was recognized as a result of the transaction.

Derecognized assets, liabilities and non-controlling interests of *MIDC* are as follows:

	Amounts in millions
Property and equipment	₱8,088
Intangible assets	15,092
Other noncurrent assets	53
Cash and cash equivalents	465
Trade and other receivables	912
Inventories	974
Other current assets	3,285
Interest-bearing long-term financial liabilities	(9,749)
Trade and other payables	(5,710)
Net identifiable assets	13,410
Less: Non-controlling interests	6,571
Net assets	₱6,839

Radius

On April 30, 2024, *PLDT* subscribed to 2,491,516 common shares of *Radius*, representing 34.9% equity interest for ₱2.1 billion. As a result, *MERALCO* recognized a non-controlling interest and equity reserve of ₱1.0 billion and ₱1.1 billion, respectively, as it retained majority of voting rights in *Radius*.

Bayad

On July 31, 2024, *CIS* sold its 10% equity interest in *Bayad* to *Kayana* for ₱320.0 million. *MERALCO* recognized a non-controlling interest and equity reserve of ₱35.8 million and ₱237.6 million, respectively, as it retained majority of voting rights in *Bayad*.

On December 9, 2024, *Densan* sold its 5% equity interest in *Bayad* and *CFSI* for ₱241.5 million to *MERALCO*. Consequently, *MERALCO* recognized a reduction in non-controlling interest and equity reserve of ₱19.9 million and ₱221.6 million, respectively.

CIS

CIS was incorporated in 1974 to provide information technology services and integrated business solutions to enterprise clients. In 1997, *CIS* engaged in the business of bills payment collection, which was spun off as *Bayad*. *Bayad* offers a network of bills payment collection services in the Philippines operating nationwide with brand name “*Bayad*”, and has now evolved into a full-service fintech company offering a whole suite of financial products and services, available in its extensive physical and digital payment touch points. *Bayad* also provides outsourced tellering and other administrative services through *CFSI*. In September 2025, *MIESCOR* completed the acquisition of 400,000 common shares of *CFSI* from *Bayad*, representing 100% equity interests.



MServ

MServ was established as a wholly owned subsidiary of *MERALCO* in June 2000 to provide demand-side energy services to *MERALCO*'s key accounts. It offers integrated energy efficiency solutions including marketing, engineering design capability, turnkey installation management, monitoring and performance assurance of energy management projects.

e-MVI

e-MVI was established on June 22, 2000. Its wholly owned subsidiary, *Paragon*, has 65.1% ownership interest in *Radius*, which, in turn, holds a 25-year congressional telecommunications franchise to construct, install, establish, operate and maintain for commercial purposes and in the public interest, the business of providing basic and enhanced telecommunications services in the Philippines, and between the Philippines and other countries and territories.

MGen

MGen is *MERALCO*'s power generation investment vehicle.

MGen has a combined group generating capacity of 5,069.7 *MW* (net) of coal, liquid natural gas, renewable and diesel plants in the Philippines and Singapore. In addition, it is currently developing a total of 3,500 *MWp* of solar capacities.

The capacity includes the 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon of San Buenaventura Power Ltd. Co. ("*SBPL*"), of which *MGen* has a 51% interest.

GBPC owns 831 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. This includes the 2 x 108.5 *MW* (net) *CFB* plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy*"). *GBPC* has a 50% less one share interest in *ATEC*, which holds a 100% interest in *Sarangani Energy*.

MGreen is a wholly owned subsidiary of *MGen* engaged in the development, construction and operation of solar-powered generation facilities. It has a 60% equity in *First Bulacan*, which owns and operates a 55 *MWac* utility scale solar facility located in San Miguel, Bulacan, and has an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years up to April 2041.

In 2025, *MGreen* inaugurated *Greenery's* 52.7 *MWac* and *GSEI's* 19.8 *MWac* solar power plants.

MTerra Solar, a subsidiary of *MGreen*, is developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in 2026 while the balance is due to be completed in 2027.

MGen secured the Department of Energy's ("*DOE*") reaffirmation of the status of its *AIE* 1,200-*MW* ultra supercritical coal-fired power project as a Committed Project, which followed the agency's confirmation that the project remains outside the coverage of the coal moratorium policy.

MGen and Therma NatGas, Inc. ("*TNGP*") have jointly entered into an Investment Agreement with the parties owning 60% and 40% interests in *Chromite Holdings*, respectively.

On January 27, 2025, *Chromite Holdings*, which is a joint venture between *MGen* (60%) and *TNGP* (40%), completed the acquisition of 67% stake in the two (2) gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*San Miguel Global*"), the 1,200 *MW* Ilijan power plant of



South Premiere Power Corporation (“*SPPC*”), and a new 1,275 *MW* combined cycle power facility of Excellent Energy Resources, Inc.’s (“*EERP*”), and the *LNG* import and regasification terminal owned by Linseed Field Corporation (“*Linseed*”). The transaction was approved by the *PCC* on December 23, 2024.

On April 30, 2025, all three (3) units of *EERI* achieved commercial operation.

On June 1, 2025, *Linseed* completed its regasification terminal and achieved 2,400-*MW* gas send-out capacity allowing it to fully service the requirements of *SPPC* and *EERI*.

PHRI, in partnership with Mitsui’s local unit Mit-Renewables Philippine Corporation, owns and operates a total of 80.1 *MWac* solar plant in Baras, Rizal (“*Baras Solar Plant*”).

Also, a joint venture with Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. (“*Vena Energy*”) and *MGreen*, Nuevo Solar Energy Corporation (“*NSEC*”) owns and operates a 68.7 *MWac* solar plant project in Ilocos Norte.

MGreen closed an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation (“*Barracuda Energy*”). The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by 2026.

MGen also has a combined 58% (direct and indirect interests) in *PacificLight Power*, which owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by *LNG* in Jurong Island, Singapore. On May 14, 2025, a 100 *MW* fast-start *LNG* plant was completed and commissioned to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority (“*EMA*”).

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine (“*CCGT*”) facility in Jurong Island by the *EMA* of Singapore. The project shall be the largest single H-class *CCGT* plant in Singapore, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

Spectrum

Spectrum’s primary purpose is to harness renewable energy (“*RE*”) such as but not limited to, solar, wind, biomass, geothermal and/or hydropower.

Vantage

Vantage is a wholly owned subsidiary of *MERALCO* with the primary purpose of providing retail energy services which involve energy sourcing and trading, wholesale contracting, and aggregating of electricity.

Finserve

Finserve has embarked on investing and managing commercial center operations with *The Strip* along Ortigas Avenue as its flagship project.

Finserve has a 10% equity interest in *AF Payments*. *AF Payments* operates and maintains an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It supplies and issues



fare media and store value cards or reloadable cards for use in transport and non-transport facilities and operates and maintains the related hardware and software. The concession granted by the Department of Transportation (“*DOTr*”) expires on December 16, 2025. *AF Payments* is in the process of finalizing a proposed two (2) year extension of the concession agreement with *DOTr*.

Due to the lower than expected penetration rate into the micropayments business, *MERALCO* recognized impairment in prior years on the carrying amount of its investment in *AF Payments*.

LOIL

LOIL, a captive reinsurer, is registered as a Class 1 insurer under The Bermuda Insurance Act 1978 and Related Regulations. *LOIL* was incorporated in Bermuda in 2007 and received its license to operate in the territory in 2008.

MRail

MRail, incorporated in 2009, is engaged in the business of engineering, construction and maintenance of mass transit system.

On June 2, 2014, *MRail* and *DESCO* entered into a Joint Venture Agreement for the general overhaul and rehabilitation of three (3) units of diesel electric locomotives by the Philippine National Railways (“*PNR*”). The project including its warranty period was completed on April 19, 2019. As at December 31, 2025, the *MDJV* is in the process of liquidation.

Phoenix Power

Phoenix Power is a wholly owned subsidiary of *MERALCO* with the primary purpose of providing retail energy services which involve energy sourcing and trading, wholesale contracting, and aggregating of electricity.

Movem

Movem, the green mobility arm of *MERALCO*, is a wholly owned subsidiary of *MERALCO* with the primary purpose of providing tailor-fit, end-to-end electric mobility solutions for commercial and industrial customers. Its focus is to integrate key elements of an electric vehicle (“*EV*”) ecosystem designed for specific usages to ensure a seamless and effective transition toward sustainable transportation.

MIESCOR

MIESCOR is a contractor - specialist engaged in engineering, construction and maintenance activities related to power generation, transmission and distribution, as well as industrial plants, water resources and telecommunications.

MIESCOR’s services are complemented by its two wholly owned subsidiaries – *MBI* and *MLI*. *MBI* serves as the general construction business unit. It also offers testing, commissioning and distribution utility operation and maintenance services, while *MLI* handles architectural and fit-out construction works including building and facilities logistics management services like warehouse management, fleet management and manpower service management.



On July 11, 2024, the PCC approved the joint venture among *MIESCOR*, Connect Infrastructure (Philippines) Pte. Limited (“*Connect*”) and PTCI Holdings Pte. Ltd. (“*PHPL*”). The shareholders of *TowerCos* executed a Multi-party Share Swap Agreement with both shareholders of *MIDC* and *PhilTower* transferring their respective ownerships in *TowerCos* to *Pylon*. After the swap, *MIESCOR* owns 25.56% of *Pylon* (from 51% in *MIDC*) with *Pylon* owning 100% each of *MIDC* and *PhilTower*. The transaction is aimed at improving coverage for the *TowerCos*’ mobile network clients and driving investment in digital infrastructure in the Philippines. The SEC approved the share swap transaction on August 20, 2024 and the completion of other closing conditions and issuance of shares were completed on September 13, 2024.

Clark Electric

Clark Electric, a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation (“*CDC*”) to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The *Clark Electric* franchise is valid through October 2047.

Clark Electric’s wholly owned subsidiary, *Clarion*, was incorporated with the primary purpose of providing retail energy sourcing and trading, wholesale contracting and aggregating of electricity. It submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. On December 12, 2025, the *ERC* issued *Clarion*’s *RES* license.

Comstech

MERALCO has a 60% equity interest in *Comstech*. *MERALCO* manages the electric distribution facilities of *PELCO II* through *Comstech* under an *IMC*. *MERALCO* also manages the electric distribution facilities in the *CEZ* under a 25-year concession agreement with *PEZA*.

MeridianX, a wholly owned subsidiary of *Comstech*, is a retail electricity supplier.

Greater Pampanga Power Corporation, a wholly owned subsidiary of *Comstech*, was incorporated and intended to operate as a distribution company. It has not started operations.

MERALCO manages the electric distribution facilities of *PELCO II* through *Comstech* under an *IMC*. *MERALCO* also manages the electric distribution facilities in the *CEZ* under a 25-year concession agreement with *PEZA*.

Shin Clark

Shin Clark is joint venture with *BCDA* which manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress under Republic Act No. 11420 to *BCDA*, which assigned the same to *Shin Clark Power*, in exchange for 10% equity interest in *Shin Clark Power*. *Shin Clark Power*, incorporated and registered with the SEC, has a *CPCN* issued by the *ERC* to operate as a *DU* for a period of 25 years.

Aclara Meters

Aclara Meters is 35% owned by *MERALCO* and 65% owned by Aclara Technology LLC. *Aclara Meters* is primarily engaged in the manufacture and assembly of kilowatt-hour meters and meter accessories and import, export, distribute and otherwise deal in or with all kinds of related and other similar products.



Indra Philippines

Indra Philippines is an IT service provider in the country and in the Asia Pacific region, with a wide range of services across various industries. *Indra Philippines* provides services which meet certain of *MERALCO*'s IT requirements in the area of system development, outsourcing of Information Systems ("IS") and IT operations and management consulting.

Kayana

Kayana is an electronic payment and reward system company that aims to create a platform that integrates services into one primary channel. *Kayana* is owned by *PLDT*, *MERALCO* and *Metro Pacific* with equity interests of 45%, 27.5% and 27.5%, respectively.

Pure Meridian

On January 7, 2016, *MERALCO* and Repower Energy Development Corporation ("REDC") entered into a joint venture through, *Pure Meridian*, for the development of mini-hydroelectric power projects. The development of the mini-hydroelectric power projects is suspended. With the suspension of the development of its projects, *MERALCO* recognized impairment on the carrying amount of its investment in *Pure Meridian*.

MPioneer

MPioneer is 35% owned by *MERALCO*, with Pioneer Insurance and Surety Company holding 65%. It is engaged in the non-life insurance business.

RBC JV

RBC JV is a joint venture between Rockwell Land Corporation ("Rockwell Land") and *MERALCO* for a pre-agreed cooperation period, pursuant to which *Rockwell Land* built and manages three (3) Business Process Outsourcing-enabled buildings on a non-regulatory asset base property of *MERALCO*. Investment in *RBC JV* represents *MERALCO*'s 30% interest in the joint venture, while *Rockwell Land* has 70% interest in *RBC JV*.

8. Investment Properties

The movements in investment properties are as follows:

	2025		
	Land	Buildings and Improvements	Total
	<i>(Amounts in millions)</i>		
Cost	₱1,427	₱155	₱1,582
Less accumulated depreciation:			
Balance at beginning of year	—	136	136
Depreciation	—	4	4
Balance at end of year	—	140	140
	₱1,427	₱15	₱1,442



	2024		
	Land	Buildings and Improvements	Total
	<i>(Amounts in millions)</i>		
Cost	₱1,427	₱155	₱1,582
Less accumulated depreciation:			
Balance at beginning of year	—	132	132
Depreciation	—	4	4
Balance at end of year	—	136	136
	₱1,427	₱19	₱1,446

Investment properties consist of former substation sites, real properties held for capital appreciation, and other non-regulatory asset base real properties. Some of these investment properties are being leased out.

The aggregate fair values of the investment properties as at December 31, 2025 and 2024 are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Land	₱9,726	₱5,589
Buildings and improvements	73	94

The fair values of investment properties were determined by independent, professionally qualified appraisers. The fair value represents the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date.

The fair value disclosures of the investment properties are categorized as Level 3 as there is no active market for identical or similar properties. The inputs include price per square meter ranging from ₱150 to ₱409,000. There have been no changes in the valuation techniques used.

In conducting the appraisal, the independent professional appraisers used one (1) of the following approaches:

a. Market Data or Comparative Approach

Under this approach, the value of the property (i.e., land) is based on sales and listings of comparable property registered within the vicinity. This approach requires the establishment of a comparable property by reducing comparative sales and listings to a common denominator with the subject property. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used are either situated within the immediate vicinity or at different floor levels of the same building, whichever is most appropriate to the property being valued. Comparison was premised on the factors of location, size and physical attributes, selling terms, facilities offered and time element.

b. Depreciated Replacement Cost Approach

This method of valuation considers the cost to reproduce or replace in new condition the assets (i.e., building and related improvements) appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear and obsolescence.



9. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	2025	2024
<i>(Amounts in millions)</i>			
Financial assets:			
Debt securities at amortized cost	<i>13 and 25</i>	₱1,088	₱1,091
Financial assets at <i>FVOCI</i>	<i>25</i>	1,511	2,772
Nonfinancial assets:			
Under recoveries of pass-through charges - net	<i>2 and 11</i>	10,535	17,666
Intangible assets		2,356	2,104
Receivable from the <i>BIR</i>	<i>27</i>	181	181
Others		199	197
		₱15,870	₱24,011

Debt Securities at Amortized Cost

The details of debt securities at amortised cost are as follows:

	2025			2024		
	Current Portion <i>(see Note 13)</i>	Noncurrent Portion	Total	Current Portion <i>(see Note 13)</i>	Noncurrent Portion	Total
<i>(Amounts in millions)</i>						
Government securities	₱—	₱1,056	₱1,056	₱8,355	₱1,056	₱9,411
Private debt securities	—	32	32	213	35	248
	₱—	₱1,088	₱1,088	₱8,568	₱1,091	₱9,659

Financial Assets at FVOCI

The details of financial assets at *FVOCI* are as follows:

	2025	2024
<i>(Amounts in millions)</i>		
Investments in debt securities -		
Corporate bonds and other investments	₱777	₱2,023
Investments in shares of stock and club shares	734	749
	₱1,511	₱2,772

Interest income from debt and equity securities amounted to ₱420 million and ₱577 million for the years ended December 31, 2025 and 2024, respectively.

The rollforward of unrealized gains on quoted *FVOCI* financial assets, net of tax, included in the parent company statements of financial position follows:

	2025	2024
<i>(Amounts in millions)</i>		
Balance at beginning of year	₱479	₱281
Unrealized gains on change in fair value	18	198
Balance at end of year	₱497	₱479



Net Under-Recoveries of Pass-through Charges

This account represents generation, transmission and other pass-through costs incurred by *MERALCO* as *DU* determined based on *ERC*-approved recovery mechanism, which shall be billed to customers, upon confirmation by the *ERC*. The balance also includes other net under-recoveries of generation, transmission and other pass-through charges of current and prior years, which are the subject of various applications for recovery and approval by the *ERC*.

Allowance for *ECL* on net under-recoveries of pass-through charges amounted to ₱4,602 million and ₱6,639 million as at December 31, 2025 and 2024, respectively.

See Note 11 – Trade and Other Receivables.

Intangible Assets

The movements of intangible assets are as follows:

2025				
	Note	Software	Franchise	Land and Leasehold Rights
(Amounts in millions)				
Cost:				
Balance at beginning of year		₱7,651	₱49	₱602
Additions		593	–	3
Reclassification	6	(11)	–	–
Balance at end of year		8,233	49	605
Less accumulated amortization:				
Balance at beginning of year		5,482	32	390
Amortization		311	3	19
Balance at end of year		5,793	35	409
Less accumulated impairment		294	–	–
		₱2,146	₱14	₱196
				₱8,302
2024				
	Note	Software	Franchise	Land and Leasehold Rights
(Amounts in millions)				
Cost:				
Balance at beginning of year		₱7,234	₱49	₱466
Additions		485	–	136
Reclassification	6	(68)	–	–
Balance at end of year		7,651	49	602
Less accumulated amortization:				
Balance at beginning of year		5,156	26	377
Amortization		326	3	16
Reclassification		–	3	(3)
Balance at end of year		5,482	32	390
Less accumulated impairment				
Balance at beginning of year		–	–	–
Charge for the year		294	–	–
Balance at end of year		294	–	–
		₱1,875	₱17	₱212
				₱2,104



10. Cash and Cash Equivalents

This account consists of:

	2025	2024
	<i>(Amounts in millions)</i>	
Cash on hand and in banks	₱25,698	₱19,330
Cash equivalents	40,222	32,272
	₱65,920	₱51,602

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are temporary cash investments, which are made for varying periods of up to three (3) months depending on *MERALCO*'s immediate cash requirements and earn interest at the prevailing short-term investment rates.

Interest income on cash in banks and cash equivalents amounted to ₱2,181 million and ₱1,806 million for the years ended December 31, 2025 and 2024, respectively.

As at December 31, 2025 and 2024, cash and cash equivalents include amounts deposited in bank accounts amounting to ₱5,077 million and ₱4,669 million, respectively. These amounts represent unpaid *SC* refund, meter deposits, *RES* bill deposits and over-recoveries of pass-through charges which *MERALCO* set aside in compliance with regulatory requirements.

11. Trade and Other Receivables

This account consists of:

	Note	2025	2024
		<i>(Amounts in millions)</i>	
Trade receivables	21 and 25	₱51,858	₱42,692
Nontrade receivables		3,269	2,343
		55,127	45,035
Less allowance for <i>ECL</i>		6,845	6,341
		₱48,282	₱38,694

Movements in allowance for *ECL* for trade and other receivables are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Balance at beginning of year	₱6,341	₱5,556
Provision for <i>ECL</i> for the year	510	881
Write-offs and reversals	(6)	(96)
Balance at end of year	₱6,845	₱6,341



Trade Receivables

Trade receivables include charges for pass-through costs. Pass-through costs consist of generation, transmission and *SL* charges, which represent 64%, 8% and 5%, respectively, of the total billed amount in 2025 and 63%, 7% and 5%, respectively, of the total billed amount in 2024. Billed receivables are due 10 days after bill date. Trade receivables are noninterest-bearing and are substantially secured by bill deposits. Electricity consumed after the meter reading cut-offs, which will be billed to customers in the immediately following billing period, is included as part of trade receivables.

See Note 16 – Customers’ Deposits and Note 25 – Financial Assets and Financial Liabilities.

12. Inventories

	2025	2024
	<i>(Amounts in millions)</i>	
Materials and supplies		
At cost	₱8,015	₱8,356
At net realizable value (“ <i>NRV</i> ”)	7,536	7,877
Materials and supplies at lower of cost and <i>NRV</i>	₱7,536	₱7,877

The net realizable value of inventories is net of allowance for inventory obsolescence of ₱478 million as at December 31, 2025 and 2024. No item of inventory has been written off for the years ended December 31, 2025 and 2024.

13. Other Current Assets

This account consists of:

	Note	2025	2024
		<i>(Amounts in millions)</i>	
Financial assets:			
Short-term investments	25	₱48	₱12
Current portion of advance payments to a supplier		–	206
Debt securities at amortized cost	9 and 25	–	8,568
Nonfinancial assets:			
Prepayments to suppliers		2,089	2,023
Prepaid tax		1,116	687
Prepaid expenses and others		1,323	679
		₱4,576	₱12,175

Short-term investments are temporary cash placements for varying periods beyond three (3) months but not exceeding 12 months and earn interest at the prevailing short-term investment rates.

Prepaid taxes pertain to advanced payment of withholding tax and real property tax.



14. Equity

Common Stock

	2025	2024
	<i>(In millions, except par value)</i>	
Authorized number of shares - ₱10 par value a share	1,250	1,250
Issued and outstanding - number of shares	1,127	1,127

There was no movement in the number of shares of *MERALCO*'s common stock.

The common shares of *MERALCO* were listed on the *PSE* on January 8, 1992. There are 40,060 and 40,476 common shareholders as at December 31, 2025 and 2024, respectively.

Unappropriated Retained Earnings

The unappropriated retained earnings include the balance of revaluation increment in utility plant and others and investment properties carried at deemed cost, deferred tax assets and unrealized foreign exchange gains totaling to ₱56,158 million and ₱57,634 million as at December 31, 2025 and 2024, respectively. These amounts are restricted for dividend declaration purposes as of the close of the respective reporting year.

The following are cash dividends declared on common shares in 2025 and 2024:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				<i>(In millions)</i>
July 28, 2025	August 27, 2025	September 22, 2025	₱11.33	₱12,768
February 24, 2025	March 12, 2025	April 4, 2025	13.74	15,482
July 29, 2024	August 28, 2024	September 23, 2024	10.30	11,603
February 26, 2024	March 27, 2024	April 24, 2024	11.24	12,663

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of consolidated core net income ("*CCNI*") for the year, and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

Hedging Reserve

In 2024, *MERALCO* entered into various foreign exchange forwards to "lock-in" investment cost for *Chromite Holdings* which is payable in foreign currency. The foreign exchange forwards were accounted for as cashflow hedge. The changes in the fair value of the foreign exchange forwards were recorded as hedging reserve account in the parent company statement of changes in equity and accounted for in the investment balance as of closing date.

In January 2025, *MGen*'s investment in *Chromite Holdings* was completed and *MERALCO* infused \$1.187 billion into *MGen* as settlement for its share in the investment in *Chromite Holdings*. The hedging reserve gain was reclassified from *OCI* to investment account at ₱1,717 million.



Treasury Shares

Treasury shares represent 172,412 subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan (“*ESPP*”) in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

In September 2024, 6,196 unpaid shares awarded under the *ESPP* were approved by the *SEC* for conversion to treasury shares. Consequently, the total number of treasury shares is 178,608 as at December 31, 2025. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

15. Interest-bearing Long-term Financial Liabilities

This account consists of the following:

	2025	2024
	<i>(Amounts in millions)</i>	
Long-term portion of interest-bearing long-term financial liabilities - Long-term debt	₱83,333	₱12,615
Current portion of interest-bearing long-term financial liabilities:		
Long-term debt	795	85
Redeemable preferred stock	1,459	1,461
	2,254	1,546
	₱85,587	₱14,161

All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to ₱248 million as at December 31, 2025 and 2024. Interest is no longer accrued from the time such preferred shares were called for redemption.

The details of interest-bearing long-term financial liabilities are as follows:

Description	2025	2024
	<i>(Amounts in millions)</i>	
<i>Floating Rate Loan</i>		
₱75.0 Billion Term Loan	₱75,000	₱—
₱10.0 Billion Term Loan	9,700	9,900
<i>Fixed Rate Loans</i>		
12-year Puttable Bonds	—	2,868
Total long-term debt	84,700	12,768
Less unamortized debt issuance costs	572	68
	84,128	12,700
Redeemable Preferred Stock	1,459	1,461
	85,587	14,161
Less current portion	2,254	1,546
Long-term portion of interest-bearing financial liabilities	₱83,333	₱12,615



All of the interest-bearing long-term financial liabilities as at December 31, 2025 and 2024 are denominated in Philippine peso. The scheduled maturities of the outstanding long-term debt at nominal values as at December 31, 2025 are as follows:

	Amount (In millions)
Less than one (1) year	₱850
One (1) year up to two (2) years	850
More than two (2) years up to three (3) years	850
More than three (3) years up to four (4) years	850
More than four (4) years up to five (5) years	850
More than five (5) years	80,450
	₱84,700

₱75.0 Billion Term Loan

MERALCO has a ₱75,000 million, 12-year floating rate loan due in January 2037. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

₱10.0 Billion Term Loan

MERALCO has a ₱10,000 million, 10-year floating rate loan due in December 2032. Interest is payable quarterly and principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

12-year Puttable Bonds

The 12-year Puttable Bonds represent the remaining balance of the total ₱18,000 million bonds issued in December 2013, with a put option exercisable in the 10th year. On December 13, 2023, *MERALCO* redeemed ₱4,132 million of these bonds, followed by the redemption of the remaining balance of ₱2,868 million on December 12, 2025.

Debt Covenants

The terms of the *MERALCO* loans include compliance with debt service coverage of 1.1 times calculated on specific measurement dates. The agreements also contain restrictions with respect to the creation of liens or encumbrances on assets, issuance of guarantees, mergers or consolidations, disposition of a significant portion of its assets and related party transactions.

As at December 31, 2025 and 2024, *MERALCO* is in compliance with all of the covenants of the loan agreements.

Interest expense on interest-bearing long-term financial liabilities, net of capitalized interest, amounted to ₱4,197 million and ₱383 million for the years ended December 31, 2025 and 2024, respectively.



Unamortized Debt Issuance Costs

The following presents the changes to the unamortized debt issuance costs:

	2025	2024
	<i>(Amounts in millions)</i>	
Balance at beginning of year	₱68	₱83
Additions	563	—
Amortization charged to interest and other financial charges	(59)	(15)
Balance at the end of year	₱572	₱68

Redeemable Preferred Stock

The movements in the number of shares of the redeemable preferred stock, which have all been called, are as follows:

	2025	2024
Balance at beginning of year	146,108,911	146,510,496
Redemptions	(233,985)	(401,585)
Balance at end of year	145,874,926	146,108,911

The original “Terms and Conditions” of *MERALCO*’s Special Stock Subscription Agreement, which required every service applicant to subscribe to preferred stock with 10% dividend to cover the cost of extension of, or new, distribution facilities, have been amended by the *Magna Carta* and the *DSOAR* effective June 17, 2004 and January 18, 2006, respectively. The amendment sets forth the guidelines for the issuance of preferred stock, only if such instrument is available.

16. Customers’ Deposits

This account consists of:

	2025			2024		
	Current Portion (see Note 20)	Noncurrent Portion	Total	Current Portion (see Note 20)	Noncurrent Portion	Total
	<i>(Amounts in millions)</i>					
Bill deposits	₱2,445	₱38,361	₱40,806	₱2,434	₱32,514	₱34,948
Meter deposits	317	—	317	316	—	316
	₱2,762	₱38,361	₱41,123	₱2,750	₱32,514	₱35,264

Bill Deposits

Bill deposits serve to guarantee payment of bills by a customer.

As provided in the *Magna Carta* and *DSOAR*, all captive customers of the *DU* are required to pay a deposit, equivalent to the estimated monthly bill calculated based on applied load. Such deposit shall be updated annually based on the historical 12-month average bill. A captive customer who has paid his electric bills on or before due date for three (3) consecutive years may apply for the full refund of



the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise bill deposits and accrued interests shall be refunded within one (1) month from the termination of service, provided all bills have been paid.

Under the amended *DSOAR*, interest on bill deposits for both residential and non-residential customers shall be computed using the equivalent peso savings account interest rate of the Land Bank of the Philippines (“*Land Bank*”) or other government banks, on the first working day of the year, subject to the confirmation by the *ERC*.

Under *ERC* Resolution No. 3, Series of 2026 effective February 21, 2026, the rules on bill deposits were simplified to make electricity service more accessible and consumer-friendly. *DUs* may now waive bill deposits or accept alternative guarantees. Deposits for new connections are capped at one month’s estimated billing, payable in three installments. Consumers who receive a 100% lifeline discount under *RA* 11552 are fully exempt from paying any bill deposit. *DUs* must also notify consumers before increasing deposits and automatically credit any excess deposits to their bills. Finally, bill deposits must be automatically refunded with interest to lifeline beneficiaries and to consumers who have two years of on-time payments, with refunds applied directly to their monthly bills. subject to the confirmation by the *ERC*.

On January 24, 2025, *MERALCO* received an *SC* Decision dated October 8, 2024 dismissing a Petition, which prayed to declare the provisions for bill deposits in the Magna Carta, as illegal and void and that *MERALCO* and other *DUs* be permanently prohibited from imposing and collecting bill deposit from captive customers.

The following are the movements of the bill deposits account:

	Note	2025	2024
		<i>(Amounts in millions)</i>	
Balance at beginning of year		₱34,948	₱35,828
Additions		15,341	8,067
Refunds		(9,483)	(8,947)
Balance at end of year		40,806	34,948
Less portion maturing within one year	20	2,445	2,434
Noncurrent portion of bill deposits and related interests		₱38,361	₱32,514

Interest expense on bill deposits amounted to ₱24 million and ₱22 million for the years ended December 31, 2025 and 2024, respectively.

Under *ERC* Resolution No. 03, Series of 2026, the *ERC* introduced amendments to the Magna Carta. With respect to bill deposits, the rules were updated to introduce automatic bill deposit refunds for (a) consumers who qualify for a 100% lifeline discount and (b) customers who have made timely payments for two consecutive years. New applicants may also pay required bill deposits in full or three (3) monthly installments and *DUs* may waive or provide alternatives to bill deposits.

In addition, under its Advisory dated January 31, 2026, the *ERC* directed all *DUs* to submit detailed information regarding its bill deposits within thirty (30) days, or until March 1, 2026. As at February 25, 2026, *MERALCO* is preparing the information required by the *ERC*.



Meter Deposits

Meter deposits were intended to guarantee the cost of meters installed.

Following the effectivity of the *Magna Carta* (for residential customers) and *DSOAR* (for non-residential customers), all customers are exempt from payment of meter deposits.

MERALCO deposited the amount equivalent to the unclaimed meter deposits in a single savings account in compliance with the *ERC* order in 2016.

17. Provisions

Provisions consist of amounts recognized related to certain proceedings and claims against *MERALCO*, among others. The movements follow:

	<i>Note</i>	2025	2024
		<i>(Amounts in millions)</i>	
Balance at beginning of year		₱65,238	₱68,998
Provisions for the year - net		8,233	8,386
Settlements		(5,093)	(309)
Reclassifications		(9,240)	(11,837)
Balance at end of year		59,138	65,238
Less current portion	<i>20</i>	46,850	55,497
Noncurrent portion		₱12,288	₱9,741

The balance of provisions represents the amounts of over-recoveries and claims or losses related to commercial arrangements with unresolved terms and local and national tax assessments being contested as discussed in *Note 27 – Contingencies and Legal Proceedings*. Information provided is consistent with the limited disclosure as allowed in *PFRS* Accounting Standards.

MERALCO recognized provisions for over-recoveries. The movements in and the balance of the “Other noncurrent liabilities” and “Trade payables and other current liabilities” accounts in the parent company statements of financial position include these. *MERALCO* recognized a net reversal of provisions included in “Other noncurrent liabilities” amounting to ₱8,228 million and net provisions amounting to ₱8,607 million for the years ended December 31, 2025 and 2024, respectively.

See *Note 2 – Rate Regulations*.

18. Customers’ Refund

This account represents the balance of the refund related to the *SC* decision promulgated on April 30, 2003, which is continuously being refunded based on documents presented by qualified claimants. The unclaimed amount is deposited in a separate interest-bearing bank account.

MERALCO implemented the *SC* ruling which ordered the refund of ₱0.167 per *kWh* for billings made from February 1994 to April 2003 in four (4) phases. Even while the refund period ended, *MERALCO* continues to process refunds as the eligible customers present their required supporting documents. The refund shall continue until the *ERC* orders otherwise.

See *Note 2 – Rate Regulations*.



19. Notes Payable

Notes payable represent unsecured interest-bearing working capital loans obtained from local banks and which are due within one (1) year. Annual interest rates were up to 5.15% and 6.6% for the years ended December 31, 2025 and 2024, respectively.

Interest expense on notes payable amounted to ₱1,476 million and ₱1,368 million for the years ended December 31, 2025 and 2024, respectively.

20. Trade Payables and Other Current Liabilities

This account consists of the following:

	Note	2025	2024
		<i>(Amounts in millions)</i>	
Trade accounts payable	21 and 22	₱73,642	₱59,574
Provisions	17, 20 and 27	46,851	55,497
Taxes		7,388	8,505
Accrued expenses:			
Employee benefits	24	2,204	2,207
Contracted services		928	927
Interest	15	866	452
Accrued taxes		452	1,027
Others		511	175
Current portions of:			
Bill deposits and related interests	16	2,445	2,434
Refundable service extension costs		1,017	1,457
Meter deposits and related interests	16	317	316
Deferred income		290	478
Dividends payable on:			
Common stock	14	2,816	2,502
Redeemable preferred stock	15	248	248
Payable to customers		11,527	10,151
Universal charges payable		3,402	3,015
Derivative liability	15 and 25	—	961
Payroll related remittances		387	581
FiT-All payable		1,345	671
Regulatory fees payable		220	220
Other current liabilities		3,528	3,222
		₱160,384	₱154,620

Trade Accounts Payable

Trade accounts payable are mainly obligations to power generating companies, National Grid Corporation of the Philippines (“NGCP”) and IEMOP for cost of power purchased and transmission services. In addition, this account includes liabilities due to local and foreign suppliers for purchases of goods and services, consisting of transformers, poles, materials and supplies, and contracted services, among others.

Trade payables are non-interest-bearing and are generally settled within 15 to 30 days from the receipt of invoice. Other payables are non-interest-bearing and due within one (1) year from incurrence.



See Note 21 –*Related Party Transactions*, Note 22 –*Revenue and Purchased Power* and Note 28 –*Significant Contracts and Commitments*.

Taxes

Taxes represent pass-through *VAT*, output *VAT*, withholding taxes and energy taxes payable. Pass-through *VAT* pertains to *VAT* on generation and transmission costs billed to the *DU*, which are in turn billed to the customers. Remittance of such pass-through *VAT* to the generation companies is based on collection of billed receivables from the customers.

Refundable Service Extension Costs

Article 14 of the *Magna Carta*, specifically, “Right to Extension of Lines and Facilities”, requires a customer requesting for an extension of lines and facilities beyond 30-meter service distance from the nearest voltage facilities of the *DU* to advance the cost of the project. The amended *DSOAR*, which became effective April 1, 2010, requires such advances from customers to be refunded at the rate of 75% of the distribution revenue generated from the extension lines and facilities until such amounts are fully refunded. The related asset shall form part of the rate base only as the refund is paid out. Customer advances are non-interest-bearing.

As at December 31, 2025 and 2024, the noncurrent portion of refundable service extension costs of ₱3,371 million and ₱3,753 million, respectively, is presented as “Refundable service extension costs - net of current portion” account in the parent company statements of financial position.

Universal Charges Payable

Universal charges are amounts passed on and collected from customers on a monthly basis by *PSALM* through the *DUs*. These are charges imposed to recover the stranded debts, stranded contract costs of National Power Corporation (“*NPC*”), stranded contract costs of eligible contracts of *DUs*, missionary electrification and environmental charges. *DUs* remit collections monthly to *PSALM* who administers the fund generated from universal charges and disburses the said funds in accordance with the intended purposes.

Payable to Customers

Payable to customers represents amounts credited to customers’ bills or paid by customers in advance, which are being applied to their current consumption.

21. Related Party Transactions

MERALCO has approval process and limits on the amount and extent of related party transactions.

The following summarizes the total amount of transactions, which have been provided and/or contracted by *MERALCO* to/with related parties for the relevant year. The outstanding balances are unsecured, non-interest bearing and are to be settled in cash.

Pole Attachment Contract with PLDT, Inc. (“PLDT”)

MERALCO has a pole attachment contract with *PLDT* similar to pole attachment contracts of *MERALCO* with third party telecommunication companies. Under the pole attachment contract, *PLDT* shall use the contracted cable position exclusively for its telecommunication cable network facilities.



Sale of Electricity under Various Service Contracts

MERALCO sells electricity to its subsidiaries, associates, joint ventures and related party shareholder groups with operations within the franchise area, namely, *PLDT*, *Metro Pacific* and *JG Summit* and their respective subsidiaries, and affiliates for their facilities. The rates charged to related parties as captive customers are the same *ERC*-mandated rates applicable to customers within the franchise area. The rates charged by *RES* to related parties as contestable customer are offered based on the same rate model for other contestable customers.

Purchase of Telecommunication Services from PLDT and its Subsidiaries

MERALCO's telecommunications carriers include *PLDT* for its wireline and Smart Communications, Inc. and Digitel Mobile Philippines, Inc., for its wireless services. Such services are covered by standard service contracts between the telecommunications carriers and *MERALCO*.

Purchase of Goods and Services

In the ordinary course of business, *MERALCO* purchases goods and services from its affiliates and sells power, leases its spaces and equipment, and renders services to such affiliates.

PSAs

As discussed in Note 28, *MERALCO* has a long-term *PSA* with MTerra Solar, *SPPC*, Excellent Energy Resources. Inc. ("EERI"), *SBPL*, *NSEC*, *PHRI* and *First Bulacan*, Global Energy Supply Corporation ("GESC") and *Solar Philippines Tarlac*.

Following is a summary of related party transactions, for the years ended December 31, 2025 and 2024, and the outstanding balances as at December 31, 2025 and 2024:

Category	Amount of Transactions		Outstanding Receivable (Liability)		Terms	Conditions
	2025	2024	2025	2024		
(Amounts in millions)						
Sale of electricity:						
<i>JG Summit Group</i>	₱5,081	₱4,004	₱870	₱1,328	10-day; noninterest-bearing	Unsecured, no impairment
<i>PLDT Group</i>	767	1,073	34	49	10-day; noninterest-bearing	Unsecured, no impairment
<i>Metro Pacific Group</i>	510	573	44	45	10-day; noninterest-bearing	Unsecured, no impairment
<i>Subsidiaries, affiliates and joint venture</i>	55	50	5	5	10-day; noninterest-bearing	Unsecured, no impairment
Purchases of IT services - <i>Indra Philippines</i>	1,253	1,081	(79)	(282)	30-day; noninterest-bearing	Unsecured
Purchases of meters and devices – <i>Aclara Meters</i>	429	169	(41)	(2)	30-day; noninterest-bearing	Unsecured
Revenue from pole attachment - <i>PLDT</i>	733	687	34	14	Advance payment	Unsecured, no impairment
Purchases of wireline and wireless services - <i>PLDT Group</i>	119	122	(5)	(15)	30-day; noninterest-bearing	Unsecured
Donations to One Meralco Foundation	141	65	–	–	None	None
Purchases of services:						
<i>MIESCOR and subsidiaries</i>	3,837	3,542	(266)	(266)	30-day; noninterest-bearing	Unsecured
<i>CIS and subsidiaries</i>	869	919	(87)	(87)	30-day; noninterest-bearing	Unsecured
<i>MPioneer</i>	363	490	(7)	(14)	30-day; noninterest-bearing	Unsecured

(Forward)



Category	Amount of Transactions		Outstanding Receivable (Liability)		Terms	Conditions
	2025	2024	2025	2024		
<i>MServ</i>	₱542	₱51	(₱77)	(₱24)	30-day; noninterest-bearing	Unsecured
<i>Colinas Verdes Hospital Managers</i>	295	252	(12)	(1)	30-day; noninterest-bearing	Unsecured
<i>Radius Telecoms</i>	11	7	(12)	(6)	30-day; noninterest-bearing	Unsecured
<i>Others</i>	28	34	(11)	(1)	30-day; noninterest-bearing	Unsecured
Purchases of power:						
<i>SPPC*</i>	62,133	—	(12,270)	—	30-day; noninterest-bearing	Unsecured
<i>EERI*</i>	51,484	—	(13,170)	—	30-day; noninterest-bearing	Unsecured
<i>SBPL</i>	17,112	19,196	(1,223)	(1,223)	30-day; noninterest-bearing	Unsecured
<i>NSEC</i>	231	451	(35)	(35)	30-day; noninterest-bearing	Unsecured
<i>PHRI</i>	470	467	(64)	(64)	30-day; noninterest-bearing	Unsecured
<i>Solar Philippines Tarlac</i>	493	465	(69)	(69)	30-day; noninterest-bearing	Unsecured
<i>First Bulacan</i>	440	527	(141)	(141)	30-day; noninterest-bearing	Unsecured
<i>GESC</i>	51	982	(28)	(28)	30-day; noninterest-bearing	Unsecured
Income from <i>TSA</i>						
<i>Comstech</i>	40	37	—	—	30-day; noninterest-bearing	Unsecured

*SPPC and EERI became related parties following Chromite Holdings acquisition of 67% stake in both companies in January 2025.

Transaction with MERALCO Retirement Benefits Fund (“Retirement Fund”)

MERALCO’s Retirement Fund holds 6,000 common shares of *RP Energy* at par value of ₱100 per share, with total carrying amount of ₱600,000 or an equivalent 3% equity interest in *RP Energy*. The fair value of *RP Energy*’s common shares cannot be reliably measured as these are not traded in the financial market. As at December 31, 2025 and 2024, the fair value of the total assets being managed by the Retirement Fund amounted to ₱27.3 billion and ₱28.1 billion, respectively.

See Note 24 – Long-Term Employee Benefits.

Compensation of Key Management Personnel

The compensation of key management personnel of MERALCO by benefit type is as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Short-term employee benefits	₱1,125	₱861
Long-term employee incentives and retirement benefits	512	368
Total compensation to key management personnel	₱1,637	₱1,229

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed one (1) percent of the income before income tax of MERALCO during the preceding year.



Each of the directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock grant based on a pre-approved number of shares for each director which was implemented beginning May 2013 as approved by the stockholders. The directors have the option to receive the number of shares granted or the equivalent cash value. On May 27, 2025, the *MERALCO*'s stockholders approved a revised per diem rate applicable to each director for every board and board committee meeting attended. Effective June 1, 2025, each of the directors is entitled to a per diem of ₱200,000 for every *BOD* meeting attended and each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱50,000 for every committee meeting attended.

As at December 31, 2025, there are no agreements between the *MERALCO Group* and any of its key management personnel providing for benefits upon termination of employment or retirement, except with respect to benefits provided under (i) a defined benefit retirement plan, (ii) a program which aims to address capability refresh and organizational optimization requirements, and (iii) a contributory provident plan. Post-retirement benefits under the defined benefit retirement plan cover employees hired up to December 31, 2003 only. The provident plan, which is implemented on a voluntary basis, covers employees hired beginning January 1, 2004.

22. Revenues and Purchased Power

Revenues

The revenues from sale of electricity are from the distribution and supply of electricity to customers within *MERALCO* franchise area.

Contract Assets and Contract Liabilities

MERALCO's contract balances are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Contract assets – under-recoveries of pass-through charges – net	₱10,535	₱17,666
Contract liabilities:		
Nonrefundable liability related to asset funded by customers	946	949
Over-recoveries from transmission, lifeline subsidy and <i>SL</i> charges	374	375

Income recognized from the nonrefundable liability related to assets funded by customers amounted to ₱168 million and ₱155 million for the years ended December 31, 2025 and 2024, respectively.



Purchased Power

The details of purchased power are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Generation costs	₱311,780	₱294,840
Transmission costs	55,109	44,638
	₱366,889	₱339,478

Purchased power costs for the captive customers are pass-through costs and are revenue-neutral to *MERALCO* as a *DU*.

Generation costs include line rentals, market fees and must-run unit charges billed by *IEMOP*.

The details of purchased power are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
First Gas Power Corporation (“ <i>FGPC</i> ”) and FGP Corp. (“ <i>FGP</i> ”)	₱76,856	₱75,276
South Premiere Power Corporation (“ <i>SPPC</i> ”)	62,133	56,649
<i>NGCP</i>	55,110	44,638
<i>EERI</i>	51,484	—
<i>IEMOP</i>	23,193	62,922
Sual Power, Inc. (“ <i>Sual Power</i> ”)	19,255	14,497
<i>SBPL</i>	17,112	19,916
Masinloc Power Partners Co. Ltd. (“ <i>MPPCL</i> ”)	16,212	13,610
GNPower Dinginin Ltd. Co. (“ <i>GNPD</i> ”)	13,604	—
Quezon Power (Philippines), Limited Co. (“ <i>QPPL</i> ”)	11,463	21,550
Mariveles Power Generation Corporation (“ <i>MPCG</i> ”)	6,793	—
RE Resources, Inc. (“ <i>RERI</i> ”)	3,299	—
San Roque Hydropower Inc. (“ <i>SRHI</i> ”)	2,836	—
Limay Power Inc. (“ <i>LPI</i> ”)	2,570	7,070
First Nat Gas Power Corporation (“ <i>FNPC</i> ”)	1,134	2,459
Therma Luzon, Inc. (“ <i>TLP</i> ”)	655	5,067
<i>Solar Philippines Tarlac</i>	493	465
<i>PSALM</i>	439	678
Gigasol3, Inc. (“ <i>Gigasol3</i> ”)	227	—
AC Energy Philippines, Inc. (“ <i>AC Energy</i> ”)	—	9,016
Southwest Luzon Power Generation Corporation	—	2,945
Energy Development Corporation (“ <i>EDC</i> ”)	—	2,242
Others	2,021	478
	₱366,889	₱339,478

Generation and transmission costs are net of company use amounting to ₱577 million and ₱523 million for the years ended December 31, 2025 and 2024, respectively.



Generation and transmission costs over- or under-recoveries result from the lag in the billing and recovery of generation and transmission costs from consumers. As at December 31, 2025 and 2024, the total transmission costs and *SL* charge over-recoveries included in “Other noncurrent liabilities” account in the parent company statements of financial position amounted to ₱287 million and ₱216 million, respectively.

23. Expenses

Salaries, Wages and Employee Benefits

	<i>Note</i>	2025	2024
<i>(Amounts in millions)</i>			
Salaries, wages and employee benefits		₱11,986	₱10,925
Retirement benefits	24	1,571	1,315
Other long-term post-employment benefits	24	151	116
		₱13,708	₱12,356

Depreciation and Amortization

	<i>Note</i>	2025	2024
<i>(Amounts in millions)</i>			
Utility plant and others	6	₱10,914	₱10,348
Intangible assets	9	333	345
Investment properties	8	4	4
		₱11,251	₱10,697

Other Expenses

	<i>Note</i>	2025	2024
<i>(Amounts in millions)</i>			
Rent and utilities		₱832	₱774
Materials used	12	541	537
Insurance		442	454
Advertising		378	367
Transportation and travel		222	245
Communication	21	158	128
Others		1,063	829
		₱3,636	₱3,334



24. Long-term Employee Benefits

Liabilities for long-term employee benefits consist of the following:

	2025	2024
	<i>(Amounts in millions)</i>	
Retirement benefits liability	₱10,004	₱10,276
Long-term incentives	4,308	2,874
Other long-term post-employment benefits	2,557	2,255
	16,869	15,405
Less current portion	4,300	—
	₱12,569	₱15,405

Defined Benefit Retirement Plan

The features of MERALCO's defined benefit plan are discussed in *Note 4 – Material Accounting Policies, Changes and Improvements*.

Actuarial valuation is prepared annually by an independent actuary engaged by MERALCO.

Expense recognized for defined benefit plan (included in "Salaries, wages and employee benefits" account in the parent company statements of income)

	2025	2024
	<i>(Amounts in millions)</i>	
Current service costs	₱860	₱848
Net interest costs	627	391
Retirement benefits expense	₱1,487	₱1,239

Retirement Benefits Liability

	2025	2024
	<i>(Amounts in millions)</i>	
Defined benefit obligation	₱37,275	₱38,378
Fair value of plan assets	(27,271)	(28,102)
Retirement benefits liability	₱10,004	₱10,276

Changes in the net retirement benefits liability are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Retirement benefits liability at beginning of year	₱10,276	₱6,425
Net retirement benefits expense	1,487	1,239
Total amounts recognized in <i>OCI</i>	(1,759)	2,612
Retirement benefits liability at end of year	₱10,004	₱10,276



Changes in the present value of the defined benefit obligation are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Defined benefit obligation at beginning of year	₱38,378	₱35,319
Interest costs	2,255	2,066
Benefits paid	(2,807)	(2,827)
Current service costs	860	848
Actuarial losses (gains) due to:		
Changes in financial assumptions	(980)	(240)
Experience adjustments	(431)	3,212
Defined benefit obligation at end of year	₱37,275	₱38,378

Changes in the fair value of plan assets are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Fair value of plan assets at beginning of year	₱28,102	₱28,894
Interest income	1,628	1,675
Return on plan assets, excluding amount included in net interest on the net defined obligation	348	360
Benefits paid	(2,807)	(2,827)
Fair value of plan assets at end of year	₱27,271	₱28,102

The Board of Trustees (“BoT”) which manages the *Retirement Fund*, is chaired by the Chairman of *MERALCO*, who is neither an executive nor a beneficiary. The other members of the *BoT* are (i) an executive member of the *BOD*; (ii) two (2) senior executives; (iii) an independent member of the *BOD*; and (iv) a member of the *BOD* who represents the largest shareholder group, all of whom are not beneficiaries of the plan.

The *Retirement Fund* follows a conservative approach by investing in fixed income, money market and equity assets to diversify the portfolio in order to minimize risk while maintaining an adequate rate of return. The assets of the *Retirement Fund* are managed by four (4) local and one (1) foreign trustee banks whose common objective is to maximize the long-term expected return of plan assets. The *BoT*, periodically reviews and approves the strategic mandate of the portfolio to ensure the ability of the *Retirement Fund* to service its short-term and long-term obligations.

The major categories of plan assets are as follows:

	2025	2024
	<i>(Amount in millions)</i>	
Investments quoted in active markets:		
Government securities	₱8,723	₱9,886
Bonds and commercial notes	8,173	8,040
Marketable equity securities	7,173	7,463
Cash and cash equivalents	787	445
Property	1,927	1,926
Receivables	479	342
Others	9	—
Fair value of plan assets	₱27,271	₱28,102



Marketable equity securities, government securities, bonds and commercial notes are investments held by the trustee banks.

Other Long-term Post-employment Benefits Expense (included in "Salaries, wages and employee benefits" account in the parent company statements of income)

	2025	2024
	<i>(Amounts in millions)</i>	
Interest costs	₱133	₱100
Current service costs	18	16
	₱151	₱116

Other Long-term Post-employment Benefits Liability

Changes in the present value of other long-term post-employment benefits liability are as follows:

	2025	2024
	<i>(Amounts in millions)</i>	
Balance at beginning of year	₱2,255	₱1,646
Interest costs	133	100
Current service costs	18	16
Benefits paid	(161)	(101)
Actuarial losses due to change in assumptions	312	594
Balance at end of year	₱2,557	₱2,255

Actuarial Assumptions

The principal assumptions used as at December 31, 2025 and 2024 in determining retirement benefits and other long-term post-employment benefits obligations are shown below:

	2025	2024
Annual discount rate	6.36%	6.10%
Future range of annual salary increases	4.00%-10.00%	4.00%-11.00%

Sensitivity Analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting year would have increased (decreased) as a result of a change in the respective assumptions, keeping all other assumptions constant. There have been no changes in the method and assumptions used in the sensitivity analysis from prior year.



The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

		Effect on Present Value of Defined Benefit Obligation	
	% Change	2025	2024
		(Amounts in millions)	
Annual discount rate	+1.0%	(P3,408)	(P3,633)
	-1.0%	3,991	4,277
Future range of annual salary increases	+1.0%	1,077	1,239
	-1.0%	(958)	(1,098)

Funding

MERALCO contributes to the *Retirement Fund* from time to time such amounts of money required under accepted actuarial principles to maintain the *Retirement Fund* in a sound condition, subject to the provisions of the *Plan*.

The amount of the annual contributions to the *Retirement Fund* is determined through an annual valuation report performed by an independent actuary.

The following is the maturity profile of the undiscounted benefit obligation (amounts in millions):

Less than one (1) year	P3,578
One (1) year up to five (5) years	14,607
More than five (5) years up to 10 years	17,386
More than 10 years up to 15 years	19,894
More than 15 years up to 20 years	20,155
More than 20 years	50,122

Risk

The *Retirement Fund* is exposed to the following risks:

Credit Risk

The *Retirement Fund*'s exposure to credit risk arises from its financial assets which comprise of cash and cash equivalents, investments and receivables. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amount of the instruments.

The credit risk is minimized by ensuring that the exposure to the various chosen financial investment structures is limited primarily to government securities and bonds or notes duly recommended by the Trust Committees of the appointed fund managers of the *Retirement Fund*.

Share Price Risk

The *Retirement Fund*'s exposure to share price risk arises from the shares of stock it holds and being traded at the *PSE*. The share price risk emanates from the volatility of the stock market.

The policy is to limit investment in shares of stock to blue chip issues or issues with good fair values or those trading at a discount to its net asset value so that in the event of a market downturn, the *Retirement Fund* may still consider to hold on to such investments until the market recovers.



By having a balanced composition of holdings in the equities portfolio, exposure to industry or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time. Equity investments are made within the parameters of the investment guidelines approved by the *BoT*. The *BoT* also meets periodically to review the investment portfolio based on financial market conditions. Share prices are also monitored regularly.

Liquidity Risk

Liquidity risk is the risk that the *Retirement Fund* is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. Liquidity risk is being managed to ensure that adequate fixed income and cash deposits are available to service the financial obligations of the *Retirement Fund*. The schedule of the maturities of fixed income investment assets are staggered by tenure or term. Policies are established to ensure that all financial obligations are met, wherein the timing of the maturities of fixed income investments are planned and matched to the due date of various obligations. Thus, for this investment class, maturities are classified into short-, medium- and long-term. A certain percentage of the portfolio is kept as cash to manage liquidity and settle all currently maturing financial obligations.

Defined Contribution Provident Plan

MERALCO has a defined contributory Provident Plan effective January 1, 2009, intended to be a supplemental retirement benefit for employees hired beginning 2004, the participation of which is voluntary. Each qualified employee-member who chooses to participate in the plan shall have the option to contribute up to a maximum of 25% of his base salary. *MERALCO* shall match the member's contribution up to 100% of employee's contribution or 10% of the member's monthly base salary, subject to a certain threshold. Upon resignation, the member shall be entitled to the total amount credited to his personal retirement account immediately preceding his actual retirement date, subject to provisions of the Provident Plan. *MERALCO*'s contribution to the Provident Plan amounted to ₱84 million and ₱76 million for the years ended December 31, 2025 and 2024, respectively.

Retirement Benefits Cost (included in "Salaries, Wages and Employee Benefits" account in the parent company statements of income)

	2025	2024
	<i>(Amounts in millions)</i>	
Expense recognized for defined benefit plan	₱1,487	₱1,239
Expense recognized for defined contribution plan	84	76
Retirement benefits expense	₱1,571	₱1,315

Long-term Incentive Plan ("LTIP")

MERALCO's *LTIP* covers qualified employees and is based on *MERALCO*'s achievement of specified metrics approved by the *BOD* and determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to *LTIP* must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.



25. Financial Assets and Financial Liabilities

Financial assets consist of cash and cash equivalents, short-term investments and trade and other receivables, which are generated directly from operations, advance payments to a supplier, financial assets at *FVOCI* and debt securities at amortized cost. The principal financial liabilities consist of bank loans, redeemable preferred shares, trade and nontrade payables, which are incurred to finance operations in the normal course of business. Accounting policies related to financial assets and financial liabilities are set out in *Note 4 – Material Accounting Policies, Changes and Improvements*.

The following table sets forth the financial assets and financial liabilities:

	Financial Assets at Amortized Cost	<i>FVOCI</i> Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
<i>(Amounts in millions)</i>				
Assets as at December 31, 2025				
<i>Noncurrent</i>				
Other noncurrent assets	₱1,088	₱1,511	₱–	₱2,599
<i>Current</i>				
Cash and cash equivalents	65,920	–	–	65,920
Trade and other receivables	48,282	–	–	48,282
Other current assets	48	–	–	48
Total assets	₱115,338	₱1,511	₱–	₱116,849

Liabilities as at December 31, 2024

<i>Noncurrent</i>				
Interest-bearing long-term financial liabilities - net of current portion	₱–	₱–	₱83,333	₱83,333
Customers' deposits - net of current portion	–	–	38,361	38,361
Refundable service extension costs - net of current portion	–	–	3,371	3,371
<i>Current</i>				
Notes payable	–	–	26,728	26,728
Trade payables and other current liabilities	–	–	97,412	97,412
Customers' refund	–	–	2,851	2,851
Current portion of interest-bearing long-term financial liabilities	–	–	2,254	2,254
Total liabilities	₱–	₱–	₱254,310	₱254,310

	Financial Assets at Amortized Cost	<i>FVOCI</i> Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
<i>(Amounts in millions)</i>				
Assets as at December 31, 2024				
<i>Noncurrent</i>				
Other noncurrent assets	₱1,091	₱2,772	₱–	₱3,863
<i>Current</i>				
Cash and cash equivalents	51,602	–	–	51,602
Trade and other receivables	38,694	–	–	38,694
Financial and other current assets	8,786	–	–	8,786
Total assets	₱100,173	₱2,772	₱–	₱102,945

Liabilities as at December 31, 2024

<i>Noncurrent</i>				
Interest-bearing long-term financial liabilities - net of current portion	₱–	₱–	₱12,615	₱12,615
Customers' deposits - net of current portion	–	–	32,514	32,514
Refundable service extension costs - net of current portion	–	–	3,753	3,753
<i>Current</i>				
Notes payable	–	–	26,952	26,952
Trade payables and other current liabilities	–	–	82,973	82,973
Customers' refund	–	–	2,853	2,853
Current portion of interest-bearing long-term financial liabilities	–	–	1,546	1,546
Total liabilities	₱–	₱–	₱163,206	₱163,206



Fair Values

The fair values of the financial assets and financial liabilities are amounts that would be received to sell the financial assets or paid to transfer the financial liabilities in orderly transactions between market participants at the measurement date. Set out below is a comparison of carrying amounts and fair values of financial instruments:

	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(Amounts in millions)</i>			
Financial assets				
Debt securities at amortized cost	₱1,088	₱1,088	₱9,659	₱9,520
Financial assets at <i>FVOCI</i>	1,511	1,511	2,772	2,772
Financial assets at amortized cost - Advance payments to a supplier	—	—	206	206
Short-term investments	48	48	12	12
	₱2,647	₱2,647	₱12,649	₱12,510
Financial liabilities				
Financial liabilities carried at amortized cost - Interest-bearing long-term financial liabilities	₱84,128	₱87,239	₱12,700	₱13,687

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Investments, Trade Payables and Other Current Liabilities and Notes Payable

Due to the short-term nature of transactions, the fair values of these instruments approximate their carrying amounts as at reporting date.

Financial Assets at FVOCI

The fair values were determined by reference to market bid quotes as at reporting date.

Debt Securities at Amortized Cost

The fair values were determined by discounting the expected future cash flows using the interest rate as at reporting date.

Meter Deposits and Customers' Refund

Meter deposits and customers' refund are due and demandable. Thus, the fair values of these instruments approximate their carrying amounts.

Bill Deposits

The carrying amount of bill deposits approximates their fair values as bill deposits are interest-bearing.

Interest-bearing Long-term Financial Liabilities

The fair values of interest-bearing long-term debt (except for redeemable preferred stock) were computed by discounting the instruments' expected future cash flows using the rates ranging from 4.93% to 6.15% and 5.80% to 6.03% as at December 31, 2025 and 2024, respectively.



Redeemable Preferred Stock

The carrying amount of the preferred stock represents the fair value. Such preferred shares have been called and are payable anytime upon presentation by such shareholder of their certification. This is included under “Current portion of interest-bearing long-term financial liabilities” account.

Refundable Service Extension Costs

The fair values of refundable service extension costs cannot be reliably measured since the timing of related cash flows cannot be reasonably estimated and are accordingly measured at cost.

Fair Value Hierarchy

Below is the list of financial assets and financial liabilities that are classified using the fair value hierarchy:

	2025				2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	<i>(Amounts in millions)</i>							
Financial assets								
Financial assets at <i>FVOCI</i>	₱1,511	₱—	₱—	₱1,511	₱2,772	₱—	₱—	₱2,772
Debt securities at amortized cost	1,088	—	—	1,088	9,520	—	—	9,520
Advance payments to a supplier	—	—	—	—	—	206	—	206
	₱2,599	₱—	₱—	₱2,599	₱12,292	₱206	₱—	₱12,498
Financial liabilities								
Interest-bearing long-term financial liabilities	₱—	₱87,239	₱—	₱87,239	₱—	₱13,687	₱—	₱13,687

For the years ended December 31, 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

The main risks arising from the financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in the Philippine and international financial markets. The *BOD* reviews and approves policies for managing each of these risks. Management monitors the market price risk arising from all financial instruments. The policies for managing these risks are as follows:

Interest Rate Risk

MERALCO’s exposure to the changes in market interest rates relate to changes of fair value of its long-term financial assets and to the fluctuation of future cash flows in relation to its long-term interest-bearing financial liabilities.

MERALCO’s policy is to manage its interest rate risk exposure using a mix of fixed and variable rate debts. The strategy, which yields a reasonably lower effective cost based on market conditions, is adopted. Refinancing of fixed rate loans may also be undertaken to manage interest cost.

The exposure of *MERALCO* to the risk of changes in market interest rate relates primarily to its long-term debt obligations with variable interest rates. *MERALCO*’ loans which bear fixed interest rates are subject to repricing after a minimum of one (1) year.



The following table sets out the maturity profile of the financial instruments that are exposed to interest rate risk (exclusive of debt issuance costs):

	Within 1 Year	Over 1-2 Years	Over 2-3 Years	Over 3-4 Years	Over 4-5 Years	More than 5 Years	Total
	<i>(Amount in millions)</i>						
2025	P850	P850	P850	P850	P850	P80,450	P84,700
2024	P100	P100	P100	P100	P100	P9,400	P9,900

Floating interest rate of bank loans is repriced at intervals of less than one year. The other financial liabilities of *MERALCO* that are not included in the foregoing have fixed interest rate and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of floating rate loans from various banks, with all other variables held constant, of *MERALCO*'s income before income tax for the years ended December 31, 2025 and 2024 through the impact on floating rate borrowings. There is no other impact on *MERALCO*'s equity other than those already affecting the parent company statement of income.

2025		2024	
Increase (Decrease) in Basis Points	Effect on Income before Income Tax	Increase (Decrease) in Basis Points	Effect on Income before Income Tax
<i>(Amounts in millions)</i>			
+75	(P638)	+75	(P75)
(75)	638	(75)	75

Interest expense of floating rate loans for the year is computed by taking into account actual principal movements, based on management's best estimate of a +/-75 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analysis.

Foreign Currency Risk

The revaluation of any of foreign currency-denominated financial assets and financial liabilities as a result of the appreciation or depreciation of the Philippine peso is recognized as foreign exchange gains or losses as at the end of each reporting year. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency-denominated financial instruments. While an insignificant percentage of *MERALCO*'s revenues and liabilities is denominated in *U.S.* dollars, a substantial amount of *MERALCO*'s expenditures for electricity capital projects and a portion of the operating expenses are denominated in foreign currencies, mostly in *U.S.* dollars. As such, a strengthening or weakening of the Philippine peso against the *U.S.* dollar will decrease or increase in Philippine peso terms, the principal amount of *MERALCO*'s foreign currency-denominated liabilities and the related interest expense, foreign currency-denominated capital expenditures and operating expenses.



The following table shows the parent company foreign currency-denominated financial assets and financial liabilities as at December 31, 2025 and 2024, translated to Philippine peso at ₱58.79 and ₱57.85 to US\$1, respectively.

	2025		2024	
	U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
	<i>(Amounts in millions)</i>			
Financial assets:				
Cash and cash equivalents	\$252	₱14,824	\$124	₱7,184
Financial assets at <i>FVOCI</i>	4	251	26	1,506
Advance payments to a supplier	—	—	4	206
	256	15,075	154	8,896
Financial liabilities -				
Trade payables and other liabilities	(5)	(298)	(11)	(655)
	\$251	₱14,777	\$143	₱8,241

All of *MERALCO*'s long-term financial liabilities are denominated in Philippine peso and insignificant portion of its trade payables is denominated in *U.S.* dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the *U.S.* dollar exchange rate vis-a-vis the Philippine peso, with all other variables held constant, of *MERALCO*'s income before income tax due to changes in the fair value of financial assets and financial liabilities. There is no other impact on *MERALCO*'s equity other than those already affecting the parent company statements of income.

	2025		2024	
	Appreciation (Depreciation) of <i>U.S.</i> Dollar	Effect on Income before Income Tax	Appreciation (Depreciation) of <i>U.S.</i> Dollar	Effect on Income before Income Tax
	<i>(In %)</i>	<i>(In millions)</i>	<i>(In %)</i>	<i>(In millions)</i>
<i>U.S.</i> dollar-denominated financial assets and financial liabilities	+5 -5	₱756 (756)	+5 -5	₱414 (414)

Foreign exchange gain or loss for the year is computed based on management's best estimate of a +/-5 percent change in the closing Philippine peso to *U.S.* dollar conversion rate using the balances at financial reporting date of *U.S.* dollar-denominated cash and cash equivalents, receivables and other assets and liabilities. There has been no change in the methods and assumptions used by management in the above analysis.

Derivative Financial Instruments and Hedging Activities

MERALCO uses derivative financial instruments to manage exposure to foreign currency risk arising from forecasted investment denominated and payable in *U.S.* dollar. The objective of the hedge is to reduce volatility in cash flows associated with foreign exchange fluctuations.



To achieve this objective, *MERALCO* has designated forward foreign exchange contracts as cash flow hedges for its forecasted foreign currency denominated investments over the next 12 months. The hedging relationships are expected to be highly effective in offsetting changes in cash flows attributable to currency fluctuations.

In 2024, *MERALCO* entered into forward contracts to hedge 100% of its forecasted U.S. dollar investment payable upon closing of such forecasted transaction. The total notional value of these hedging instruments amounted to \$1.03 billion, with maturities dated January 21 to 24, 2025.

The foreign exchange risk arising from these transactions was designated as the hedged risk.

Hedge effectiveness was assessed using the dollar-offset method. The hedge was highly effective, with no significant hedge ineffectiveness recognized.

When the forecasted transactions occurred, the related hedge reserve amounts were reclassified from *OCI* to investment.

Prior to the closing of the investment transaction in *Chromite Holdings* in 2025, *MERALCO*'s outstanding hedging instruments amounted to \$1.187 billion. In January 2025, the forecasted investment was realized and *MERALCO* infused \$1.187 billion into *MGen* as settlement for its share in the investment in *Chromite Holdings*. The hedging reserve was reclassified from *OCI* account to investment account at ₱1,717 million.

Commodity Price Risk

Commodity price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in world prices or index of the commodity. The exposure of *MERALCO* to price risk is minimal. The cost of fuel is part of *MERALCO*'s generation costs that are recoverable through the generation charge in the billings to customers. On the other hand, *RES* business segment faces risk due to fuel price fluctuations.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. *MERALCO* is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and Other Receivables and Contract Assets

MERALCO as a franchise holder serving public interest cannot refuse customer connection. To mitigate risk, the *DSOAR* allows *MERALCO* to collect bill deposit equivalent to one (1) month's consumption to secure credit. Also, as a policy, disconnection notices are sent three (3) days after the bill due date and disconnections are carried out beginning on the third day after receipt of disconnection notice.

Customer credit risk is managed by each business segment subject to *MERALCO*'s procedures and controls relating to customer credit risk management. *MERALCO* manages and controls credit risk by setting limits on the amount of risk that it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.



An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are grouped according to contract status (i.e. active, terminated, etc.). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on *MERALCO* customer segment's historical observed default rates. Each customer segment of *MERALCO* calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assumptions used in determining the historical default rates and forecast of economic conditions to *MERALCO* customers and *ECLs* involved significant estimation. The amount of *ECLs* is sensitive to changes in circumstances and forecast of economic conditions. The historical credit loss experience, expected deferred payment arrangements, expected default upon resumption of service disconnection activities and forecast of economic conditions may also not be representative of customers' actual default in the future.

Set out below is the information about the credit risk exposure of *MERALCO*'s trade and other receivables and contract assets using a provision matrix:

	2025				Other receivables	Total
	Billed trade electric receivables					
	Contract Status					
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated		
	(Amounts in millions, except ECL rate)					
ECL Rate	0.54%	0.72%	6%	75%	0.43%	
Estimated total gross carrying amount	₱40,286	₱2,627	₱173	₱8,772	₱3,269	₱55,127
Expected credit loss	218	19	10	6,584	14	6,845
	2024				Other receivables	Total
	Billed trade electric receivables					
	Contract Status					
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated		
	(Amounts in millions, except ECL rate)					
ECL Rate	0.29%	0.70%	0.65%	73%	0.60%	
Estimated total gross carrying amount	₱30,494	₱1,569	₱2,143	₱8,487	₱2,342	₱45,035
Expected credit loss	88	11	14	6,214	14	6,341

Financial Instruments and Cash and Cash Equivalents

With respect to placements of cash with financial institutions, these institutions are subject to *MERALCO*'s accreditation evaluation based on liquidity and solvency ratios and on the bank's credit rating. *MERALCO* transacts derivatives only with similarly accredited financial institutions. In addition, *MERALCO*'s deposit accounts in banks are insured by the Philippine Deposit Insurance Corporation up to ₱1,000,000 per bank account.

MERALCO invests only in quoted debt securities with very low credit risk. *MERALCO*'s debt instruments at *FVOCI* comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies and therefore, are considered to be low credit risk investments.



Finally, credit quality review procedures are in place to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial information of counterparties, credit ratings and liquidity. *MERALCO's* credit quality review process allows it to assess any potential loss as a result of the risks to which it may be exposed and to take corrective actions.

MERALCO, as *DU*, requires its captive customers to pay bill deposit equivalent to their estimated monthly bill. Such deposit is updated annually based on the historical 12-month average bill. The bill deposits serve to guarantee payment of bills by a customer.

The table below shows the maximum exposure to credit risk for the components of the parent company statements of financial position. The maximum exposure is equivalent to the nominal amount of the accounts.

	Gross Maximum Exposure	
	2025	2024
	<i>(Amounts in millions)</i>	
Cash in banks and cash equivalents	₱65,706	₱51,275
Trade and other receivables:		
Electricity	45,027	36,366
Nontrade receivables	3,255	2,328
Financial current assets:		
Short-term investments	48	12
Debt securities at amortized cost	—	8,568
Current portion of advance payments to a supplier	—	206
Financial noncurrent assets:		
Financial assets at <i>FVOCI</i>	1,511	2,772
Debt securities at amortized cost	1,088	1,091
	₱116,635	₱102,618

The credit quality of financial assets is managed by *MERALCO* using “High Grade”, “Standard Grade” and “Sub-standard Grade” for accounts, which are neither impaired nor past due using internal credit rating policies.

The following tables show the credit quality by asset class:

	2025					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱65,706	₱—	₱—	₱—	₱—	₱65,706
Trade and other receivables:						
Electricity	32,756	2,088	641	9,542	6,831	51,858
Nontrade receivables	1,590	217	—	1,448	14	3,269
Financial current assets:						
Short-term investments	48	—	—	—	—	48
Financial noncurrent assets:						
Financial assets at <i>FVOCI</i>	1,511	—	—	—	—	1,511
Debt securities at amortized cost	1,088	—	—	—	—	1,088
	₱102,699	₱2,305	₱641	₱10,990	₱6,845	₱123,480



2024						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired Financial Assets	Total
	High Grade	Standard Grade	Sub-standard Grade			
(Amounts in millions)						
Cash in banks and cash equivalents	₱51,275	₱—	₱—	₱—	₱—	₱51,275
Trade and other receivables:						
Electricity	7,299	3,518	15,635	9,914	6,327	42,693
Nontrade receivables	1,290	—	—	1,038	14	2,342
Financial current assets:						
Debt securities at amortized cost	8,568	—	—	—	—	8,568
Advance payments to a supplier	206	—	—	—	—	206
Short-term investments	12	—	—	—	—	12
Financial noncurrent assets:						
Financial assets at <i>FVOCI</i>	2,772	—	—	—	—	2,772
Debt securities at amortized cost	1,091	—	—	—	—	1,091
	₱72,513	₱3,518	₱15,635	₱10,952	₱6,341	₱108,959

Credit ratings are determined as follows:

▪ High Grade

High grade financial assets include cash in banks, cash equivalents, short-term investments, debt securities at amortized cost, *FVOCI* financial assets and advance payments to a supplier transacted with counterparties of good credit rating or bank standing. Consequently, credit risk is minimal. These counterparties include large prime financial institutions, large industrial companies and commercial establishments, and government agencies. For trade receivables, these consist of current month's billings (less than 30 days) that are expected to be collected within 10 days from the time bills are delivered.

▪ Standard Grade

Standard grade financial assets include trade receivables that consist of current month's billings (less than 30 days) that are expected to be collected before due date (10 to 14 days after bill date).

▪ Sub-standard Grade

Sub-standard grade financial assets include trade receivables that consist of current month's billings, which are not expected to be collected within 60 days.

Liquidity Risk

Liquidity risk is the risk that *MERALCO* will be unable to meet its payment obligations when these fall due. *MERALCO* manages this risk through monitoring of cash flows in consideration of future payment of obligation and collection of its trade receivables. *MERALCO* also ensures that there are sufficient, available and approved working capital lines that it can draw from at any time.

MERALCO maintains an adequate amount of cash, cash equivalents and *FVOCI* financial assets, which may be readily converted to cash in any unforeseen interruption of its cash collections. *MERALCO* also maintains accounts with several relationship banks to avoid significant concentration of cash with one (1) institution.



The following table sets out the maturity profile of the financial liabilities and contract liabilities based on contractual undiscounted payments plus future interest:

2025					
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
<i>(Amounts in millions)</i>					
Note payable	₱36	₱26,728	₱–	₱–	₱26,764
Trade payables and other current liabilities	93,665	–	–	–	93,665
Customers' refund	2,851	–	–	–	2,851
Interest-bearing long-term financial liabilities:					
Floating rate borrowings	2,030	3,861	23,268	100,390	129,549
Redeemable preferred stock	1,459	–	–	–	1,459
Customers' deposits	1,228	1,502	7,672	30,688	41,090
Refundable service extension costs	345	672	3,303	68	4,388
Nonrefundable liability related to asset funded by customers	127	127	127	565	946
Over-recoveries from transmission, lifeline subsidy and <i>SL</i> charges	–	–	374	–	374
Total undiscounted financial liabilities	₱101,741	₱32,890	₱34,744	₱131,711	₱301,086

2024					
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
<i>(Amounts in millions)</i>					
Note payable	₱386	₱28,111	₱–	₱–	₱28,497
Trade payables and other current liabilities	78,766	–	–	–	78,766
Customers' refund	2,853	–	–	–	2,853
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	85	7,249	–	–	7,334
Floating rate borrowings	159	579	2,919	11,069	14,726
Redeemable preferred stock	1,461	–	–	–	1,461
Customers' deposits	319	2,431	6,503	26,011	35,264
Refundable service extension costs	345	1,112	3,304	449	5,210
Nonrefundable liability related to asset funded by customers	127	127	127	568	949
Over-recoveries from transmission, lifeline subsidy and <i>SL</i> charges	–	–	375	–	375
Total undiscounted financial liabilities	₱84,501	₱39,609	₱13,228	₱38,097	₱175,435

The maturity profile of bill deposits is not determinable since the timing of each refund is linked to the cessation of service, which is not reasonably predictable. However, *MERALCO* estimates that the amount of bill deposits (including related interests) of ₱2,445 million will be refunded within a year. This is shown as part of “Trade payables and other current liabilities” account in the parent company statement of financial position as at December 31, 2025.

Capital Management

The primary objective of *MERALCO*'s capital management is to enhance shareholder value. The capital structure is reviewed with the end view of achieving a competitive cost of capital and at the same time ensuring that returns on capital expenditure are consistent with the levels approved by its regulators for its core distribution business.

The capital structure optimization plan is complemented by efforts to improve capital efficiency to increase yields on invested capital. This entails efforts to improve the efficiency of capital assets, working capital and non-core assets.



MERALCO monitors capital using, among other measures, consolidated debt to equity ratio, which is gross consolidated debt divided by consolidated equity attributable to the holders of the parent. *MERALCO* considers long-term debt, redeemable preferred stock and notes payable as debt.

	2025	2024
	<i>(Amounts in millions, except debt to equity ratio)</i>	
Consolidated long-term debt	₱192,220	₱59,028
Consolidated notes payable	36,367	34,287
Redeemable preferred stock	1,459	1,461
Consolidated debt (a)	₱230,046	₱94,776
Consolidated equity attributable to the holders of the parent (b)	₱173,137	₱144,599
Consolidated debt to equity ratio (a)/(b)	1.33	0.66

26. Income Taxes and Local Franchise Taxes

Income Taxes

The components of net deferred income tax assets and liabilities are as follows:

	Note	2025	2024
		<i>(Amounts in millions)</i>	
Deferred income tax assets:			
Provisions for probable losses and expenses from claims	17 and 20	₱25,397	₱26,806
Unfunded retirement benefits cost and unamortized past service cost	24	3,229	2,862
Allowance for expected credit losses	11	1,708	1,581
Accrued employee benefits	24	1,604	852
Others		550	909
		32,488	33,010
Deferred income tax liabilities:			
Revaluation increment in utility plant and others	14	5,267	5,336
Actuarial gains	24	555	193
Capitalized interest		1,024	906
Capitalized duties and taxes deducted in advance		297	331
Others		149	204
		7,292	6,970
		₱25,196	₱26,040



Provision for (benefit from) income tax consists of:

	2025	2024
	(Amounts in millions)	
Current	₱9,723	₱10,329
Deferred	484	(2,013)
	₱10,207	₱8,316

The deferred tax assets charged directly to *OCI* amounted to ₱364 million and ₱789 million for the years ended December 31, 2025 and 2024, respectively.

A reconciliation between the provision for income tax computed at statutory income tax rate of 25% for the years ended December 31, 2025 and 2024, and provision for income tax as shown in the parent company statements of income is as follows:

	2025	2024
	(Amounts in millions)	
Income tax computed at statutory tax rate	₱11,403	₱10,465
Income tax effects of:		
Interest income subjected to lower final tax rate	(580)	(687)
Unrecognized deferred tax assets	(530)	—
Nontaxable income	(304)	(391)
Nondeductible interest expense	145	172
Difference in calculation of tax deductible costs and expenses	(32)	(1,568)
Nondeductible expenses and others	105	325
	₱10,207	₱8,316

MERALCO adopted the optional standard deductions (“*OSD*”) in 2025 and 2024 in lieu of itemized deductions beginning with its first quarter income tax return.

Certain deferred tax assets and liabilities expected to be recovered or settled in subsequent taxable years, for which the related income and expense were not considered in determining gross income for income tax purposes, were not recognized. This is because the manner by which *MERALCO* expects to recover or settle the underlying assets and liabilities would not result in any future tax consequence under the current method of computing the taxable income.

MERALCO’s unrecognized net deferred tax assets as at December 31, 2025 and 2024 mainly pertaining to provisions amounted to nil and ₱739 million.

LFT

Consistent with the decisions of the *ERC*, *LFT* is a recoverable charge of the *DU* from the particular province or city imposing and collecting the *LFT*. It is presented as a separate line item in the customer’s bill and computed as a percentage of the sum of generation, transmission, distribution services and related *SL* charges.

The Implementing Rules and Regulations (“*IRR*”) issued by the *ERC* provide that *LFT* shall be paid only on its distribution wheeling and captive market supply revenues. Pending the promulgation of guidelines from the relevant government agencies, *MERALCO* is paying *LFT* based on the sum of the generation, transmission, distribution services and related *SL* charges in the customers’ bill.



In *ERC* Resolution No. 2, Series of 2021, or the Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of *DUs*, the *ERC* amended and modified the rules with respect to the recovery of any *LFT*, including the filing of applications for recovery.

27. Contingencies and Legal Proceedings

Overpayment of Income Tax related to SC Refund

After several rounds of motions and appeals in the Court of Tax Appeals (“*CTA*”), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*’s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, but corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA en Banc*’s Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*’s appeal, which reversed and set aside the *CTA En Banc*’s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at February 24, 2025, the Omnibus Motion is pending resolution by the *SC*.

LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code (“*LGC*”), only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the *LGC*. Thereafter, *MERALCO* began the process of settlement with the affected *LGUs* and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, “Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes”, approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.



Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGUs* during the years prior to the Resolution to address tax arrearages; and (ii) *RPT* assessed by *LGUs* on assets located outside the *DU*'s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 25, 2026, the Petition is pending with the *ERC*.

See Note 17 – Provisions.

Mediation with NPC

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity (“*CSE*”) with *NPC* beginning January 1, 1995, as required by the *DOE* to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The *CSE*, rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the early years of *CSE*, *MERALCO*'s total purchases from *NPC* exceeded the contract level. However, following the Asian crisis in 1997, a decline in energy demand occurred. A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003 which was filed with the *ERC* for approval. After the validity of the Settlement Agreement was questioned by the Office of the Solicitor General, the matter was elevated to the *RTC* under a petition for declaratory relief. The *RTC* Decision declaring the Settlement Agreement valid and binding, except for the pass-through provision which remains under the *ERC*'s jurisdiction, was affirmed by both the *CA* and *SC*.

In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at February 25, 2026, *MERALCO* is preparing to file the appropriate motion for the revival of the proceedings before the *ERC* for the pass-through of such generation charge.

Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.



On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against NPC with the RTC-Makati to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The RTC-Makati granted a preliminary injunction on April 3, 2000, which was affirmed by the SC on March 23, 2006. MERALCO intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy and the shutdown of the 230 kV line will result in widespread and rotating brownouts within MERALCO's franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the RTC-Makati allowed MERALCO and NGCP to intervene and dissolved the injunction, and required the posting of bonds to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at February 25, 2026, MERALCO is awaiting further action from the SC on the matter.

Petition for Dispute Resolution against PEMC, TransCo, NPC and PSALM

A Petition for Dispute Resolution was filed by MERALCO against PEMC, TransCo, NPC and PSALM, as a result of the congestion in the transmission system of TransCo arising from the outages of the San Jose-Tayabas 500 kV Line 2 on June 22, 2008, and the 500 kV 600 Mega Volt-Ampere Transformer Bank No. 2 of TransCo's San Jose, Bulacan substation on July 11, 2008. The Petition sought to, among others, direct PEMC to adopt the NPC- Time-of-Use ("TOU") rate or the price determined through the ERC-approved price substitution methodology of PEMC as approved by the ERC, as basis for its billing during the period of the congestion and direct NPC and PSALM to refund the transmission line loss components of the line rentals associated with NPC/PSALM bilateral transactions from the start of WESM operation on June 26, 2006.

The ERC eventually found merit in MERALCO's petition and ruled that there is double charging. Thus, NPC was directed to refund line rental adjustment to MERALCO. Discussions ensued on the methodology for segregation of line rental into congestion cost and line losses from the start of the WESM operation. Amounts of refunds were determined and NPC was directed to refund amounts collected for the period November 2006 to August 2012. Additionally, MERALCO was directed to file a petition against several successor generating companies ("SGCs") to recover the line loss collected by them. Among subsequent filings was a Petition for Review on Certiorari (With Urgent TRO and/or Writ of Preliminary Mandatory Injunction Applications) filed by PSALM. The CA dismissed the Petition for Certiorari and upheld the decision on the ERC with respect to the double charging. Another MR filed by PSALM was also denied by the CA with PSALM elevating the case to the SC. The motion has been given due course and is awaiting further action of the SC on the Petition as of February 25, 2026.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SPI and Sem-Calaca

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SPI and Sem-Calaca. Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said SGCs; and 2) approval of MERALCO's proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the SGCs, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, MERALCO received the SGCs' Joint Motion to Dismiss. On October 7, 2013, MERALCO filed its Comment on the said Joint Motion.



On October 8, 2013, *MERALCO* received the *SGC*'s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC*'s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at February 24, 2025, the Joint Motion to Dismiss is pending resolution by the *ERC*.

Petition for Dispute Resolution with NPC on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 25, 2026, the Petition is pending resolution by the *ERC*.

SC TRO on MERALCO's December 2013 Billing Rate Increase

After several hearings, petitions and motions, on August 3, 2022, the *SC* affirmed the December 9, 2013 letter of the *ERC* approving *MERALCO*'s proposal to implement a staggered collection over three (3) months and also voided the *ERC*'s March 3, 2014 Order imposing a regulated rate for the said period. A subsequent *MR* was denied with finality by the *SC* on October 11, 2022.

With the foregoing, *MERALCO* and *IEMOP* completed the reconciliation of the final amount to be recovered and a joint letter has been sent to the *ERC* on March 12, 2024 for implementation of the *SC* Decision. As of February 25, 2026, the parties are awaiting the decision of the *ERC* on the recovery of such pass-through charges.

ERC IU Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013.

Several proceedings ensued at the *ERC*, *CA* and the *SC*. In a resolution dated September 29, 2021, the *SC* affirmed with the *CA* that the *ERC* has jurisdiction over the cases. In the meantime, the *ERC* resumed hearing to discuss updates and developments related to the case. Pre-trial conferences have been conducted and the *ERC* is in the process of resolving the pending motions filed by the GenCos and *MERALCO*. As of February 25, 2026, the parties are awaiting further action by the *ERC*.

SC Petition on WESM Sales

On May 20, 2024, *MERALCO* received a copy of the Resolution dated April 3, 2024, issued by the *SC* requiring respondents *ERC*, *MERALCO* and *IEMOP* to file a comment on the Petition for Mandamus and Injunction against *ERC*, *MERALCO* and *IEMOP*. The Petition seeks to, among other things, compel the *ERC* to ban the purchase of electricity by *DUs*, like *MERALCO*, at the *WESM*. On



June 10, 2024, *MERALCO* filed its Comment on the Petition. As at February 25, 2026, *MERALCO* awaits further action of the *SC* on the case.

Ombudsman Cases Against MERALCO Directors

Certain consumer groups charged the *MERALCO* directors and the *ERC* with alleged conspiracy on the misappropriation of bill deposits received from consumers. On May 18, 2018, the criminal complaint for syndicated estafa was dismissed but the case was referred to the *COA* for conduct of audit with respect to compliance therewith. A subsequent *MR* filed by the same consumer group was denied by the *SC*. Thereafter, the same consumer group filed an Urgent Motion for Immediate Execution dated September 21, 2018 praying that the Ombudsman issue a Writ of execution to implement the Resolution dated May 18, 2018. As at February 25, 2026, the matter is still pending.

Petition for Dispute Resolutions

Certain customers have filed a petition with the *ERC* and initiated arbitration proceedings over disputed billings, both of which remain pending, with the appointment of the arbitral tribunal still ongoing as at February 25, 2026.

Others

Management and its internal and external counsels believe that the probable resolution of these issues will not materially affect *MERALCO*'s financial position and results of operations.

28. Significant Contracts and Commitments

Independent Power Producers ("IPPs")

FGPC and FGP

MERALCO entered into separate 25-year *PPAs* with *FGPC* (March 14, 1995) and *FGP* (July 22, 1999) for a minimum net electric output of the Sta. Rita and San Lorenzo power plants, respectively, from the start of their commercial operations. The *PPA* for the Sta. Rita plant ended on August 17, 2025. There was an 11-day extension initially implemented and thereafter an Interim Extension through January 31, 2026, both duly approved by the *ERC*. On January 30, 2026, the *ERC* approved the Second Interim Extension of the *PPA* until June 25, 2026 under the same terms and conditions for the implementation of the First Interim Extension. The *PPA* for the San Lorenzo plant ends on October 1, 2027.

QPPL

The 25-year *PPA* of *MERALCO* with *QPPL* ended on May 31, 2025.

See Note 11 – Other Noncurrent Assets.



Committed Energy Volume to be Purchased

The following are forecasted purchases from/payments to *FGPC* and *FGP* corresponding to the Minimum Energy Quantity (“*MEQ*”) provisions of the contracts. The forecasted fixed payments include capacity charge and fixed operation and maintenance cost escalated using the *U.S.* and Philippine Consumer Price Index.

Year	MEQ	Equivalent Amount
	<i>(In million kwh)</i>	<i>(In Millions)</i>
2026	6,331	₱10,927
2027	3,328	5,716

SBPL

MERALCO and *SBPL* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations up to September 25, 2039.

PEDC

The 20-Year *PSA* between *MERALCO* and *PEDC* was ultimately terminated after *PEDC* notified *MERALCO* of its decision to cease energy supply, citing the *ERC*’s failure to act on its Urgent Motion for Contract Adjustment amid rising coal prices driven by global geopolitical developments.

The *ERC*, though, approved *PEDC*’s application for recovery of actual fuel costs totaling ₱380 million representing the unrecovered losses from September 26, 2022 to December 4, 2022. The collection and settlement by *MERALCO* from its consumers shall begin with the March 2026 billing period.

First Bulacan

MERALCO and *First Bulacan* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations until 2031.

Solar Philippines Tarlac Phase 1

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 85 *MW* of electric output from Phase one (1) of its solar plant in Tarlac until July 2038. The *ERC* approved a 2% annual escalation but left the adjustment of the timelines set under the *PSA* to the discretion of *MERALCO* and *Solar Philippines Tarlac*. The parties have jointly filed its application with the *ERC* and is awaiting final decision of the *ERC*.

Solar Philippines Tarlac Phase 2

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 50 *MW* of electric output from Phase 2 of its solar plant in Tarlac, which was filed with the *ERC* for approval. However, the 5-year approval period had lapsed without any resolution from the *ERC*. *Solar Philippines Tarlac* eventually filed a Motion to Withdraw the Application of the *PSA* on the basis of the *PSA*’s Longstop Date provision. This Motion to Withdraw Application remains pending the decision of the *ERC*. *Solar Philippines Tarlac* is of the position that it has no obligation to supply *MERALCO* for the additional 50 *MW* capacity.



SPI, AC Energy and SPPC – Baseload PSAs

MERALCO's baseload capacities with SPI (330 MW) and SPPC (670 MW) were terminated when the ERC denied the Joint Motions for the Price Adjustment on Notices of CIC of SPI and SPPC. Cases were filed with the CA, and the ERC elevated the case to the SC when the CA set aside the order of the ERC that denied the Joint Motions for Price Adjustment. On July 4, 2024, the SC issued a Resolution denying the ERC's Motion for Reconsideration.

Thereafter, the ERC approved the two (2) CIC claims of SPI and SPPC totalling ₱34.2 billion. CIC 1 totalling ₱5 billion is billable to customers beginning September 2025 billing period over six (6) months until full recovery. CIC 2 on the other hand totaling ₱29.3 billion is recoverable over 36 months starting the March 2026 billing period.

AC Energy filed similar CIC claims totaling ₱2.56 billion. On January 26, 2026, the ERC granted AC Energy's Updated and Supplemental Joint Motions for Price Adjustment and allowed AC Energy to recover from MERALCO customers the amount of ₱1.75 billion, over 12 months starting the March 2026 billing period.

First Gen Hydro Power Corporation ("FGHPC"), AC Energy and SPPC – Mid-merit PSAs

MERALCO signed three (3) PSAs for mid-merit capacity with First Gen Hydro for 100 MW, AC Energy for 110 MW, and SPPC for 290 MW. On January 30, 2020 and March 16, 2020, MERALCO received ERC orders granting provisional authority to implement MERALCO's PSAs for mid-merit capacity with AC Energy, and First Gen Hydro and SPPC, respectively. In its Orders dated November 26, 2020, the ERC granted interim relief authorizing continued implementation of the PSAs, until revoked or until the issuance of a final decision by the ERC. As at February 25, 2026, the three (3) PSA applications are pending final decision by the ERC.

MTerra Solar

MERALCO has a 20-year PSA with MTerra Solar for 850 MW renewable energy mid-merit capacity. The ERC approved the PSA on August 8, 2023, with notification of acceptance by MTerra Solar upon Receipt of the approval in December 2023. Phase 1 of MTerra Solar consisting of 650 MW capacity is expected to commence commercial operations in August 2026.

EERI, GNPD, MPGC – 2024 Baseload PSAs

MERALCO has three (3) PSAs with a) EERI with commercial operations date in December 2024 for 1,200 MW, b) GNPD with commercial operations date in May 2025 for 300 MW, and c) MPGC with commercial operations date in May 2025 for 300 MW. The ERC, in a Notice of Resolution dated November 26, 2024 (for the PSA with GNPD); Notice of Resolution dated December 10, 2024 (for the PSA with EERI) and final Decision dated November 26, 2024 (but received by MERALCO on May 30, 2025) (for the PSA with MPGC) has approved the PSAs with EERI, GNPD and MPGC. On December 26, 2024 and April 26, 2025, EERI and GNPD, respectively, commenced supply to MERALCO. On June 2, 2025, MPGC commenced supply to MERALCO. As at February 25, 2026, the formal/complete final decisions approving the said PSAs have already been issued by the ERC.



SPPC – 2024 Baseload PSA

On February 5, 2022, *MERALCO* signed a *PSA* for baseload capacity with *SPPC* for 1,200 *MW*. On June 11, 2024, the *ERC* released an Order (dated May 9, 2024) granting provisional authority to implement the *PSA* under several conditions, which includes implementation covering only 910 *MW* capacity, pending *ERC* resolution of the Joint Manifestation dated February 23, 2024 in *ERC* Case No. 2019-080RC on assignment of the 290 *MW* capacity thereat from *SPPC* to *SPI*. *MERALCO* and *SPPC* proceeded to implement the 2024 1,200 *MW PSA* following the *ERC*'s provisional authority Order. On June 26, 2024, *MERALCO* and *SPPC* filed a Joint Motion for Partial Reconsideration which questioned the *ERC*'s provisional authority Order. In a Notice of Resolution dated March 19, 2025, the *ERC* granted the Joint Motion for Partial Reconsideration and the *ERC*'s provisional authority Order dated May 9, 2024 was amended to cover the entire contract capacity of 1,200 *MW*. As at February 25, 2026, the formal/complete order of the said Notice of Resolution dated March 19, 2025 is pending release by the *ERC*.

SRHI, Gigasol3 and Santa Cruz Solar Energy Inc. ("SCSEI") – Renewable Energy (RE) Mid-merit PSAs

Following conduct of *CSP*, *MERALCO* has three (3) renewable energy mid-merit supply *PSAs* with a) *SRHI* with operations effective date in March 2025 for 340 *MW*, b) *Gigasol3* with operations effective date in March 2025 for 139 *MW*, and c) *SCSEI* with commercial operations date in March 2026 for 21 *MW*. The joint applications for approval of *MERALCO*'s *PSAs* with *SRHI*, *Gigasol3* and *SCSEI* were filed with the *ERC* on September 23, 2024, September 23, 2024, and September 27, 2024, respectively. On September 10, 2025, the *ERC* promulgated the Decisions of even date for both the *Gigasol3* and *SRHI PSAs* approving with final authority the *PSAs* to be implemented as applied for, subject to conditions. On September 17, 2025, *SRHI* commenced supply to *MERALCO*. On December 2, 2025 and January 22, 2026, *MERALCO* filed Urgent Motions to Resolve with the *ERC*, asking the *ERC* to resolve with finality the *SCSEI PSA*. As at February 25, 2026, the parties are awaiting *ERC*'s final decision on the application for approval of the *SCSEI PSA*.

GNPD and MPPCL – Baseload PSAs

Following conduct of *CSP*, *MERALCO* has two baseload supply *PSAs* with *MPCL* for 500 *MW* and with *GNPD* for 100 *MW*, both with operations effective date in September 2025. The joint applications for approval of *MERALCO*'s *PSAs* with *GNPD and MPCL* were filed with the *ERC* on October 2, 2024. On August 22, 2025, the *ERC* issued an Order of even date granting Interim Relief to implement the *PSA* as applied for subject to conditions. On August 26, 2025, *GNPD* commenced supply to *MERALCO*. On September 25, 2025, *GNPD* filed with the *ERC* a Motion for Issuance of Final Authority. On January 14, 2026, the *ERC* promulgated the final decision for the *GNPD PSA*. As at February 25, 2026, the parties are awaiting the *ERC*'s final decision for the *MPCL PSA*.

GNPD – Mid-merit PSA

Following conduct of *CSP*, *MERALCO* has executed a mid-merit supply *PSA* with *GNPD* for 400 *MW* with operations effective date in September 2025. The joint application for approval of *MERALCO*'s *PSA* with *GNPD* was filed with the *ERC* on December 6, 2024. On June 5, 2025 and June 23, 2025, *MERALCO* filed a First and Second Urgent Motions to Resolve. On August 22, 2025, the *ERC* promulgated the Decision of even date approving with final authority the *PSA* to be implemented as applied for, subject to conditions. On August 26, 2025, *GNPD* commenced supply to *MERALCO*. As at February 25, 2026, the parties are awaiting *ERC*'s final decision on the applications.



Interim Power Supply Agreements (“IPSAs”)

From 2017 to 2025, *MERALCO* entered into various *IPSAs*, emergency power supply agreements, and short-term *PSAs* with several suppliers to address temporary supply shortfalls arising from fuel supply disruptions, plant outages, regulatory delays, and court-issued injunctions affecting existing power supply contracts. These agreements were generally implemented under *DOE*-issued exemptions from the competitive selection process and were filed with the *ERC* for approval. Most of these contracts were short-term in nature and have already expired. As of February 25, 2026, several applications for approval and related regulatory matters remain pending with the *ERC*.

Cagbalete Island Microgrid Electrification Expansion Capital Expenditure Project (“Cagbalete Microgrid Project”)

On July 23, 2019, the Cagbalete Microgrid pilot project was energized with 60 *kW PV* system, 150 *kWh* battery energy storage system and two (2) units of 30 *kW* diesel generators, which shall provide 24 x 7 power to the residents of the island.

MERALCO filed an application with the *ERC* to implement the Cagbalete Microgrid Expansion Project, to allow *MERALCO* serve the rest of the residents in Cagbalete Island. This was subsequently withdrawn and remains pending further regulatory action. Pursuant to the Revised Microgrid Law *IRR*, *MERALCO* later notified the *DOE* of its intent to develop a *DU* microgrid system for Cagbalete Island, and received authority to proceed. As of January 25, 2026, *MERALCO* is preparing the necessary application with the *ERC* to secure required approvals.

Agreement and Registration with PEZA

MERALCO operates the distribution system of *CEZ* under a concession agreement with *PEZA* for 25 years until May 2039. It operates under a Certificate of Registration No.10-01-U from *PEZA*.

MERALCO has a tripartite agreement with *PEZA* and *FNPC* for 77 *MW* power supply agreement beginning until June 25, 2026, reflecting the second interim extension approved by the *ERC*.

29. Earnings Per Share

Basic and diluted earnings per share are calculated as follows:

	2025	2024
	<i>(In millions, except per share data)</i>	
Net income (a)	₱35,408	₱33,545
Weighted average common shares outstanding (b)	1,127	1,127
Per Share Amounts:		
Basic and diluted earnings per share (a/b)	₱31.42	₱29.76

Basic and diluted earnings per share amounts are calculated by dividing net income for the year by the weighted average number of common shares outstanding during the year. There are no potential dilutive common shares in 2025 and 2024.



There are no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these parent company financial statements.

30. Other Matters

RCOA

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled “A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access (“*RCOA*”)”. In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis. On August 15, 2025, the *ERC* released Resolution No. 22, Series of 2025, entitled “A Resolution Lowering the Eligibility Threshold for Retail Competition and Open Access (“*RCOA*”) and Retail Aggregation Program (“*RAP*”)”. In said Resolution, the *ERC* lowered the demand threshold for eligibility to the Competitive Retail Electricity Market (“*CREM*”)/*RCOA* to an average monthly peak demand of at least 100 *kW* effective June 26, 2026.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014. The *ERC* promulgated *ERC* Resolution No. 13, Series of 2024 entitled “A Resolution Adopting the Omnibus Rules for Customer Choice Programs in the Retail Market”, which consolidated the relevant regulations of the *ERC* on the different Customer Choice Programs, i.e., *RCOA* (now *CREM*), *GEOP* and Aggregation. The Omnibus Rules became effective on September 6, 2024.

Pre-Emptive Mitigating Measure in the WESM

On November 26, 2025, the *ERC* promulgated *ERC* Resolution No. 26, Series of 2025, which amended *ERC* Resolution No. 07, Series of 2021 and updated the Secondary Price framework based on 2023-2025 market data. The revised rules retained the 72-hour rolling average period and set the secondary price cap at ₱7,423 per *mWh*, triggered once the Cumulative Price Threshold (“*CPT*”) of ₱12,413 per *mWh* is breached. The island/regional Secondary Price Cap (“*SPC*”) mechanism is maintained for use during grid interconnection outages. Additional Compensation is now limited to oil-based and *LNG* plants whose verified short-run marginal costs exceed the *SPC*, with all other technologies excluded. The *ERC* also established that the *SPC* parameters, including the *SPC* value, *CPT*, and rolling period will undergo review every five years, or earlier if warranted.

PEZA – ERC Jurisdiction

On September 13, 2007, *PEZA* issued guidelines which effectively bestowed upon itself franchising and regulatory powers in Ecozones operating within the legislative franchise areas of *DUs* which are under the legislatively-authorized regulatory jurisdiction of the *ERC*. The guidelines are the subject of an injunction case filed by the *DUs* in *RTC-Pasig*.



MERALCO, *PEZA* and *PEPOA* submitted their Tripartite Agreement for approval of the *RTC-Pasig*. In a Decision dated July 3, 2015, the *RTC-Pasig* approved the Compromise Agreement between *PEZA*, *PEPOA* and *MERALCO*. In the hearing on February 10, 2016, the *RTC-Pasig* dismissed the petition upon motion by *PEZA*. The *ERC* filed a *MR* which is pending resolution by the *RTC-Pasig*.

Purchase of Subtransmission Assets (“STAs”)

MERALCO and *TransCo* sought regulatory approval for the acquisition of Batch 4 sub-transmission assets, which was denied by the *ERC* and became the subject of prolonged regulatory, appellate, and *SC* proceedings, with a motion for reconsideration currently pending. Separately, *MERALCO* pursued an interpleader case relating to the payment and transfer of certain *TransCo* assets, which was ultimately remanded for proper disposition and attained finality. In December 2020, *MERALCO* and *TransCo* executed the deeds of absolute sale covering the Batch 2 and Batch 4 assets, resulting in *MERALCO*’s full acquisition and possession of these assets and corresponding adjustments to transmission charges effective December 2021.

On December 15, 2016, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 3 contract to sell with the *ERC*. Hearings were conducted on August 10, 2018 and October 15, 2018. The *ERC* has yet to set the next hearing of the case.

FiT

Pursuant to *RA* No. 9513, or the Renewable Energy Act of 2008 (“*RE Act*”), the *ERC* issued Resolution No. 16, Series of 2010, Adopting the *FiT* Rules, on July 23, 2010. As defined under the *FiT* Rules, the *FiT* system is a renewable energy policy that offers guaranteed payments on a fixed rate per *kWh* for electricity from wind, solar, ocean, hydropower and biomass energy sources, excluding any generation for own use.

To fund the *FiT* payments to eligible *RE* developers, a *FiT-All* charge shall be imposed on all end-users. The *FiT-All* will be established by the *ERC* upon petition by *TransCo*, which had been designated as the *FiT* Fund Administrator.

TransCo applied for *FiT-All* rates with the *ERC*, the *ERC* approval and status of applications are indicated in the table below:

Year	Applied Rate per kWh	Approved Rate per kWh	Date Approved / Status
2019	₱0.2780	₱0.0495	October 28, 2019
2020	0.2278	0.0983	November 23, 2020
2021	0.1881	0.0983	August 17, 2022
2022	0.3320 or 0.3165 (alternative rate in consideration of Covid-19)	0.0364	August 30, 2022
2023	₱0.2382	₱0.0838	March 20, 2024
2024	₱0.0867	₱0.1189	February 19, 2025
2025	₱0.1006	₱0.2073	October 22, 2025
2026	₱0.1488	₱0.2011	December 26, 2025

The *FiT* regime has been subject to various regulatory and judicial actions including periodic rate adjustment and temporary suspension of collections.



Renewable Portfolio Standards (RPS)

In accordance with the *RE Act*, the *DOE* issued Department Circular No. DC2017-12-0015 “Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas” or the *RPS Rules* on December 22, 2017. In compliance with the *RPS Rules*, *MERALCO* has been submitting its *RPS* form to the *DOE* on an annual basis. The *RPS* form contains *MERALCO*’s computation of its requirements, as well as plans to comply with the requirements. *MERALCO* was approved by *PEMC* as a mandated participant in the Renewable Energy Market, which has since commenced full commercial operations.

On May 23, 2022, the *DOE* issued Department Circular No. 2023-05-0015 “Prescribing the Amendments to Department Circular No. 2017-12-0015 or the Renewable Portfolio Standards (*RPS*)”, increasing the minimum annual *RE* increment (*Km*) from one percent (1%) to 2.52% starting 2023 compliance year to meet the aspirational targets of increasing the *RE* share in the power generation mix. *MERALCO* fully complies with its *RPS* obligations while minimizing the rate impact to its customers.

Green Energy Option Program (GEOP)

Pursuant to the Renewable Energy Act, the *DOE* issued the rules and supplemental guidelines establishing the Green Energy Option Program (“*GEOP*”), while the *ERC* subsequently adopted the implementing rules. As of December 31, 2025, *MERALCO* has processed the switching of 657 customers to *GEOP*.

On January 26, 2026, the *DOE* issued Department Circular No. DC2026-01-002 “Promulgating the Revised Rules and Guidelines Governing the Implementation of the Green Energy Option Program (“*GEOP*)”. The Department Circular expands *GEOP* eligibility by lowering the minimum threshold from 100 *kW* to 50 *kW*. It likewise introduces aggregation for end-users whose individual demand falls below 50 *kW*, allowing them to collectively participate in the program. However, unlike the Retail Aggregation Program (“*RAP*”), *GEOP* aggregation is limited to participants located within a contiguous area. The Department Circular takes effect fifteen (15) days after its publication on February 6, 2026 in the Daily Tribune and BusinessWorld.

Recovery of NPC Stranded Contract Costs

In an Order dated May 22, 2018, the *ERC* approved *PSALM*’s petition for the recovery of *NPC*’s stranded contract costs portion of the universal charge (“*UC-SCC*”). Accordingly, *PSALM* is hereby authorized to recover the stranded contract costs for Luzon, Visayas and Mindanao grids totaling ₱8,547 million with a monthly rate of ₱0.1938 per *kWh* starting May 2018 billing period until the full amount has been recovered.

On January 14, 2019, *MERALCO* received a letter dated December 28, 2018 from *PSALM* advising *MERALCO* to cease the implementation of the collection of the ₱0.1938 per *kWh* for the recovery of the additional *SCC* effective January 2019 as it already recovered the full amount of the stranded contract costs. This was after *MERALCO* had already completed the billing program for January 2019. Accordingly, on February 6, 2019, *MERALCO* wrote the *ERC* proposing to reverse the said collections of the additional *UC-SCC*. On February 7, 2019, *MERALCO* received a letter from the *ERC* which allowed the full reversal of the subject *UC-SCC* in its February billing equivalent to ₱0.3876 per *kWh*, without prejudice to further validation by the *ERC* as to the final amounts due.



In its letter dated January 15, 2020, *MERALCO* informed the *ERC* that it accumulated additional total excess *UC-SCC* collections in the amount of ₱545 million and proposed to implement another refund to its customers in the amount of ₱0.1453 per *kWh* for the month of February 2020. In its letter dated February 6, 2020, the *ERC* directed *MERALCO* to implement the refund, subject to post-validation. *MERALCO* was then directed to provide additional information as well as status report to the *ERC* with respect to the implementation of refund. *MERALCO* implemented the refund starting its March 2020 billing.

On March 4, 2020, *MERALCO* received a letter dated March 3, 2020, directing it to comment on a petition filed by a consumer group which sought to stop the collection of *UC-SCC* and stranded debts portion of the universal charge ("*UC-SD*") from consumers because of the Murang Kuryente Act. *MERALCO* filed its comment on March 16, 2020.

In a Decision dated April 10, 2019, the *ERC* approved with modification *PSALM*'s petition for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar year 2014. *PSALM* is hereby authorized to recover the *UC-SCC* for Luzon, Visayas and Mindanao grids totaling ₱5,117 million with a monthly rate of ₱0.0543 per *kWh* within a period of 12 months.

In separate Orders dated May 28, 2020, the *ERC* dismissed *PSALM*'s petitions for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar years 2015 to 2018 due to the promulgation of the Murang Kuryente Act.

Net Metering Program

The *RE* Act mandates the *DUs* to provide the mechanism for the "physical connection and commercial arrangements necessary to ensure the success of the *RE* programs", specifically the Net Metering Program. The *RE* Act defines Net Metering as "a system, appropriate for distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid". By their nature, net metering installations will be small (less than 100 *kW*) and will likely be adopted by households and small business end-users of *DUs*.

The *ERC* issued on July 3, 2013 its Resolution No. 09, Series of 2013, entitled, "A Resolution Adopting the Rules enabling the Net Metering Program for Renewable Energy". The Rules will govern the *DUs*' implementation of the Net Metering Program. Included in the Rules are the interconnection standards that shall provide technical guidance to address engineering, electric system reliability, and safety concerns for net metering interconnections. However, the final pricing methodology to determine the rate at which energy exported back to the distribution system by Net Metering Program participants will be addressed in another set of rules by the *ERC* in due course. In the meantime, the *DUs*' blended generation cost equivalent to the generation charge shall be used as the preliminary reference price in the net metering agreement. The Rules took effect on July 24, 2013. Under *ERC* Resolution No. 6, Series of 2019, entitled, "A Resolution Adopting the Amendments to the Rules enabling the Net Metering Program for Renewable Energy", the *ERC* adopted amendments to the Net Metering Rules. On June 23, 2020, the *ERC* issued Resolution No. 5, Series of 2020 entitled, "A Resolution Clarifying *ERC* Resolution No. 6, Series of 2019, entitled "A Resolution Adopting the amendments to the Rules Enabling the Net-Metering Program for Renewable Energy". As at December 31, 2025, *MERALCO* has already installed 19,389 meters and energized 19,299 net metering customers.



Interruptible Load Program (“ILP”)

In an *ERC* Order dated April 11, 2014, the *ERC* approved with modification *MERALCO*’s request that it be allowed to adopt and implement the *ILP*. *ILP* protocols, compensation and recovery mechanism are governed by *ERC* Resolution No. 5, Series of 2015 “A Resolution Adopting the Amended Rules to Govern the Interruptible Load Program”, *DOE* Circular No. DC2015-06-0003 “Providing the Interim Manner for Declaring Bilateral Contract Quantities in the Wholesale Electricity Spot Market and Directing the Philippine Electricity Market Corporation to Establish Necessary Protocols to Complement the Interruptible Load Program” and *ERC* Resolution No. 3, Series of 2019 “A Resolution Clarifying Section 3, Article III of the Amended Interruptible Load Program Rules”.

As at December 31, 2025, there are 105 companies with a total committed de-loading capacity of 524.38 *MW* that have signed up with *MERALCO*, *MPower* and with other retail electricity suppliers as *ILP* participants.

Long-Term Indebtedness Application

On June 25, 2015, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness for as long as it maintains 50:50 long-term debt to equity ratio; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* has filed a Motion to withdraw the application without prejudice to its refiling at a later date. In an Order dated March 22, 2016, the *ERC* granted *MERALCO*’s Motion to Withdraw but still required *MERALCO* to submit certain documents. *MERALCO* filed a Motion for Partial Reconsideration questioning the requirement which is pending before the *ERC*. As at February 25, 2026, the *ERC* has yet to resolve *MERALCO*’s Motion for Partial Reconsideration.

On October 29, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* filed a Motion to Withdraw the Application which was granted by the *ERC* in its Order dated September 8, 2025.

CSP Requirement for PSAs

On July 19, 2023, the *DOE*’s new *CSP* policy under Department Circular No. DC2023-06-0021 (“2023 *CSP* Circular”) took effect. The 2023 *CSP* Circular requires issuance by *DOE* of a Certificate of Conformity prior to commencement of a *CSP*. It is also provided that *CSP*s shall be consistent with the latest and duly accepted *DDP* and posted *PSPP*.

On October 23, 2023, the *ERC* promulgated its *Resolution No. 16, Series of 2023 (“ERC CSP Guidelines”)*. The *ERC CSP Guidelines* provided for a maximum term of *PSAs* of ten (10) years for financial *PSAs*, fifteen (15) years for physical *PSAs* and twenty (20) years for physical *PSAs* where the nominated plants are renewable energy power plants. *PSA* templates, containing minimum terms and conditions, for financial and physical *PSAs* were also provided in the *ERC CSP Guidelines*. *DUs* may include additional contractual terms and conditions in their *PSAs* consistent with their terms of reference and the *ERC CSP Guidelines*. Under the *ERC CSP Guidelines*, the entire process of the *CSP*, including the award of contract, shall be completed within one hundred eighty (180) calendar days from the first publication of the Invitation to Bid.



Under the *ERC CSP Guidelines*, direct negotiation is allowed after at least two (2) failed *CSPs*.

Termination of the *PSA*, other than due to expiration of the term, requires approval by the *ERC* under the *ERC CSP Guidelines*.

EPSAs are allowed to be immediately executed and implemented under the *ERC CSP Guidelines* provided certain conditions are present.

SC Petitions on CSP

On September 5, 2019, representatives of the *Bayan Muna* partylist filed a petition with the *SC* claiming that the *2018 DOE Circular*, which repealed portions of the *2015 CSP Circular*, is void for violating policies/provisions intended to protect consumers under *EPIRA* and the Constitution (the “*Bayan Muna Petition*”). The *Bayan Muna Petition* also sought for the issuance of *TRO* and/or writ of preliminary injunction to prevent continuation of the on-going *CSPs* of *MERALCO* and some electric cooperatives. On December 17, 2019, *MERALCO* filed its Comment to the *Bayan Muna Petition*. As at February 25, 2026, the Petition remains pending before the *SC*.

True-up Adjustments of Fuel and Purchased Power Costs (“TAFPPC”) and Foreign Exchange-Related Costs (“TAFxA”)

On June 20, 2017, the *ERC* issued a consolidated Decision in *ERC Case Nos 2011-115 RC, 2012-067 RC, 2013-092 RC, 2014-098 RC and 2015-124 RC* authorizing *PSALM* to recover, within a 60-month period, the amount of ₱3,592 million in the Luzon grid, among others, as part of the *TAFPPC* and *TAFxA*; and directed all distribution utilities to comply with the directive.

On January 10, 2018, *MERALCO* filed a Motion for Partial Reconsideration. In February 2023, the amount was fully refunded. As at February 25, 2026, the *ERC* has yet to act on the Motion.

31. Notes to Parent Company Statements of Cash Flows

	2025			2024		
	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable
	<i>(Amounts in millions)</i>					
Balance at beginning of year	₱14,161	₱26,952	₱2,502	₱18,110	₱27,404	₱2,205
Dividend declarations	—	—	28,250	—	—	24,266
Availment	74,438					
Payments	(3,068)	(224)	(27,416)	(3,960)	(452)	(23,969)
Preferred stock redemption	(3)	—	—	(4)	—	—
Interest accretion	59	—	—	15	—	—
Balance at end of year	₱85,587	₱26,728	₱3,336	₱14,161	₱26,952	₱2,502



32. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by *RR* No. 15-2010, hereunder are the information on taxes, duties and license fees paid and accrued during the taxable year.

Output VAT

MERALCO is a *VAT*-registered company with total output *VAT* tax declared of ₱11,685 million in 2025 based on the following revenue streams:

Revenue Item	Amount (In Millions)
Distribution revenues	₱91,452
Government	2,164
Leases and others	3,763
	₱97,379

MERALCO has zero-rated distribution revenues of ₱14,963 million pursuant to the provisions of *RA* No. 7916 as amended by *RA* No. 8748, *RA* 9337 Section 108B, *RR* No. 16-2005 Section 4.108-5 and Section 4.108-6.

Generation, transmission, and system loss charges, which are part of *MERALCO*'s revenues are pass-through items. *VAT* on such revenues are remitted mainly to *IPPs*, *PSALM* and its successor generator companies, *IEMOP* and *NGCP*, who are responsible for ultimate remittance to the *BIR*.

Input VAT

The amount of *VAT* input taxes claimed are broken down as follows:

	Amount (In Millions)
Balance at beginning of year	₱169
Add input <i>VAT</i> on 2025 purchases from:	
Services lodged under other accounts	5,056
Goods for resale/manufacture or further processing	1,330
Capital goods	824
Less input <i>VAT</i> claimed:	
From goods other than capital goods and services	6,386
Amortization of <i>VAT</i> input tax on capital goods	950
Balance at end of year	₱43

MERALCO also applied against output *VAT* the amount of *VAT* withheld on payments to non-residents for services rendered in the Philippines of ₱20 million which are duly supported by *BIR* Form 1600.

Importation and Custom Duties

The landed cost of imports amounted to ₱2,866 million and the related *VAT* and custom duties on importation paid and accrued amounted to ₱344 million in 2025.



Taxes

Withholding taxes for 2025 amounted to:

	Amount (In Millions)
Tax on compensation and benefits	₱1,870
Expanded withholding taxes	5,163
Final withholding taxes	567
	<u>₱7,600</u>

Other Local and National Taxes

The following are other local and national taxes paid in 2025:

	Amount (In Millions)
Local franchise tax	₱2,454
Real property taxes	597
Energy tax	299
Fringe benefit tax and others	6
	<u>₱3,356</u>

These taxes are billed and collected on behalf of the national and local governments.

Tax Assessments

MERALCO does not have any pending assessments for deficiency taxes as at December 31, 2025.

Tax Cases

MERALCO's tax cases as at December 31, 2025 are discussed in *Note 27 – Contingencies and Legal Proceedings*.

33. Event After the Financial Reporting Date

On February 25, 2026, the *BOD* of MERALCO approved the declaration of cash dividends of ₱16.672 a share to all shareholders of record as at March 26, 2026, payable on April 20, 2026.



One Meralco 2025 Integrated Report

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About the Report

This Integrated Report (“IR”) presents a consolidated information of the 2025 achievements, performance outcomes, and key challenges of the Manila Electric Company (“Meralco” or “the Company”) and our subsidiaries¹ (collectively, “One Meralco” or “the Group”). Reviewed by the Board of Directors of Meralco and approved during their regular meeting on March 24, 2026, this IR contains information about the Group’s financial and operational performance, as well as discussions on material environmental, social, and governance (“ESG”) issues relevant to our businesses and stakeholders.

This report is intended to be read in conjunction with the 2025 One Meralco Foundation (“OMF”) Annual Report, which provides a more detailed discussion of OMF’s programs, initiatives, and accomplishments during the reporting period.

Scope & Coverage

This IR provides a comprehensive review of One Meralco’s consolidated financial, operational, and ESG performance for the fiscal period spanning January 1 to December 31, 2025. Comparative information from prior reporting periods has been included to support the assessment of performance trends and changes over time. Entities covered in this report are enumerated in the Our Portfolio section.

Quantitative highlights were selected based on data availability and their relevance to understanding the performance and key achievements of our business units.

Reporting Frameworks & Standards

International Integrated Reporting Framework (“<IR> Framework”)

This report marks Meralco’s second year of reporting under the <IR> Framework, reflecting our continued commitment to integrated thinking and long-term value creation. The <IR> Framework adopts a principles-based approach that emphasizes how an organization creates, preserves, or erodes value over time. By further integrating financial and non-financial information, this report provides a more connected and holistic view of Meralco’s strategy, governance, performance, and outlook within the context of our external environment.

Philippine Financial Reporting Standards (“PFRS”)

The accompanying audited consolidated financial statements have been prepared in accordance with PFRS issued by the Financial and Sustainability Reporting Standards Council (“FSRSC”), which are aligned with the standards issued by the International Accounting Standards Board (“IASB”). Consistent with the Philippines’ International Financial Reporting Standards (“IFRS”) sustainability reporting roadmap, Meralco is progressively enhancing our disclosures to support future alignment with PFRS S1, which is based on IFRS S1 General Requirements for Disclosure of Sustainability-related

¹ The following subsidiaries, which are covered in Meralco’s 2025 SEC Form 17-A, are excluded from the scope of this report: Comstech Integration Alliance, Inc.; Lighthouse Overseas Insurance Company, Limited; Meridian Power Ventures, Limited; and Meralco Financial Services Corporation.

Financial Information, and PFRS S2 requirements, which are based on IFRS S2 Climate-related Disclosures.

IFRS Sustainability Disclosure Standards

Meralco has established a roadmap to enhance our annual reporting to support future alignment with IFRS S1 and S2.

Global Reporting Initiative (“GRI”) Standards

This report has been prepared in accordance with the GRI Standards, the most widely used global framework for sustainability reporting. The GRI Standards enable organizations to consistently and comparably disclose their economic, environmental, and social impacts, supporting transparency and informed decision-making by stakeholders.

Sustainability Accounting Standards Board (“SASB”) Standards

Sustainability-related disclosures in this report have been prepared with reference to the SASB Standard for Electric Utilities and Power Generators. SASB Standards provides industry-specific metrics to support the identification and disclosure of financially material sustainability matters, consistent with the IFRS Sustainability Disclosure Standards.

GHG Protocol Corporate Accounting and Reporting Standard (“GHG Protocol Corporate Standard”)

All greenhouse gas emissions (“GHG”) emissions data disclosed in this report—including Scope 1 (direct emissions), Scope 2 (indirect emissions from purchased electricity), and Scope 3 (other indirect emissions from the value chain)—have been prepared in accordance with the GHG Protocol Corporate Standard’s equity share approach in determining organizational boundaries, whereby emissions are allocated based on the Group’s proportional equity share in each respective business entity. The GHG Protocol Corporate Standard is a globally recognized standard for GHG emissions measurement, reporting and monitoring which was developed by the World Resources Institute (“WRI”) and the World Business Council for Sustainable Development (“WBCSD”).

Integrated Annual Corporate Governance Report (“I-ACGR”)

All corporate governance-related information in this report has been prepared in alignment with the I-ACGR, a reporting tool developed by the Securities and Exchange Commission (“SEC”) for publicly listed companies (“PLCs”) to disclose compliance or non-compliance with the recommendations provided under the SEC’s Corporate Governance Code for PLCs.

ASEAN Corporate Governance Scorecard (“ACGS”)

Disclosures on corporate governance in this report are aligned with the recommended best practices prescribed in the latest version of the ACGS, which was developed based on the Group of 20 (“G20”) countries and Organisation for Economic Co-operation and Development Principles of Corporate Governance.

Reporting Principles

In addition to relevant reporting principles in the standards and frameworks above, including the GRI Standards, Meralco adopted the AccountAbility AA1000 Principles in the development of this report by:

- Identifying ESG issues material to One Meralco and disclosing performance on these topics within the reporting period (Materiality);
- Understanding the key expectations and concerns of the Group's stakeholders through various engagement channels (Inclusivity);
- Ensuring complete, accurate, and timely coverage of the information presented in this report (Responsiveness); and
- Being accountable for the Group's impact throughout our operations and value chain, as well as mapping our contributions to the United Nations' Sustainable Development Goals (Impact).

External Assurance

Meralco engaged two separate auditing firms for the independent review and evaluation of all financial and key ESG information reported in this IR.

SyCip Gorres Velayo & Co. ("SGV"), a member firm of Ernst & Young Global Ltd., was appointed by Meralco's stockholders to audit the Company's consolidated financial statements as of and for the year ended December 31, 2025.

Meanwhile, DNV AS Philippine Branch ("DNV Philippines"), the Philippine branch of DNV Group AS, was commissioned by Meralco to provide limited assurance of the Company's ESG performance data for the same reporting period.

About the Company

Our Brand

The Meralco Brand is our most valuable and enduring intellectual capital. Rooted in more than a century of service to the community, it reflects a legacy of *malasakit* and excellence—illuminating not only the present needs of our customers but also guiding the future of energy in the Philippines.

At the core of this legacy is our role as the nation's *tagapaghatid ng liwanag* (light bearer). We are committed to delivering electricity that is safe, affordable, reliable, and accessible. We light up homes, empower businesses, and uplift communities—all while nurturing a brighter future for our nation.

Building on the strength of our brand, we have relaunched our generation companies under a unified visual identity, prominently anchored by our orange logo mark. This alignment symbolizes the synergy across One Meralco and reinforces our commitment to a balanced and diversified energy portfolio—one that supports today's demand while advancing the country's climate action and decarbonization objectives.

We are more than just an electric utility. As partners in progress, we deliver responsive and future-ready energy solutions across the value chain. Beyond distribution and generation, our subsidiaries and affiliates drive innovation that enhances customer experience and energy efficiency, reflecting our integrated and holistic approach to energy management.

As we look ahead, we remain focused on what matters most: creating meaningful and lasting impact, supporting the country's energy transition and helping power better lives in every community we serve. Guided by purpose and driven by innovation, Meralco continues to build long-term value for our stakeholders and the nation.

VISION: To be a world-class energy solutions provider, powering our nation and empowering our people today and for generations to come

MISSION: To provide our customers the best value energy solutions—reliably, affordably, superbly, and sustainably

VALUES:

- **Customer Centricity:** Our power comes from our customers who are our reason for being. We deliver outstanding customer experience. We live for our customers, the community, and our country.
- **Innovation:** We are passionately innovative, leveraging technology to constantly improve our operations and provide better customer and employee experiences.
- **Sustainability:** Sustainability is at the core of all we do. We work to preserve our planet, to empower our people, to power our communities, and to create prosperity for all.
- **Excellence:** Excellence is our way of life. We strategize brilliantly, decide resolutely, and execute flawlessly.
- **Integrity:** We value ethical behavior and employ good governance practices that meet global standards.
- **Bayanihan (Cooperative Spirit):** *Mahal namin ang aming kapwa at mga kababayan. Sa lahat ng oras, handa kaming tumugon, tumulong, at maglingkod.* (We love our fellowmen and countrymen. We are ready to respond, help, and serve at all times.)

- **Malasakit (Solicitude):** *Sa lahat ng aming tungkulin at gawain, lubos ang aming pagbibigay ng sarili. Tunay na malasakit ang nasa puso namin bilang mga tagapaghatid ng liwanag.* (In all our duties and in all that we do, we give our all. As bearers of light, we carry in our hearts genuine care and concern for others.)

Our Shareholders

Guided by the strategic vision of our shareholders, we remain committed to delivering innovative energy solutions that drive both operational excellence and sustainable development. We recognize that our progress is intricately linked to the continued trust and stewardship of shareholders, whose support enables us to execute our long-term strategy and fulfill our commitment to our stakeholders.

Name of shareholder and beneficial owner	% of total shares
Metro Pacific Investments Corporation*	47.46
JG Summit Holdings, Inc.	23.37
Institutional investors and public float	26.09
Meralco directors and officers	0.08
Total	100.00

*includes 34.96% owned by Beacon Electric Asset Holdings, Inc.

Our Portfolio

One Meralco remains dedicated to our mission of “Powering the Good Life” by catalyzing inclusive growth through our diversified business portfolio. The Group recognizes that sustainable progress is a collective achievement, realized through the strategic synergy of our expertise in power generation and distribution, engineering, mobility, telecommunications, and financial services. Through this integration, the Group creates a holistic ecosystem that drives meaningful impact and long-term value for the communities we serve.

Business segment	% share of Consolidated Core Net Income (“CCNI”)
Generation ²	33
Distribution ³	58
Retail Electricity Supply (“RES”) & Beyond the Meter ⁴	9
Total	100

² MGEN

³ Meralco, Clark Electric, MEP, and Shin Clark

⁴ MIESCOR, MSERV, MSpectrum, Movem, Radius, Bayad, Comstech, MPower, Vantage, GESC, Cogent, and Meridian X

Distribution

Manila Electric Company (“Meralco”)

Meralco is the premier electric distribution utility in the Philippines. Headquartered in Pasig City, the Company provides energy to Metro Manila, Bulacan, Cavite, and Rizal, as well as parts of the provinces of Batangas, Laguna, Pampanga, and Quezon. Meralco’s franchise area spans about 9,685 square kilometers, reaching over 8.2 million residential, commercial, and industrial customers across 39 cities and 72 municipalities.

Meralco also operates as a retail electricity supplier (“RES”) within its franchise area through its business unit, MPower.

Clark Electric Distribution Corporation (“Clark Electric”)

Through a 50-year franchise (until October 2047) granted by the Clark Development Corporation, Clark Electric distributes power within the Clark Special Economic Zone (“CSEZ”), the site of the former U.S. Clark Air Base. This site was transformed into a major economic district encompassing the Clark Freeport Zone and adjoining subzones. Clark Electric plays a critical role in transforming the CSEZ into a leading powerhouse for industry, aviation, export business, and higher learning.

Clark Electric also operates as a RES within its franchise area through its business unit, Cogent Energy. Clarion Energy Management, Inc., a wholly owned subsidiary of Clark Electric, is awaiting issuance of license by the ERC.

Meralco Ecozone Power (“MEP”)

MEP is a Meralco business unit responsible for the administration and maintenance of the electric distribution network within the Cavite Economic Zone (“CEZ”). MEP offers CEZ tenants a suite of electrical services—including service applications, meter readings, billing, payments and collection, technical assistance, and complaint resolutions—while prioritizing the integration of renewable energy (“RE”) sources such as rooftop solar installations within the CEZ.

Shin Clark Power Holdings, Inc. (“Shin Clark”)

Shin Clark is responsible for the financing, development, operation, and maintenance of a smart electric distribution system within the 9,450-hectare New Clark City (“NCC”) through a joint venture agreement with the Bases Conversion and Development Authority (“BCDA”). It collaborates with the BCDA to achieve its vision of showcasing the NCC as the first metropolis in the Philippines to integrate smart, sustainable, and disaster-resilient attributes.

Meralco holds a 60% stake in Shin Clark, while Japanese firms Axia Power Holdings Philippines Corporation (a wholly owned subsidiary of Marubeni Corporation), KPIC Netherlands BV (a wholly owned subsidiary of Kansai Electric Power, Inc.), and Chubu Electric Power Co., Inc., collectively, hold the remaining 40%.

Generation

Meralco PowerGen Corporation (“MGEN”)

MGEN is Meralco’s power generation arm with a growing portfolio of diversified energy solutions across the Philippines and Southeast Asia, with a total net sellable capacity of 5,069.7 MW as of December 2025. From thermal and liquefied natural gas (“LNG”) to solar and battery energy storage—with nuclear energy among the technologies being explored for the future—MGEN delivers reliable power to drive progress across economies, industries, and communities. This diverse portfolio enables MGEN to supply baseload, intermediate load, peak load, and ancillary power while ensuring energy security and affordability.

As part of its commitment to a cleaner energy future, MGEN places a premium on accelerating the country’s energy transition, with 2,562 MW of RE in the pipeline until 2030.

Global Business Power Corporation (“MGEN Thermal”)

MGEN Thermal is a leading independent power producer in Visayas and Mindanao with the flexibility to supply power across different load categories. MGEN Thermal plays a crucial role in addressing the growing energy demands connecting businesses and communities.

San Buenaventura Power Ltd. Co. (“SBPL”) in Mauban, Quezon, pioneered the first high-efficiency, low-emission (“HELE”) coal technology in the Philippines. This facility is a joint venture between MGEN and New Growth B.V., a subsidiary of Electricity Generating Public Company Limited of Thailand.

LNGPH

LNGPH is an integrated LNG import and regasification terminal and gas-to-power complex in Batangas that supports the reliable supply of LNG for power generation in the Luzon grid. It operates as part of a strategic partnership between MGEN, Aboitiz Power Corporation through Therma NatGas Power, Inc., and San Miguel Global Power Holdings Corp., following the completion of a USD 3.3 billion investment that strengthens the Philippines’ energy security and transition towards lower-carbon power generation.

MGEN Renewable Energy, Inc. (“MGEN Renewables”)

MGEN Renewables is dedicated to investing in and developing clean, sustainable, and efficient energy projects, playing a pivotal role in the country’s transition to a low-carbon future. As a key driver of MGEN’s vision for a balanced and diversified power generation portfolio, MGEN Renewables plays a vital role in advancing RE solutions while ensuring long-term energy security.

MGEN Renewables also holds a substantial stake in Terra Solar Philippines, Inc., the company behind the MTerra Solar Project, a landmark 3,500 MWp integrated solar PV power plant with a 4,500 MWh battery energy storage system (“BESS”), enabling the storage and efficient dispatch of RE to support grid stability.

PacificLight Power Pte. Ltd. (“PLP”)

PLP, MGEN’s Singapore-based subsidiary, is the first power plant in Singapore to be completely fueled by LNG. It owns and operates an 800 MW LNG power plant on Jurong Island. It also has a 100-MW Fast Start Ancillary Services facility, enhancing PLP’s ability to provide reliable and responsive power to the

Singapore grid. It is the largest Clean Development Mechanism (“CDM”) project in the city-state registered under the United Nations Framework Convention on Climate Change.

Retail Electricity Supply

MPower

MPower is Meralco’s local retail electricity supply (“LRES”) unit that serves contestable customers, (end-users with at least 500-kW demand) including the country’s top corporations, within the Company’s franchise area. Lauded for its best-in-class service and reliable and stable power supply, MPower has established lasting partnerships with its customers and enjoys a market share of over 21% in MW demand of the country’s total Competitive Retail Electricity Market (“CREM”). MPower also manages a diversified supply portfolio and is actively increasing the share of solar and wind energy sources to complement traditional sources of power.

Vantage Energy Solutions and Management, Inc. (“Vantage Energy”)

Vantage Energy is Meralco’s first affiliate RES, which operates in Luzon, Visayas, and Mindanao. Established in 2017, it supplies energy to contestable markets where Retail Competition and Open Access (“RCOA”) is in effect. In recent years, the Company’s retail portfolio has grown, ably serving the energy needs of over 100 CREM end-users. Adhering to its mission to provide stable, reliable, and quality electricity service, Vantage Energy is recognized as an emerging RES of choice in the CREM nationwide.

MGEN Retail Electricity Supplier Corporation (“MGEN RES”)

MGEN RES (formerly Global Energy Supply Corporation) offers a range of competitive service options and flexible schemes that are tailored according to the unique power requirements of businesses. MGEN RES sources electricity from diversified power generation facilities—allowing MGEN the flexibility to provide customers with the best-value energy solutions. Behind MGEN RES are experienced industry professionals who are committed to provide innovative services and excellent customer support.

Beyond the Meter

Meralco Industrial Engineering Services Corporation (“MIESCOR”)

MIESCOR is Meralco’s oldest subsidiary. With its own subsidiaries MIESCOR Builders, Inc. (“MBI”), MIESCOR Logistics Inc. (“MLI”), and Customer Frontline Solutions (“CFS”), MIESCOR’s services include engineering, procurement, and construction (“EPC”) of electromechanical works; designing, building, and maintaining telecommunication infrastructures; utility attachment management; distribution utility services; trading of electrical supplies and equipment; and manpower services. The Philippine Contractor Accreditation Board (“PCAB”) places MIESCOR in the highest AAAA category for general engineering building, foundation work, structural steelwork, electrical work, mechanical work, and communication facilities.

Meralco Energy, Inc. (“MSERV”)

One of the country’s largest electromechanical contractors, MSERV is Meralco’s wholly owned subsidiary dedicated to providing after-the-meter energy services to commercial and industrial

customers. The company offers energy efficient solutions and digital power infrastructure. Additional services include energy auditing; EPC of mechanical and electrical facilities; operation and maintenance (“O&M”) of customer owned establishments; smart building and streetlight management; wastewater treatment; and hyperscale data center solutions.

MSERV is a Category AAA PCAB-licensed company and a DOE-accredited energy service company.

MSpectrum, Inc. (“MSpectrum”)

Established in 2016 as part of Meralco’s thrust to promote RE solutions, MSpectrum provides affordable and safe solar energy products and services. MSpectrum has a total installed capacity of 95 MW across multiple solar projects nationwide.

MSpectrum has four verticals: (1) Solar for Business for commercial and industrial customers, (2) Microgrid for off-grid customers and Utility-Scale EPC for large-scale projects, (3) O&M for existing RE installations, and (4) development and management of Embedded Generation sites. The company’s portfolio of customers includes those in the food & beverage manufacturing, cold storage, semiconductor, retail, and utility sectors.

Movem Electric, Inc. (“Movem”)

As Meralco’s sustainable mobility arm, Movem provides the highest value end-to-end electric vehicle (“EV”) and charging solutions, purposely designed and tailored-fit to align with its clients’ sustainability and operational goals. Movem’s mission is to help spur the adoption of electric mobility in the Philippines.

Radius Telecoms, Inc. (“Radius”)

Radius focuses on developing an end-to-end fiber optic network that provides dedicated internet access, global networking, and cloud services across Metro Manila and its nearby provinces.

As of 2025, PLDT holds 34.9% ownership interest in Radius, strengthening the Company’s capital base and supporting its continued expansion in the telecommunications sector.

CIS Bayad Center, Inc. (“Bayad”)

Initially introduced as Meralco’s centralized bills payment channel, Bayad has steadily grown and expanded its financial services while also strengthening its commitment to sustainability practices by introducing innovative approaches to billing, optimizing internal operations, and improving workflows.

As of December 2025, Bayad’s nationwide footprint remains strong, with a total of 671 Bayad Centers comprising 70 company-owned branches, 336 franchisee-operated outlets, and 265 local store partners—a testament to its robust and growing presence across the country.

Our Performance Highlights

Financial Highlights

PhP 497.3 billion (+6% YoY) Consolidated revenues	
PhP 86.4 billion (+15% YoY) Core EBITDA	PhP 87.3 billion (+16% YoY) Reported EBITDA
PhP 50.6 billion (+12% YoY) Consolidated Core Net Income ("CCNI")	PhP 51.1 billion (+11% YoY) Consolidated reported net income
PhP 28.00 (+16.5% YoY) Cash dividends per common share declared out of 2025 earnings	

Operational Highlights

Meralco DU	
53,257 GWh (−0.6% YoY) Energy sales	8.2 million (+2.2% YoY) Customer accounts
PhP 11.81/kWh (+12.1% YoY) Overall average retail rate	99.97% (no change from 2024) Franchise area electrification rate
0.91 times (−12.5% YoY) System Average Interruption Frequency Index ("SAIFI")	97.50 minutes (−9.9% YoY) System Average Interruption Duration Index ("SAIDI")
7.97 out of 10 (−1.7% YoY) Customer Satisfaction Index ("CSI")	94 out of 100 (+4.4% YoY) Customer Experience Index
5.85% (−2.3% YoY) System loss (lower than regulatory cap of 6.5% for the 18 th year)	PhP 6.5 billion (+27.5% YoY) Customer savings due to system loss improvement
MGEN	
5,069.7 MW (+108% YoY) Total net sellable capacity	408.5 MW (+18.6% YoY) Net sellable renewable energy ("RE") capacity
27,289 GWh (+78% YoY) Total energy generated	733 GWh (+18.8% YoY) RE generated
95.2% (+2.8% YoY) Average availability rate of power plants	

ESG Highlights

Environmental	Group-wide		
	47.9 MtCO₂e (+2.6% YoY) Total greenhouse gas (“GHG”) emissions		711.7 tCO₂e/GWh (+3.1% YoY) GHG emissions intensity
	8.1 MtCO₂e (+22.7% YoY) Scope 1 GHG emissions	2.4 MtCO₂e (–2.2% YoY) Scope 2 GHG emissions	37.4 MtCO₂e (+0.5% YoY) Scope 3 GHG emissions
	153,790 (+140.5% YoY) Trees planted under One for Trees (“OFT”)		
	Meralco DU		
	98% (+3.2% YoY) Solid waste diversion rate		
Social	1.1 (–21.4% YoY) Lost time injury frequency rate (“LTIFR”)		47.9 hours (+6.4% YoY) Average training hours per employee
	24% (+4.3% YoY) Female representation in the workforce (higher than global industry average of 14%)		4.72% (vs. –0.12% in 2024) Gender pay gap (lower than global industry average of 19%)
	PhP 152.2 million (+84.9% YoY) Total spend on corporate social responsibility (“CSR”) initiatives		
Governance	ZERO (no change from 2024) Incidents of bribery		100% (no change from 2024) of employees trained in anti-corruption

Message from Our Chairman & Chief Executive Officer

To our fellow stakeholders,

For over a century, Meralco has helped build the foundations of the Philippines' progress as a nation. We have lit up millions of homes, connected thousands of communities, powered industries, and helped the country's economy. And even as global conditions shift and national priorities evolve, we continue to stay true to our core: an enduring commitment to the people we serve.

In 2025, the Philippines navigated a complex landscape marked by slower growth momentum, governance concerns that weighed on public trust and investor confidence, and intensifying geopolitical tensions that reshaped global trade. Annual GDP growth closed at 4.4%, below projections and Government targets.

Despite these headwinds, One Meralco stood firm—maintaining our focus on excellent execution, reliable service, and sustainable value creation for our stakeholders. We advanced innovation across our energy platforms while supporting communities. Our steadfast performance was ultimately affirmed by the renewal of Meralco's franchise—a clear vote of confidence that strengthens our mandate to help power the nation's growth.

RENEWING OUR PLEDGE TO POWER PROGRESS

The 25-year extension of Meralco's legislative franchise secured the Distribution Utility's ("DU") authority to operate until 2053. As we enter this new chapter, we return to fundamentals—building on the strong foundation we have established over the years while reinforcing our commitment to deliver affordable and reliable electricity to our 8.2 million customers.

More than ensuring continuity, the extended franchise enables us to pursue large-scale, long-term investments that will improve system reliability, enhance grid resilience against climate and demand pressures, and expand access to cleaner energy solutions.

DELIVERING OUTSTANDING PERFORMANCE THROUGH RESILIENCE

Despite a challenging operating environment in 2025, the DU demonstrated first-class reliability performance, achieving a SAIFI of 0.91 times and a SAIDI of 97.50 minutes, exceeding global industry standards. From a financial standpoint, we delivered an all-time high Consolidated Core Net Income ("CCNI") of PHP 50.6 billion, reflecting the resilience and growth of our businesses across One Meralco.

While the DU's energy sales were relatively flat due to softened demand, we sustained a strong earnings base due to MGEN's growing contribution to the Group's overall performance. Higher availability of our thermal and renewable energy ("RE") facilities, effective participation in the reserve market, and the continued expansion of our generation portfolio boosted revenues. These results were underpinned by strategic investments totaling PHP 103.9 billion directed towards MGEN's RE buildout. Together, these initiatives protected our overall performance in a volatile environment, and positioned us to continue delivering meaningful value for our stakeholders.

PROGRESSING TOWARDS OUR SUSTAINABILITY AMBITIONS

The progress we made in 2025 reflects the disciplined execution of our long-term sustainability strategy. As we advance towards our aspiration to be coal-zero, we recognize that the energy transition must be phased responsibly, as intermittent sources like solar and wind still require firm, flexible capacity to ensure stable, 24/7 supply. Our baseload assets—including MGEN Thermal's Atimonan coal plant, which will provide dependable capacity, and MGEN Natural Gas' Batangas LNG facility, which delivers greater supply flexibility—play critical roles in ensuring energy security that enables steady economic progress.

We have also made significant strides in bolstering our overseas operations. MGEN's subsidiary PacificLight Power ("PLP") was awarded by the Energy Market Authority of Singapore the right to build, own, and operate a 600-MW, hydrogen-ready combined cycle gas turbine ("CCGT") facility on Jurong Island. Scheduled for commercial operation in 2029, this project will be the largest and most efficient single H-class CCGT plant in the city-state.

Our multi-horizon pursuit of a just, orderly, and affordable transition carefully balances energy security with decarbonization. As part of this journey, in 2025, we expanded MGEN Renewables' footprint with the completion of three new facilities across Luzon—Bongabon Solar in Nueva Ecija, Cordon Solar in Isabela, and the expanded Baras Solar in Rizal—adding a combined 152.7 MW of RE capacity to our portfolio. We also advanced our flagship clean energy project, MTerra Solar, which reached 71% construction completion for Phase 1 in 2025. Once fully developed, it will deliver up to 3,500 MWp of capacity, supported by a 4,500-MWh battery energy storage system ("BESS"), that will help secure domestic energy security while contributing to the country's climate goals.

DEMOCRATIZING THE ENERGY TRANSITION

While aggressively expanding our utility-scale RE, we recognize that the future of energy will be more decentralized and customer-driven, with consumers playing a more active role as producers through distributed energy resources ("DERs"). In this changing landscape, our responsibility has also evolved.

In 2025, Meralco ramped up the integration of embedded RE generation across our franchise area, commissioning more than 19,100 net metering installations, equivalent to 150 MWp of capacity. We also supported customer choice and competitiveness via the retail electricity market, delivering 7,510 GWh to commercial and industrial consumers who now enjoy greater flexibility in how they source and manage their own energy. Meanwhile, through MSpectrum, we continued to deploy distributed solar solutions across all customer segments, reaching a cumulative installed capacity of 95 MW.

To further ensure that the grid remains stable despite the increasing penetration of RE, we continued investing in systems needed to manage DER growth responsibly. Key initiatives included deploying BESS to improve hosting capacity, expanding distribution facilities for additional embedded generators, and advancing smart grid technologies that support real-time monitoring and demand response. With a 1,485-MW pipeline of embedded RE capacity through 2027, these efforts position us to scale DER adoption while maintaining grid resilience and reliability.

ENERGIZING THE ELECTRIC MOBILITY MOVEMENT

Electric mobility is emerging as a new frontier of the global energy transition. We have thus decided to serve as enabler of this budding sector by actively building the necessary electric vehicle ("EV")

infrastructure, services, and capabilities within and beyond One Meralco. In 2025, we continued to accelerate our own fleet electrification, with EVs accounting for 5% of Meralco's total fleet by year-end, keeping us on track towards our 25% target by 2030.

Meanwhile, through our subsidiary Movem, we expanded EV charging infrastructure in Metro Manila and strengthened our service offerings with the rollout of our Charge Point Operatorship ("CPO") business last year. We opened eight inaugural CPO charge points across three strategic areas in Metro Manila and launched the ChargeM mobile app, enabling our customers to conveniently manage EV charging. Through these initiatives, we are advancing electric mobility as a key growth platform for One Meralco, while opening pathways to cleaner and more energy-efficient cities.

NURTURING AND EMPOWERING COMMUNITIES

Beyond our core operations, we continued to fulfill our social purpose through the One Meralco Foundation ("OMF"), bringing not only power but also meaningful commercial opportunities to areas where it matters most. In 2025, OMF energized 6,503 low-income households within and beyond our franchise area and delivered electricity to public schools and health centers that serve as lifelines for their communities. We also enabled livelihood projects that helped families build sustainable sources of income and deployed 3,134 solar lamps to homes with limited access to electricity and families affected by disasters and calamities.

These efforts were complemented by other initiatives in the areas of education, environmental stewardship, and disaster resilience. Through the MVP Academic Achievement Awards, we continued to invest in the future of 346 young achievers by providing educational grants. Meanwhile, through OMF's One for Trees program, we continued to nurture nearly 2.9 million trees, contributing to ecosystem restoration. In parallel, we mobilized rapid response that supported 15,708 families nationwide, aiding affected communities in times of crisis. Taken in the round, these initiatives reflect our belief that nation-building goes beyond infrastructure development and financial performance—it is about empowering people and enabling jobs that will improve welfare and lives.

Our progress in 2025 is a reflection of the strong culture of excellence across One Meralco—from our frontliners to our Board of Directors. As we continue to navigate the shifting currents of the energy landscape, I remain deeply grateful to our shareholders, partners, employees, and customers for their continued support.

We remain firmly committed to our core mission: to deliver energy reliably, affordably, superbly, and sustainably. The road may be rough, but our direction is clear—stay true to our duty to serve.

Our journey continues with greater opportunities and even greater responsibilities, and together, we will strengthen the foundation we have built, raise the bar, and prove ourselves ever more deserving of the trust placed in us over the next 25 years.

[Sgd.]

M V Pangilinan

Chairman & CEO

Leadership Roundtable

In 2025, One Meralco sustained momentum in a more demanding operating environment shaped by extreme weather, shifting demand patterns, and an accelerating energy transition. In this roundtable, **Ronnie Aperoch**, **Manny Rubio**, and **Ferdie Geluz** reflect on how the Group responded—ensuring service reliability, enabling energy security, and advancing long-term investments following the 25-year renewal of Meralco’s franchise. Together, they share how One Meralco is positioned for resilience and continued relevance as we look ahead to 2026 and beyond.

2025 delivered strong financial results despite headwinds and flat sales. What were the most important drivers of value last year, and what did Meralco do differently to protect its performance?

Ferdie Geluz: In 2025, we experienced what many would describe as a “perfect storm.” La Niña brought cooler temperatures and more tropical depressions, and the full phase-out of Philippine offshore gaming operations (“POGO”) reduced commercial consumption. These external factors, which were largely beyond our control, naturally softened demand and tempered sales volume.

Even under these challenging conditions, Meralco’s resilience stood out. We achieved key operational milestones, including achieving our all-time best reliability performance in terms of System Average Interruption Duration Index (“SAIDI”) at only 97.50 minutes and System Average Interruption Frequency Index (“SAIFI”) at only 0.91 times. This reflects the benefits of disciplined execution and sustained investments in strengthening our distribution network.

We also continued introducing initiatives that enhance the customer experience and uplift communities as part of our pledge that no one will be left in the dark. This includes microgrid systems to bring reliable and sustainable electricity to communities in our franchise area that are not connected to the country’s main power grid.

Service excellence was another highlight in 2025. We expanded our customer base from 8.04 million to 8.22 million accounts, adding nearly 1,000 GWh in new load. While organic demand declined by over 2,300 GWh, including an estimated 280 to 300 GWh impact from the POGO exit, I would say that the broader picture is one of stability rather than contraction.

While distribution faced some headwinds due to market volatility and structural changes, generation told a different story.

Manny Rubio: MGEN delivered a year of strategic growth, even as the DU navigated weather-related impacts and shifting demand. MGEN’s energy sales grew by 78%, driving a 52% increase in our net income.

One of the key drivers of MGEN’s performance was the acquisition of the Batangas liquefied natural gas (“LNG”) plant under Project Chromite, which provides power close to 20% of Luzon’s energy needs. But acquisition alone does not create value—execution does. Our people drove strong operational

excellence across our plants, delivering exceptional and world-class plant availability of 95.2% that translated into earnings.

We also actively captured value from markets that had been previously underutilized. Our participation in the reserve market generated PhP 3.6 billion in additional income. At the same time, we challenged legacy assumptions across our portfolio. Assets that had once been considered for shutdown were repositioned to participate in revenue-generating markets, transforming potential write-offs into additional earnings. Our participation in the reserves market not only drove our growth but is also a key contributor to grid stability, providing the much-needed capacity for regulating and contingency reserves.

On top of this, our new solar farms were commissioned ahead of schedule and immediately participated in the spot market, further generating incremental earnings. PacificLight in Singapore also made a meaningful contribution to our overall performance with the completion of its 100-MW fast start ancillary services facility on Jurong Island.

Beyond operating results, 2025 marked a milestone in investor confidence. We supported the single largest foreign direct investment into the Philippines, with ACTIS committing USD 600 million in equity capital. This reflected confidence not only in a specific project, but also more broadly in the Philippine energy sector and the country's long-term growth trajectory.

Franchise renewal is one of Meralco's most significant milestones in recent years. What does this renewed mandate mean for the country over the next 25 years, and what will feel tangibly different for households and businesses because of it?

Ronnie Aperocho: It was indeed our banner story last year. The 25-year horizon gives us certainty. It allows us to plan responsibly and invest with discipline. We can now lay out our capital expenditure ("CapEx") program with confidence, particularly those investments that will further modernize the grid and support the government's agenda on the energy transition.

In the next regulatory period, we will submit the largest CapEx filing in our history to the Energy Regulatory Commission ("ERC"). This includes the full rollout of our Advanced Metering Infrastructure ("AMI"), grid modernization, digital systems, and customer-facing platforms. But we have to be careful since CapEx is ultimately shouldered by customers, so we must look closely at cost-benefit and value for money. We always ensure that everything we do benefits the customer.

Meralco's renewal is a vote of confidence—and that comes with responsibility.

Ferdie Geluz: On that point, our franchise renewal inspires us to continue improving and expanding our service—even to hard-to-reach communities. Extending power to the last mile is more challenging and more expensive, but it is part of our mandate and commitment. Bringing off-grid electricity to places like Cagbalete means delivering reliable power where there was none before.

At the same time, we recognize that energy demand is closely tied to economic growth. As the economy expands, so does the need for dependable electricity. Since 2015, we have not increased our

distribution rate, yet we still continue to invest heavily in system reliability and grid modernization. Customers expect that when they flip the switch, the lights come on—that expectation has not changed, and neither has our commitment to meet it.

So whether we are powering growth in major urban centers or electrifying underserved communities, our focus remains the same: to keep improving and to deliver energy that is affordable and reliable to every customer we serve.

Beyond the core grid, Meralco is building new energy platforms—from grid-edge operations and digital systems to electric mobility and distributed energy. Which of these plays are you most confident will reshape demand, customer behavior, and Meralco’s role in the energy system over the next few years?

Ronnie Aperocho: Solarization is dramatically reshaping demand. We are seeing different load profiles because more customers are generating their own power. That is one of the reasons why our sales growth appears flat—it’s not simply about macroeconomics anymore; it’s about how energy is being produced and consumed. But we don’t see that as a diminished role for Meralco, but rather an expanded one. We are ensuring that as distributed energy adoption grows, reliability and power quality are never compromised. That’s why we continue investing in smart grids, automation, and system upgrades. And this reshaping of demand does not stop with solar.

Ferdie Geluz: That’s why we’re looking at demand in a more dynamic way. While rooftop solar moderates daytime demand, electric vehicles (“EVs”) introduce an entirely new load platform. Based on our estimates, within five to six years, the additional demand from EV charging can offset much of the energy displaced by rooftop solar. In other words, the same forces reshaping demand are also creating new opportunities.

But that won’t happen automatically; infrastructure has to be built ahead of adoption—adequate capacity, charging networks, system readiness. We are currently partnering and collaborating with top industry players to accelerate EV adoption in the country. We are actively supporting the development of charging stations, ensuring the grid can handle concentrated loads, and facilitating connections so that the EV ecosystem grows in a stable and coordinated way.

Beyond partnerships, we are also investing directly in green mobility. We are developing our own charging stations through our subsidiary Movem, seeing EV infrastructure as both a growth enabler and a business opportunity. If solar is changing the way energy is produced, EVs will change how it is consumed.

As the energy transition continues to reshape the power sector, how is Meralco progressing on its long-term sustainability strategy (“LTSS”) and goals?

Ronnie Apercho: We are actually ahead of our goals. Since launching our LTSS five years ago, we have consistently met our targets across the board. That reflects disciplined execution of our initiatives to support our just, affordable, and orderly transition, which is carefully phased in three 10-year horizons. I am proud that we have built a solid momentum towards our ambition of becoming coal-zero by 2050.

These include sourcing more renewable energy (“RE”) supply through the DU and growing our own RE portfolio through MGEN. By the end of this decade, we are targeting avoidance of up to 14% in total emissions across all scopes, as well as 9% in direct emissions versus business-as-usual levels.

We are actively advancing our exploration of nuclear energy. We have been actively supporting the government’s nuclear agenda. Congress has passed legislation establishing a regulatory body for nuclear energy, with implementing rules and incentives now being finalized. That framework will set the stage for adoption. To continue being ahead of the curve, we have sent nuclear engineering scholars abroad, with the first batch graduating this year. The U.S. government has also recognized our efforts, which is why Meralco received a USD 2.7 million grant for the study of small modular reactors (“SMRs”).

If the Philippines is to meet its long-term energy security and transition objectives, we cannot rely solely on intermittent sources like wind and solar. While coal is no longer an option given the moratorium and LNG is bridging the gap as a transition fuel, nuclear can provide a reliable baseload power for the next 60 to 80 years while supporting the climate goals of the country and remaining aligned with our LTSS.

This is where our generation platform plays a critical role.

Manny Rubio: When we talk about generation, it is important to start with the realities facing our country. Our people deserve reliable electricity that is affordable and has a minimized impact to the environment.

The Philippines contributes only about 0.4% of global carbon emissions. As a developing economy, we cannot simply replicate the pathways taken by more advanced countries. That reality does not limit us—it creates an opportunity to shape an energy transition that is both practical and sustainable for our own needs.

And that’s why it has to be deliberate and carefully managed. We are making solid progress on our strategy, and natural gas plays a critical role in ensuring reliability and in helping manage variability as new RE projects go online and rooftop solar and distributed energy resources continue to expand. Renewables are essential, but their variability requires firm, flexible capacity to maintain grid stability. Alongside batteries, LNG remains one of the few technologies capable of responding quickly and reliably when the system needs it most.

We already have a terminal in Luzon, and together with our partners, we're exploring a 435-MW gas plant in Visayas to address the thinning energy supply in the region. What we need is the right policy and market framework to allow this capacity to be deployed and serve businesses and communities.

The energy transition must be carefully planned and executed with system reliability in mind. The grid operator has raised concerns about tightening system regulation resources and the need to strengthen the grid and possibly deploy behind-the-meter batteries. Our flagship project, MTerra Solar, is a concrete option for energy security as it combines solar PV and battery energy storage system to ensure grid reliability from a low-carbon source. This model has also proven to be a competitive option for mid-merit supply that can potentially replace traditional mid-merit sources such as diesel.

Ultimately, the transition cannot happen overnight. The larger challenge lies ahead as the country moves towards the DOE's target of 50% RE by 2040. While the ambition is clear, we must also fully understand the costs and technologies required to maintain grid stability as variable renewables expand. Adding thousands of megawatts of RE capacity is a positive step, but its variability must be managed carefully as system risks increase over time.

Leadership in the transition requires balance. It requires us to continue investing in renewables, while ensuring firm capacity and critical infrastructure remain in place. It requires us to contribute meaningfully to our decarbonization goal while responsibly powering the growth of the Philippine economy.

Looking back at 2025, how would you describe Meralco's overall environmental, social, and governance ("ESG") performance. What does it say about how the company is translating sustainability priorities into measurable outcomes?

Ronnie Apercho: When we talk about sustainability, it goes beyond environmental. It's not just about climate change and emissions. We also consider critical social and governance factors as well—and we carefully track and manage all three pillars with equal rigor.

At the board level, sustainability is overseen by a dedicated Sustainability Committee, chaired by MVP himself. Supporting this is a wide network of Sustainability Champions across One Meralco who work closely with the Sustainability Office ("SO"), led by our Chief Sustainability Officer, Raymond Ravelo. Our governance bodies ensure that our strategy is translated into action on the ground. This means ESG is not abstract at Meralco—it is deeply embedded in how we lead.

When leadership monitors performance consistently and communicates expectations clearly, sustainability becomes accountability in action.

Manny Rubio: The social dimension is treated with equal importance. Our approach is simple: opportunities should be open to everyone regardless of gender, background, or status. Building a diverse and inclusive organization is not just an aspiration for us—it is a deliberate part of how we grow our workforce and strengthen our company.

But social impact goes beyond representation. It is ultimately about lives and communities. That is what we are doing at MTerra Solar.

Spanning 3,800 hectares, the scale of the project alone already translates into real economic opportunity—thousands of panels that require cleaning, maintenance, and on-the-ground operations. That scale creates sustained employment, and we are already seeing our economic impact in Nueva Ecija, with recognition from the provincial and local government units for our contributions. At the peak of our construction, we have contracted 12,000 community members to be part of the project. We are working closely with communities and local leaders to ensure MTerra Solar delivers long-term economic value where it is built.

Beyond day-to-day jobs, we are investing in skills that last. Around 600 workers have been trained and certified in electrical connections and installations. They now carry transferable skills they can apply to future projects and even other organizations.

This is how large-scale energy projects drive inclusive growth—not just delivering power to the grid, but also providing skills, jobs, and lasting opportunities for the communities that host them.

As you look ahead to 2026, what is the one word that will guide your focus for One Meralco and why? And on a personal level, what weighs most on your mind—and what inspires you most about the year ahead?

Ronnie Apercho: Execution.

We already have the building blocks to expand our reach and serve more customers: grid modernization, AMI rollout, DERs, EV infrastructure, portfolio expansion. The work now is to build on this strong foundation and continue elevating how we deliver. Execution is not easy, but we need to make it happen for the betterment of millions of people.

And that's why what weighs on me most is the resilience of our system—resilience against cyberattacks, natural catastrophes, and major disruptions. Threats don't stop while we're asleep. A prolonged outage in our franchise area would be unacceptable. That's a responsibility we carry 24/7.

And with this responsibility are opportunities. We are actually receiving requests from other countries to bring Meralco's operational and service excellence to help them strengthen their own power systems. Last year, we achieved world-class reliability standards. What felt like an aspiration a decade ago is now a reality, and our focus moving forward is on sustaining and building on this achievement.

Ferdie Geluz: Relevance.

We remain relevant only if we continue to earn trust. The franchise renewal reflects that trust—from lawmakers, consumers, and the public. But relevance must be proven every single day.

So what keeps me awake at night is accountability—to continue earning the trust our customers place in us. With an extended franchise in place, people depend on us not just to keep the lights on, but also

to help the economy move forward. We are accountable not only to our customers, but also to the country and to our own people.

Ronnie and I both built our careers within this company, and that journey shapes how we lead today. Having grown with Meralco over decades, we understand not only the strategic responsibilities at the corporate level but also the operational realities on the ground. We strongly believe in trusting our people—not blind trust, not free rein, but trust anchored in accountability.

And that trust goes a long way. With it, you see long-term plans translate into measurable outcomes and real impact. And that’s what inspires me—reaching milestones, seeing plans come to life, and celebrating those wins together, as one company, in service of the people we serve.

Manny Rubio: Leadership.

In ideas. In execution. In capturing opportunities early.

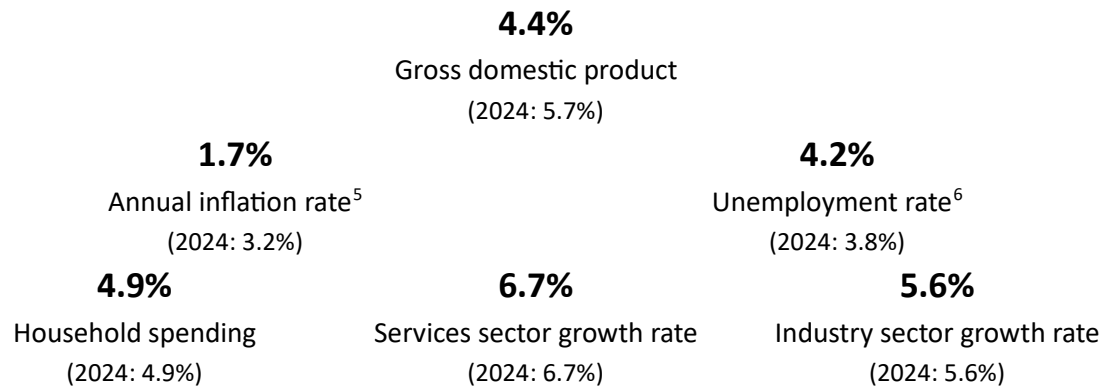
Leadership means moving fast and early. It’s about recognizing opportunities before they become obvious to everyone else. The foundation has to be laid in advance—even when that requires investing before immediate returns are visible. First movers don’t simply enter markets; they shape them. And we are uniquely positioned to lead in that space.

At the same time, we must be clear-eyed about the challenges ahead. Regulatory uncertainty and system stability will be critical as the country moves towards its energy transition goals. We talk about 50% RE by 2040, but achieving that ambition requires the right infrastructure, a resilient grid, and careful planning. When power interruptions occur or electricity prices increase, the spotlight quickly turns to energy players. That’s why the transition cannot be reactive. It must be deliberate, well-planned, and supported by a strong foundation.

And so what ultimately gives me the most confidence is something more fundamental—our people. Yes, we have exciting assets coming online—MTerra Solar, LNGPH, new capacities in the pipeline, but energy is not just about assets and megawatts. It’s also about the people who bring these projects to life and push the boundaries of innovation. That human capital is what will enable One Meralco to lead the transition and power a better tomorrow.

Our Business Environment

Key Economic Metrics



Note: Figures above are for full-year 2025.⁷

Overall Economic Growth Prospects

Government targets (December 2025)	Economist Intelligence Unit ("EIU") (December 2025)	OECD forecast (February 2026)
2026: 5.0% to 6.0% ⁸	2026: 4.5%	2026: 5.1% ⁹

According to the December 2025 forecast of the EIU, the Philippine economy is projected to grow moderately in 2026 (by 4.5%) and beyond as the full impact of U.S. tariffs on the Philippine economy becomes more evident, including its potential effect on remittances from overseas Filipino workers.¹⁰ Nonetheless, economic prospects are projected to improve in 2026 vis-à-vis in 2025, as the EIU expects household consumption to improve as inflation is expected to remain low in 2026, although this could be curtailed by households’ desire to pay off debts and build savings. Investment is also projected to pick up, supported by continued infrastructure development and monetary easing.

Risks to Economic Growth

- While Philippine exports have been resilient in 2025, its momentum is likely to slow down in 2026 as the full impact of U.S. tariffs on the global economy is realized.
- The Philippines is exposed to the second-round effects of tariffs on U.S. economic growth, particularly on the business process outsourcing sector.¹¹

⁵ Bangko Sentral ng Pilipinas

⁶ Philippine Statistics Authority. Number of unemployed persons in December 2025 increased to 2.26 million Filipinos aged 15 years and over (February 6, 2026)

⁷ Philippine Statistics Authority. GDP Grows by 3.0 Percent in the Fourth Quarter of 2025: Brings the Full-Year 2025 GDP Year-on-Year Growth Rate to 4.4 Percent (January 29, 2026)

⁸ Development Budget Coordination Committee. Macroeconomic Parameters Assumptions FY 2026-2030 (December 9, 2025)

⁹ World Bank. Philippines Economic Update (December 2025)

¹⁰ OECD Economic Surveys: Philippines 2026 (February 2026)

¹¹ Ibid.

- While the U.S. Supreme Court struck down the tariffs imposed by the Trump administration under the International Emergency Economic Powers Act, President Donald Trump imposed a 10% blanket tariff under Section 122 of the Trade Act of 1974. This has resulted in renewed uncertainty for trade partners, especially in the following months.¹²

Energy Industry Realities

ELECTRICITY DEMAND AND RENEWABLE ENERGY (“RE”)

- The buildout of more data centers is expected to increase electricity demand from the grid. During a roundtable discussion on Philippine competitiveness in hyperscale and digital infrastructure held at the Asian Development Bank Headquarters in February 2026, German consulting firm Roland Berger stated that the Philippines is experiencing a significant hyperscale and artificial intelligence expansion. It reported that about 100 MW of data center capacity is currently under construction in the country and may become operational in the next few years.¹³
- To meet the industry’s requirement for access to new RE to support ESG commitments and supply chain sustainability, at least 9,700 MW of RE facilities are expected to come online and provide additional clean energy capacity by 2030.¹⁴
- In 2026, the DOE expects the commissioning of new power generation projects with a combined capacity of nearly 7,000 MW. Nearly 90% of these projects’ total capacity will utilize RE sources, while the remaining generation capacity will come from fossil fuels.¹⁵

DISTRIBUTED ENERGY

- Given the declining price of solar photovoltaic (“PV”) modules and the easing of requirements and expedited application process as directed by President Ferdinand Marcos Jr. during his 2025 State of the Nation Address, net metering adoption is forecasted to accelerate, led by residential customers. The streamlining of net metering application will encourage potential customers with firm intentions to install solar PVs. A study from the Ateneo de Manila University estimated that about 20% of all households in Metro Manila and nearby provinces are interested in installing solar PVs.¹⁶
- Net metering installations experienced significant growth in recent years. As of 2025, there were close to 19,900 active net metering customers in the Meralco franchise area, with a total capacity of 165.7 MWp. The number and solar PV capacity of net metering customers increased by an average of 42% annually for the past five years. In 2020, there were only nearly 3,300 customers with total capacity of 23 MWp under the net metering program.

¹² Economist Intelligence Unit. Supreme Court curtails Trump tariff power (February 20, 2026)

¹³ Roland Berger. “Sector Context: Hyperscale and Data Center Market in SEA and the Philippines”. 9 February 2026. Asian Development Bank Headquarters, Mandaluyong City. PowerPoint Presentation.

¹⁴ Department of Energy. Summary of Committed Power Projects in the Philippines as of 31 December 2025

¹⁵ Ibid.

¹⁶ Low adoption of solar tech not just due to cost, Ateneo study finds. <https://www.ateneo.edu/news/2024/12/13/low-adoption-solar-tech-not-just-due-cost-ateneo-study-finds>

ENERGY EFFICIENCY AND ELECTRIC VEHICLES (“EVs”)

- In its Philippine Energy Plan 2023–2050, the Department of Energy (“DOE”) is seeking to sustain a 10% energy savings target and a 50% EV penetration target from 2040 onwards to help reduce greenhouse gas (“GHG”) emissions.¹⁷
- Electricity end-users are expected to continue adopting energy efficiency measures in compliance to Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, and various implementing regulations promulgated by the DOE. Within the Meralco franchise area, buildings with Leadership in Energy and Environmental Design (“LEED”) or Building for Ecologically Responsive Design Excellence (“BERDE”) certification increased from eight in 2010 to at least 324 by January 2026.¹⁸
- The downward impact on electricity demand from the electric grid of behind-the-meter solar rooftops and wider adoption of energy efficiency will be partly offset by the anticipated increase in EVs. According to the data from the Land Transportation Office, there are nearly 61,000 registered EVs as of 2025, lower than an earlier projection of nearly 185,000 EVs by 2024 in the Philippine Energy Plan.¹⁹ Based on our internal estimates, about 60% of these vehicles are found within our franchise area.

¹⁷ Department of Energy. Philippine Energy Plan (2023–2050)

¹⁸ Green Building Information Gateway

¹⁹ Philippine Energy Plan 2023–2050. Department of Energy

How We Create Value

We at One Meralco strive to create meaningful and long-term value across areas that are material to our various businesses and stakeholders, as detailed in this Integrated Report. By managing risks, capturing opportunities, and executing a robust strategy, we ensure that our Group remains resilient, adaptive, and forward-looking. In doing so, we continue to deliver reliable, accessible, and responsibly priced electricity while encouraging our partners to strengthen their sustainability practices—adapting to the changing needs of our customers, communities, and the broader ecosystem we serve.

Our Value Creation Framework

This framework demonstrates how we align our resources with strategic priorities to harness our growth platforms, generate stakeholder value, and advance meaningful contributions to sustainable development. We leverage our growth platforms to deliver value to our stakeholders and drive meaningful outcomes for sustainable development by aligning the use of our capitals with our strategies

Inputs

Power

Intellectual

- **122** years of industry leadership
- The enduring Meralco brand, including our logo, mission, vision, and core values
- Institutional knowledge on laws, policies, and best practices in the electric utility sector

Manufactured

- **156** substations
- **22,107.4 km** power lines
- **2,652 MWac** net sellable capacity across our diversified power generation portfolio

Planet

Natural

- **5.1 million** tonnes of feedstock coal
- **11 million** liters of feedstock oil
- **1,371.5 GL** of cooling water

People

Human

- **18,211** employees
- **285** third-party workers

Prosperity

Financial

- **PhP 823.9 billion** in assets
- **PhP 108.9 billion** in CapEx

Social & Relationships

- Partnerships with communities and charitable organizations for CSR initiatives
- **3,256** suppliers and vendors

Our Growth Platforms

- Strengthen & Expand Our Core Distribution Business
- Build the Power Generation Portfolio
- Profitably Compete in Retail Electricity Supply
- Drive the Expansion of Subsidiaries & Affiliates
- Develop & Grow New Energy Business

Our Strategies

- Value Enhancement
- Customer Centricity
- Digital Transformation
- Sustainability

The Value We Create

- **Best-value energy solutions delivered reliably, affordably, superbly, and sustainably**
- Innovative and best-in-class services across multiple industries—from homes, communities government institutions, to infrastructures such as telecommunications to manpower outsourcing and financial services
- **53,997 GWh** of electricity distributed to **8.2 million** customers
- **27,289 GWh** of power delivered from **5,069.7 MW** net sellable capacity

Outcomes

Power

Intellectual

- Expanded understanding of the market that enables us to develop better services for our customers and drive innovation

Manufactured

- **5.85%** system loss, lower than the 6.5% regulatory cap, resulting in **PhP 6.5 billion** in customer savings
- Reduced number of power outages in our franchise area, as evidenced by **12.5%** improvement in SAIFI
- Shortened power interruptions for our customers, as indicated by **9.9%** improvement in SAIDI

- Estimated equivalent of **430,000** households and businesses powered by MGEN with low-carbon energy

Planet

Natural

- **2.4%** increase in Group-wide greenhouse gas emissions
- **0.6%** increase in DU water use
- Kept solid waste out of our land and oceans, as proven by **98%** DU annual waste diversion rate and **89,000 MT** coal ash diverted by MGEN

People

Human

- Helped unlock the full potential of our employees, as supported by **6.4% increase** in average training hours
- **21.8%** decrease in LTIFR as a result of strengthened OHS programs
- **24%** female representation in the DU, above the 14% global industry average
- **4.7%** DU gender pay gap, lower than the 19% global industry average

Prosperity

Financial

- Delivered greater value to our shareholders, as demonstrated by **16.5% increase** in dividends
- **PhP 497.3 billion** in consolidated revenues, a 6% increase from 2024
- **PhP 50.6 billion** CCNI, up by 12% from 2024

Social & Relationship

- Provided **375 families** access to clean and potable water with the energization of one community water facility
- **563 teachers and students** empowered with better learning conditions via the re-electrification of five public schools
- **8,574 residents** benefited from uninterrupted medical care through the electrification of three rural health centers
- **616 suppliers** fully compliant with our sustainability standards, as part of the Meralco Sustainability Scorecard
- **779 members** benefited from solar mobile irrigation pump, fish processing and water filtration facility, and electric tricycle charging station granted to three agriculture and livelihood associations

Defining What Matters Most

Financial performance and sustainability have always been intimately connected for One Meralco, from a long history powering economic and social development to our ambition to lead the energy transition in the Philippines and beyond. In 2024, we defined priority topics at this intersection through the Group's first double materiality assessment. Building upon this foundational work, we are now engaging more deeply with specific sustainability-related impacts, risks and opportunities ("IROs") across the Group.

In December 2025, the SEC adopted PFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and PFRS S2 Climate-related Disclosures—applying the IFRS Sustainability Disclosure Standards in the Philippines and aligning the nation with the new global baseline for sustainability-related financial disclosures. These standards will now drive the identification and management of sustainability-related risks and opportunities ("SRROs") among publicly listed companies and other large non-listed entities in phases, beginning with reporting in 2027.

IRO Identification

One Meralco has taken a proactive approach to SRROs and related disclosures, producing the Group's first climate-related disclosures in alignment with IFRS S2 in 2024. In 2025, with the help of an independent consultancy firm, we kicked off a systematic, holistic IRO identification process designed to not only set the stage for compliance with PFRS S1 but to align with global best practices as the double materiality concept evolves. Extensive desk research was conducted in this initial phase, covering IROs from local and global peers, sustainability reporting standards, national and global policy agendas and sector-specific guidance from the IEA, UNEP, World Bank and other sources. This process has produced a database of over 100 potentially material IROs covering One Meralco's 19 material topics.

In this report, the IRO identification results have informed the enhancement of the Group's Key Enterprise Risk disclosures with corresponding impacts and opportunities, highlighting that within every risk there is an inherent opportunity. Going forward, a comprehensive double materiality assessment ("DMA") will identify material SRROs for quantification and disclosure in alignment with PFRS S1.

For more information about our first DMA, including details about how it was conducted, please refer to the One Meralco 2024 Integrated Report.

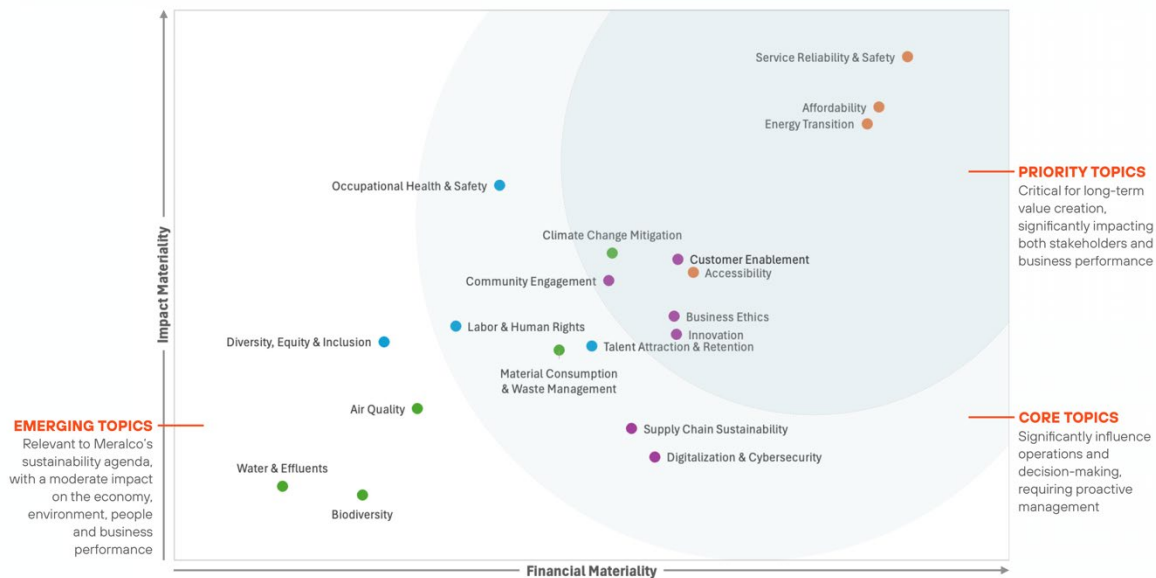
Our Material Topics

Pillar	Material Topic	Material Topic Description
Power	Affordability	Providing competitively priced energy across all customer segments
	Accessibility	Ensuring that electricity is available to all by actively expanding grid infrastructure and enabling connections for underserved communities
	Service Reliability & Safety	Consistently delivering energy through a safe and resilient distribution network while effectively responding to outages and emergencies
	Energy Transition	Meeting growing energy demand with a diverse fuel mix and new power generation technologies (e.g., renewables, nuclear)
Planet	Climate Change Mitigation	Reducing GHG emissions across Meralco's entire business, from power generation and distribution to after-the-meter energy services and beyond
	Material Consumption & Waste Management	Optimizing utilization of raw materials and implementing sound waste management systems and practices
	Air Quality	Managing and minimizing the release of harmful air pollutants from emission intensive activities
	Water & Effluents	Managing water consumption, particularly for cooling processes, and treating wastewater responsibly to prevent contaminating water sources
	Biodiversity	Mitigating the impact of Meralco's business, particularly power plants, on ecosystems and promoting the preservation of nature
People	Talent Attraction and Retention	Promoting professional development, personal growth and a meaningful working experience for employees, supported by competitive remuneration and benefits
	Occupational Health & Safety	Providing a safe and healthy working environment with effective policies, systems and initiatives, promoting a culture of safety and minimizing workplace hazards and accidents
	Labor & Human Rights	Respecting employees' labor rights, as well as the fundamental human rights of all stakeholders impacted by our business
	Diversity, Equity, & Inclusion ("DEI")	Operating with respect for differences and without discrimination based on age, gender, sexual orientation, religion or other factors, while ensuring equal opportunity and fair treatment for all employees
Prosperity	Community Enablement	Providing customers with the best possible services that meet their evolving needs

	Digitalization & Cybersecurity	Adopting digital technologies to enhance our services while safeguarding our infrastructure and systems against cyberattacks
	Innovation	Developing cutting-edge solutions across business units that can enhance our services and customer experience and create a competitive advantage in the market
	Community Engagement	Uplifting communities and empowering future generations by leveraging electricity to enable progress, including electrifying marginalized households and schools and promoting disaster resilience
	Supply Chain Sustainability	Managing our supply chain in a responsible and ethical manner that minimizes impacts on the environment and respects human rights
Governance	Business Ethics	Adopting high standards of business conduct, complying with applicable laws and maintaining zero tolerance for bribery and corruption

Our Materiality Matrix

The results of our 2024 DMA underscore the interconnectedness of the Group's impacts and financial performance. The 19 issues considered in our DMA remain material and will guide our granular assessment of IROs as we progress towards compliance with PFRS S1. *For more information about our first DMA, including details about how it was conducted, please refer to the One Meralco 2024 Integrated Report.*



Our Impacts, Risks & Opportunities

Across our various businesses, the risks to One Meralco are closely tied to inherent opportunities for value creation as well as numerous positive and negative impacts on the economy, environment, and people. In 2025, we strengthened our holistic understanding of the Group's key enterprise risks by defining corresponding sustainability-related impacts and opportunities across multiple risk categories, enhancing our ability to manage a dynamic risk universe. We plan to continue evolving this approach as we refresh our double materiality assessment and assess specific sustainability-related impacts, risks, and opportunities in alignment with PFRS S1, which is based on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

Regulatory Decision Risks

Regulatory decisions affecting Meralco's distribution rates—together with pass-through generation charges—shape price outcomes for customers. The DU's ability to manage affordability alongside these and other drivers can positively or negatively impact households and businesses, and presents risks related to trust and cost recovery, as well as opportunities to strengthen credibility with regulators, customers, and other key stakeholders.

Related Material Topic: [Affordability](#)

1. Potential unfavorable decision by the Energy Regulatory Commission ("ERC") on Meralco's First Regulatory Period ("1RP") Reset Application [Meralco]

On November 28, 2025, the ERC adopted the Rationalized Rules for Setting Distribution Wheeling Rates ("RRDWR") under the Performance-Based Regulation ("PBR") framework, streamlining rate reset processes, with Meralco included in the First Entry Group whose First Regulatory Period runs from July 1, 2026, to June 30, 2030, and whose lapsed period was extended to June 30, 2026. Meralco timely filed our 1RP application on February 2, 2026, based on the RRDWR and prior ERC consultations. Given that DUs incurred substantial unrecovered capital expenditures ("CapEx") and significantly higher operating expenses ("OpEx") during the lapsed period, higher tariffs are expected; however, there remains a risk that the ERC may set rates at unreasonably low levels due to public opposition, potentially impairing cost and investment recovery.

2. Potential adverse court decision on the resolution mechanism of the Lapsed Period using Actual Weighted Average Tariff ("AWAT") [Meralco]

ERC Resolution No. 23 (S. 2025), approved on October 16, 2025, and effective November 22, 2025, required all private DUs to file AWAT applications for their respective lapsed periods, with Meralco's covering regulatory years 2016 to 2026. Prior to this, Meralco had voluntarily filed AWATs, resulting in ERC orders on refunds of differences from the last approved rate subject to true-up. To complete the lapsed period, Meralco filed a supplemental AWAT up to December 31, 2025, on February 2, 2026, with the final AWAT for January 1 to June 30, 2026, due in March 2026. Meanwhile, cases filed by oppositors before the Court of Appeals and Supreme Court seeking to nullify the ERC-approved final average rate pose a risk that adverse rulings could alter the existing mechanism and negatively affect Meralco's pending and future AWAT applications, with potential impact on all DUs.

3. ERC’s adoption of the Trending Method for Regulatory Asset Base (“RAB”) valuation—arising from the Unbundling Case/COA audits—may result in an unfavorable RAB value and refunds to customers [Meralco]

- **Judicial history and final ruling:** ERC’s 2003 approval of Meralco’s unbundled tariffs was challenged and litigated up to the Supreme Court, which ultimately voided the use of Optimized Depreciated Replacement Cost (“ODRC”) for RAB valuation, ordered a revaluation and reassessment of allowable pass-through expenses, and rendered its ruling final and executory on January 14, 2025, prompting ERC to issue Resolution No. 19 (S. 2025) on October 29, 2025, to implement the decision.
- **RAB valuation methodology:** ERC Resolution No. 19 (S. 2025) adopted the Trending Method to value Meralco’s 2003–2007 RAB, replacing ODRC, which may result in lower RAB values applied during the unbundling period from July 2023 to June 2027.
- **COA audit implications:** COA audit findings disallowed certain operating expenses, including pension and benefits, from being considered in rate-setting.

4. Adverse ERC decision on the implementation of the full recovery of generation charge related to the Settlement Agreement with the National Power Corporation (“NPC”) [Meralco]

NPC and Meralco executed a Settlement Agreement in 2003 to resolve disputes under a 10-year power supply contract, which was later challenged by the NPC, represented by the Office of the Solicitor General, through prolonged litigation. The courts ultimately upheld the agreement, with the Supreme Court’s denial of the motion for reconsideration on April 3, 2024, making the ruling final and executory. Meralco is now preparing to revive ERC proceedings for the pass-through of the related generation charges.

Cash Flow, Funding, and Contract Compliance Risks

If Meralco is required to refund collected amounts, is unable to recover certain taxes or transmission and generation costs, or faces penalties or disputes related to unmet power supply commitments, outcomes can affect available cash and perceptions around fairness, accountability, and ethical conduct. Maintaining a strong culture of ethical conduct and compliance, alongside transparent engagement with regulators and business partners, can not only help mitigate these risks but also empower stakeholders to act ethically, reduce misconduct, and build trust in the economy and infrastructure of the Philippines—all while enhancing Meralco’s reputation as a responsible partner for sustainable development.

Related Material Topic: [Business Ethics](#)

5. Recovery of (a) Distribution Rate True-up (“DRTU”) excess refund; (b) real property taxes (“RPT”) on machineries not covered by ERC Resolution No. 2 (S. 2021), “Rules on Recovery of Pass-Through Taxes”; and (c) transmission/generation net under-recoveries [Meralco]

- **DRTU refunds:** The DRTU for the period July 1, 2015, to June 30, 2022, was fully refunded using an ERC-approved per-kWh rate, resulting in an over-refund; similar over-refunds are expected for pending and ongoing DRTU refund applications due to the same per-kWh methodology.

- **Local tax pass-through:** ERC Resolution No. 2 (S. 2021) allowed prospective recovery of RPT, LBT, and LFT as pass-through charges, excluding taxes paid prior to its effectivity from automatic recovery.
- **Under-recoveries:** While ERC rules effective in 2022 allow automatic adjustments and true-ups for generation and transmission cost variances subject to certain threshold, Meralco still has under-recoveries from November/December 2013 supply and under-recoveries prior to 2022 pending ERC resolution.

6. Customer Credit Risk [Meralco]

Increasing uncollected receivables from terminated accounts arise from ERC orders suspending disconnections and extending payment terms during pandemic and calamities, Meralco's current billing and collection policies and practices, and a challenging macroeconomic environment marked by rising inflation. The inability to collect these receivables may result in financial losses, working capital constraints, and cash flow pressures.

7. Funding, Liquidity, and Customer Credit Risk [MIESCOR, MSERV, Comstech]

Insufficient funding, inability to meet financial obligations, or customer defaults and deterioration in credit quality may lead to financial loss or liquidity strain. This risk is driven by delays in converting project milestones into billings and ultimately collecting billed receivables into cash, which may adversely impact the company's working capital position.

Market, Regulatory and Competition Risks

As more Filipinos adopt behind-the-meter solar and alternative energy solutions, Meralco may experience foregone distribution revenue and increased competitive pressure. In an evolving energy market, enabling customers to better understand and manage their energy use while ensuring inclusive access to new services can mitigate risks of customer exclusion and revenue loss while creating opportunities to strengthen customer loyalty, relevance, and long-term competitiveness. In the longer term, One Meralco's ability to make energy management and low-carbon solutions attractive can help accelerate the energy transition and mitigate greenhouse gas emissions across the Philippines.

Related Material Topics: [Energy Transition](#), [Climate Change Mitigation](#), [Customer Enablement](#), [Innovation](#)

8. Power Supply and Demand Management Risk [Meralco]

Uncertain captive demand forecasts due to new regulatory and market developments—such as the Retail Aggregation Program ("RAP"), Green Energy Option Program ("GEOP"), and the Competitive Retail Electricity Market ("CREM")—combined with the extension of the Sta. Rita Power Purchase Agreement ("PPA"), may result in stranded costs or increased generation charges.

Retail Competition and Open Access ("RCOA") allows retail customers to select their power source, subject to meeting minimum capacity requirements under RAP. The ERC's reduction of the RAP eligibility threshold from 500 kW to 100 kW, announced on November 4, 2025, and effective June 26, 2026, significantly broadens customer participation, leading to increased

inquiries and applications for Meralco. This expansion heightens uncertainty in Meralco's captive demand forecasts, potentially resulting in reduced or restructured supply contracts, stranded costs, and higher generation charges as contracted supply is spread over a smaller captive base. Meanwhile, the replacement of the Sta. Rita PPA implemented in August 2025, and its possible extension in 2026, may further increase generation charges due to additional fixed fees.

9. Power Supply and Demand Management Risk [MPower, Vantage Energy, MGEN RES]

Mismatch between supply and demand requirements may lead to stranded costs, increased WESM exposure, and/or lost revenue opportunities.

10. Competition and Industry/Market Change Risk [MSpectrum, MSERV, Movem, Finserve]

Aggressive pricing strategies among industry players may lead to increased competition. Evolving customer needs, expectations, and industry dynamics may adversely affect profitability or market position.

IT Systems and Cybersecurity Risks

As Meralco's operations become increasingly digitalized, failures in information technology ("IT") systems or persistent cyber threats can disrupt critical services, expose sensitive information, and undermine trust among customers, employees, regulators, and partners. At the same time, investing in resilient, secure, and well-governed digital systems creates opportunities to improve the grid, protect stakeholders' data, enable innovation, and deliver new digital services that enhance customer value and long-term competitiveness. For customers and the general public, stronger IT systems and cybersecurity measures help prevent service interruptions that can negatively impact economic activity and threaten safety.

Related Material Topics: [Digitalization & Cybersecurity](#), [Customer Enablement](#)

11. IT Systems and Cybersecurity Risk [Meralco]

IT systems and assets with functional or reliability gaps—across major platforms—may fail to meet evolving operational demands, increasing the risk of service disruptions, data or control issues, cybersecurity exposures, and higher maintenance requirements.

12. IT Systems and Cybersecurity Risk [Bayad, Radius]

System failures, obsolescence, data integrity issues, or cyber threats could disrupt operations, compromise data, or impact service delivery.

Business Interruption, Project Construction, and Execution Risks

Safe and reliable electricity underpins Meralco's most significant positive impacts, enabling the delivery of essential services and economic activity across our franchise area. Natural calamities or delays in completing capital projects can disrupt service continuity, negatively impacting customers as well as the safety of employees, contractors, and the general public. Timely delivery of capital projects and investment in grid resilience and modernization, however, mitigates financial and reputational risks while creating opportunities to reduce costs associated with downtime and repairs and protect revenue and service continuity.

Related Material Topics: [Service Reliability & Safety](#), [Occupational Health & Safety](#)

13. Business Interruption Risk [Meralco]

Critical business operations face significant disruption risks from severe natural disasters and manmade hazards that can cause property damage and harm to personnel. The Philippines' exposure to frequent tropical cyclones—20 to 25 annually, with over half affecting the Meralco franchise—was evident in 2025 when seven storms caused infrastructure damage and unserved energy. In addition, the country's high seismic risk, particularly from active faults capable of generating a magnitude 7.2 ("the Big One"), poses a severe threat that could affect Meralco's customers and result in extensive damage to distribution facilities, as underscored by major earthquakes in Davao Oriental and Cebu in late 2025.

14. Project Delay Risk [MGEN]

Failure to achieve MTerra Solar Project Phase 1 commercial operations may lead to net revenue loss.

15. Contracts Compliance Risk [MGEN]

Possible penalties, with associated reputational damage, could arise from non-compliance and failure to deliver the 280 MW capacity offered by the Sta. Rosa Nueva Ecija 2 Solar Power Project ("SPP") under the Green Energy Auction Phase 1's Renewable Energy Payment Agreement ("GEA-1 REPA").

16. Execution, Business Process and Efficiency, and Outsourcing Risk [MIESCOR, MSERV, Bayad, Movem]

Business initiatives, projects, or operations may fail due to process and control weaknesses, resource constraints, execution gaps, or reliance on third-party service providers. Project delays and cost overruns may arise from manpower limitations, approval bottlenecks, material price volatility, and permitting, right of way, and LGU-related constraints.

Stranded Asset Risk

Thermal baseload generation at the Atimonan One Energy, Inc. (“A1E”) power plant can contribute to service reliability, national energy security, and an estimated annual economic benefit to local communities exceeding PhP 1 billion, while creating opportunities to provide more affordable power and strengthen Meralco’s relationships and reputation among cost-conscious stakeholders. Continued reliance on coal-fired power, however, presents challenges for national emissions reduction goals and may create reputational pressures for Meralco with respect to energy transition. In this context, project feasibility is dependent on many factors, and pre-development investments in A1E face stranded asset risk if regulatory, permitting, financing, technical, or contracting outcomes constrain development.

Related Material Topics: Energy Transition, Service Reliability & Safety, Affordability, Climate Change Mitigation, Air Quality, Community Engagement

17. Stranded Asset Risk [MGEN]

Recovery of pre-development investments for A1E may be challenging should the asset become stranded prior to its decommissioning date.

Our Outlook & Strategy

The urgency of the global energy transition continues to intensify as climate risks grow more pronounced. Yet for emerging economies such as the Philippines, the pathway to a low-carbon future must move in step with the equally critical imperatives of energy security, affordability, and sustained economic progress. Stable baseload capacity—supported by thermal generation—remains essential to power industries, enable digital infrastructure growth, and safeguard grid stability, particularly as variable renewable energy (“RE”) expands. A diversified energy mix therefore remains central to ensuring that the country’s transition strengthens, rather than compromises, economic development.

In this context, we anchored our Long-Term Sustainability Strategy (“LTSS”) in a just, orderly, and affordable transition—one that advances clean energy while preserving reliability and affordability for millions of Filipinos. Our approach recognizes that environmental ambition must be balanced with the realities of rising demand and the need for dependable power supply as local industries expand. By integrating renewables alongside conventional and transition fuels, we support the country’s climate goals while reinforcing the foundations of national development.

Our LTSS forms a core pillar of One Meralco’s broader sustainability agenda, “Powering the Good Life”, which aligns with the United Nations’ Sustainable Development Goals (“SDGs”). While **SDG 7: Affordable and Clean Energy** remains central to our mandate, our diversified portfolio and businesses enable us to contribute to a wider set of development priorities—from economic growth and infrastructure to climate action and community well-being.

Our Holistic Approach to Sustainability

One Meralco’s sustainability agenda is anchored on four pillars (“4Ps”): Power, Planet, People, and Prosperity. We actively design and implement strategic programs across each of the 4Ps:

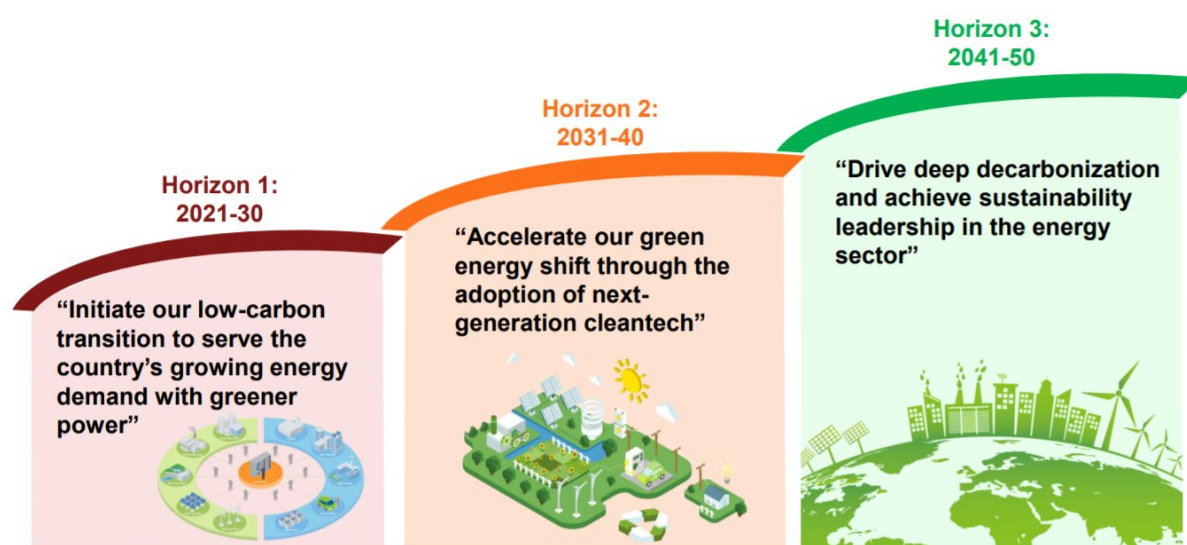
Pillar	Aspiration	Sample Initiative
Power	Energizing the Nation’s Future	MTerra Solar , the world’s largest integrated solar and battery energy storage system (“BESS”) facility upon completion
Planet	Growing Within Earth’s Boundaries	Greening the Network , focusing on reducing emissions and waste from distribution assets
People	Empowering Leaders in Energy	#Mbrace Program , promoting diversity, equity, and inclusion across our organization
Prosperity	Paving Pathways for Progress	Advanced Metering Infrastructure (“AMI”) , enabling a smarter energy system through deployment of smart meters

We have also defined corporate-level ESG metrics with baselines and targets that are reviewed and monitored regularly by Meralco’s senior management:

Pillar	Sample Key Performance Indicator
Power	Number of households energized in Meralco’s franchise area
Planet	Amount of Scope 1 emissions
People	% female representation in the Distribution Utility’s (“DU”) workforce
Prosperity	Number of off-grid schools electrified by OMF

One Meralco operates at the intersection of an urgent climate reality and rising national energy demand. In the Philippines—ranked among the most vulnerable to climate change—intensifying climate impacts coincide with economic expansion, industrial growth, and accelerating digital transformation, all of which require stable, affordable, and reliable power. With nearly half of the country’s greenhouse gas (“GHG”) emissions originating from the energy sector, we recognize a dual responsibility: supporting decarbonization while contributing to energy security. A sudden shift away from conventional fuels is neither practical nor equitable; dependable baseload capacity from thermal generation remains essential to sustaining economic progress and maintaining grid stability.

Guided by this reality, our LTSS provides a structured, three-horizon roadmap for a just, orderly, and affordable transition. The strategy integrates RE expansion with a diversified generation mix to safeguard reliability while abating GHG emissions over time compared to business-as-usual (“BAU”) scenarios.



For more information about our progress in and plans for our Group-wide energy transition, please refer to the Energy Transition section under Power on pages 61-67.

Horizon 1 (2021–30)

One Meralco has initiated a low-carbon transition to serve the country’s growing energy demand with greener power.

Horizon 1 establishes the foundation for a low-carbon future while safeguarding energy security and affordability. Through 2030, we have committed to secure 1,500 MW of RE supply and to develop at least 1,500 MW of attributable RE generation capacity. As of end-2025, we have already contracted a total of 2,404.3 MW of RE supply, exceeding our contracting target ahead of schedule through the coordinated efforts across the Group. On the generation side, MGEN’s expanding RE pipeline—including MTerra Solar, whose first phase was 71% complete by end-2025—currently stands at more than 1,800 MW of attributable capacity.

As renewable capacity expands, we continue to strengthen baseload supply through advanced coal technologies and transition fuels such as liquefied natural gas (“LNG”) to ensure stable and competitively priced power while minimizing our carbon footprint. These combined efforts position us to achieve a 9% reduction in Scope 1 emissions and a 14% reduction in total emissions by the end of the decade (versus BAU scenarios).

MGEN’S OPERATIONAL SOLAR FACILITIES

LOCATION OF SOLAR FACILITY	CAPACITY (in MW)	
	GROSS	ATTRIBUTABLE
San Miguel, Bulacan	55.0	33.0
Baras, Rizal	80.1	48.1
Currimao, Ilocos Norte	68.7	34.4
Concepcion, Tarlac	82.5	47.3
Calatagan, Batangas	49.7	17.7
Bongabon, Nueva Ecija	19.8	19.8
Cordon, Isabela	52.7	51.6
Total	408.5	251.8

We have disbursed Php 103.9 billion for MGEN’s RE buildout, representing a significant portion of the total Php 175.4 billion we have earmarked for sustainable capital investments through 2030. With our initial energy transition initiatives under Horizon 1, we are on track to reduce our Group-wide Scope 1 emissions by 9% and our total emissions by 14% against our 2030 BAU baseline.

Horizon 2 (2031–40)

We will accelerate the Group’s transition to cleaner energy through the progressive adoption of next-generation technologies.

Through 2030, our priority is to progressively reduce reliance on fossil fuels for mid-merit supply while strengthening RE integration across the system. In the succeeding decade, we will begin transitioning portions of baseload capacity towards low-carbon alternatives to preserve long-term reliability while advancing decarbonization. Horizon 2 represents a phase of acceleration—moving beyond incremental change and advancing technologies that will shape a more resilient and flexible power system. Key areas of focus include:

- **BESS**, which enable RE to serve mid-merit and baseload demand, provide ancillary services, and capture value during peak periods. In 2025, MGEN accelerated deployment through two BESS projects expected to go online in 2026, reinforcing grid stability and renewable integration while complying with national directives.
- **Nuclear energy, particularly small modular reactors (“SMRs”)**, which offer a reliable zero-carbon backbone with capacity factors of approximately 90%. These systems require significantly less land than large-scale solar or wind projects and are well-suited to island grids with limited interconnection. Through the Nuclear Energy Strategic Transition (“NEST”) program, we are supporting the government’s nuclear energy roadmap while building long-term capability.
- **Emerging low-carbon solutions**, including hydrogen and circular technologies such as biomass, which hold potential to enhance system flexibility and reduce lifecycle emissions as these technologies mature and become commercially viable.

Through disciplined early engagement and strategic investment in these technologies—alongside initiatives such as the MTerra Solar Project, expected to be among the world’s largest integrated solar and BESS facilities—we position One Meralco to remain at the forefront of the Philippine energy transition while sustaining reliable, affordable, and progressively low-carbon power for the long term.

Horizon 3 (2041–50)

One Meralco is committed to driving deep decarbonization and advancing sustainability leadership in the energy sector, with the ambition of becoming coal-zero by 2050.

Our pathway recognizes the scale and complexity of the energy transition in the Philippines, balancing climate ambition with the need to preserve affordability, reliability, and energy security. Horizon 3 represents our long-term moonshot—our decisive step towards deep decarbonization by mid-century. This phase is not only about reducing emissions but about transforming the systems that produce them and reshaping the energy landscape for future generations. Key levers under Horizon 3 include:

- **Decarbonizing existing assets** — Gradually sunseting coal production and procurement while evaluating and deploying carbon capture, utilization, and storage (“CCUS”) for hard-to-abate and transitional facilities. These measures aim to reduce residual emissions from legacy assets while maintaining baseload reliability and system stability throughout the transition.
- **Developing dispatchable low-carbon capacity** — As RE penetration increases, firm and flexible generation becomes essential. We will explore and invest in advanced SMRs, long-duration BESS, and combined-cycle gas turbines capable of co-firing with green hydrogen to provide dependable capacity with lower emissions intensity.
- **Expanding carbon sinks and nature-based solutions** — Strengthening reforestation, mangrove restoration, and other ecosystem-based initiatives to enhance carbon sequestration while delivering biodiversity and community resilience benefits.

Through this multi-lever approach, we are positioning ourselves to deliver a credible, orderly, and inclusive transition towards a low-carbon energy system—supporting national climate goals while creating long-term value for customers, investors, and society.

Responding to Present and Emerging Challenges

As we advance our commitment to supporting the Philippines' energy transition, we recognize structural and system-wide challenges—several of which are cited in the International Energy Agency's ("IEA") 2025 World Energy Outlook—that may affect the pace, cost, and complexity of the transition and therefore require careful management.

- **Economic and market challenges:** Coal and LNG continue to anchor affordable and reliable baseload supply in the Philippines amid rising demand and heightened exposure to extreme weather. While RE technologies are becoming more cost-competitive, their variability and lower capacity factors require complementary investments in flexibility solutions—such as BESS, firm capacity, and ancillary services—to ensure stable, 24/7 power delivery.
- **Regulatory and policy constraints:** The government's least-cost, technology-neutral framework mandates competitive selection processes ("CSP"), promoting transparency and price regulation. However, this structure may limit the timely adoption of emerging technologies that involve higher upfront costs but offer long-term decarbonization and system benefits.
- **Technical and infrastructure limitations:** Solar and other renewable technologies require more land than conventional thermal plants, creating siting and permitting challenges. Increasing RE penetration also places greater strain on transmission and distribution systems. Grid expansion, modernization, and digitalization—identified by the IEA as global bottlenecks—are critical to ensuring system readiness and maintaining reliability.
- **Energy security and transition pacing:** The IEA underscores that energy transitions must be carefully sequenced to safeguard energy security and affordability. For the Philippines, this means balancing decarbonization goals with the continued need for reliable baseload capacity, resilience to fuel price volatility, and consumer protection from undue cost increases.

With these challenges, we remain committed to pursuing the objectives set out in our multi-horizon LTSS. While the Philippines accounts for approximately 0.5% of global emissions, One Meralco is linked to around 15% of national emissions—placing the Group in a unique position to meaningfully influence the trajectory of the local power sector. By managing transition risks pragmatically and investing in system-ready solutions, we aim to lead a balanced, secure, and inclusive energy transition for the country.

Delivering Meaningful Social Value Through Energy

We anchor the energy transition on a broader commitment to advancing the well-being of communities beyond the franchise area, recognizing electricity as a catalyst for inclusive and sustainable development. These initiatives are implemented primarily through the One Meralco Foundation ("OMF"), guided by clear interim targets through 2030 to drive measurable impact and sustainable scale.

- **Education access and learning continuity** — We electrify off-grid public schools to enable safer learning environments, support digital education, and improve educational outcomes in underserved communities.
- **Access to quality healthcare** — We provide reliable electricity to healthcare facilities, including rural health units and barangay health stations, helping ensure the delivery of essential medical services, vaccine storage, and emergency care.
- **Livelihood productivity and rural development** — We energize agricultural facilities and equipment to improve productivity, reduce post-harvest losses, and support income generation for farmers and rural enterprises.
- **Clean water access for vulnerable communities** — We support the provision of electricity to water systems serving low-income households, enabling access to safe, potable water and improving public health and sanitation outcomes.
- **Disaster resilience and recovery** — We strengthen community resilience by training electric cooperatives and local stakeholders on disaster preparedness, response, and recovery, supporting faster restoration of power and essential services during extreme events.

Realizing Our Near-Term Sustainability Aspirations: 30 by '30

One Meralco has defined 30 priority sustainability initiatives under the LTSS to steer implementation through 2030. These 30 by '30 commitments mark important early milestones on the pathway to 2050 and are organized into three clusters, each aligned with the 4Ps of our sustainability agenda:

1. **LTSS core levers** — These initiatives represent our primary transition actions under Power, centered on RE contracting and development, alongside community-focused programs under Prosperity implemented by OMF across our priority social impact areas.
2. **Sustainability programs** — These flagship programs under Planet and People are led by Meralco's internal units, with coordination from the Sustainability Office, and include programs such as green mobility for vehicle electrification and #Mbrace to advance diversity, equity, and inclusion.
3. **Sustainability-linked BAU initiatives** — These consist of essential, BAU activities led by our operating units that integrate sustainability into daily operations, including efforts such as system loss reduction and continuous improvement in workforce safety.

Every initiative is anchored on a defined long-term target and assigned to a responsible business unit to ensure clear accountability and effective execution. Performance is reviewed regularly by senior management and formally reported each year to the Sustainability Committee and the Board of Directors.

Power: Energizing the Nation’s Future

Energy is central to economic progress and everyday life.

Meralco’s mandate to serve the nation has been reaffirmed following the 25-year renewal of our franchise—strengthening our responsibility as the backbone of the country’s power sector. Building on our legacy of powering economic and social progress for over a century, and with our license extended to 2053, we are even more resolute in contributing to the country’s energy security and transition goals, in alignment with **SDG 7: Affordable and Clean Energy**.

In 2025, Meralco delivered competitively priced electricity²⁰ to nearly 7.6 million residential customers and more than 600,000 businesses across our franchise area, including key central business districts and industrial hubs. Beyond our core network, we also advanced microgrid initiatives to enhance electricity access in geographically isolated communities.

We also continued to invest in grid resiliency and modernization initiatives to strengthen Meralco’s network against the growing impacts of climate change and rising demand while enhancing overall system reliability and efficiency. This enabled us to not only achieve our all-time best performance for System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) but also surpass the 1–100 gold standard for these reliability indicators.

Finally, we actively diversified MGEN’s generation portfolio to meet the rising demand for affordable and clean power through the continued development of MTerra Solar, the world’s largest integrated solar and battery energy storage system (“BESS”) facility, alongside other solar farms across Luzon. This renewable energy (“RE”) portfolio expansion is complemented by MGEN’s strategic investments in coal and liquefied natural gas (“LNG”) to ensure the continued delivery of reliable and cost-competitive power across the country.

Looking ahead, One Meralco will continue harnessing the power of energy to create shared value and support the country’s pursuit of inclusive and sustainable national development.

2025 PERFORMANCE HIGHLIGHTS		
8.2M customers served	99.97% of franchise area electrified	76,613 households energized under the Meralco Electrification Program (“MEP”)
KEY INPUTS (INTELLECTUAL & MANUFACTURED CAPITALS)		
122 years of industry leadership	22,107 km of power lines owned by the DU	5,069.7 MW net sellable capacity by MGEN

²⁰ We define “competitively priced electricity” as electricity whose price was determined in accordance with the Department of Energy’s (“DOE”) policies and the Energy Regulatory Commission’s (“ERC”) rules.

KEY OUTCOMES (INTELLECTUAL & MANUFACTURED CAPITALS)

9.9%	12.5%	95.2%
improvement in the DU’s SAIDI	improvement in the DU’s SAIFI	overall availability rate of MGEN’s power plants

Stories of Light: Powering the Future with Meralco's Extended Franchise

Meralco's social license to operate is anchored in our legislative franchise—a public mandate granted by the Philippine government and sustained by public trust. We thus carry a responsibility to deliver reliable service to the people we serve while upholding the highest standards of excellence, in support of national development goals.

In April 2025, President Ferdinand R. Marcos Jr. approved the 25-year extension of Meralco's franchise through Republic Act No. 12146, extending the DU's authority to operate until 2053, well beyond the original 2028 expiration. This renewal reaffirms our mandate to construct, operate, and maintain electricity distribution systems across Meralco's existing franchise area, ensuring continuity of service for millions of customers across Metro Manila and neighboring provinces.

During the signing of the law, President Marcos emphasized that the DU's franchise renewal advances the government's broader objective of achieving energy security and ensuring the continuous delivery of essential services to Filipino households and businesses, particularly as electricity demand continues to grow.

Backed by consumer and industry groups, the early renewal was a strong vote of confidence by the Philippine government in Meralco's role in nation-building and economic development. The measure received broad support from both the Senate and the House of Representatives, reflecting legislative confidence in our ability to deliver with excellence.

Meralco's renewed franchise also strengthens our role in advancing the Philippines' energy transition. We continue to increase the share of RE in the power we deliver to our customers, in support of the DOE's RPS and the country's energy transition goals. By scaling investments in renewable and flexible energy solutions that complement our distribution mandate, we continue to contribute to energy security while ensuring that the electricity we supply to homes and enterprises remains sustainable.

With renewed trust from the government and our stakeholders, Meralco and the rest of the Group are well positioned to continue powering communities and industries today while enabling a more resilient, sustainable, and modern energy system for future generations.

"The fresh franchise enables us to implement long-term energy infrastructure projects that will further improve the delivery of electricity to homes, businesses, and industries that fuel the country's development."

Manny V. Pangilinan

Chairman & CEO

Affordability: Making Energy Economically Viable for Everyone

SASB IF-EU-240

Affordability is fundamental to maximizing the social and economic benefits of electricity, especially in emerging economies such as the Philippines. Under Republic Act No. 9209, Meralco has a legal responsibility to “supply electricity to its captive market in the least-cost manner”. By keeping electricity prices manageable, we help improve quality of life, drive business activity, and enable economic development across the communities we serve.

In line with this mandate, we strive to deliver fairly priced electricity to millions of Filipinos across our franchise area in full compliance with the regulatory standards of the Energy Regulatory Commission (“ERC”). Recognizing that generation costs are a key driver of electricity prices, we at One Meralco continue to expand and diversify our own generation portfolio through MGEN, enabling us to help lower electricity costs in the country.

A. Keeping Prices Affordable Across the Board

AVERAGE RETAIL ELECTRICITY RATE (in PhP/kWh)						
	Meralco			Clark Electric		
	2023	2024	2025	2023	2024	2025
Residential	11.86	12.14	13.42	6.60	6.70	6.71
Commercial	10.36	10.14	11.48	6.56	6.65	6.64
Industrial	9.10	8.86	10.04	6.40	6.50	6.48
Overall	10.55	10.54	11.81	6.50	6.59	6.58

Meralco’s average retail rate increased by 12% to PhP 11.81 per kWh in 2025, from PhP 10.54 per kWh in 2024. This increase was primarily driven by a 15% rise in the generation charge—which accounts for 64% of the total rate—mainly due to higher fuel costs from plants utilizing LNG and Malampaya natural gas. In addition, the Transmission charge, representing 9% of the retail rate, increased by 31% as a result of higher ancillary service charges following additional reserve capacity procured by the NGCP from the Reserve Market.

Meanwhile, Clark Electric’s overall average retail rate grew from 2024 to 2025, reflecting relatively higher energy sales to key primary-metered customers in the hotel and casino, aviation, mixed-use development, and telecommunications sectors.

SYSTEM LOSS METRICS						
	Meralco			Clark Electric		
	2023	2024	2025	2023	2024	2025
Amount of energy lost through the distribution system (in MWh)	3,095,968	3,373,343	3,266,341	13,388	16,692	13,688
Energy lost in the distribution system vs. net system input (in %)	5.88	5.99	5.85	1.92	2.28	1.64
Customer savings due to lower system loss vs. ERC's system loss cap (in PhP million)	4,876.21	5,060.41	6,469.52	164.50	146.15	159.30

We continued to take proactive measures to reduce both technical system loss (arising from inherent limitations in the physical delivery of electricity) and non-technical system loss (which result from external factors such as pilferage, inaccurate registration due to damaged meters, and natural wear and tear of facilities). These losses, which are recoverable from customers only up to a statutory cap, are carefully managed through continuous system enhancement efforts and sustained collaboration with law enforcement agencies, including the Philippine National Police, to deter and enforce rules against illegal service connections. We also periodically conduct studies to ensure an optimal balance between the benefits of a lower system loss and the capital expenditures (“CapEx”) required for improvement initiatives.

In 2025, Meralco and Clark Electric posted system loss levels of 5.85% and 1.64%, respectively, improving from 5.99% and 2.28% in 2024. Both utilities recorded a system loss rate that remained below the indicative 6.5% regulatory cap—with Meralco outperforming the threshold for the 18th consecutive year—demonstrating strong operational efficiency that reduces energy wastage as a result of effective network optimization. In particular, the improvement in Meralco's system loss translated into approximately PhP 6.5 billion in customer savings during the reporting period.

B. Diversifying Our Generation Portfolio to Drive Lower Electricity Prices

According to the latest data from the International Energy Agency, the Philippines' power generation mix remains largely reliant on conventional, thermal sources. Coal accounted for nearly 63% of the country's total power generation, followed by LNG at almost 15%. Renewable sources—including geothermal, hydropower, solar, wind, and biofuels—collectively represented only about 22%. This mix highlights both the country's current dependence on reliable, dispatchable power sources like coal and LNG—which remain among the most cost-competitive options available to meet baseload demand—and the significant opportunity to expand RE over time to contribute to local and global energy transition goals.

It is within this context that One Meralco is adopting a pragmatic approach to energy transition. By maintaining a diversified power supply portfolio that balances conventional and RE sources through MGEN, we are able to supply electricity within our market at competitive prices while progressively increasing the share of cleaner energy in our portfolio as RE technologies, infrastructure, and market conditions allow. This balanced approach supports affordability and reliability today, while enabling a responsible transition towards a low-carbon energy mix over the long term.

In 2025, MGEN secured the exemption from the DOE's 2020 coal moratorium for both the 73-MW expansion of the Toledo coal facility in Cebu as well as the development of Atimonan One Energy, Inc.'s ("A1E") 1,200 MW ultra-supercritical coal-fired power plant in the Province of Quezon. These two thermal facilities are intended to provide dependable and cost-effective baseload power for Luzon and Visayas.

The A1E project will utilize high-efficiency, low-emission ("HELE") technology and is expected to supply roughly 7% of Luzon's total energy demand once completed. The 1,200-MW facility will generate enough electricity to serve around 5 million households or the equivalent of about 1,000 hospitals, while potentially lowering electricity costs by an estimated PhP 12 billion annually. Beyond strengthening the power supply, the project is also projected to contribute more than PhP 1 billion to the local economy every year, create up to 6,000 jobs during construction and 300 permanent positions once operational, and support environmental initiatives, including the provision of up to 5 million tree seedlings by 2035.

Through MGEN Thermal, MGEN plans to increase its baseload capacity by 99% to 2,555.7 MW over the next five years, supporting the broader goal of doubling net sellable capacity from approximately 5,070 MW as of December 2025 to about 10,063 MW by 2030. Together with continued investments in solar and LNG, these initiatives reflect MGEN's diversified and practical approach to meeting growing domestic energy demand, helping lower electricity costs, and contributing to a more secure energy future for the Philippines.

Accessibility: Connecting More People to Grid

SASB IF-EU-000.B | SASB IF-EU-000.A

Access to reliable energy remains a fundamental measure of progress under **SDG 7: Affordable and Clean Energy**. In the Philippines, electricity access has reached approximately 98%, according to the latest World Bank data—bringing the country closer to full electrification. In support of the national target of achieving 100% electrification by 2028, Meralco continues to extend dependable power service to the remaining unserved and underserved communities within our franchise area, which represents more than a quarter of the Philippine population.

Beyond expanding household energy access, One Meralco plays a pivotal role in driving national development by powering key economic and industrial corridors. Through Clark Electric, we serve the Clark Special Economic Zone; via Meralco Ecozone Power, we support the Cavite Economic Zone; and through Shin Clark, we energize New Clark City. Together, these strategic growth centers generate an estimated 50% of the country's gross domestic product and roughly 60% of total manufacturing output—underscoring the critical role of reliable electricity in sustaining national growth.

A. Expanding Customer Connections

One Meralco remained at the center of the country's economic growth in 2025, ensuring that the lights were on for more Filipino homes and enterprises than ever before. During the reporting period, we delivered approximately 53,997 GWh of electricity to over 8.2 million customer connections, compared to 54,325 GWh supplied to more than 8 million connections in 2024. This decrease was driven by 2025 being a non-leap year, cooler temperatures during the La Niña season, POGO-related vacancies, and higher frequency of work and class suspensions due to typhoons and flooding. Nonetheless, continued electrification efforts and the addition of 178,000 new customer connections helped temper the decline.

NUMBER OF CUSTOMER CONNECTIONS PER TYPE						
	Meralco			Clark Electric		
	2023	2024	2025	2023	2024	2025
Residential	7,229,899	7,430,561	7,597,252	1,245	1,219	1,197
Commercial	579,721	593,897	605,164	1,320	1,313	1,301
Industrial	10,753	10,806	10,838	151	152	157
Flat Streetlights	4,925	4,920	4,917	92	93	97
Total	7,825,298	8,040,184	8,218,171	2,808	2,777	2,752

ENERGY SALES PER CUSTOMER TYPE (in GWh)						
	Meralco			Clark Electric		
	2023	2024	2025	2023	2024	2025
Residential	17,772	19,446	19,051	8	9	8
Commercial	18,612	19,980	19,887	393	422	433
Industrial	13,831	14,036	14,175	282	282	291
Flat Streetlights	143	145	144	2	2	2
Total	50,359	53,606	53,257	685	715	734

In 2025, overall energy sales were broadly flat at -0.6% compared with the El Niño-boasted year in 2024. At the segment level, Residential sales declined by 2% as erratic weather patterns disrupted consumption trends; a brief lift in the first quarter was outweighed by increased typhoon activity later in the year, although sustained energizations, billing efficiencies, and proactive measures to minimize service disconnections provided some support.

Commercial sales remained flat, as persistent real estate vacancies and slower foreign tourist arrivals—particularly affecting hotel occupancy—offset gains from expanding franchise establishments. Meanwhile, industrial volumes demonstrated resilience, supported by sustained demand from the semiconductor and construction-related sectors, which helped counterbalance softness in the Food & Beverage segment and lower output from embedded generators.

B. Energizing Critical Public Infrastructure

In 2025, Meralco continued delivering reliable and future-ready energy solutions to address longstanding power infrastructure and capacity challenges at the Ninoy Aquino International Airport (“NAIA”), now operated by the New NAIA Infrastructure Corporation. The work supports NAIA’s modernization and continuity requirements by strengthening system resilience, improving safety, and enabling scalable capacity for growing operational demands.

Key initiatives included the construction of a new 115 kV–34.5 kV gas-insulated switchgear (“GIS”) substation, the implementation of an underground power distribution masterplan, and the installation of a 4,900-KVA uninterruptible power supply system across critical airport facilities to safeguard essential services from power disturbances.

C. Electrifying Communities in Need

Aligned with the DOE’s goal of achieving 100% electrification nationwide by 2028, the Meralco Electrification Program (“MEP”) continues to integrate the Group’s initiatives towards universal access to electricity. A key component of this program is One Meralco Foundation’s (“OMF”) Household Electrification Program (“HEP”), through which affordable electricity is delivered to remote and off-grid communities within Meralco’s franchise area. We work closely with local government units (“LGUs”) and homeowners’ associations to address common electrification barriers, including right-of-way and occupancy issues, that often affect communities experiencing energy poverty.

In 2025, the MEP energized a total of 76,613 households, while OMF’s HEP enabled the connection of 6,503 low-income households that had previously lacked access to electricity. To address energy access challenges in geographically isolated and off-grid communities, Meralco continued expanding microgrid deployment in 2025. The Cagbalete Microgrid represents a major step forward in providing sustainable and reliable power to remote island communities. Once fully built within the next three years, the project is expected to become the largest microgrid system in the Philippines, combining a 2.8-MWp solar PV system, a 6.69-MWh BESS, and 1-MW diesel backup units to deliver round-the-clock electricity.

In 2025, Meralco, together with our subsidiary MSpectrum, achieved key milestones that enabled system testing, commissioning, and full energization, culminating in the ceremonial lighting of the microgrid by the end of the year. The project is expected to deliver 24/7 electricity to more than 1,000 customers and essential facilities on the Cagbalete Island, while potentially offsetting up to 42,000

tonnes of carbon dioxide emissions—equivalent to removing approximately 9,000 cars from the road for one year.

We are also strengthening energy access for underserved communities within and beyond Meralco's franchise area through large-scale grid infrastructure development across the country. Through the engineering, procurement, and construction ("EPC") portfolio of MIESCOR, we are building critical transmission lines, substations, and grid reinforcement structures that will enable efficient delivery of power to more households and businesses. Some of these EPC projects that MIESCOR started in 2025 include the Masinloc transmission line and generator transformer relay, the Giga Ace 8 solar project, and the San Jose–San Mateo–Commonwealth 115-kV line in Luzon; grid protection relay replacement in Visayas; and substation upgrading in Mindanao. Looking ahead, MIESCOR's EPC pipeline through 2030 will increasingly prioritize RE projects across different parts of the Philippines.

Service Reliability & Safety: Fortifying the Energy System

SASB IF-EU-550

A dependable electricity supply is a cornerstone of economic and social development, enabling businesses to operate, hospitals and schools to function effectively, and households to live safely and productively. As such, Meralco continues to deliver stable, high-quality service to our customers by building and maintaining a resilient grid, optimizing load capabilities, adopting digital solutions, and ensuring the system's robustness, all while responding safely, promptly, and efficiently to any network-related incident.

A. Maintaining a Reliable Distribution Network

Meralco continued to strengthen system reliability in 2025 through sustained investments from the prior year to strengthen our distribution network, with total CapEx amounting to approximately PhP 28.5 billion. A significant portion of these investments was allocated to major miscellaneous allocation ("MA") electric capital projects, each with a cost of at least PhP 30 million, which aimed to enhance network reliability and service quality through the replacement of aging and obsolete assets.

In 2025, key major MA projects included the replacement of power transformer banks at selected substations, the upgrading of 34.5-kV gas-insulated and metal-clad switchgear at multiple facilities, and the construction of new control houses and switchgear rooms to better protect critical substation equipment, and the uprating of 69-kV lines. These upgrades were strategically implemented across high-load and high-risk areas within Meralco's service area to support growing demand and improve operational resilience.

Over the long term, these critical capital investments are expected to lower maintenance costs, reduce personnel exposure to high-risk activities, and significantly mitigate the risk of prolonged and widespread power outages in areas served by the upgraded substations.

DISTRIBUTION RELIABILITY METRICS						
	Meralco			Clark Electric		
	2023	2024	2025	2023	2024	2025
SAIFI (in no. of times)	1.19	1.04	0.91	1.57	1.22	1.86
SAIDI (in minutes)	123.71	108.21	97.50	590.73	65.84	88.22
CAIDI ³ (in minutes)	103.61	103.98	107.06	44.46	49.76	0.04

To monitor and manage service quality and assess the effectiveness of our investments in reliability, we continue to use internationally recognized performance indicators. In 2025, Meralco recorded improvements in both SAIFI and SAIDI. The average number of service interruptions per customer, as measured by SAIFI, decreased to 0.91 times in 2025 from 1.04 times in 2024, representing an improvement of 12.5%. Likewise, the average duration of service interruptions, based on SAIDI, decreased by 9.9% to 97.50 minutes from 108.21 minutes in the prior year. Overall, Meralco's reliability performance exceeded the gold standard for SAIFI-SAIDI of 1–100, demonstrating that our service not only meets but outperforms international benchmarks.

These improvements were driven by continued enhancements to the distribution network, including the commissioning of new substations and the implementation of grid resiliency measures. Key

initiatives included the replacement of hazardous and aging wooden poles, reconductoring of overhead bare lines to covered conductors, and upgrades to lightning protection systems. Meralco's 2025 performance in both metrics reflected sustained progress in service reliability and operational efficiency.

Meanwhile, Clark Electric recorded lower reliability performance in 2025, with SAIFI and SAIDI increasing by 52% and 34%, respectively, from 2024 levels. Nonetheless, these were supported by proactive maintenance programs, timely replacement of aging equipment, enhanced vegetation management, and the continued deployment of covered conductors to reduce outages caused by trees and adverse weather conditions.

The distribution utilities' performance in both reliability indicators remained within the reward levels prescribed by the ERC under the Third Regulatory Period Performance Band. This continues a track record established since the implementation of the Performance Incentive Scheme in 2012, owing to continuous improvements in system reliability driven by preventive maintenance and network modernization.

Throughout 2025, both Meralco and Clark Electric carried out regular onsite inspections and testing of distribution facilities, proactively upgrading equipment to meet industry and national standards. These efforts helped maintain infrastructure stability and reduced the incidence of unplanned power interruptions. The two utilities also conducted routine tree-pruning and line-clearing activities with public safety as a priority and performed thermographic scanning of power lines and equipment following typhoons and other natural disturbances to identify potential faults and safeguard customers, employees, and the general public.

ENABLING A SMARTER GRID THROUGH TELECOMMUNICATION UPGRADES

Meralco continues to advance our grid modernization agenda through the deployment of critical telecommunications infrastructure designed to enhance network reliability and resilience. As part of this effort, we are implementing the Wireless Private Network, an initiative that leverages private LTE technology to strengthen our Distribution Automation and Advanced Metering Infrastructure ("AMI") programs. Supporting this rollout, MIESCOR serves as the EPC partner, undertaking the installation and energization of 103 base stations across Meralco's franchise area under a four-phase program. Once fully deployed, the network will enable faster fault detection and response, improve system visibility, and reinforce overall grid resilience.

In parallel, we are also modernizing substation communications under the IP Access Equipment Project, transitioning from legacy time-division multiplexing systems to IP-based multiplexers to ensure compatibility with advanced protection and automation technologies. MIESCOR supports this initiative through equipment supply and installation services. To date, 40 IP multiplexers have been deployed across various substations, with subsequent phases covering 108 existing and new substations. These upgrades strengthen real-time communication between substations and control centers, future-proof substation automation systems, and enhance the reliability and operational agility of Meralco's distribution network.

In addition, MIESCOR also supports RE integration through telecommunications infrastructure for embedded generators. For the 17.185-MW San Ildefonso Alternative Energy Corporation solar power

plant, MIESCOR delivered and commissioned the required connection assets to enable seamless integration with the distribution network. MIESCOR is also building almost 3.2 kilometers of fiber optic infrastructure for Phinma Solar Energy Corporation's C-teknik and Geomax rooftop solar projects, fulfilling grid connection requirements while strengthening partnerships with RE developers and supporting the country's clean energy goals.

COMMANDING AT THE EDGE OF THE GRID

As distributed energy technologies such as rooftop solar, battery storage, embedded generation, and electric vehicle ("EV") charging infrastructure expand across Meralco's franchise area, the distribution network is becoming increasingly decentralized and dynamic. In response, Meralco is developing a proposed Grid Edge Operations and Control Center ("GEOCC"), a next-generation command facility targeted for completion by 2030. Designed as an operational nerve center and complementary "twin" to the existing System Control Center ("SCC"), the GEOCC will extend real-time visibility and control from high-voltage substations down to low-voltage facilities and customer-level systems, integrating telemetry from millions of smart meters and distributed energy resources ("DERs").

Working alongside the SCC—which manages high-voltage infrastructure through SCADA and the Advanced Distribution Management System—the GEOCC will focus on grid-edge intelligence, enabling coordinated actions such as DER dispatch and EV load management, while strengthening outage response, power quality, and localized network performance. Through this modernization initiative, Meralco is reinforcing system resiliency and preparing the network to reliably serve more than 8 million customers in an increasingly digital and renewable-driven energy landscape.

MAXIMIZING DIGITAL VISIBILITY FOR OPERATIONAL EFFICIENCY AND RESILIENCE

As the scale and complexity of MGEN's assets continue to expand, digital asset intelligence has become central to operational efficiency and resilience. In 2025, MGEN adopted the IBM Maximo Application Suite ("MAS"), a unified asset lifecycle management platform designed to enhance visibility, reliability, and performance across its generation portfolio. Through the platform's advanced analytics and artificial intelligence capabilities, MGEN strengthens its ability to monitor, maintain, and optimize solar, thermal, LNG, and other facilities across 12 provinces in the Philippines and Singapore through a single integrated platform.

The implementation forms a cornerstone of MGEN's broader digital transformation strategy. MAS integrates asset management, maintenance workflows, inventory tracking, procurement interfaces, and financial reporting into a unified platform—facilitating data-driven decision-making.

Bright Sparks: Clearing the Way for Safer, Stronger Cities

In 2025, Meralco's anti-urban blight ("AUB") operations gained momentum in key urban centers such as Makati and Manila, including high-traffic areas like Guadalupe-Viejo and Binondo. We carried out careful wire-clearing work under challenging conditions to remove hazardous cable clutter and reduce safety risks for residents, pedestrians, and motorists, particularly during typhoons.

Meralco's AUB campaign has grown from one-time clean-up activities into a sustained community effort focused on public safety and accountability. Through coordination with LGUs and telecommunications companies, we strengthen the enforcement of proper cable installation standards and reduce the recurrence of unsafe and illegal service connections. While these efforts may cause

short-term inconvenience, the AUB campaign supports safer power delivery and helps restore order and dignity to streets within Meralco’s franchise area.

URBAN BLIGHT ACTIVITIES				
Category	2023	2024	2025	TOTAL
Completed AUB poles	91	596	784	1,471
Retired unauthorized attachments and idle/dead wires (in kg)	8,831	103,703	129,916	242,450
Unique cities/municipalities covered by AUB	18	16	25	59

We also aggressively removed unauthorized attachments and idle or dead wires, retiring a total of over 242,000 kilograms of these hazardous materials since 2023. Annual removals have risen sharply, from only over 8,800 kilograms in 2023 to nearly 130,000 kilograms in 2025, substantially reducing safety hazards, fire risks, and service disruptions. These activities were implemented across 59 cities and municipalities, underscoring our role as a responsible infrastructure steward committed to making communities safe, orderly, and resilient.

B. Powering Through a Warming World

The Philippines is buffeted by an average of 20 typhoons annually, several of which typically cause significant and widespread damage, with recent years marked by a rising frequency of intense tropical cyclones. In 2025, 23 tropical cyclones entered the Philippine Area of Responsibility, six of which affected Meralco’s franchise area, bringing in strong winds and flooding due to enhanced monsoons.

These climate-related hazards underscore the importance of ensuring the continued reliability and resilience of Meralco’s distribution system. Increasing exposure to severe weather events has also contributed to higher insurance costs and tighter coverage conditions, as insurers account for heightened risks of loss and damage. As such, we continue to implement extensive preventive and resiliency measures, focusing on infrastructure readiness and the preparedness of our disaster response teams, to reduce the impact of severe weather events on our distribution network.

As part of our typhoon preparedness efforts in 2025, Meralco carried out pre-emptive measures such as targeted tree trimming, comprehensive line inspection and clearing, and the removal of billboards and other structures that posed risks of causing outages during strong winds. We also deployed high-bed trucks and motorized fiberglass boats to support power restoration and rescue operations while proactively communicating electrical safety reminders to customers, particularly during severe flooding. These activities were undertaken in close coordination with LGUs and key government agencies, including the DOE and the Metropolitan Manila Development Authority (“MMDA”).

We also continued to strengthen storm resiliency through infrastructure hardening initiatives, including the replacement of poles, upgrading of conductors and lead wires, and the installation of line and equipment covers. In 2025, Meralco installed approximately 13,456 line and equipment covers in areas near construction sites and other high-risk locations. We also operated and maintained about 20,010 spans of overhead lines and underground cables, converted 4,277 wooden crossarms to more durable fiberglass alternatives, and replaced 12,684 aging and hazardous poles to further enhance network resilience.

INFRASTRUCTURE HARDENING FOR STORM RESILIENCY METRICS						
	Meralco			Clark Electric		
	2023	2024	2025	2023	2024	2025
Poles replaced	12,054	12,012	12,684	-	10	1
Upgraded conductors (in spans)	19,975	20,150	20,010	46	16	25
Number of line and equipment covers installed	26,593	7,824	13,546	-	222	-
Wooden crossarms converted to fiberglass	3,296	3,382	4,277	-	-	-

We also continued to strengthen our Lightning Protection Improvement Program (“LPIP”), which is designed to safeguard the distribution network from lightning strikes and related power surges. During the reporting period, we installed additional line surge arresters and overhead static wires to protect overhead conductors, and further reinforced system neutral and pole grounding across our network.

These measures were complemented by the continued use of a lightning detection system that provided real-time information on the intensity and approximate location of lightning strikes within our franchise area, enabling faster and more targeted response by our field personnel. However, as a result of enhanced monsoons and higher frequency of storms in 2025, outages attributable to lightning increased by 5.6% in 2025.

LIGHTNING PROTECTION IMPROVEMENT METRICS						
	Meralco			Clark Electric		
	2023	2024	2025	2023	2024	2025
Number of surge arresters installed/replaced	31,147	36,218	40,317	9	9	21
Length of system neutrals installed/replaced (in spans)	10,550	10,225	9,592	-	-	-
Length of overhead shield wires installed (in spans)	16,800	15,350	15,414	-	-	-
Number of remote-controlled line reclosers installed	200	522	368	7	2	4

C. Energizing Resilience of Local Communities

Meralco’s commitment to operational resilience extends to the safety and well-being of our employees and the communities we serve. We have established a comprehensive business continuity management system to help ensure that our people remain safe and able to work, particularly during times of calamity. We have also designed our workplaces to withstand natural hazards, with all buildings at the Meralco Operating Center reinforced for earthquake resilience. In addition, emergency backup sites have been installed and fully operationalized to ensure continuity of system control in the unlikely event that the primary control center is disrupted, supporting the uninterrupted delivery of electricity during emergencies.

Meralco also remains a reliable partner of the Philippine government in disaster response. In 2025, when Tropical Cyclones Crising, Dante, Emong, Nando, Opong, and Uwan affected the country, millions of Meralco customers experienced power interruptions. Throughout these events, our personnel and line crews worked round the clock to restore electricity across affected areas within our franchise, enabling the timely resumption of essential services and helping ensure that households regained access to electricity as quickly as possible.

D. Delivering Power Through Smarter Ways

Meralco is a proud pioneer in the next frontier of smart grid technology, leveraging advanced digital solutions to respond to dynamic challenges in the power sector. In 2025, we continued to make significant progress in our Smart Grid Program, which is anchored on two pillars: Advanced Network Automation (“ANA”) and Advanced Metering Infrastructure (“AMI”). ANA enables real-time monitoring and management of network operations and assets to address changing loads, generation, and outage incidents. Meanwhile, AMI focuses on the rollout of smart meters along with the deployment of a secure and robust communications and data management infrastructure that enables two-way communication between Meralco and our customers.

Beyond operational gains, the AMI rollout directly supports Meralco’s broader sustainability objectives. Near-real-time consumption data empowers demand-side management, energy efficiency initiatives, and more proactive customer engagement—enabling customers to better understand and manage their energy use.

SCALING NETWORK AUTOMATION AND SMART METERING

In 2025, we sustained momentum in modernizing our distribution network through continued investments in automation and digital technologies. Building on earlier deployments, we further expanded the installation of smart devices under our Distribution Automation initiative. These enhancements enable faster fault isolation, reduce restoration time, and minimize the impact of service interruptions on customers.

Under our Advanced Asset Management program, we continued rolling out the Data Historian system across substations and distribution line equipment, strengthening real-time data capture and supporting predictive maintenance to improve asset reliability and availability. From an operational technology perspective, we advanced the implementation of the Advanced Distribution Management System (“ADMS”), integrating SCADA, Outage Management System, and Distribution Management Systems into a unified platform. This integration enhances operational visibility, accelerates outage resolution, and improves system coordination during peak demand and critical events. We also progressed the Mobile Workforce Management System (“MWMS”), further streamlining field operations through automated work dispatch, optimized resource allocation, and real-time data access—improving workforce efficiency and response capability.

At the same time, we continued advancing smart metering as a cornerstone of our digital transformation. In 2025, we strengthened partnerships and scaled deployment of AMI, bringing total smart meter installations to more than 196,000 across our franchise area. The multi-year rollout, which targets nearly 12 million smart meters over the next decade, remains on track. Through AMI, we empower customers with more accurate billing, better visibility into consumption patterns, and

improved service responsiveness, while enhancing operational efficiency and enabling greater integration of DERs such as rooftop solar and battery storage into our network.

LIGHTING UP SMART CITIES

Through Meralco's Smart Streetlights ("SSL") initiative, we are assessing the technical and commercial viability of intelligent streetlighting for future rollout, validating performance through dimming simulations to improve efficiency and deliver cost savings while reducing electricity use.

Following phased deployment, operations and maintenance were transitioned in 2025 to the Manila and Pasig Sector Operations Teams. Integrated into the AMI roadmap, SSL enables automated monitoring and data-driven management with an average incident resolution time of 46.3 hours. The initiative has demonstrated improved responsiveness, with continued assessment planned to support scalable expansion alongside Meralco's broader smart infrastructure programs.

Bright Sparks: Strengthening Singapore's Grid with Rapid-Response Generation

MGEN, through its subsidiary PacificLight Power ("PLP"), has successfully completed and commissioned a 100-MW fast-start ancillary services facility on Jurong Island, Singapore. This development marks a key milestone in enhancing PLP's ability to provide reliable and responsive power in the city-state.

The new facility enhances the flexibility of PLP's existing operations by providing rapid-response generation capacity. Powered by Siemens Energy gas turbines, the plant will deliver critical support to the grid during unplanned outages or system disturbances. This expansion will enhance the capabilities of PLP's current 800-MW combined cycle gas turbine ("CCGT") plant, which has been supplying electricity to Singapore's grid since 2014.

Notably, the project was delivered with over 480,000 man-hours at the project site without a single lost time injury. This achievement demonstrates PLP's strong commitment to workplace safety and robust project execution standards.

Beyond this, PLP is also gearing up to build a 640-MW hydrogen-ready CCGT power plant on Jurong Island, set to be operational by 2029. This facility will include Singapore's first large-scale BESS, demonstrating PLP's commitment to supporting grid reliability and the country's transition towards a low-carbon future.

"This milestone reflects our commitment to investing in high-efficiency, future-ready technologies that address both reliability and sustainability challenges. Through PLP, we are proud to contribute to Singapore's energy security while expanding our regional footprint with innovation at the core."

Manny Rubio

President & CEO, MGEN

Energy Transition: Balancing Energy Security and Decarbonization

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Globally, electric utilities are facing challenges in balancing the reduction of greenhouse gas emissions and maintaining energy security. This issue is particularly complex in developing countries, where carbon-intensive energy sources (such as coal and LNG) remain among the most cost-competitive means of providing affordable electricity to millions of consumers. As such, One Meralco is pursuing a just and orderly transition that steadily expands access to cleaner power while ensuring energy affordability and reliability. This approach includes the gradual increase in the share of RE in the supply mixes of Meralco and Clark Electric, in line with the DOE's RPS. At the same time, recognizing the critical role of conventional sources in achieving energy security, we are prudently expanding our thermal generation portfolio through MGEN by investing in transition fuels such as LNG. Together, these initiatives form a core part of One Meralco's long-term sustainability strategy ("LTSS"), which aims to meet rising electricity demand in support of national development while positioning the Group as a leader in sustainability.

A. Investing in Clean Energy Responsibly

Our continued investments in RE across Meralco, Clark Electric, MGEN, and MSpectrum support the Philippine government's targets of achieving a 35% RE share in the national power generation mix by 2030 and 50% by 2040.

ENSURING A BALANCED ENERGY MIX

POWER DISTRIBUTION UTILITY FUEL MIX (in %)						
	Meralco			Clark Electric		
	2023	2024	2025	2023	2024	2025
Coal	32.89	27.30	28.57	54.25	51.09	51.03
Natural gas	42.07	42.14	55.34	0.00	0.00	0.00
Oil	4.18	0.13	0.10	0.00	0.00	0.00
Hydro	0.08	0.24	0.93	22.69	21.30	21.34
Geothermal	1.20	1.03	0.00	0.00	0.00	0.00
Wind	0.00	0.00	0.00	0.00	0.00	0.00
Solar	0.75	0.82	1.24	0.02	0.02	0.00
Biomass	0.00	0.00	0.00	0.00	0.00	0.00
WESM	18.83	28.34	13.82	23.04	27.59	27.63
Total	100.00	100.00	100.00	100.00	100.00	100.00

Through Meralco and Clark Electric, we source substantial volumes of electricity from generation companies and deliver power to customers through our distribution networks. While fossil fuels continued to comprise a significant portion of the supply mix of both utilities in 2025, Meralco and Clark Electric made further progress towards the Group's long-term objective of sourcing at least 1,500 MW of our power supply requirements from RE sources by the end of the decade, in compliance with the RPS under the Renewable Energy Act of 2008.

During the reporting period, Meralco continued implementing previously secured RE PSAs and advanced new initiatives to increase the share of low-carbon energy in our portfolio. By the end of 2025, the DU had contracted a total of 1,536.3 MW of RE capacity, while MPower's RE PSAs amounted to 868 MW. These contracts are expected to progressively displace carbon-intensive mid-merit supply and support the transition towards a cleaner generation mix.

We also sustained our support for the government's RE policies, including the Green Energy Option Program ("GEOP"), which allows customers with average peak demand of at least 100 kW to source electricity entirely from RE providers. As of end-2025, 621 commercial and industrial customers within Meralco's franchise area had enrolled in the program, with additional customers expected to participate in the coming years.

SUPPORTING BROADER SOLAR PARTICIPATION

Since 2013, Meralco has supported the Philippines' energy transition by facilitating the interconnection of a wide range of generation systems, including customers who export electricity from their own solar PV systems to the grid through net metering. This mechanism allows customers to install RE systems with capacities of up to 100 kW and supply excess generation back to Meralco's distribution network.

In 2025, Meralco continued enabling the integration of embedded generation projects across our franchise area, including utility-scale and rooftop solar facilities as well as capacity expansions of existing RE plants. These projects further strengthened the presence of DERs within the distribution system.

During the reporting period, we integrated approximately 96.2 MW of additional RE capacity into our distribution network, bringing the cumulative installed capacity of embedded RE generators to about 808.9 MW. This total roughly 8.9% of Meralco's peak demand in 2025. By the end of the reporting year, Meralco had already accommodated a total of 22 exporting and 372 non-exporting RE embedded generators, and 19,012 energized net metering customers. The pipeline of RE capacity from embedded generators within our franchise area stood at 1,485 MW through 2027.

To support the continued growth of DERs, we are assessing RE growth trends, forecasting system impacts, and developing solutions to enable seamless integration. Key initiatives include deploying advanced BESS to improve hosting capacity, expanding distribution facilities to accommodate additional embedded generators, plans to install solar home systems in off-grid and protected areas, and adopting smart grid technologies that enable real-time monitoring, demand response, improved grid optimization, and system loss reduction.

FAST-TRACKING NET METERING IN QUEZON CITY

In 2025, we strengthened Meralco's role as a key enabler of the Philippines' energy transition by entering a tripartite agreement with the ERC and the Quezon City LGU to accelerate the RE adoption through net metering in the country's most populous city. This partnership supports national targets to increase the share of RE in the power supply mix to 35% by 2030 and 50% by 2040 by leveraging public-private partnerships that enable consumers to participate more actively in the energy transition.

Under the agreement, Meralco will establish a dedicated consultation and processing booth within the Quezon City Hall compound and deploy personnel to assist customers with net metering and DER applications, along with other distribution utility services. Meralco will also contribute technical expertise by sharing best practices on DER interconnection and serving as a resource partner for information and education initiatives. The Quezon City LGU will in turn provide logistical support, while the Energy Regulatory Commission will ensure regulatory and technical oversight to uphold program integrity and consumer protection.

For Quezon City, the initiative aligns with broader climate objectives as a member of the C40 Cities network, reinforcing its commitment to scaling cleaner, more reliable, and more accessible energy for households and businesses.

As of December 31, 2025, Meralco has commissioned more than 19,100 net metering applications across our franchise area, with Quezon City accounting for nearly 15% of the total. These installations represent 25 megawatt-peak (“MWp”), or 17% of Meralco’s aggregate commissioned net-metering capacity of 150 MWp, the highest among all cities and municipalities served.

Building on similar partnerships with other LGUs, including Pasig City, this initiative demonstrates our role in accelerating RE adoption and bring the energy transition closer to homes and businesses.

DIVERSIFYING THE ENERGY WE GENERATE

ENERGY DELIVERED BY MGEN BY BUSINESS UNIT (in GWh)			
	2023	2024	2025
MGEN Thermal	8,238	8,857	8,954
MGEN Natural Gas²¹	5,719	5,820	17,554
MGEN Renewables	349	619	733
Total	14,306	15,296	27,241

MGEN’S GENERATION PORTFOLIO BY FUEL SOURCE (in %)			
	2023	2024	2025
Coal	57.10	59.17	31.91
Natural gas	41.17	37.50	65.63
Diesel	0.47	0.37	0.12
Solar	1.25	2.97	2.34
Total	100	100	100

From a power generation perspective, One Meralco continues to focus on maintaining a balanced portfolio that addresses the country’s energy security, affordability, and sustainability requirements. During the reporting period, LNG overtook coal as the primary energy source for MGEN, marking a stark shift.

In 2025, MGEN Renewables delivered 733 GWh of low-carbon energy, marking an 18% increase compared to the previous year. This increase was primarily driven by the energization of two new plants (Cordon and Bongabon) in 2025. MGEN’s overall energy sales also increased during the

²¹ Comprises LNGPH and PacificLight Power

reporting period, supported by improved plant availability resulting from the strategic scheduling of maintenance shutdowns earlier in the year.

The Group’s transition towards cleaner energy began in 2021 with the development of BulacanSol, a 55-MW solar facility in Bulacan. This was followed by the establishment of PH Renewables, Inc., which operates a 75-MW solar plant in Rizal, and Nuevo Solar Energy Corporation, which runs a 68-MW solar facility in Ilocos Norte. Both plants have been operational since 2023. Complementing these grid-edge efforts, our broader Group also expanded the RE supply. In the first quarter of 2025, MGEN Renewables completed and inaugurated three solar projects across Luzon with a combined capacity of 152.7 MW. These included the 19.8 MW Bongabon Solar in Nueva Ecija, the 52.8 MW Cordon Solar in Isabela, and the expanded Baras Solar facility in Rizal, which has now a total capacity of 80.1 MW. The expansion provided clean and reliable electricity to more than 154,000 households while supporting national RE targets. With these additions, MGEN’s RE portfolio has grown to nearly 408.5 MW of net sellable capacity across seven provinces.

In 2025, the MTerra Solar project marked a major milestone in our transition journey, reinforcing progress towards system reliability, energy security, and the Philippines’ clean energy transition. In the last quarter of 2025, the DOE confirmed the successful energization and grid cut-in of Stage 1, including the 500-kV substation along the Nagsaag–San Jose 500-kV Line 2. This enabled the initial interconnection of 364 MW of solar capacity integrated with BESS. Developed through Terra Solar Philippines, Inc., the project forms part of the DOE’s pipeline of 200 priority power generation projects and is designated as an Energy Project of National Significance. Spanning Nueva Ecija and Bulacan, MTerra Solar is expected to become the world’s largest integrated solar and energy storage installation once fully developed, delivering up to 3,500 MWp of solar capacity supported by 4,500 MWh of BESS and supplying clean power to at least 2 million households.

Progress in 2025 was underpinned by close coordination between Meralco, MGEN, the DOE, the National Grid Corporation of the Philippines, and LGUs, with strong support from municipal and provincial stakeholders in Nueva Ecija and Bulacan. The project is expected to begin delivering clean energy to the grid by 2026 and be fully completed by 2027.

MTerra Solar forms part of One Meralco’s broader objective to build an RE portfolio with at least 1,500 MW of attributable capacity by the end of the decade. By the end of 2025, MGEN Renewables’ net sellable solar capacity stood at 251.8 MW.

ANNUAL GROWTH OF SOLAR CAPACITY INSTALLED BY MSPECTRUM (in %)		
2023	2024	2025
23%	24%	22%

In addition to the initiatives of Meralco and MGEN, MSpectrum continued to support the expansion of the Group’s RE footprint in 2025 by delivering small-scale, distributed solar solutions to commercial and industrial customers. As of end-2025, MSpectrum had achieved a cumulative installed capacity of 95 MW and remained on track to surpass 100 MW in the near term.

Looking ahead, MSpectrum plans to significantly scale its RE portfolio through solar power purchase agreements (“PPAs”), with the goal of increasing installed capacity to more than 600 MW by 2030.

BUILDING RESILIENT INFRASTRUCTURE TO SUPPORT THE ENERGY TRANSITION

One Meralco actively supports the country's RE transition by building infrastructure that supports clean energy projects nationwide through our subsidiary MIESCOR. MIESCOR's role is to enable power generation companies to develop reliable, efficient, and resilient infrastructure that supports the reliable integration of RE into the main grid. The company has been involved in numerous EPC projects nationwide and continues to actively work on complex, large-scale infrastructure developments that showcase our strong engineering capability and execution expertise.

A key milestone in this effort is the company's EPC role in the USD 4-billion MTerra Solar project, where MIESCOR was engaged to design and construct critical grid-connection infrastructure, including a 34.5/230/500-kV main collector substation, two solar PV satellite collector substations, and two double-circuit 230-kV transmission lines. These facilities will connect the 3,500-MWp solar plant and 4,500-MWh BESS in Bulacan and Nueva Ecija to the national grid, supporting the phased delivery of 2,500 MWp by 2026 and an additional 1,000 MWp by 2027. Beyond its scale, the project highlights our ability to deliver complex, high-voltage infrastructure that strengthens system reliability while advancing clean energy integration.

Beyond MTerra Solar, MIESCOR's broader EPC portfolio reflects a deliberate shift towards RE projects. From 2026 to 2030, MIESCOR's EPC pipeline will increasingly focus on RE projects, spanning solar, wind, and renewable-supporting infrastructure nationwide. This shift reinforces our role as a critical partner to utilities and generators by expanding access to clean energy and strengthening grid resilience.

EXPANDING ACCESS TO SOLAR ENERGY THROUGH PPAs

MSpectrum continues to strengthen its role as a key driver of RE adoption in the Philippines by expanding installed PPA capacity and deepening partnerships with commercial and industrial customers. As the RE arm of One Meralco, MSpectrum focuses on delivering distributed solar solutions that enable businesses to decarbonize operations while improving long-term cost efficiency. Through PPAs, customers gain access to clean energy without upfront capital investment, making the transition to renewables both practical and scalable.

In 2025, MSpectrum expanded the installed PPA capacity by 10 MW, increasing the portfolio from 25 MW in 2024 to 35 MW in 2025. Growth was driven by continued demand from commercial and industrial customers, reflecting strong confidence in the company's capability to deliver reliable and high-quality solar energy solutions. The expanding portfolio highlights sustained market momentum and reinforces MSpectrum's position as a trusted partner for businesses seeking to manage energy costs and reduce emissions in the long term.

Bright Sparks: Scaling Renewable Energy Through Strategic Partnerships

In 2025, we strengthened the expansion of RE in MGEN's portfolio through strategic partnerships with international organizations to support large-scale clean energy development in the Philippines and the ASEAN region. A key milestone was our partnership with ACWA Power, a Saudi Arabia-based developer and investor, formalized during the ASEAN Summit in Kuala Lumpur, to jointly explore and develop RE projects across the country. The collaboration brings together ACWA Power's global portfolio of 78.8–78.9 GW of net sellable capacity and MGEN's diversified generation portfolio of 5,069.7 MW, positioning both parties to advance utility-scale solar and other RE projects critical to the region's energy transition.

In the same year, MGEN further strengthened a long-standing partnership with Korea Electric Power Corporation through continued joint ownership of the 63.3 MWp solar farm in Calatagan, Batangas, following the formal replacement of Solar Philippines Power Project Holdings, Inc. by SP New Energy Corporation (“SPNEC”) as a shareholder. Beyond the Calatagan facility, both parties have affirmed plans to expand their collaboration into other RE technologies, including wind and BESS.

B. Leveraging Natural Gas as a Transition Fuel

As electricity demand in the Philippines continues to rise, strengthening energy security remains a core priority for One Meralco. Central to this effort is the expansion of MGEN’s generation portfolio through investments in LNG, which provides reliable baseload power while offering lower carbon intensity during combustion compared with coal. In 2025, MGEN, together with key industry players San Miguel Global Power and Aboitiz Power Corporation, reached financial close on a USD 3.3-billion strategic partnership to develop the country’s first fully integrated LNG complex. The project enabled the operationalization of a 2,500-MW LNG facility in Batangas, significantly strengthening the country’s power supply reliability.

The integrated LNG development brings together power generation, LNG import, storage, and regasification infrastructure, enhancing fuel supply security and improving the system’s ability to respond to demand fluctuations and RE variability. Through Chromite Gas Holdings, Inc., MGEN is helping deliver critical baseload and peaking capacity that supports grid stability and moderates price volatility.

Beyond domestic investments, we continue to strengthen One Meralco’s regional presence by advancing future-ready energy projects that support decarbonization and system resilience. Through its subsidiary PLP, MGEN is developing Singapore’s largest and most-advanced hydrogen-ready CCGT power plant. The 640-MW high-efficiency facility, awarded by Singapore’s Energy Market Authority, is expected to commence operations by 2029 on Jurong Island and will be the first CCGT plant in the city-state integrated with large-scale BESS.

Designed to operate initially with hydrogen co-firing and transition to full hydrogen capability as supply chains mature, the Singapore project reflects close collaboration with government agencies, technology partners, and contractors. By combining advanced gas turbine technology with energy storage, the facility will enhance grid flexibility and support Singapore’s long-term net-zero ambitions, while building on PLP’s strong operational track record in one of the region’s most competitive power markets.

Taken together, these initiatives demonstrate how Meralco’s LTSS is being delivered through strong partnerships with governments, regulators, industry peers, and technology leaders. By working closely with stakeholders across the value chain, Meralco is strengthening energy security, supporting regional growth, and laying the foundation for a more resilient, affordable, and low-carbon energy future in the Philippines and across the region.

C. Building an Energy-Secure Future with Nuclear

Our plans to diversify the energy mix are inherently long term, integrating technologies that are appropriate for the Philippines today while laying the groundwork for a more sustainable future. Looking ahead, nuclear energy offers a low-carbon option that can help reduce reliance on fossil fuels, which contribute to global warming and are subject to price volatility, while providing a stable and reliable power supply. Through Meralco's Nuclear Energy Strategic Transition ("NEST") program, we are actively assessing nuclear power as a potential baseload solution to help balance energy security, affordability, and climate objectives over the long term.

LAYING THE GROUNDWORK FOR A NUCLEAR-READY FUTURE

In 2025, Meralco took a significant step towards shaping the country's long-term energy future with the formal launch of the NEST Program. NEST serves as Meralco's flagship initiative to evaluate how nuclear energy can be responsibly integrated into the Philippine power mix as a secure, reliable, and low-carbon source of baseload power. The program reflects our recognition that rising electricity demand, increasing climate risks, and the need for stable supply require solutions that complement both conventional generation and RE.

NEST follows a careful and phased approach grounded in international best practices and rigorous due diligence. In 2025, Meralco strengthened engagement with global institutions such as the International Atomic Energy Agency and the Nuclear Energy Agency, while pursuing partnerships with experienced nuclear operators from France and South Korea. We entered into agreements with Électricité de France and continued collaboration with the United States to explore the potential deployment of small modular reactors ("SMRs"), which offer scalable capacity and enhanced safety features.

During the reporting period, Meralco successfully secured a USD 2.7-million grant from the United States Trade and Development Agency ("USTDA") to fund a comprehensive assessment of SMR deployment in the Philippines, scheduled to begin in early 2026 and conclude by the end of the year. In parallel, we continued evaluating the possible rehabilitation of the Bataan Nuclear Power Plant to ensure that all pathways are assessed transparently and responsibly.

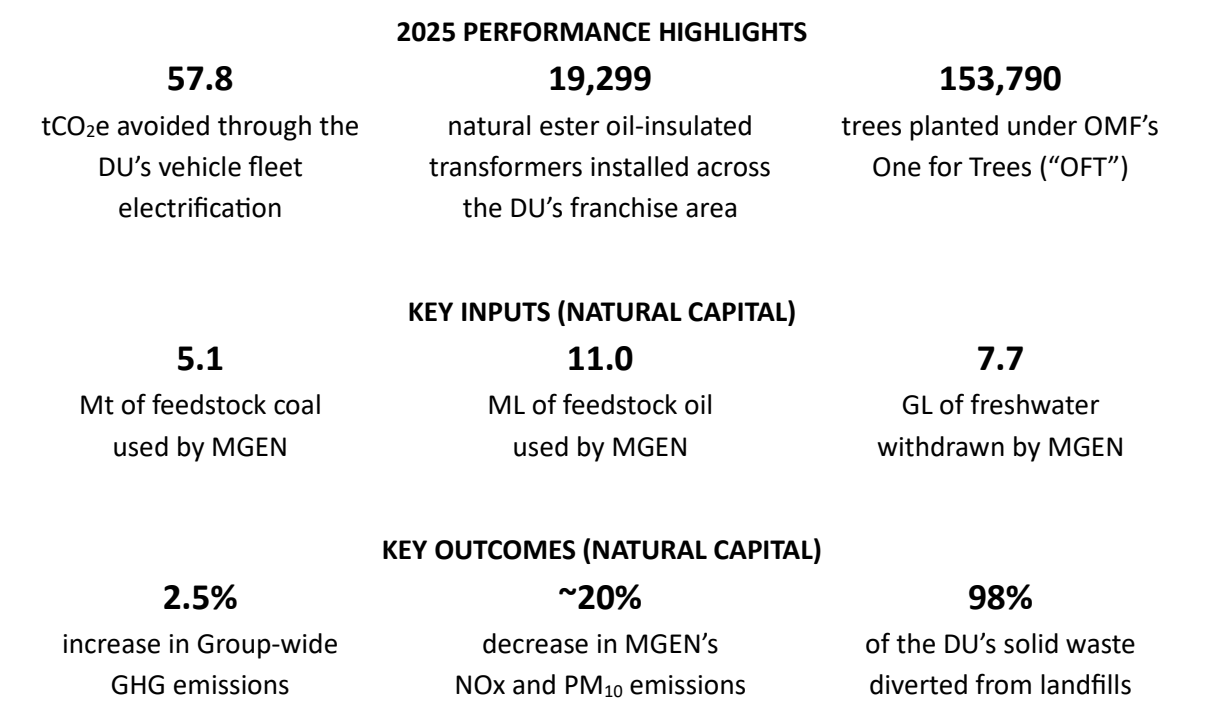
At the core of NEST is the understanding that nuclear energy extends beyond infrastructure and requires strong institutions, public confidence, and skilled talent. This perspective builds on the Filipino Scholars and Interns on Nuclear Engineering ("FISSION") Program we launched in 2023, which supports local engineers pursuing advanced studies in nuclear engineering abroad, with the first batch of scholars graduating in 2026.

Planet: Growing Within Earth’s Boundaries

The natural world remains in critical condition.

2025 was one of the three warmest years on record, with average global temperatures rising to 1.44 °C above pre-industrial levels—placing the world alarmingly close to the 1.5 °C threshold set under the Paris Agreement. In the Philippines, similar extremes have been recorded, particularly in terms of heat index, reaching dangerous levels ranging from 45 to 46 °C during summer months. This accelerated warming continues to intensify the triple planetary crisis—climate change, pollution, and biodiversity loss—posing serious risks to both ecological and human health. Recent studies underscore the mounting toll of environmental degradation: 99% of the world’s population live in areas where air pollution levels are high, while more than 1 million species are on track for extinction in the coming decades.

Acknowledging the urgency of addressing these interconnected challenges, we have adopted a holistic approach to managing greenhouse gas (“GHG”) emissions, solid waste, air pollutants, water consumption, and biodiversity impacts to reduce environmental footprint across our operations and value chain without compromising our commitment to delivering reliable energy. Despite evolving complexities and uncertainties, One Meralco remained steadfast in embedding environmental responsibility into our business, advancing our commitments to **SDG 12: Responsible Consumption and Production**, **SDG 13: Climate Action**, **SDG 14: Life Below Water**, and **SDG 15: Life on Land**.



Stories of Light: Sowing the Seeds for a Greener Future

At One Meralco, we believe that success is measured not just by the power we deliver, but also by the ecosystems we help restore and the communities we empower. As the impacts of climate change and environmental degradation continue to grow, our role extends beyond providing reliable energy to our customers—it calls us to be responsible stewards of nature.

In 2025, as part of One Meralco Foundation's ("OMF") One for Trees ("OFT") program, MGEN launched the Bucari Reforestation and Carbon Sink Project in the Municipality of Leon, Iloilo, in collaboration with the Department of Environment and Natural Resources ("DENR") Region VI, the local government unit ("LGU") of Leon, and the Bucari Eco-Planters Association. Supported by an Php 18.5 million investment, the initiative aimed to rehabilitate degraded forestlands in the municipality through active community engagement.

Spanning six years, the project will involve planting more than 340,000 native and fruit-bearing seedlings across 225 hectares in Barangays Bucari, Cagay, and Danao. This will supplement MGEN's contribution of over 1.4 million trees to OFT. Designed to restore forest cover, protect local biodiversity, and create a natural carbon sink capable of absorbing substantial amounts of GHG emissions over time, the initiative will also provide livelihood opportunities for local farmers and residents through tree cultivation, maintenance, and agroforestry.

Complementing this large-scale reforestation effort by OMF, MPower and Vantage Energy, continued to expand their own community-centered tree-planting program, CommuniTrees. In 2025, more than 2,500 native seedlings were planted by our two RES business units with employee volunteers and community partners at the Laguna–Quezon Land Grant in Siniloan, Laguna, bringing total seedlings planted across the country to more than 15,000 over the past decade.

These efforts reinforce OMF's long-term commitment to climate action and ecosystem restoration through OFT. Looking ahead, we plan to expand our carbon sequestration initiatives beyond upland reforestation to include more absorptive natural carbon sinks such as wetlands, in addition to the more than 227,500 mangroves already planted by OMF nationwide. By working alongside LGUs, local communities, and like-minded organizations, we reaffirm that meaningful environmental action is rooted in collaboration—and that restoring ecosystems, building climate resilience, and uplifting communities go hand in hand.

Climate Change Mitigation: Enabling a Low-Carbon Future

GRI 302-2 | GRI 302-3 | GRI 302-5 | SASB IF-EU-110

The Philippine government has pledged to reduce the country's projected baseline GHG emissions of 3,340.3 million tonnes of carbon dioxide equivalent ("tCO₂e") by 75% from 2020 to 2030. In support of this national target and **SDG 13: Climate Action**, in 2025, we continued to pursue a range of emissions abatement initiatives and technologies to lower our Group-wide emissions, with GHG reduction remaining a key sustainability performance indicator at the corporate level. Our actions include expanding the share of RE in MGEN's generation portfolio, minimizing system losses across our distribution utilities, and increasing RE sources in our power supply.

To support our climate change mitigation efforts with robust measurement, we maintain a comprehensive and internationally aligned approach to tracking our emissions. In defining the scope and organizational boundaries of our GHG inventory, One Meralco conforms with the GHG Protocol Corporate Accounting and Reporting Standard ("GHG Protocol") developed by the World Resources Institute ("WRI") and the World Business Council for Sustainable Development ("WBCSD"). In line with this framework, our emissions are categorized as follows:

- **Scope 1** — direct emissions from sources owned or controlled by One Meralco;
- **Scope 2** — indirect emissions from the generation of energy purchased by One Meralco; and
- **Scope 3** — all other indirect upstream and downstream emissions occurring across the One Meralco's value chain.

Beyond tracking absolute emissions, we also place strong emphasis on monitoring emissions intensity and continuously improving operational efficiency through the adoption of cleaner and more efficient technologies across our businesses.

A. Scope 1: Managing Direct Operational Emissions

GRI 302-1 | GRI 302-4 | GRI 305-1

EQUITY-APPLIED SCOPE 1 EMISSIONS BY SOURCE (in tCO ₂ e)			
	2023	2024	2025
SF ₆ leakage	3,384	4,208	5,714
Vehicular gasoline consumption	2,740	3,251	2,542
Vehicular diesel consumption	14,519	15,959	13,273
Coal combustion in power plants	5,307,255	5,490,639	5,283,571
Natural gas combustion in power plants	1,066,488	1,080,536	2,732,074
Diesel combustion in power plants	49,325	36,360	27,846
Total	6,443,711	6,630,385	8,065,021

In 2025, One Meralco's Scope 1 emissions amounted to nearly 8.07 million tCO₂e. This significant increase of 22% from 2024 was primarily driven by an increase in the amount of power generated by MGEN's coal- and liquefied natural gas ("LNG")-fired power plants, in support of our Group-wide commitment to ensuring energy security in the Philippines.

With fossil fuel combustion continuing to account for a significant share of our Group-wide GHG emissions, we continue to advance the development of RE projects across multiple technologies to

diversify our generation portfolio. As of end-2025, MGEN's RE net sellable capacity stood at 408.5 MW, of which 252 MW is attributable to MGEN. This is supported by a pipeline of projects with a total net sellable capacity of 2,652 MW, 947 MW of which is attributable to MGEN, along with several additional projects currently in the pre-development stage.

Further details on our efforts to expand our clean energy portfolio are discussed in the Energy Transition section under the Power pillar.

MINIMIZING OUR NETWORK'S EMISSIONS FOOTPRINT

In 2025, we strengthened our management of sulfur hexafluoride ("SF₆") emissions as part of our broader efforts to address high-impact GHGs across our operations. While SF₆ remains essential to grid reliability—serving as a highly effective insulating medium in high-voltage electrical equipment due to its safety and performance characteristics—it has a global warming potential more than 25,000 times that of carbon dioxide and can persist in the atmosphere for 3,200 years. Its operational use therefore requires rigorous oversight to minimize environmental impact.

Although SF₆ accounts for less than 0.04% of our Scope 1 emissions, we maintain strict monitoring and management protocols for this powerful gas. SF₆ outflows from substation equipment are regularly tracked, supported by established recovery and recycling practices. Our controls include routine monitoring of gas pressure levels and the measurement of cylinder weights before and after refilling activities. We are also evaluating the deployment of advanced online monitoring systems equipped with SF₆ pressure sensors to enable earlier detection of potential leaks in switchgears and circuit breakers.

In 2025, Meralco recorded SF₆ leakages of over 235 kilograms, an increase from 167 kilograms in 2024, primarily due to wear and tear associated with aging equipment. Despite this increase, total discharges represented approximately 0.4% of the SF₆ installed across the Company's substation assets, remaining well below the 0.5% threshold prescribed under the Institute of Electrical and Electronics Engineers' guidance on SF₆ gas handling for high-voltage equipment.

As part of our Greening the Network Program, we initiated the transition to alternative technologies to address the environmental impact of SF₆, even in small quantities. This initiative includes the phased adoption of SF₆-free equipment to reduce reliance on high-global warming potential gases while maintaining grid reliability and operational safety. In 2025, we progressed the implementation of this program with the pilot installation of SF₆-free, remote-controlled switchgears. As of end of 2025, 3,849 SF₆-free line switches had been deployed across the network, marking an important step towards our target of fully transitioning to SF₆-free line switches by 2028.

In addition, we continued adopting natural ester oil ("NEO") as an insulating and cooling medium for our substation and distribution equipment, including power transformers. Derived from crops such as soybean and corn, NEO is free from harmful petrochemicals, siloxanes, and halogens, and has the highest fire point of any insulating fluid at 360 °C, providing enhanced fire safety for utilities. In 2025 alone, nearly 19,400 NEO-insulated transformers were installed across Meralco's and Clark Electric's franchise areas.

Looking ahead, we plan to begin deploying substation equipment by 2029 that utilizes gases of natural origin—such as technical synthetic air or ambient air—in combination with vacuum interrupters. Through this structured transition, we are working towards our long-term aspiration of achieving an SF₆-free distribution network by 2060.

ELECTRIFYING MOBILITY FROM WITHIN

Since 2020, we have steadily advanced the electrification of our corporate fleet as part of our broader decarbonization strategy. To date, we have converted more than 150 internal combustion engine vehicles to EVs, with EVs accounting for 5% of the DU fleet by the end of 2025—equivalent to 117 active EVs, even as 35 units were retired during the reporting year. This progress is supported by 15 dedicated station chargers across our facilities, with an additional 14 EVs procured for delivery in February 2026. Our transition to zero-tailpipe-emission vehicles has reduced our operational carbon footprint, generated fuel cost savings of more than PHP 5.5 million, and avoided over 150 tCO₂e to date, keeping us on track towards our target of converting more than 700 vehicles and achieving 25% fleet electrification by 2030.

B. Scope 2: Regulating Indirect Emissions from Acquired and Consumed Electricity

GRI 302-2 | GRI 305-2

EQUITY-APPLIED SCOPE 2 EMISSIONS BY SOURCE (in tCO ₂ e)			
	2023	2024	2025
System loss	2,214,381	2,350,989	2,274,700
Electricity consumption	59,076	67,244	90,856
Total	2,273,457	2,418,233	2,365,556

One Meralco's Scope 2 emissions decreased 2% from 2.4 million tCO₂e in 2024 to 2.36 million tCO₂e in 2025 due to a decrease in the DU's system loss volumes, which accounted for 97% of the Group's emissions for this scope.

TOTAL ELECTRICITY CONSUMPTION (in MWh)			
	2023	2024	2025
Meralco	59,890	65,971	60,964
Subsidiaries	23,059	30,828	70,046
Total	82,949	96,800	131,010

Meanwhile, our Group-wide electricity consumption increased by 41% from 96,800 MWh in 2024 to 131,010 MWh in 2025 with MGEN's acquisition of LNG facilities.

LOWERING OPERATIONAL EMISSIONS THROUGH ENERGY CONSERVATION AND EFFICIENCY

Improving energy efficiency remains one of the most practical and cost-effective ways for us to lower emissions while optimizing operational costs. In 2025, we continued to roll out our Group-wide Resource Conservation and Efficiency Program ("RCEP"), aimed at managing electricity use, reducing Scope 2 emissions, and optimizing costs across our facilities. The program combines sustained employee engagement and awareness campaigns with the deployment of energy-efficient technologies, including LED lighting systems and inverter-type air-conditioning units, across sites

within and beyond the Meralco Operating Center (“MOC”) in Pasig City. Since the program launch in 2020, RCEP has expanded to cover a wide network of Group facilities nationwide, reinforcing our commitment to responsible energy management.

Under the RCEP, we continued to strengthen conservation practices across the Group by institutionalizing clearer performance standards and expanding operational initiatives in 2025. Within the DU, we established and baselined new energy efficiency metrics to enhance performance monitoring beyond simple consumption reduction. We also secured approval of our Integrated Environment, Safety, and Health (“ESH”) and Energy Management Policy, formalizing enterprise-wide guidelines on responsible energy use. Building on this governance framework, we sustained the implementation of conservation measures across facilities. For energy efficiency, we deployed solar rooftop systems across seven Business Centers, accelerated LED lighting conversions, transitioned to inverter-type air-conditioning units, and reinforced behavioral initiatives such as standardized temperature settings and scheduled operation of lighting and appliances.

Across our subsidiaries, resource conservation initiatives likewise advanced through the completion of diagnostic, design, and implementation planning phases, paving the way for stronger execution.

In 2025, several of our subsidiaries completed the diagnostic, design, and implementation planning phases of their RE and energy efficiency initiatives, laying the groundwork for execution in the succeeding periods. Planned programs include rooftop solar installations at Clark Electric, expanded rooftop solar deployment across MGEN’s portfolio, and feasibility studies by Bayad to assess RE integration across its branch network.

Parallel planning efforts were also undertaken for broader energy efficiency upgrades. Bayad and MIESCOR developed rollout plans for LED lighting improvements, with MIESCOR likewise preparing for the deployment of LED solar streetlights. MGEN initiated transition planning towards high energy-efficiency ratio and inverter-based appliances, while Radius assessed the migration from active to passive network infrastructure within its existing colocation facilities to improve energy performance. These initiatives are further supported by strengthened resource management frameworks, including Clark Electric’s planned upgrade of electricity monitoring systems for more granular tracking and MIESCOR’s integration of power-rating requirements into device procurement standards. Together, these preparatory steps position our subsidiaries for more structured and measurable implementation of energy efficiency and RE programs moving forward.

Building on the resource efficiency efforts, MSERV deployed HydroMX Nanosaving Fluid at the Meralco Business Solutions Center to enhance heat transfer in HVAC systems. Without major equipment replacement, the project reduced chiller electricity consumption by an average of 28%—showing how targeted innovation can deliver measurable cost and carbon reductions

Together, these initiatives reinforce a culture of resource stewardship across One Meralco, embedding efficiency improvements into both operational systems and everyday practices throughout the organization.

C. Scope 3: Addressing Indirect Emissions Across Our Value Chain

GRI 305-3

EQUITY-APPLIED SCOPE 3 EMISSIONS BY SOURCE (in tCO ₂ e)			
	2023	2024	2025
DU energy sales	36,352,500	37,670,568	37,443,342
Gasoline consumption from rented/contractor-owned vehicles	2	47	31
Diesel consumption from rented/contractor-owned vehicles	5	22	29
Total	36,352,508	37,670,638	37,443,402

In 2025, One Meralco's Group-wide Scope 3 emissions totalled more than 37.4 million tCO₂e, a 0.6% decrease from around 37.6 million tCO₂e in 2024, primarily driven by lower energy sales.

The increase in Scope 3 emissions reflects broader economic growth and our responsibility under Republic Act No. 9209 to provide reliable electricity within our franchise area at the least possible cost. In this context, coal and LNG currently remain critical in ensuring grid stability and address rising electricity demand in the country.

Within this operating landscape, we continue to advance a measured and responsible energy transition by progressively increasing the share of RE in our supply portfolio under our LTSS. Through DU and MPower, we have contracted a total of 2,404.3 MW of RE capacity to date—surpassing our initial 1,500 MW target ahead of the end of the decade and supporting the country's RPS. This steady expansion reflects our ongoing commitment to decarbonization while maintaining affordability and energy security.

At the same time, we are continuously working to address emissions across our value chain through sustained supplier engagement. Under the Meralco Supplier Sustainability Scorecard ("MS³") initiative, we have integrated GHG emissions performance as a key consideration in supplier accreditation and evaluation processes. By embedding emissions accountability into procurement standards, we aim to encourage our partners to actively support emissions reduction efforts and contribute to the continuous improvement of our overall environmental performance.

D. Emissions Intensity: Monitoring Our GHG Footprint

GRI 305-4

In addition to monitoring absolute emissions, the Group tracks emissions intensity, which measures GHG emissions in tCO₂e relative to the level of activity or output, such as GWh of energy sales. This metric provides important insight into how effectively we are managing our environmental impact while continuing to support economic growth and increasing electricity demand.

EQUITY-APPLIED SCOPE 1+2 EMISSION INTENSITY (in tCO ₂ e/GWh)			
	2023	2024	2025
Total Scope 1+2 emissions	8,717,168	9,109,521	10,430,577
Energy sales from distribution and generation businesses	64,253	67,706	67,317
Scope 1+2 emission intensity	135.67	134.54	154.95

EQUITY-APPLIED SCOPE 3 EMISSION INTENSITY (in tCO ₂ e/GWh)			
	2023	2024	2025
Total Scope 3 emissions	36,352,508	37,670,638	37,443,402
Energy sales from Meralco and Clark Electric	51,044	54,144	53,992
Scope 3 emission intensity	712.18	695.75	693.50

One Meralco's combined Scope 1 and Scope 2 emissions intensity increased by nearly 16% from 134.5 tCO₂e per GWh in 2024 to 155.0 tCO₂e per GWh in 2025. Over the same period, the Group's Scope 3 emissions intensity likewise decreased by 0.3%, from 695.8 tCO₂e per GWh to 693.5 tCO₂e per GWh.

Guided by our long-term sustainability strategy ("LTSS"), we have rolled out initiatives designed to gradually lower both total greenhouse gas emissions and emissions intensity through and beyond 2030, compared against a BAU trajectory—even as we continue to grow our customer base and electricity sales. These efforts involve contracting additional RE supply and investing in the development of new renewable generation facilities to diversify and decarbonize our portfolio. More comprehensive information on how we are expanding the share of RE in our supply mix and generation assets is presented in the Energy Transition discussion under the Power pillar.

E. Carbon Removal: Promoting Nature-Based Solutions to Sequester Carbon

Complementing our initiatives to reduce operational and value chain emissions, we remain committed to advancing nature-based solutions that contribute to long-term carbon management and ecosystem restoration. As part of this continuing effort, we support **SDG 15: Life on Land** through OMF's OFT program, in partnership with NGOs and local communities. The program integrates carbon sequestration objectives with broader goals of rehabilitating degraded landscapes and strengthening local biodiversity.

As of the end of 2025, we have continuously nurtured close to 3 million trees in various sites across the country under OFT. These reforestation efforts are estimated to sequester at least 65,000 tCO₂e annually. Consistent with our biodiversity commitments, we prioritize the planting of native and endemic tree species to support ecological balance and long-term forest resilience.

For more information about OFT, please refer to the Biodiversity section under Planet on pages 82-83.

Material Consumption & Waste Management: Advancing Circularity Across Business

GRI 306-1 | GRI 306-5

The Philippines continues to grapple with rising waste volumes driven by urbanization and changing consumption patterns. According to the World Bank’s *What a Waste* database, the country generates approximately 14.6 million tonnes of municipal solid waste annually, including household, commercial, industrial, hazardous, and substantial plastic waste streams. Despite the framework established under Republic Act 9003, otherwise known as the Ecological Solid Waste Management Act, infrastructure gaps and uneven enforcement constrain diversion rates, resulting in continued landfill dependence and waste leakage into waterways that contribute to pollution and flooding.

Beyond municipal waste, coal-fired power generation represents another significant waste stream. Globally, coal plants produce an estimated one billion tonnes of coal ash each year, requiring strict management to prevent environmental contamination. In the Philippines, responsible handling of coal combustion residuals—including coal ash and bottom ash—is critical to minimizing risks to air, soil, and water quality.

RAISING THE BAR FOR WASTE DIVERSION AND RECYCLING

Amid these national waste challenges, our operational waste footprint at One Meralco remains comparatively limited and tightly managed. Through disciplined controls, regulatory compliance, and our Race to Zero Waste (“RZW”) Program, we prioritize waste minimization, proper segregation, and responsible disposal across our facilities. By maintaining high diversion rates and embedding circular practices into our operations, we ensure that our contribution to the broader waste landscape remains controlled, compliant, and continuously improving.

AMOUNT OF SOLID WASTE TREATED OR DISPOSED OF BY MERALCO (in tonnes)			
	2023	2024	2025
Biodegradable	1,562	1,730	4,593
Recyclable	403	316	227
Residual	105	117	81
Total	2,070	2,163	4,901

Through our RZW Program, we continue to advance a culture of circularity across One Meralco strengthening waste governance from policy to practice. In 2025, the DU achieved a 98% waste diversion rate—surpassing our 95% target and significantly higher than Metro Manila’s reported 69% diversion rate—marking our strongest performance to date. This outcome reflects tighter compliance monitoring in coordination with robust and integrated processes, reinforced segregation systems, and sustained employee engagement.

During the reporting period, we enhanced our waste management framework through a comprehensive waste analysis and characterization study, enabling more precise monitoring and targeted interventions. We deployed clearly labeled segregation bins, expanded materials recovery facilities, and intensified awareness campaigns to promote proper waste handling. Total solid waste generation reached over 4,900 tonnes in 2025, an increase of nearly 127% from 2024, largely driven by higher tree trimming volumes, the return of in-person corporate events, and seasonal activities.

Despite this increase, we successfully diverted all biodegradable and recyclable waste streams—representing 98% of total waste generated—through strict compliance with national regulations and internal guidelines. Biodegradable waste, comprising nearly 94% of total waste, was processed through mechanized dual-drum composters across key facilities, producing six tonnes of compost by year-end. Tree trimmings from maintenance activities were also donated to local government units to support composting and waste-to-energy initiatives.

We further strengthened controls on single-use plastics (“SUPs”) by refining our SUP Ban Guidelines, expanding coverage to subsidiaries, contractors, and visitors, clarifying acceptable operational exemptions, and instituting a formal approval process for exceptions. Our partnership with The Plastic Flamingo Philippines (“PLAF”) advanced plastic circularity, enabling us to divert SUPs into durable school chairs for public schools, with our first plastics donation completed in collaboration with the OMF and operational teams.

Within MGEN, waste governance was reinforced through structured reporting on coal ash management and solid waste management, including coordination with DENR-EMB to secure a new coal ash off-taker and expanded composting and recycling initiatives at plant sites. In 2025, MGEN successfully diverted over 89,000 tonnes of coal ash from landfills. This by-product was repurposed as a valuable input for industries such as cement manufacturing.

Across subsidiaries, updated SUP policies, standardized segregation systems, and continuous monitoring mechanisms ensured consistent implementation of BAU waste management practices.

Bright Sparks: Creating Synergies for the Circular Economy

In 2025, we formally turned over our first batch of plastic waste to social enterprise PLAF, reinforcing our commitment to circular economy principles under Meralco’s RZW Program. The turnover, held during a site visit and plant tour at PLAF’s facility in Muntinlupa City, brought together OMF and various departments across Meralco, reflecting a company-wide, cross-functional approach to responsible waste management.

This milestone follows the memorandum of agreement Meralco signed in 2025 with PLAF and marks the operationalization of a partnership focused on transforming plastic waste into durable products, such as ecoboards, furniture, shelters, and school chairs. For our initial contribution, we successfully diverted over 500 kilograms of plastic waste collected from our Business Centers and the MOC, preventing these materials from ending up in landfills or waterways. The initiative builds on our Group-wide ban on SUPs, which has cut SUP waste by 57%—from 45 tonnes in 2021 to 19 tonnes in 2024.

Beyond environmental gains, our collaboration with PLAF delivers long-term business value by reducing waste management costs and enhancing Meralco’s ESG performance, which is an increasingly important decision factor for investors and stakeholders.

“A key driver of success was our groundbreaking ban on single-use plastics. This partnership with PLAF builds on that achievement, translating our efforts into real, measurable impact for both people and the planet.”

Raymond B. Ravelo

Chief Sustainability Officer, Meralco

Air Quality: Protecting the Air We Breathe

GRI 305-6 | GRI 305-7 | SASB IF-EU-120

Power generation is one of several sources of ambient air pollution, emitting pollutants that can affect ecosystems and public health. In response, we take a proactive approach to managing air emissions and mitigating regulatory risks by ensuring that our non-GHG emissions remain within the threshold limits prescribed by the DENR, in accordance with the Philippine Clean Air Act.

Central to this effort is the implementation of robust environmental management systems across our generation assets. MGEN's thermal power plants are certified under ISO 9001:2015 – Quality Management Systems, ISO 14001:2015 – Environmental Management Systems, and ISO 45001:2018 – Occupational Health and Safety Management Systems, all internationally recognized standards that require organizations to systematically identify environmental impacts, establish control measures, ensure regulatory compliance, and drive continuous improvement in environmental performance. Through structured monitoring, regular audits, and corrective action mechanisms mandated by the standard, our sites have strengthened pollution prevention and enhanced operational management. As a result, MGEN's thermal generation facilities have consistently complied with the DENR's non-GHG air pollutant standards over the past four years.

CONCENTRATION OF AIR POLLUTANTS RELEASED BY MGEN'S POWER PLANTS ¹ (in mg/Nm ³)			
	2023	2024	2025
Nitrogen oxides ("NO _x ")	154	308	242
Sulfur oxides ("SO _x ")	221	204	297
Particulate matter ("PM ₁₀ ")	7	18	14
Persistent organic pollutants ("POPs")	Not monitored		
Volatile organic pollutants ("VOCs")			
Lead			
Mercury			

In 2025, NO_x and PM emission concentrations from MGEN's power plants both declined by at least 20% from previous year's levels due to the decrease of share of coal in the portfolio with the addition of LNGPH. However, SO_x concentration increased by over 45% during the same period due to higher plant dispatch and generation output to meet rising demand and maintain grid reliability.

To enhance air quality monitoring, in 2025, MGEN strengthened environmental performance oversight by initiating more structured monitoring and disclosure of key air pollutants from power generation facilities. As part of a broader commitment to transparency and responsible operations, emissions data were consolidated across plants to establish a clear baseline for tracking non-GHG air pollutants and identifying opportunities for performance improvement. This enhanced monitoring supports more proactive management of emissions that may affect air quality and surrounding communities.

For the reporting year, recorded emissions included 2,051.7 tonnes of NO_x, 975.3 tonnes of SO_x, 302.7 tonnes of PM₁₀, 30.0 tonnes of VOCs, and 3,359.8 tonnes of hazardous air pollutants ("HAPs"). No releases were recorded for POPs, lead, mercury, and carbon monoxide during the period. These results

establish a reference point for continuous improvement as emissions controls, operational efficiencies, and cleaner generation technologies are further advanced across the portfolio.

Looking ahead, MGEN plans to evaluate its existing assets to make them more efficient. As part of its continuous improvement efforts, the company will also evaluate the use of alternative fuels—such as residual waste and hydrogen—once economically viable to further manage its air emissions.

Water & Effluents: Preserving Our Planet’s Lifeblood

GRI 303 | SASB IF-EU-140

Although the Philippines is naturally endowed with significant freshwater resources, increasing demand, uneven geographic distribution, and climate variability have intensified pressure on national water security. According to the National Water Resources Board, per capita water availability has declined to levels within the water stress threshold—estimated at roughly 1,000 to 1,700 cubic meters per person per year—signaling mounting constraints across several river basins and highly urbanized areas. Based on the World Resources Institute’s Aqueduct Water Risk Atlas, parts of the country face moderate to high baseline water stress driven by seasonal variability and drought exposure, while World Bank data underscores persistent gaps in access to safely managed water services. Together, these indicators highlight a growing challenge, as the country’s water abundance and availability does not necessarily translate into secure, reliable, and safe water access for all.

In response, we at One Meralco integrate water stewardship into our operational strategy by managing consumption responsibly and safeguarding water quality across our facilities. We implement efficiency measures to optimize water use, install monitoring systems to track performance, and ensure that wastewater is properly treated prior to discharge in compliance with environmental regulations. Through these sustained efforts, we aim to minimize our operational footprint, support local water resilience, and contribute to the responsible management of this increasingly constrained resource.

WATER MANAGEMENT METRICS OF MGEN (in megaliters)			
	2023	2024	2025
Withdrawn	1,468,928	1,464,320	5,004,714
Consumed	222,101	5,160	1,373,644
Discharged	1,246,827	1,459,160	3,631,070

In 2025, MGEN accounted for more than 99% of One Meralco’s total water use and withdrew over 5 trillion liters of water (with over 26% from MGEN Thermal’s coal-fired facilities) for operational cooling of its thermal power plants using a once-through process. This represents a water withdrawal increase of more than 2.4 times compared to 2024 due to the addition of MGEN’s new LNG facility in Batangas. Water was sourced from surface water, groundwater, seawater, and utility supplies, with seawater comprising the majority. All withdrawn water was treated in accordance to DENR standards prior to being safely discharged back to the marine environment.

PROMOTING WATER EFFICIENCY ACROSS ONE MERALCO

Through the RCEP, we continue to embed disciplined water resource management practices across One Meralco. During the reporting period, the DU strengthened monitoring by installing additional water meters and establishing baselines to better track water efficiency. We implemented practical conservation measures, including recycling treated wastewater from sewage treatment plants (“STPs”) for cooling tower use, regulating water flow through control valves, replacing fixtures with automatic low-flow faucets, and conducting proactive leak detection and repairs. These actions help reduce potable water consumption while preventing unnecessary losses.

Across our subsidiaries, water efficiency initiatives were likewise implemented: Clark Electric deployed water submeters to enable more granular monitoring, while MGEN implemented rainwater collection

systems to supplement non-potable water requirements. In 2025, MGEN recycled more than 255,000 cubic meters of wastewater across its facilities. Through these sustained efforts, we continue to improve operational efficiency while minimizing pressure on local water resources.

UPGRADING WATER INFRASTRUCTURE

In 2025, MSERV continued upgrading the Cupang Water Reclamation Facility to ensure its compliance with DENR Administrative Order No. 2021-19. Once completed, the facility can process up to 46 million liters of wastewater per day, serving nearly 33,000 customers across different barangays in Muntinlupa City.

MSERV delivers critical civil, electrical, and auxiliary non-process works for essential public infrastructure that supports sustainable water management. As regulatory requirements evolve, the company remains prepared to enable the upgrade of additional water reclamation facilities, contributing to long-term clean water security in urban areas.

Biodiversity: Securing Ecological Resilience

The accelerating loss of biodiversity has emerged as a critical global concern, with growing recognition that ecosystem degradation poses material risks to economic activity as well as human and social well-being. The power sector plays a significant role in this challenge, with energy infrastructure contributing to land-use change, habitat fragmentation, and ecosystem disturbance if not carefully planned and managed. These direct pressures are compounded by GHG emissions emitted by the industry, which drive climate change and further stress already vulnerable species by altering habitats, hydrological cycles, and atmospheric conditions.

In response to these challenges, One Meralco complies with all applicable Philippine environmental and biodiversity regulations and undertakes environmental impact assessments for new and expanding facilities to identify, avoid, minimize, and mitigate potential impacts on ecosystems throughout the project lifecycle.

Beyond regulatory compliance, we also seek to contribute positively to ecosystem restoration. Through OMF's OFT the Group supports biodiversity enhancement by prioritizing the planting of indigenous tree species that are well-adapted to local environments. The program focuses on rehabilitating degraded forests and watersheds while supporting livelihoods in host communities involved in tree-growing and site maintenance. We are continuously nurturing close to 3 million trees across the country.

In 2025, as part of OMF's OFT program, MGEN launched the Bucari Reforestation and Carbon Sink Project in the province of Iloilo. *For more information about this initiative, please refer to the Story of Light for Planet on page 69.*

EMPOWERING COASTAL COMMUNITIES THROUGH SUSTAINABLE AQUACULTURE

In December 2025, MGEN, through its subsidiary Panay Energy Development Corporation ("PEDC"), supported the launch of the Sustainable Mud Crab Fattening through Recirculating Aquaculture System project of the Ingore–Baldoza Fisherfolk Association in Barangay Ingore, Iloilo City. In partnership with the Ingore LGU, microfinance NGO Taytay Sa Kauswagan, and the Department of Science and Technology ("DOST"), we helped introduce sustainable aquaculture technology in the community to improve local economic productivity while protecting marine biodiversity. By equipping the fisherfolk community with an environmentally responsible and replicable livelihood model, we aim to strengthen local incomes and advance our commitment to inclusive development among communities within our areas of operation.

Bright Sparks: Building Our Own Green Spaces

One Meralco strives to integrate greening and urban agriculture into our own facilities and neighboring communities and transform them into living ecosystems. In 2025, we expanded our PowerPlants urban farming initiative to 17 locations across the MOC, Business Centers, and Sector Offices, engaging more than 160 employee volunteers and benefiting nearly 500 individuals through the distribution of fresh produce from diverse plant species into densely built environments.

We also deepened our community partnerships by establishing new urban farms in Barangays Talayan, Bahay Toro, and West Kamias in Quezon City, helping strengthen local food security while enriching green cover in urban communities.

Complementing these efforts, we continued advancing the Greening the MOC initiative, an offshoot of both OFT and PowerPlants. Since its launch in late 2024, Greening the MOC has increased on-campus tree cover to over 6,000 trees as of end-2025, with plans to more than double this to nearly 14,000 trees by 2027, aligned with DENR guidelines targeting at least 75% native tree cover. By strategically matching species to site-specific conditions—across perimeter roads, building lawns, and parking areas—we are cultivating a dynamic campus ecosystem. This includes planting carbon-absorbing species along high-traffic corridors, pollinator-friendly trees to support biodiversity, and medicinal varieties that help promote wellness.

People: Empowering Leaders in Energy

Our employees are the driving force behind our progress.

One Meralco’s enduring legacy and sustained success are anchored in the strength and diversity of our workforce—the brightest and most capable talent in the Philippine energy sector. Guided by the belief that our people shape our future growth, we strive to cultivate a culture founded on merit, dignity, and sustainability.

Across our Group, we provide remuneration packages designed to enable our employees to fulfilled their everyday needs while helping them achieve their long-term aspirations. To unlock their full potential, we invest in continuous learning and meaningful opportunities for community outreach, enabling our people to sharpen their skills while contributing purposefully to our sustainability goals.

We are also committed to maintaining a safe and secure work environment where everyone feels respected and protected. By implementing clear policies and proactive measures to protect the health and basic rights of our employees at every level of the organization, putting into practice our support for **SDG 8: Decent Work and Economic Development**.

Finally, we continue to champion diversity, equity, and inclusion (“DEI”) across One Meralco to reinforce our commitment to ensuring fairness and equal opportunity for each and every employee. Guided **SDG 5: Gender Equality** and **SDG 10: Reduced Inequalities**, we drive targeted initiatives that expand representation of minorities within the Distribution Utility (“DU”) and build a zero-tolerance culture for discrimination.

As we bring our goals and aspirations to life, our people remain at the heart of our sustainability agenda, driving progress today and carrying us forward into two more decades of service and excellence.

2025 PERFORMANCE HIGHLIGHTS

80%

increase in training
hours in the DU

74M

safe person-hours in MGEN²²

24.7%

female representation
in the Group’s workforce

KEY INPUTS (HUMAN CAPITAL)

18,211

employees Group-wide

285

third-party workers
Group-wide

4,558

new hires Group-wide

KEY OUTCOMES (HUMAN CAPITAL)

47.9

average training hours
per DU employee

21.8%

decrease in DU lost time injury
frequency rate (“LTIFR”)

4.7%

DU gender pay gap

²² Cumulative total across all MGEN operating sites

Stories of Light: Turning Strategy into Shared Responsibility

At One Meralco, we believe that a strategy is only as good as the people executing it. We thus gathered our leaders and employees across the Group at the Horizons: One Meralco Long-Term Sustainability Strategy (“LTSS”) Summit in September 2025 to align on and build shared understanding of our Group’s sustainability plans and ambitions. The summit opened with our Chairman & CEO Manny V. Pangilinan reaffirming a clear principle that anchored the day: a carbon-free future must move in step with a poverty-free one. He emphasized that the clean energy transition must not only be ambitious—it must also be accessible, affordable, and meaningful to the lives of our communities and customers.

One Meralco leaders then broke down what execution looks like across the Group through inspirational speeches. MGEN President & CEO Manny Rubio addressed the major hurdles to becoming coal-zero by 2050—balancing energy security, technical feasibility, financial constraints, and the implications for communities that host coal facilities. Meralco Chief Sustainability Officer Raymond Ravelo reinforced that sustainability is managed with the same discipline as our core operations: progress is tracked through corporate-level metrics, with 15% of Meralco’s KPIs tied directly to ESG goals, ensuring accountability at every level of the organization. He also highlighted key enablers—from Board-level governance through a Sustainability Committee chaired by our Chairman & CEO, to an employee-led team of Sustainability Champions across the DU and our subsidiaries—that make sustainability deeply embedded in our day-to-day functions and decisions.

The conversation broadened further through a panel discussion and an open forum—featuring DOE Secretary Sharon Garin and our One Meralco leaders. Questions were raised about the link between One Meralco’s sustainability targets to national realities—energy mix outlook towards 2030, the role and timing of emerging technologies like nuclear and hydrogen, and how the government, the private sector, communities, and consumers can align around the Philippines’ sustainability goals.

Through the LTSS Summit, we ensured that sustainability at One Meralco is embraced not only as a top-down mandate but also as a commitment carried by everyone in the Group. We aim to progress on our sustainability journey anchored in shared responsibility and collective action—building an energy future that powers the good life.

“If there is a carbon-free future, there must be a poverty-free future. Strategy means little if the power it delivers is not within reach of the people who need it most. What good is a solar farm if the communities around it cannot be supplied with power 24/7, or cannot afford the power it produces? What use is a battery energy storage system if the power it holds never reaches schools, health centers, and homes? Every watt we deliver must carry not just power, but purpose.”

Manny V. Pangilinan

Chairman & CEO, Meralco

“The energy transition is not just about replacing fuels—it’s about transforming futures. It must be inclusive, resilient, and rooted in the lived realities of our people. We are building a system that powers not only homes and industries, but also hope, dignity, and opportunity.”

Sharon Garin

Secretary, Department of Energy

For more information about our LTSS, please refer to Our Outlook & Strategy on pages 39-44.

Talent Attraction & Retention: Creating a Workplace People Choose

GRI 2-7 | GRI 2-8 | GRI 401 | GRI 406 | GRI 405

Our people are at the core of organizational performance, and the collective expertise, capabilities, and contributions of our workforce underpin our continued success at One Meralco. Our operations depend significantly on highly trained professionals—particularly engineers and technical specialists—whose skills are critical to delivering reliable power services. In a local context where specialized technical talent is limited, we place strong emphasis on attracting, nurturing, and retaining these professionals to sustain our operations and future growth.

Our approach to talent management goes beyond building technical proficiency. We are committed to providing purposeful career pathways, holistic development opportunities, and programs that support personal well-being and meaningful societal impact. By doing so, we aim to cultivate not only capable professionals but also engaged individuals who can build long-term careers within the Group.

Our Human Resources and Corporate Services department leads the development and implementation of talent strategies across One Meralco. Through our robust policies and industry-aligned programs, we can strengthen our ability to attract and develop Filipino talent while fostering a culture that values performance, accountability, and continuous learning.

To ensure alignment and consistency, HR Business Partners are embedded within our major business units. This integrated structure enables us to effectively manage talent acquisition, development, engagement, and retention across the organization—helping us maintain a workforce that is agile, competitive, and aligned with our standards for operational excellence and long-term value creation.

A. Hiring & Onboarding: Recruiting Promising Talent

Our Group's recruitment framework is anchored in fairness and meritocracy. As an equal opportunity employer, we evaluate candidates based on their competencies, experience, and demonstrated potential—ensuring that personal attributes such as age, gender, socioeconomic background, religion, or ethnicity never become barriers to opportunity. Through the years, we consistently attract exceptional talent equipped to navigate complexity and respond to the rapidly evolving demands of our businesses.

MERALCO DU EMPLOYEES AND WORKERS BY EMPLOYMENT STATUS						
	2023		2024		2025	
	Male	Female	Male	Female	Male	Female
Permanent	4,481	1,239	4,531	1,333	4,537	1,411
Probationary	122	66	112	51	167	60
Fixed-term and project-based	218	90	190	85	261	97
Third-party	N/A	N/A	N/A	N/A	N/A	N/A
Subtotal	4,821	1,395	4,833	1,469	4,965	1,568
Overall	6,216		6,302		6,533	

SUBSIDIARY EMPLOYEES AND WORKERS BY EMPLOYMENT STATUS						
	2023		2024		2025	
	Male	Female	Female	Male	Male	Female
Permanent	4,079	1,795	4,494	1,937	7,340	2,276
Probationary	341	633	215	368	156	290
Fixed-term and project-based	6,096	1,288	5,201	1,045	1,227	389
Third-party	99	13	371	38	265	20
Subtotal	10,615	3,729	10,281	3,388	8,988	2,975
Overall	14,344		13,669		11,963	

In 2025, One Meralco's workforce comprised of 18,496 employees and workers, reflecting a decrease of over 7% from 2024 caused by the conclusion of projects across our subsidiaries, specifically MSERV and MIESCOR.

Our new employees begin their journey through Meralco's Orange Plug-in ("OPI") Online, our fully digital onboarding platform designed to ensure a smooth and structured transition into the organization's history, mission, vision, and core values, as well as current businesses and initiatives. The platform combines guided and self-paced modules to accommodate different learning styles and features dedicated sessions on sustainability, diversity, equity and inclusion—with emphasis on gender equality—corporate governance, and data privacy. Our new hires are also provided access to essential information on company policies, digital tools and systems, total rewards, and career development pathways. Complementing the Group-wide onboarding, each subsidiary implements their own orientation program tailored to its specific industry environment and workforce needs, ensuring that new team members are effectively prepared for their respective roles.

B. Remuneration: Incentivizing Exemplary Performance

GRI 2-19 | GRI 405-2

Meralco's approach to compensation and remuneration reflects our position as the country's leading electric distribution utility. We design our compensation and benefits programs not just to remain competitive in the market, but to recognize meaningful contributions and encourage sustained high performance among all our employees. Our structured remuneration policy balances external competitiveness with internal fairness, ensuring that compensation appropriately reflects role responsibilities, expertise, and individual impact.

Meralco's compensation framework is anchored on providing employees with financial stability today while supporting their long-term prosperity. Our salary structures are intentionally set above mandated minimum rates and are calibrated to remain competitive across both the power industry and the broader business environment. Through regular market studies conducted with Willis Towers Watson, we evaluate and refine our pay and benefits structure to ensure continued alignment with industry benchmarks and evolving best practices. Over time, employees benefit from structured opportunities for salary progression through performance-based increases and career advancement pathways.

Beyond base pay, we offer a range of performance-linked incentives that recognize and reward meaningful contributions. These include short-term bonuses and long-term incentive programs such

as the Variable Incentive Plan, Annual Bonus Plan, and Long-Term Incentive Plan. By connecting individual performance with overall company results—including sustainability objectives—we reinforce accountability, shared ownership, and commitment to organizational success.

All variable pay programs are anchored on clearly established performance metrics reviewed and approved by the Board Remuneration and Leadership Development Committee. Incentives are awarded only upon the achievement of defined targets, reflecting our strong emphasis on meritocracy, measurable outcomes, and the delivery of high-quality results.

These performance-based rewards are reinforced by a comprehensive benefits program that exceeds statutory requirements. Employees receive paid leave, premium health and life insurance coverage, retirement provisions, and various forms of financial assistance, including support for essential expenses such as rice, transportation, and mobile services. Across the Group, our subsidiaries maintain their own compensation and benefits structures, calibrated to industry-specific standards and aligned with the unique needs of their respective workforces.

MATERNITY LEAVE				
		2023	2024	2025
Entitled to leave	Meralco DU	1,384	1,384	1,471
	Subsidiaries	3,060	3,060	2,829
Took leave	Meralco DU	276	276	275
	Subsidiaries	237	237	171
Returned after leave	Meralco DU	276	276	275
	Subsidiaries	188	188	129
Returned and still employed 12 months after leave	Meralco DU	716	716	246
	Subsidiaries	181	181	84

PATERNITY LEAVE				
		2023	2024	2025
Entitled to leave	Meralco DU	4,543	4,543	3,056
	Subsidiaries	4,969	4,969	2,335
Took leave	Meralco DU	225	225	207
	Subsidiaries	275	275	144
Returned after leave	Meralco DU	225	225	207
	Subsidiaries	274	274	130
Returned and still employed 12 months after leave	Meralco DU	1,037	1,037	204
	Subsidiaries	186	271	112

SOLO PARENT LEAVE							
		2023		2024		2025	
		M	F	M	F	M	F
Entitled to leave	Meralco DU	11	28	9	22	10	21
	Subsidiaries	19	72	1,071	117	510	83
Took leave	Meralco DU	11	28	32	106	40	91

	Subsidiaries	21	83	16	119	16	100
Returned after leave	Meralco DU	11	38	32	106	40	91
	Subsidiaries	21	83	7	118	8	100
Returned and still employed 12 months after leave	Meralco DU	11	26	28	106	28	99
	Subsidiaries	15	85	7	103	8	77

Employee satisfaction with Meralco’s remuneration and work environment is reflected in the strong return-to-work rate following parental leave. In 2025, all employees who availed of parental leave returned to work after completing their leave, indicating sustained engagement and support within the organization.

Meralco continues to implement measures to support employees transitioning back to work after parental leave. These include providing dedicated lactation rooms for new mothers across our premises, such as the head office, Business Centers, and Sector Offices.

Bright Sparks: Recognizing Excellence in Action

In 2025, we reintroduced Gintong Sinag as a company-wide recognition program where we honor employees who embody excellence, initiative, and service rooted in our core values. Replacing the former Model Employee Awards, the revitalized platform reinforces our commitment to fostering a high-performance, values-driven culture by celebrating individuals and teams whose contributions create meaningful impact across the organization.

During the inaugural ceremony in August, Mr. Jason Calsas, Head of the Pasig Sector, was named Most Outstanding Employee of the Year. Through this program, we have established a more comprehensive and transparent framework for recognition—highlighting achievements that advance customer experience, operational excellence, innovation, and integrity, and ensuring that outstanding contributions are visibly and purposefully celebrated.

C. Training & Development: Nurturing Employees Through Continuous Learning

GRI 404

Training and development are fundamental to empowering our people to realize their full capabilities and achieve sustained professional growth. We are committed to equipping our employees with the knowledge and skills they need to excel in their current roles while preparing them to take on greater responsibilities in the future. Through a diverse portfolio of technical training, leadership programs, and professional development initiatives, we strengthen both functional expertise and leadership capability across the organization.

Operating in a highly technical and rapidly transforming industry, we recognize the importance of deepening internal expertise and building future-ready talent. We therefore invest consistently in programs that enhance critical competencies, sustain high performance, and reinforce our long-term resilience. In doing so, we not only strengthen our organization but also help cultivate the specialized skills essential to advancing the broader Philippine energy sector.

AVERAGE TRAINING HOURS FOR MERALCO DU EMPLOYEES BY RANK						
	2023		2024		2025	
	Male	Female	Male	Female	Male	Female
Senior management	44.9	29.8	29.4	30.9	48.1	40.1
Middle management	47.8	36.3	30.9	26.8	36.1	31.5
Rank and file	66.3	36.8	57.0	35.1	51.9	61.7
Weighted average	59.4	34.4	49.5	31.6	47.8	48.0
Overall average	53.8		45.4		47.9	

AVERAGE TRAINING HOURS FOR SUBSIDIARY EMPLOYEES BY RANK						
	2023		2024		2025	
	Male	Female	Male	Female	Male	Female
Senior management	29.8	43.2	13.3	15.9	13.7	14.6
Middle management	23.0	19.0	14.7	9.6	42.6	50.4
Rank and file	6.6	3.0	5.9	7.3	5.2	5.7
Weighted average	6.7	4.5	8.0	8.7	7.3	7.3
Overall average	6.3		8.5		7.5	

In 2025, Meralco delivered a total of over 312,700 hours of technical and leadership training, equivalent to an average of 47.9 training hours per employee. This represents an 80% increase from nearly 173,600 training hours in 2024, or 27.5 hours per employee, driven by the introduction of new programs focused on culture-building, values integration, and competency development.

The Group continues to support ongoing professional learning by ensuring that training topics remain relevant, forward-looking, and engaging across all levels of the organization. We also integrate sustainability-related topics into our learning and development curriculum to build awareness and equip employees with the knowledge needed to support the Group's sustainability objectives.

BUILDING A POWERHOUSE OF SKILLED LEADERS

To reinforce the Group's culture of continuous learning, we strengthen our technical talent pipeline through two flagship initiatives driven by MIESCOR: the Powerhouse Program and the Lineman Program. These programs are designed to deepen specialized expertise, address critical skills gaps, and build a workforce capable of supporting long-term operational excellence.

Launched in January 2025, the Powerhouse Program serves as a strategic talent acceleration and retention platform for technical subject matter experts and high-potential professionals across engineering and project management disciplines. By combining structured career pathways, annual competency assessments, targeted development interventions, and performance-based incentives, the program addresses retention challenges while systematically elevating technical proficiency and leadership readiness. Participants benefit from accelerated learning opportunities, executive exposure, and merit-based rewards that reinforce both excellence and long-term commitment.

Complementing this is the expanded Lineman Program, which aims to develop certified 3rd Class Linemen to meet the growing demands of the DU. Through rigorous classroom and practical training, trade testing, and continuous skills evaluation, the program strengthens safety standards, operational reliability, and workforce capability. By investing in internal trainer development and structured career

progression pathways, MIESCOR ensures a steady pipeline of skilled linemen and strengthens its technical talent pool.

D. Employee Engagement: Supporting Well-Rounded Growth

To support the Group's commitment to holistic personal development, One Meralco complements professional growth initiatives with programs that promote employees' physical, spiritual, emotional, and mental well-being. The Company also provides opportunities for employees to engage in volunteer activities, enabling them to contribute to social causes while strengthening their sense of purpose and connection with the communities Meralco serves.

PROMOTING A CULTURE OF WELLNESS AND VITALITY

At One Meralco, we believe that a thriving organization begins with healthy, engaged, and empowered people. Guided by our commitment to employee engagement and holistic development, we continuously invest in programs that support the physical, mental, emotional, and social well-being of our employees. By fostering a culture that prioritizes wellness and connection, we strengthen not only individual resilience but also our organizational performance.

During the reporting period, we expanded our Orange Fit program, our year-round wellness initiative that promotes balanced and healthy lifestyles. In July 2025, we offered a wide range of health and wellness activities—from free medical screenings through the Orange Fit Caravan as well as yoga and sports sessions, to financial literacy and nutrition webinars, art workshops, and spiritual activities. We also reopened the Orange Fit Boot Camp across multiple areas, engaging over 100 children of our employees in basketball and dance sessions. Access to the Meralco Fitness Center and our sports facilities further supported our employees in maintaining active lifestyles throughout the year.

Complementing Orange Fit are engagement events such as the One Meralco Cool-tural Festival, an annual celebration of creativity and camaraderie that brings employees from different business groups together beyond their day-to-day function. Through friendly, inter-department competitions—such as the Meralco Olympics, the Mr. and Ms. One Meralco pageant, and the Battle of the Bands—the festival showcased the diverse talents and teamwork that energize our organization.

Meanwhile, from a mental health perspective, we strengthened our focus on mental wellness through U Matter, our expanded program at Meralco that provides counseling, self-care tools, awareness campaigns, and leadership sessions on psychological safety, anchored in our Mental Health Policy. In parallel, our subsidiary Radius rolled out its *Mindful vs. Mindfull campaign*, engaging 140 employees in conversations on managing mental clutter and restoring focus. Together, these efforts help us lay the foundation for a supportive, stigma-free workplace that promotes mental and emotional resilience.

KEEPING OUR PEOPLE INFORMED

In 2025, we continued to strengthen employee engagement through sustained and evolving communication platforms that keep our people informed, connected, and aligned with our shared purpose. Building on the launch of Meralco News in 2024—a quarterly publication featuring key achievements, programs, and organizational milestones—we are now integrating its content into our established digital channels to enhance accessibility and broaden reach.

Moving forward, updates and feature stories will be shared through Meralco and Me Alerts and Workplace, enabling more timely communication and seamless engagement across the organization. By maximizing these digital platforms, we reinforce our core values, celebrate collective successes, and cultivate a stronger sense of belonging, ensuring that communication remains dynamic, inclusive, and responsive to the needs of our workforce.

BUILDING A COMMUNITY THAT DRIVES IMPACT

In addition to promoting employee well-being, we provide opportunities for our people to contribute meaningfully to community development. Each year, our employees offer dedicated time to participate in meaningful initiatives organized by the OMF and our subsidiaries to support communities and sectors across the country.

Nurturing Environmental Stewards

In 2025, we expanded our PowerPlants urban farming program to 17 locations across the Meralco Operating Center (“MOC”), Business Centers, and Sector Offices, engaging over 160 employee volunteers and benefiting nearly 500 individuals through the distribution of fresh produce. The initiative strengthened community partnerships by establishing new urban farms in Barangays Talayan, Bahay Toro, and West Kamias in Quezon City, helping improve local food security and access to nutritious vegetables.

Under the banner of our two greening programs—OFT and PowerPlants—we also continued to advance Greening the MOC which was launched in late 2024. Through this initiative, our employees have grown the tree count on our campus to over 6,000 by the end of 2025. Through these efforts, we are empowering Meralco employees to actively contribute to the company’s sustainability goals and join the wider movement for environmental stewardship.

Recognizing Academic Excellence Through Educational Grants

OMF continues to invest in youth empowerment through the MVP Academic Achievement Awards (“MVP AAA”), an initiative that honors the academic excellence of dependents of rank-and-file and supervisory employees of Meralco and our subsidiaries by providing educational grants. In 2025, the program marked its 15th year, recognizing 260 academic awardees and 86 top achievers during its annual celebration. Since launching in 2010, MVP AAA has supported a total of 3,010 awardees through 2025, helping more students stay on track towards their education goals—one milestone, one family, and one future at a time.

Investing in Our Children’s Future

We reinforced our commitment to education and inclusive development during the reporting period through MGEN’s participation in the Department of Education’s Brigada Eskwela 2025, supporting 34 public schools across 11 provinces. Mobilizing nearly 400 employee-volunteers and providing over PHP 1 million worth of targeted assistance including classroom and office supplies, audiovisual equipment, cleaning tools, and construction materials, MGEN’s contributions reached more than 40,000 students, teachers, and school staff. Volunteers also provided hands-on support, repainting classrooms, repairing facilities, and preparing school grounds for the new academic year. Through close collaboration with school administrators and host communities across Luzon and Visayas, the initiative

strengthened learning environments while reinforcing MGEN's long-term investment in community development.

Providing Life-Saving Blood

In 2025, MGEN Thermal renewed its longstanding partnership with the Philippine Red Cross for its annual bloodletting campaign. Conducted across facilities in Cebu, Panay, and Pasig City, the initiative mobilized 131 employee-donors and collected nearly 95,000 milliliters of blood—potentially benefiting up to 400 individuals. By supporting local Red Cross chapters and contributing directly to regional healthcare needs, the program demonstrates that MGEN's role extends beyond power generation to sustaining life and strengthening public health systems.

Spreading Hope Through Holiday Giving

Through its annual Handog sa Pasko ng MGEN ("HAPAG") initiative, MGEN mobilized over PhP 3.2 million in assistance to bring holiday support to more than 6,300 beneficiaries across 44 municipalities nationwide—nearly doubling the program's reach from the previous year. Implemented through MGEN Thermal and MGEN Renewables, we delivered Noche Buena gift packs and supported community activities in host areas surrounding MGEN's power plants.

As MGEN's portfolio continues to expand, HAPAG reflects its commitment to ensuring that growth is shared with the communities where it operates, strengthening relationships while advancing inclusive development during the holiday season and beyond.

Further details on OMF's social responsibility initiatives in 2025 and the role of employee volunteers in supporting these programs are presented in the 2025 OMF Annual Report.

Bright Sparks: Igniting Ideas from Within

Just as Meralco delivers the electricity that powers economic and social development for millions, we are deepening employee engagement across One Meralco by creating meaningful opportunities for our people to connect, contribute, and shape improvements in how we work and serve our customers.

Meralco's Unified Innovation Month is a company-wide platform that brings employees together through a shared experience—uniting previously independent innovation initiatives into one cohesive program designed to strengthen connection, collaboration, and a sense of shared purpose. Anchored on the objectives to Inspire, Recognize, Act, and Realize, the month-long initiative culminates in a single event that spotlights cross-functional projects across process automation, data analytics, generative artificial intelligence, public safety, customer experience, and operations—giving teams a space to be seen, heard, and celebrated for their contributions.

By integrating programs such as MeralcoStar, Customer Experience Innovation Summit, public safety innovations, and various Communities of Practice, the unified approach encourages employees to participate in ideation challenges, join communities, collaborate across functions, and bring forward solutions that matter. More than a celebration, the program strengthens a culture where employees feel connected to One Meralco's direction, recognized for their efforts, and empowered to take action—reinforcing everyday engagement through shared wins and continuous improvement.

Occupational Health & Safety: Building Safer Workplaces

GRI 403 | SASB IF-EU-320

At One Meralco, safeguarding the health and safety of our people is a fundamental responsibility—we are committed to ensuring that every employee returns home safe at the end of each workday. We regard workplace safety not simply as a matter of regulatory compliance, but as an essential expression of our care for our workforce.

Beyond adhering to the Labor Code of the Philippines and Republic Act No. 11058, or the Occupational Safety and Health Standards Act, we have established comprehensive OHS policies, robust governance bodies, and well-defined programs that reinforce accountability and proactive risk management across the organization. In support of **SDG 13: Decent Work and Economic Growth**, these structures and initiatives work together to promote a culture of safety, prevent workplace incidents, and ensure that all employees can perform their duties in a secure and health-conscious environment.

A. Institutionalizing Fundamental Safety Principles

Our Group continues to strengthen and expand our OHS initiatives, underscoring our commitment to safeguarding every employee's right to a safe and healthy workplace. In compliance with the standards and regulations set by the Department of Labor and Employment ("DOLE"), we consistently enhance our safety programs, governance mechanisms, and risk management practices to uphold the highest levels of protection, compliance, and accountability across all operations.

REINFORCING OUR CULTURE OF SAFETY

In 2025, we updated Meralco's Safety Code—an important milestone in strengthening our OHS framework. Updating the original 1998 Safety Code, the revised edition was developed through extensive expert review and consultation with line personnel to align our standards with current industry practices and regulatory requirements. The updated Code provides clearer guidelines on tools, equipment, and work processes; introduces new chapters covering specialized activities; refines key safety definitions; and imposes stricter penalties for frequently violated provisions. By retaining relevant policies while superseding outdated ones, the Revised Safety Code reinforces a culture of discipline and shared accountability—underscoring that safety is everyone's responsibility in protecting our people, the public, and our operations.

This strengthened policy framework is supported by robust governance and operational leadership. Championing a proactive safety culture across the organization, the Facilities and Safety Management Department at the DU level oversees the execution of all OHS initiatives and integrates safety standards into daily operations to ensure risk prevention and continuous improvement. Complementing this, Environment, Safety and Health ("ESH") Committees across business units serve as on-the-ground advocates, conducting monthly engagements to review protocols, address hazards, and reinforce compliance. Meralco's ESH Board—composed of senior executives including the Chief Operating Officer, Chief Revenue Officer, Chief Human Resource Officer, and Chief Legal Counsel—provides strategic direction, oversees corporate-wide ESH programs, and guides responses to significant safety matters and regulatory developments. Through these coordinated efforts, we continue to embed safety leadership and accountability at every level of the organization.

SHAPING EMPLOYEE BEHAVIOR TOWARDS SAFETY

At the core of Meralco's efforts to strengthen workplace safety is our flagship OHS program, TARGET ZERO: Zero Incident, Zero Harm. This ongoing initiative is focused on eliminating workplace safety incidents and is supported by a range of complementary programs and activities. Among these is the annual First Working Day Safety Campaign, which reinforces a safety-first mindset across the organization, particularly among frontline employees who are regularly exposed to physical risks.

Building on our 2024 safety initiatives, we further strengthened our safety culture in 2025 by deepening the implementation of our behavior-based safety ("BBS") approach. This proactive framework focuses on identifying, observing, and positively influencing workplace behaviors to prevent incidents before they occur and to elevate overall safety performance across operations. During the reporting year, we conducted at least 95 BBS training sessions for safety officers, sector heads, team leaders, and line crew, reinforcing competencies in hazard recognition, injury prevention, personal accountability, and effective safety communication. Following these sessions, safety leaders implemented structured cross-validation inspections using BBS observation tools, engaged teams in constructive discussions on at-risk behaviors, and collected actionable data to guide continuous improvement.

In addition, Meralco continued to deliver a range of training courses and webinars on OHS topics, including fire prevention, heat stress management, indoor air quality, and motorcycle safety. These learning efforts were reinforced through regular safety announcements and guidelines shared via official corporate communication channels. The Company also ensured the provision of personal protective equipment that meets local and international standards and installed safety information materials at construction sites to help protect both employees and surrounding communities.

KEY OHS METRICS				
		2023	2024	2025
Total employee hours worked	Meralco DU	14,262,953	13,376,584	13,543,767
	Subsidiaries	42,046,928	30,056,631	30,395,870
Safe person-hours	Meralco DU	1,002,624 ²³	2,941,176 ²³	1,383,200 ²⁴
	Subsidiaries	30,951,493	29,012,969	32,417,256
OHS training hours	Meralco DU	30,649 ²³	529,616 ²³	630,496
	Subsidiaries	15,548	19,381	26,541
Average OHS training hours per employee	Meralco DU	5.14 ²³	177 ²³	49
	Subsidiaries	1.40	1.68	2.74
	Overall	2.71 ²³	39.54 ²³	20.31

While Meralco continues to uphold a strong safety culture and maintain comprehensive OHS programs, the nature of the power industry inherently involves elevated risks. In 2025, the Company recorded three work-related fatalities and 33 other work-connected injuries, compared to one fatality and 41 work-connected injuries in 2024.

²³ 2023 and 2024 figures have been restated to reflect data accuracy.

²⁴ A safety incident occurred at the Meralco Operating Center on December 3, 2025.

The decrease in work-connected injuries resulted in a lower lost-time injury frequency rate from 1.4 in 2024 to 1.1 in 2025. However, safe person-hours declined by 53%, from over 2.9 million in 2024 to nearly 1.4 million in 2025, highlighting the ongoing need to further strengthen and continuously improve Meralco's OHS systems and practices.

Despite the decline in safety performance at the DU level, MGEN continued to demonstrate strong safety outcomes. By year-end 2025, MGEN accumulated more than 74 million safe person-hours with zero lost-time injuries and recordable incidents across its operating sites, reflecting effective safety management within its operations.

In 2025, we recorded 15 lost time incidents ("LTIs")—lower than the previous year—though regrettably with three fatalities, reinforcing the urgency of sustaining stronger safety vigilance across our operations. During the year, we implemented the Revised Safety Code in December and further strengthened our BBS inspections through the deployment of additional Safety Engineers to enhance on-site oversight and risk prevention.

Looking ahead, we will intensify our Group-wide efforts to enhance existing safety measures and introduce additional preventive and innovative approaches aimed at reducing both minor injuries and serious incidents, with the objective of further improving workplace safety across our operations.

STRENGTHENING FRONTLINE PROTECTION THROUGH EQUIPMENT UPGRADES

In 2025, Meralco reinforced frontline safety by procuring nearly 3,700 units of upgraded arc-rated personal protective equipment ("PPE"), reflecting our continued commitment to protecting employees exposed to high-risk operations. While the acquisition replenished inventories following recent deployments, it also incorporated enhanced specifications informed by updated arc-flash risk assessments and evolving operational exposure profiles.

The upgraded arc-rated PPE, designed with enhanced protective ratings, improved coverage, and better compatibility, was strategically deployed to linemen and substation personnel performing live-line work, switching, and other critical operations. Through a risk-based allocation approach, we reinforced protection in high-exposure areas—ensuring that frontline teams are equipped with reliable safeguards aligned with the demands and hazards of their working environment.

B. Fortifying Emergency Preparedness

Meralco continues to strengthen safety awareness and safe work practices across the organization. Mandatory OHS training programs are regularly conducted to reinforce current workplace safety principles and standards, including fire safety and construction site awareness. In addition, specialized competency programs are provided on topics such as defensive driving, accident investigation, and the operation of heavy equipment and basket trucks.

In 2025, Meralco delivered 95 OHS training courses, amounting to 630,496 training hours, up by 19% from 2024. This corresponds to an average of nearly 102 hours of safety training per employee during the year.

We also place emphasis on emergency preparedness by providing training on responding to hazards such as fires, earthquakes, bomb threats, and chemical spills. Regular drills are conducted to maintain

employee readiness and situational awareness. In 2025, Meralco carried out 49 earthquake drills, 24 fire drills, and 12 chemical spill drills to reinforce preparedness and response capabilities.

Originally launched in 2024, the Meralco Rescue Academy continued its implementation and expansion in 2025 as part of our sustained commitment to safety and preparedness. The Academy serves as a dedicated platform offering short courses on emergency preparedness and response for One Meralco employees and their dependents, equipping participants with practical, life-saving skills applicable both in the workplace and at home.

EMPLOYEES AND WORKERS COVERED BY AN OHS MANAGEMENT SYSTEM				
		2023	2024	2025
Permanent and Probationary	Meralco DU	5,930	5,864	6,133
	Subsidiaries	5,640	5,094	6,269
Fixed-term and project-based	Meralco DU	310	275	315
	Subsidiaries	7,555	5,956	6,271
Third-party	Meralco DU	9,846	9,542	-
	Subsidiaries	1,855	332	353
Total		31,136	17,521	19,341

ENHANCING EMERGENCY RESPONSE EFFICIENCY THROUGH REAL-TIME SAFETY MONITORING

In 2025, Radius initiated the soft launch of the Radius Emergency Check-in system, activating a real-time platform designed to monitor and verify employee safety during emergencies. The system enables employees to promptly report their safety status and location, allowing us to conduct rapid risk assessments and make data-driven decisions during calamities. During the initial activation, the system verified 428 employees and received 301 real-time responses, enabling targeted follow-up and faster emergency support where needed. Additionally, MGEN's similar Employee Safety Check aims to strengthen crisis preparedness and response, business continuity, and employee safety.

Labor & Human Rights: Safeguarding Our Workers' Rights

GRI 2-30 | GRI 402-1

Respect for labor standards and human rights is integral to how we conduct business at One Meralco. We are committed to treating every individual with fairness and dignity, guided by the principles set out in our Human Rights Policy. The policy reflects internationally recognized frameworks, including the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the International Labor Organization's core conventions. We continuously work to safeguard the rights of our employees and other stakeholders who may be impacted by our operations through clearly defined governance structures, controls, and procedures. By embedding these standards into our entire operations and business practices, we reinforce our commitment to ethical conduct and recognize that protecting labor and human rights is essential to building trust, resilience, and long-term sustainable growth.

In line with our commitment to responsible business, Meralco nurtures a culture built on mutual trust, open communication, and collaborative engagement. We provide employees with formal mechanisms to discuss workplace matters and actively participate in collective bargaining processes. As of 2025, collective bargaining agreements ("CBAs") extend to 1,462 rank-and-file employees and 2,891 supervisory employees, accounting for nearly 67% of our total workforce.

CHAMPIONING LABOR REPRESENTATION

In 2025, the Meralco Employees and Workers Association ("MEWA"), representing rank-and-file employees, entered into a new three-year CBA covering the period from December 1, 2025, to November 30, 2028. The new CBA provides wage increases, improved medical subsidy coverage, and lump-sum grants for rank-and-file employee members. Similarly, the First Line Association of Meralco Supervisory Employees ("FLAMES"), which represents supervisory personnel, operates under a collective bargaining agreement effective from December 1, 2024, to November 30, 2027. These agreements underscore our sustained commitment to equitable representation and constructive labor-management partnerships.

At MIESCOR, where many roles are project-based or time-bound in line with operational demands, statutory labor standards—including OHS requirements—are consistently implemented to both regular and fixed-term personnel. The company likewise maintains full compliance with regulations governing job contracting to ensure the lawful and equitable treatment of third-party workers. Strengthening our labor relations framework, MIESCOR successfully concluded new CBAs in 2025 with the MIESCOR Supervisory Union ("MSU") and the MIESCOR Employee Labor Organisation ("MELO"), both affiliated with the National Union of Building and Construction Workers, covering the period from February 2025 to January 2028—demonstrating a shared commitment to stability, fairness, and sustained labor-management collaboration.

EMPLOYEES COVERED BY CBAs			
	2023	2024	2025
Meralco DU	4,332	4,326	4,161
Subsidiaries	1,538	263	357
Total	5,870	4,589	4,518

ENSURING SECURE AND CONFIDENTIAL REPORTING MECHANISMS

Beyond formalizing employee–management dialogue through CBAs, we provide a secure and confidential reporting channel for employees and other stakeholders to raise concerns involving breaches of corporate governance policies, questionable accounting or auditing practices, or other forms of misconduct. All reported infractions are treated with utmost seriousness, triggering timely investigations and the imposition of appropriate disciplinary measures where warranted. Under Meralco’s Speak Out Policy, complaints may be filed by affected parties or witnesses—whether anonymously or otherwise—with safeguards in place to ensure full protection against retaliation. Reports are submitted to the Corporate Governance Office (“CGO”), which evaluates and manages each case in coordination with its Assisting Investigative Units (“AIUs”).

In the event of alleged retaliation, individuals who reported concerns or served as witnesses may submit a Retaliation Protection Report Form. These cases are reviewed by the Management Disciplinary Committee or the relevant Board Committee, subject to approval by the CEO, the Chairman of the Board, or an authorized representative.

Beyond responding to reported concerns, Meralco emphasizes prevention through education and awareness. Training on the Code on Right Employee Conduct (“COREC”) is provided to new employees and managers to reinforce expected workplace behavior. The CGO also conducts regular roadshows across business units to communicate updates on governance policies and programs, while all employees are required to complete an annual Corporate Governance Refresher every January.

Looking ahead, the Group will continue to strengthen workforce awareness and capability in upholding labor and human rights standards, while monitoring developments in laws, regulations, and jurisprudence to ensure continued compliance across our operations.

Diversity, Equity & Inclusion: Fostering a Culture of Belonging

GRI 405

At One Meralco, we view diversity, equity, and inclusion (“DEI”) not only as a people priority but as a strategic imperative that strengthens collaboration, innovation, and long-term success. In 2025, we formally launched and implemented the expanded #Mbrace Diversity & Inclusion Program across the Group, reinforcing our commitment to cultivating a work environment free from bias and discrimination—where every employee, regardless of background or identity, feels respected, empowered, and able to contribute meaningfully.

Since endorsing the CEO Statement of Support for the Women’s Empowerment Principles (“WEPs”) in 2021—alongside more than 10,000 organizations globally—we have continued to reaffirm our commitment each year. Guided by this framework established by UN Women and the UN Global Compact, we advance concrete actions that promote gender equality, protect women’s rights, and expand women’s participation and leadership in the workforce, in alignment with **SDG 5: Gender Equality**.

With the 2025 rollout of #Mbrace across our subsidiaries, we are embedding DEI more deliberately into corporate policies, leadership practices, and day-to-day operations. This unified approach strengthens accountability, broadens our focus beyond gender, and ensures that inclusive values are consistently reflected throughout One Meralco—building a culture where diversity is embraced and opportunity is accessible to all.

A. Ensuring Diverse Representation in Our Workforce

Meralco continues to work towards building a more diverse workforce by increasing the participation and advancement of women across the organization. In 2025, women accounted for nearly 24% of Meralco’s workforce, the highest level recorded by the Company and well above the global energy sector average of 14%.²⁵ At the Group level, women represented 22% of the total workforce during the same period.

Looking ahead, Meralco aims to further strengthen gender representation by working towards a target of 40% female participation in the DU workforce by 2030.

NEW HIRES						
	2023		2024		2025	
	Male	Female	Male	Female	Male	Female
Meralco DU	309	129	289	144	367	166
Subsidiaries	3,126	1,171	2,501	1,010	3,129	896
Subtotal	3,435	1,300	2,790	1,154	3,496	1,062
Total	4,735		3,944		4,558	

During the same period, women accounted for at least 31% of the Company’s new hires, more than the proportion of women in the existing workforce. This outcome reflects targeted efforts to improve

²⁵ 2025 Global Energy Talent Index Report

gender balance in hiring, including recruitment campaigns that highlighted women's active participation across Meralco's businesses and initiatives implemented under the #Mbrace Program.

MERALCO DU EMPLOYEES BY RANK						
	2023		2024		2025	
	Male	Female	Male	Female	Male	Female
Senior management	615	212	632	217	660	242
Middle management	485	324	498	354	533	387
Rank and file	3,540	792	3,513	1,403	3,511	842
Fixed-term and project-based	218	90	190	85	261	97
Subtotal	4,858	1,418	4,833	2,059	4,965	1,568
Total	6,276		6,892		6,533	

SUBSIDIARY EMPLOYEES BY RANK						
	2023		2024		2025	
	Male	Female	Male	Female	Male	Female
Senior management	74	43	126	69	112	51
Middle management	871	351	1,248	695	342	145
Rank and file	7,153	2,590	7,140	2,277	7,042	2,370
Fixed-term and project-based	2,517	745	1,616	322	1,227	389
Subtotal	10,615	3,729	10,130	3,363	8,723	2,955
Total	14,344		13,493		11,678	

Purposeful recruitment of women across entry-level, technical, and managerial roles supports One Meralco's efforts to strengthen diversity and inclusion in the workplace. In 2025, women represented 27.5% of the Group's senior management positions, reflecting continued progress in increasing female representation in leadership.

As part of our continuing efforts through 2025 to expand women's participation across the workforce, we have sustained initiatives launched in 2024, including reviewing roles that can be effectively undertaken by women, collaborating with the Meralco Power Academy to prepare women for traditionally male-dominated positions such as equipment operator and field inspector, partnering with academic institutions to offer scholarships that increase the pipeline of female electrical engineering graduates, and actively encouraging female students from technical high schools and universities to pursue careers with Meralco.

B. Championing Equality Across One Meralco

In 2025, as part of our #Mbrace Diversity and Inclusion Program, we marked International Women's Day by mobilizing employees through the #MbraceAction campaign and strengthening our focus on women's health and well-being. We mounted our first company-wide Women's Health Caravan, delivering nearly 600 health consultations in partnership with seven health providers, and hosted our first Group-wide women's wellness webinar, which attracted over 1,000 participants and achieved an average satisfaction rating of 98%.

Extending this commitment across the Group, Radius marked Women's Month through SHEroes: Celebrating Women of Radius, a company-wide initiative recognizing the achievements and leadership

of female employees and highlighting their contributions to the telecommunications sector. Meanwhile, Bayad secured approval of its Diversity and Inclusion (“D&I”) Policy, launched a communications toolkit, and initiated monthly engagement activities. Clark Electric marked Women’s Month and Pride Month through partnerships with expert organizations to deepen awareness and advocacy within the organization.

In addition, Movem formalized its D&I Policy, expanded equal medical coverage, and established DEI performance metrics, while MSERV implemented a D&I communications campaign and training programs. Also reinforcing this momentum, Radius sustained its quarterly D&I campaign to foster deeper engagement. Collectively, these coordinated initiatives reflect our Group-wide commitment to cultivating a workplace culture where diversity is embraced and inclusion is actively practiced.

We are actively expanding #Mbrace to further embed all forms of inclusion into our workplace culture and practices. What began as an initiative focused on women’s empowerment has evolved into a broader platform advancing gender equality and inclusion for persons with disabilities (“PWDs”).

Bright Sparks: #Mbrace-ing All Colors with Pride

At One Meralco, we believe organizations thrive when their people are empowered to be their most authentic selves. In an industry long shaped and dominated by men, creating spaces for diverse voices therefore goes beyond representation—it is about ensuring that everyone, no matter who they are, is equally respected and valued. When employees feel they belong, they are more confident to share ideas and support one another, strengthening how we work and deliver business outcomes.

In 2025, we intensified our Group-wide commitment to LGBTQIA+ inclusion through Meralco’s and MGEN’s memberships in the Philippine Financial and Inter-Industry Pride (“PFIP”), a leading nonprofit organization serving as the leading voice of LGBTQIA+ workplace inclusion in the country.

Building on this commitment, we translated LGBTQIA+ inclusion into visible, employee-centered experiences during Pride Month. We launched initiatives such as the “Proud to Be Me” forum, which brought together over 460 Meralco employees both onsite and online, creating a safe and supportive space for open dialogue, allyship, and deeper understanding of the LGBTQIA+ community across the organization. Rainbow-themed pedestrian lanes across our headquarters and 10 Sector Offices, along with art cards spotlighting LGBTQIA+ colleagues, served as visible reminders that small actions build a culture of respect and empathy for everyone.

To further elevate Meralco’s DEI journey, we developed an LGBTQIA+ Inclusion Roadmap, outlining foundational initiatives—such as awareness programs, inclusive facilities, and employee resource groups—and transformative actions that enhance LGBTQIA+ policies and protections in the workplace.

With the roadmap setting a clear direction for the Group, our subsidiaries have also progressed from assessment to action. In 2025, MGEN advanced key LGBTQIA+ inclusion measures by launching its own DEIB Policy, adopting pronoun usage in internal communications, and extending HMO coverage to same-sex partners—steps that strengthen workplace DEI and make benefits more equitable for every employee.

C. Sustaining Gender Pay Equity

The gender pay gap continues to be a global challenge, reflecting differences in earnings between men and women across industries and occupations. Addressing this issue, particularly in traditionally male-dominated sectors such as energy, requires a comprehensive approach that promotes transparency in compensation, equitable access to leadership opportunities, and workplace policies that support career development for all employees.

AVERAGE GENDER PAY GAP IN MERALCO DU ³			
	2023	2024	2025
Senior management	-0.49%	7.96%	4.26%
Middle management	-1.09%	-0.79%	-3.71%
Rank and file	11.75%	13.37%	22.32%
Fixed-term and project-based	-28.95%	-0.59%	3.35%
Weighted average	0.21%	-0.12%	4.72%

As part of our commitment to DEI, Meralco works to ensure that total annual compensation for female and male employees is equitable. In 2025, the DU recorded an overall average gender pay gap of 4.7%, indicating that, on average, male employees earned slightly more than their female counterparts. This outcome compares favorably with the global energy industry average gender pay gap of 19%.

Looking ahead, Meralco will continue to maintain and further narrow any remaining pay differences by upholding fair remuneration practices and regularly reviewing compensation structures.

Prosperity: Paving Pathways for Progress

Building on Meralco’s scale as the country’s largest distribution utility serving millions of Filipinos, One Meralco is uniquely positioned to help drive inclusive and sustainable prosperity for the nation. Guided by the **United Nations’ 2030 Agenda for Sustainable Development**, we are committed to enabling our stakeholders across the Group to live secure, productive, and meaningful lives.

Our sustainability agenda is rooted in our pledge to uplift the lives of our customers, communities, and constituents. With our wide array of energy efficiency, smart metering, and convenient payment services, we provide excellent customer experience within a safe and secure digital environment. We also foster innovative, next-generation solutions to expand customer choice and further shape a more sustainable energy future.

Additionally, we strive to grow stronger together with our communities by supporting meaningful programs that enhance their quality of life. Finally, we work closely with constituents and partners across our supply chain and the wider power industry to build a more resilient energy ecosystem and deliver shared progress towards national development.

Through our scale, infrastructure, and diversified business portfolio, One Meralco continues to lay the foundation for a more prosperous and future-ready Philippines—empowering both present and future generations to thrive.

2025 PERFORMANCE HIGHLIGHTS

7.97 out of 10	ZERO	98.3%
DU Customer Satisfaction Index (“CSI”)	incidents of bribery in the DU	of the DU’s procurement spend covered by the Meralco Supplier Sustainability Scorecard (“MS ³ ”)

KEY INPUTS (FINANCIAL AND SOCIAL & RELATIONSHIP CAPITALS)

PhP 152.2M	616	PhP 65.1B
donations disbursed by OMF	suppliers engaged by the DU through MS ³	spent by the Group on local procurement contracts

KEY OUTCOMES (FINANCIAL AND SOCIAL & RELATIONSHIP CAPITALS)

5	>PhP 37.7M	58M
public schools energized by OMF	in customer savings realized due to the DU’s digitalization efforts	cyberattacks blocked and prevented by the DU

Stories of Light: Empowering Communities to Rise with MTerra Solar

As MTerra Solar rises to become the world's largest integrated solar and battery energy storage facility, its development is being matched by a deliberate investment in host communities across Nueva Ecija. Through MGEN Renewables and its subsidiary Terra Solar Philippines, Inc., we have formalized partnerships with local governments in Gapan, Peñaranda, and General Tinio to launch livelihood and community development programs that will help ensure the benefits of this transformative project are shared from the outset. More than 1,700 construction jobs have been generated as of the end of the reporting period, while up to 10,000 jobs are expected to be created at the project's peak, positioning renewable energy ("RE") development as a catalyst for inclusive growth.

During the reporting period, three flagship programs were introduced during MTerra Solar's quarterly stakeholder engagement forum, Agora, to deliver immediate and sustained impact. BrighTER will install solar-powered streetlights across seven host barangays, improving safety and mobility along approximately two kilometers of road network. TERRAnsform, implemented in partnership with the Meralco Power Academy and local government units, will equip around 630 scholars with job-readiness and technical training aligned with project construction needs, with qualified participants absorbed by Engineering, Procurement, and Construction contractors. Complementing these efforts, CarTER establishes three temporary community marketplaces within the Phase 1 project site, providing structured spaces for local vendors to serve up to 7,500 workers and stimulate grassroots entrepreneurship.

These projects underscore MTerra Solar's potential for positive social and economic impact beyond the transformative benefits of supplying clean energy to approximately 2.4 million households and avoiding an estimated 4.3 million tons of carbon emissions annually. By lighting streets, building skills, and strengthening livelihoods, we are demonstrating that by embedding impact into RE development, the transition to clean power can drive both environmental progress and lasting community empowerment.

"As we build this transformative clean energy project, we are equally committed to building better lives for the people in our host communities. Even while in the construction stage, the positive impact of MTerra Solar has already been felt—and this is just the beginning."

Dennis B. Jordan

President & CEO, MGEN Renewables

"Ang MTerra Solar ay biyaya para sa Nueva Ecija at kasama niyo kami sa historical project na ito."
(*"MTerra Solar is a blessing to Nueva Ecija, and we stand with you in making history with this project."*)

Emary Joy Pascual

Mayor, City of Gapan, Nueva Ecija

Customer Enablement: Elevating the Customer Experience in an Evolving Energy Ecosystem

GRI 418-1

Customer enablement lies at the intersection of service excellence and market transformation. At Meralco, we give customers greater control, clarity, and convenience in how they use and access electricity—while ensuring Meralco can deliver service that is faster, more reliable, and more responsive to evolving needs. As consumption patterns change and customer expectations rise, we are strengthening the tools, programs, and technologies that help households and businesses manage energy use more efficiently, make informed decisions, and reduce avoidable costs.

At the core of this effort is our continued push on energy efficiency, which helps customers lower consumption through practical solutions and timely guidance, while also supporting a smarter and more resilient power sector. Complementing this is the expansion of Advanced Metering Infrastructure (“AMI”), which is transforming metering from a basic billing function into a platform for real-time insights, two-way communication, improved outage detection, and more accurate billing—enabling a more customer-centric, data-driven energy system.

Finally, we are enhancing service efficiency through digital platforms that simplify key customer journeys—from monitoring usage and managing accounts to paying bills, requesting services, and receiving confirmations in real time. Together, these initiatives are designed to improve transparency, speed, and reliability across everyday interactions, while building the foundation for greater customer choice, stronger service performance, and a more sustainable energy future.

A. Lighting the Way to Energy Efficiency

Meralco continues to advance energy efficiency as a cornerstone of building a smarter and more resilient power sector. At the same time, we empower customers with better tools and timely information to manage electricity consumption more effectively, promoting greater control, transparency, and cost efficiency. Through intelligent and data-driven solutions, we strengthen operational performance while fostering a more responsive and customer-enabled energy system.

B. Advancing a Smarter Energy Ecosystem

As energy markets and customer expectations evolve, AMI has become more than a meter replacement program: it a pathway towards more intelligent, efficient, responsive, and customer-centric energy systems.

A growing number of smart meters are enhancing grid visibility and service reliability across our franchise area, providing real-time usage insights, enabling two-way communication, and improving outage detection and response. Measuring consumption in five-minute intervals—the market-prescribed standard—and transmitting data daily to the electricity Market Operator, the meters are also playing a critical role in enabling accurate billing and efficient energy management under the Retail Competition and Open Access (“RCOA”) framework under the Department of Energy’s Retail Aggregation Program (“RAP”).

Meralco is continuing to advance preparations for large-scale AMI deployment to realize these benefits at scale. Of the 140,000 smart meters initially approved—primarily for prepaid customers—more than 196,000 have been installed to date. The Company plans to deploy nearly 12 million smart meters over the next decade, including 3.6 million units between 2025 and June 2030, supported by allocations in Meralco’s PHP 272-billion First Regulatory Period CapEx plan under the Rationalized Rules for Setting Distribution Wheeling Rates (“RRDWR”). Given the scale of investment—approximately USD 100 per meter—the rollout will be phased, with efforts underway to optimize costs.

In October 2025, we strengthened the infrastructure behind this smart meter rollout through a partnership with U.S.-based Itron, Inc. Itron’s Gen5 solution, built on an open, IPv6-based network integrating mesh and cellular technologies, supports multiple meter brands and enables two-way, near real-time communication between its operations and customer endpoints. The solution drives faster outage detection and restoration, improved billing accuracy, and greater transparency in energy consumption. It will initially manage 73,000 endpoints across Metro Manila, with multi-year expansion across the franchise area.

Through continued investment in AMI and grid modernization, Meralco is building more resilient, data-driven energy infrastructure that with benefits for customer choice, efficiency, and ultimately the nation’s transition towards a smarter energy future.

“This collaboration is pivotal in our AMI journey. With Itron’s Gen5 solution, we are laying the foundation for a smart grid that enhances customer experience, supports the digital economy, and builds a more sustainable power future for the Philippines.”

Ronnie L. Aperoch

Executive Vice President & Chief Operating Officer, Meralco

EMPOWERING CUSTOMERS WITH FLEXIBLE AND SMART SOLUTIONS

Anchored on our AMI program, we continue to expand customer choice and empowerment through both prepaid and postpaid smart solutions. Kuryente Load provides a flexible prepaid option in smaller, more manageable amounts alongside consumption monitoring via SMS notifications—broadening access for low-income households, relocated families, and *balik-liwanag* customers. In 2025, the program reached nearly 102,000 active customers, including over 10,600 new accounts, achieving 95% of its annual target while reducing convenience fees to enhance affordability.

Complementing this, AMI Postpaid leverages smart metering technology to deliver real-time consumption data and transparent billing, strengthening transparency, reliability, and customer trust. By year-end 2025, active AMI Postpaid accounts grew to over 7,400, up 41% from 2024, with 91% customer satisfaction and improved collection performance. As we relaunch prepaid services in AMI-covered areas and prepare for a broader 10-year rollout, we continue to scale technology-enabled solutions that give customers greater control over their energy use.

C. Ensuring Efficient Customer Service Through Digital Platforms

Meralco continues to leverage digital innovation to improve operational efficiency and enhance the customer experience. Through initiatives such as My Meralco, Kuryente Load, Digital Official Receipt Issuance (“DORI”), and the DSA, we are able to streamline processes, reduce operating costs, and support more environmentally responsible practices.

STRENGTHENING ACCESSIBLE PAYMENT SOLUTIONS

A key focus from 2024 to 2026 is the strengthening of our payment ecosystem by accelerating real-time posting, expanding access points, and advancing paperless transactions. Through our partnership with Bayad and other third-party channels, we transitioned from batched to real-time payment posting, ensuring that customer payments are instantly reflected—eliminating delays, preventing missed deadlines, and reducing payment-related concerns. RTP Bayad payments grew by 153% from PhP 9.5 million in 2024 to PhP 24.0 million in 2025, following the implementation of RTP GCash, while batch payments declined significantly, signaling a clear shift towards faster and more reliable channels.

At the same time, we expanded the acceptance of payments for disconnected services across Bayad outlets nationwide, complementing Meralco Business Centers and digital platforms. This wider network of payment touchpoints enables customers to conveniently settle outstanding dues and supports service reconnection typically within 24 hours, with around 3,000 transactions processed monthly—improving accessibility, efficiency, and customer satisfaction.

Further reinforcing our digital transformation agenda, we implemented DORI for payments made via Meralco Online and third-party channels, including Bayad, banks, and Automatic Payment Arrangements. By providing secure, readily accessible electronic receipts, we enhanced convenience while promoting sustainability through reduced paper use. In 2025, requests for printed official receipts at Business Centers declined by 24% compared to 2024, reflecting improved accessibility, operational efficiency, and a more seamless customer experience.

EXPANDING REAL-TIME PAYMENT ACCESS FOR FASTER RECONNECTION

In 2025, Meralco launched Real-Time Posting for Disconnected Meralco Accounts, which enables customers to settle outstanding dues through Bayad and initiate reconnection without unnecessary delays. The project provides customers with faster and more convenient payment options beyond Meralco Business Centers by integrating real-time posting technology into Bayad’s extensive over-the-counter network. The initiative enhances speed, reliability, and overall customer experience while supporting Meralco’s customer-centric and sustainability agendas.

Looking ahead, Meralco plans to extend real-time posting capabilities to additional corporate and digital partners, as well as the Bayad App and online channels, further broadening customer access and convenience.

MODERNIZING FIELD SERVICES THROUGH MOBILITY SOLUTIONS

Introduced in 2023 and running through 2027, the Mobility Solution for Field Services (“MobSol”) is digitizing field order management and optimizing on-the-ground operations. Since its rollout, MobSol has processed over 888,000 CXE work orders, eliminated paper-based field orders, and generated approximately PHP 6.2 million in printing savings. Through mobile applications and web-based dispatch tools, the system reduces manual work, improves labor deployment and scheduling, and enhances productivity—reinforcing service reliability, operational efficiency, and sustainable, paperless operations. In 2025, the project expanded to support BIZ Partners Group and Enterprise & National Government customers.

CUSTOMER ENABLEMENT METRICS	
Heightened customer satisfaction	
Customer Satisfaction Index (overall satisfaction on different areas of the Meralco service)	7.97 out of 10
Customer Experience Index (measure of transactional experience with different customer channels)	94 out of 100
Value for Money Rating (% who agreed that they got their money’s worth with Meralco’s service)	82 out of 100
Empowered customers with innovative and sustainable energy solutions	
Kuryente Load	101,880 customers
Net Metering	19,127 customers
AMI Postpaid	7,422 customers
Peak / Off-Peak	6,684 customers
EV Adoption	599 DOE-registered 4-wheel commercial charging Points
Ensured responsive customer care and high service levels	
Resolution Rate	97.1%
Average Time to Answer	5.4 minutes
Enlightened customers through year-round information, education and communication campaigns	
Total Reach <i>Social static and video, TVC</i>	258 M views
Meralco Advisory <i>Timely updates on electricity</i>	4.6M average views/hits per month
Bright Ideas <i>Offer data-driven tips for households to manage energy consumption</i>	82.9M views/hits on digital, social media per month
Power Ideas <i>Share beyond-the-meter solutions and practices for business</i>	1.3M views
Drove digital access and promoted self-service options for greater convenience	
Transactions used self-service and digital channels	88.4%
My Meralco <i>Drive access of the Meralco account through web or app to seamlessly manage service, pay bills, report outage—anytime, anywhere</i>	2.56M users

Bright Sparks: Enabling Customer Choice

One Meralco firmly supports the objective of the ERC's Omnibus Rules for Customer Choice Programs ("CCP") to establish a modern, clear, consistent regulatory framework that ensures fair competition, protects consumer rights and facilitates reliable access to electricity market options. These efforts help expand the eligible customer base and further promote the "Power of Choice".

Meralco, as a DU and designated Meter Service Provider, and in alignment with our corporate strategic focus on Customer Centricity, is facilitating and supporting customers switching to CCP. This is being achieved by promoting general awareness, streamlining operations to meet regulatory timelines, and enhancing the customer experience through a dedicated SPOC and the availability of a switching manual.

Beyond the DU, in 2025 MPower and Vantage Energy responding to evolving CCP and deepened industry engagement in the RES market. Following the rollout of the RAP and the lowering of the CREM threshold to 100 kW, MPower successfully transitioned 18 RAP groups totalling 31 MW, with 10 additional groups representing 15 MW secured for 2026. This includes groups such as DMCI, PLDT and Smart—the first in the real estate and telecommunications sectors, respectively, to transition to RAP. MPower also became the first RES to sign a new account under CREM Phase 4 through partnership with the Burgundy group.

MPower and Vantage Energy further reinforced customer retention and brand loyalty through strategic learning initiatives in 2025, including two batches of the Recertification Course for Energy Managers with MPA, producing over 60 graduates, and the 11th Executive Forum, which gathered a record 217 business leaders from nearly 100 companies.

Digitalization & Cybersecurity: Navigating Risks and Opportunities in the Digital Age

As technology reshapes industries and customer expectations continue to evolve, One Meralco is accelerating digital transformation to make everyday customer experiences faster, easier, and more reliable. Guided by our 7Ds Digital Transformation Framework through the end of the decade, we are strengthening the digital capabilities that enable more convenient services, quicker issue resolution, more responsive support, and a more seamless end-to-end customer journey—while reinforcing the systems that keep power delivery efficient and dependable.

Because customers rely on Meralco's infrastructure and digital channels for essential services, cybersecurity is a critical part of protecting service continuity and customer trust. Operating in an environment with heightened cyber risk exposure, we established a dedicated Cyber Security Group ("CSG") in 2020, independent from Information, Communications, Technology, and Transformation ("ICT"), to safeguard our digital assets and protect stakeholders from evolving threats. With an "assume breach" mindset, the CSG proactively identifies and mitigates cyber risks to help prevent disruptions, protect customer information, and maintain the reliability of digital services—reinforcing the confidence customers and partners place in Meralco.

A. Redefining Customer-Centricity Through Digital Transformation

We continued to advance our digital transformation journey in 2025, anchored on the seven strategic pillars of the 7Ds Digital Transformation Framework—Digital Customer, Digital Grid, Digital Employee, Digital Enterprise, Data Platforms and Artificial Intelligence ("AI"), Digital Infrastructure, and Digital Communications. The framework drives the adoption of emerging technologies and data-driven insights across key areas to enhance operational excellence, deepen customer centricity, and unlock new business opportunities.

UNLOCKING DIGITAL CONVENIENCE AND EFFICIENCY FOR CUSTOMERS

Meralco must do more than deliver electricity alone. We must deliver that electricity in a way that continues to meet and exceed the expectations of 8.2 million customers in a digitalized world—one that demands speed, transparency, and flexibility. In response, we continue to listen to customer feedback and tailor our digital platforms to their needs, with the aim of providing convenient, end-to-end services that empower people and improve operational efficiency.

At the forefront of this effort is the My Meralco App, our primary self-service channel. The platform enables customers to easily view and pay bills, report outages, apply for electric service, lodge inquiries, share feedback, and access electricity-saving tips and promotions—all within a secure and user-friendly environment. By consolidating essential services into a single digital channel, the application allows customers to connect with Meralco anytime and anywhere.

The complete customer journey is covered through a comprehensive suite of functions, supporting everything from seamless account management, bill paying and service applications, to real-time reporting of concerns and outages, to value-added features that promote more efficient consumption.

Account Management	Bills & Payments	Concerns	Outages	Service Applications	Value-added Services
• Self-service registration for residential customers • Pre-enrollment for business customers • Single view for all enrolled customer accounts • Multi-Factor Authentication through MPIN and biometrics	• PDF copies of bills for the past 13 months • Partial, full and pay-in-advance options for active, disconnected and terminated services • 7:00 AM – 11:00 PM real-time posting • 24-month consumption chart • DORI	• Lodging of inquiries and concerns	• Outage map • Outage reporting	• Digital Service Application for Ordinary Service Applications • Modification, termination, and reconnection of Service	• Service-related notifications • Bright Ideas • Appliance Calculator

In 2025, we enhanced the platform with new ways for customers to engage with Meralco and reduce routine paperwork. DORI was introduced beginning in July, improving transaction transparency, documentation and the delivery of receipts. In December, we streamlined the submission process for Ordinary Service Applications with a fully digital application process.

More Meralco customers than ever are now experiencing the benefits of our digital services. Adoption of the My Meralco App accelerated following the full transition from our legacy platform, Meralco Online, reaching 2.56 million registrations in 2025. The app supported 7.1 million payment transactions and PhP 34.8 billion in collections during the year, representing year-on-year growth of 34% and 37%, respectively. Active paperless billing subscribers reached 116,000. Notably, the share of self-service transactions through the My Meralco App rose from 38.9% in 2024 to 70% in 2025, significantly reducing the need for in-person visits and reflecting stronger digital engagement across our customer base.

Looking ahead to 2026, we will continue to expand the platform’s capabilities. Planned enhancements include improved concern management with real-time status monitoring, a Fraud Management Tool to further strengthen payment security, and a tailor-fit portal and mobile application for business customers. Additional features will support consumption monitoring and top-up for prepaid electricity and Postpaid Plus customers, applications for net metering, and service modification, or switching, options for contestable customers.

Through continuous innovation, the My Meralco App is enabling us to deliver ever more convenient, secure, and responsive energy services, strengthening the customer experience while supporting our broader digital transformation journey.

TRANSLATING DIGITAL INFRASTRUCTURE IMPROVEMENTS TO POSITIVE CUSTOMER EXPERIENCE

Meralco's digitalization transformation is focused on what customers feel every day: faster responses when they need help, more accurate and flexible billing and energy options, and more reliable service continuity. By modernizing critical systems behind the scenes—from customer contact channels to metering data and billing automation—we improve speed, accuracy, and customer experience across all touchpoints.

To keep customer support always-on and secure, Meralco upgraded contact center components that had reached end of life and end of service support, including aspect applications, Cisco Unified Communications Manager ("CUCM"), and related third-party systems. The upgrade addressed cybersecurity and supportability risks while ensuring uninterrupted business-as-usual call center operations.

In parallel, we strengthened the accuracy, completeness, and usability of meter and market data by replacing Meralco's legacy Meter Data Management System ("MDMS"). The new MDMS supports core functionalities for billing, rating and charging, and reporting to the Independent Electricity Market Operator of the Philippines ("IEMOP"), while enabling customer-facing programs (e.g., CCP, Competitive Retail Electricity Market, Green Energy Option Program, Retail Aggregation Program) and offerings (including Kuryente Load, AMI Postpaid, and Peak/Off-Peak).

We also accelerated revenue and service turnaround by automating billing and collection processes through the integration of the Foreign Attachment Management System with the Enterprise Resource Planning system. This integration streamlines formerly manual workflows for third-party users of Meralco's electric poles and delivers measurable cycle-time improvement, with an average processing time of 14.2 days based on 24 cleared service orders, better than the project's commitment of 21 days.

IMPROVING CUSTOMER OUTCOMES WITH INTELLIGENT SOLUTIONS

We at Meralco are turning AI into real service improvements—helping us respond faster, operate more reliably, and better serve more than 8 million customers in a sector under increasing pressure to decarbonize, digitize, and deliver at scale. Our focus is to apply AI where it creates measurable value for customers, while keeping innovation responsible, secure, and people-centered.

AI applications are already delivering tangible results for our customers. Meralco utilizes a sentiment analysis platform that processes customer feedback in hours instead of weeks, enabling near real-time insights that strengthen service improvements. Our predictive models have reduced transformer-related outages by more than half, preventing service interruptions for hundreds of thousands of customers. Additionally, our advanced computer vision tools are also supporting rooftop solar integration by improving visibility and coordination of distributed energy resources within our network.

Deployment is also expanding across our subsidiaries. Radius has implemented AI tools to automate documentation and analytics processes, while Bayad has introduced automated response capabilities that significantly reduce handling time. Meanwhile, MGEN is utilizing AI tools to streamline asset monitoring and maintenance processes, enhancing operational insights across its generation portfolio.

To align leaders, employees, and global technology partners behind this direction, we convened the first One Meralco AI Summit in 2025 to define how AI can accelerate growth and elevate customer service even further. The Summit reinforced our commitment to place AI at the center of transformation, guided by clear standards for responsible, secure, and people-centered innovation. With over 50 use cases identified and six lighthouse projects prioritized—supported by a structured roadmap and Responsible AI guardrails—the initiative affirms that AI is not a replacement for people, but a powerful partner to serve our customers better.

B. Fortifying Our Cyber Defense

Meralco's dependence on digital technologies, together with the increasing convergence of information technology ("IT") and operational technology ("OT"), has expanded the Company's cyber risk exposure and introduced more complex security challenges. As traditional air-gapped cybersecurity architecture continues to erode, protecting critical digital infrastructure requires a more comprehensive and adaptive cybersecurity approach.

These challenges are further intensified by evolving regulatory requirements in the Philippines, including the Data Privacy Act, the National Cybersecurity Plan ("NCSP") 2025–2028, and the DOE's Energy Sector Cybersecurity and Cyber Resilience Framework. These frameworks call for stronger security controls, data protection measures, and incident reporting protocols. In response, Meralco continues to invest in advanced security technologies, strengthen workforce capabilities, and adopt proactive threat detection and response strategies. Through these efforts, the Company maintained a resilient cybersecurity posture and successfully blocked and prevented over 58 million cyberattacks in 2025.

BUILDING AN ARSENAL AGAINST CYBER THREATS

Meralco's long-term cybersecurity vision is anchored on ARSENAL, a strategic program designed to enhance the Company's cybersecurity maturity by 2028 in alignment with the NCSP. The program aims to protect Meralco from current and emerging cyber threats by securing digital assets, safeguarding stakeholders, and reducing financial, reputational, legal, and regulatory risks associated with cybersecurity incidents.

Through ARSENAL, we strengthen Meralco's cyber infrastructure to address the growing risks of a digitalized energy landscape. As a utility serving millions of customers nationwide, any major cyber disruption could have wide-reaching implications. This reinforces the importance of Meralco's proactive, collaborative, and forward-looking approach to cybersecurity in preserving system resilience and maintaining stakeholder trust.

FOSTERING A CULTURE OF CYBER VIGILANCE AND RESPONSIBILITY

Meralco's operational risk framework focuses on a robust risk management process that includes identification, assessment, mitigation, and continuous improvement. Central to this approach is cultivating a pervasive cybersecurity culture that is practical, inclusive, and embedded across the organization. Cybersecurity is upheld as a collective responsibility, equipping employees to act as a critical first line of defense against evolving threats. This commitment also extends beyond the workplace, promoting responsible digital practices within the wider community.

To reinforce awareness, Meralco sustains year-round cybersecurity education initiatives, including regular advisories on emerging risks such as phishing and smishing and clear guidance on preventive measures. In 2025, 151 advisories were issued to provide actionable insights to employees. Our annual mandatory e-learning cyber course, launched in 2025, achieved an outstanding 99% compliance rate and 97% overall passing rate.

Thinking Before Clicking

In 2025, we intensified our cybersecurity awareness efforts through the Think Before You Click campaign, launched during a critical period when Meralco faced a surge in phishing attempts. Designed to make complex cyber threats easier to recognize, the campaign adopted a playful yet purposeful approach, personifying common phishing tactics without diminishing their seriousness. Timely advisories, themed materials, and continuous engagement ensured that employees remained alert to emerging threats throughout the year.

The campaign established a formal baseline for phishing resilience and reporting performance. Email security controls achieved a 99.6% block rate, with only 0.4% of phishing attempts reaching user inboxes. Among those delivered, the click rate was kept to 2.9%, while the reporting rate reached 96%, resulting in a strong phish resilience ratio of 33:1—meaning that for every employee who clicked, 33 proactively reported the attempt.

Strengthening Crisis Response Through Simulation

In November 2025, we reinforced our cyber resilience by launching our annual cyber crisis simulation program, underscoring the importance of preparedness in managing high-impact incidents. Aligned with leading global standards—including the National Institute of Standards and Technology Cybersecurity Framework and ISO 27001—the program emphasized regular testing of incident response capabilities to ensure effective governance, risk management, and protection of critical information assets.

The initiative began with a tabletop exercise designed to familiarize participants across Meralco with crisis management roles, escalation protocols, and decision-making expectations in preparation for more complex scenarios. The program culminated in a full-scale crisis simulation conducted in partnership with our cyber insurance partners. The exercise presented a realistic, high-pressure cyber

incident scenario to assess organizational readiness, validate escalation pathways, and strengthen coordination across our business units.

By testing processes, communications, and leadership responses in a controlled environment, we enhanced our ability to respond swiftly and decisively to evolving cyber threats, further embedding resilience and accountability across the organization.

POWERING STRONGER ACCESS SECURITY ACROSS ONE MERALCO

In 2025, One Meralco's Cybersecurity Awareness Month ("CSAM") placed user access at the forefront of our cyber defense strategy, recognizing that every account can serve as a potential gateway to our network. Under the theme "The Power of Less: Protecting More with Minimal Access", the component Cybersecurity Awareness Forum remained the flagship event, redesigned to be more immersive and engaging while reinforcing the principles of access security.

The celebration featured expert insights from industry leaders, including a keynote emphasizing the evolving threat landscape and the critical role of access security in protecting digital assets. Threat simulation videos illustrated how attackers exploit unauthorized access, while subject matter experts provided department-specific guidance to reinforce that cybersecurity is a shared responsibility. The forum also marked the official kickoff of Project REVERB, the Group's cybersecurity maturity acceleration program for subsidiaries, further strengthening alignment and resilience across the organization's cyber ecosystem.

Reinforcing Group-wide Cyber Resilience

In 2025, we launched Project REVERB (Reinforcing Excellence, Value, and Empowerment of our cyber-ecosystem for Resilience-Building) to align and accelerate cybersecurity maturity across the Group. Built on two goals—cyber strategy synergy and maturity acceleration—it unifies direction while giving each subsidiary the tools, resources, and flexibility to strengthen defenses within its own operating environment. Through a centralized, structured framework, REVERB spreads best practices, deepens expert collaboration, and institutionalizes continuous improvement to boost collective resilience against evolving threats.

Innovation: Inspiring Next-Generation Solutions

Innovation at One Meralco is ultimately about delivering better solutions and outcomes for customers—more reliable service, more choices, and support that keeps pace with how people live and work today. As the energy landscape evolves through digitalization, decentralization, and rising customer expectations, we are investing in enterprise-wide innovation so we can respond faster and serve better.

Our subsidiaries help extend these customer benefits across different needs and segments. Movem supports customers who want cleaner and more convenient mobility by helping expand electric vehicle (“EV”) adoption. MSERV and Radius enable high-demand customers—such as data centers and large facilities—with solutions that help them meet growing power requirements reliably and efficiently. Across the Group, we are working together to bring practical innovations to the market and unlock new options for customers. Together, these efforts reflect One Meralco’s commitment to meeting customer needs today and building a more responsive, resilient energy future for the Philippines.

A. Pioneering Advanced Technologies in the Telecommunications Industry

Innovation at Radius continues to reinforce its position as a trusted digital infrastructure provider amidst an increasingly competitive market. During the reporting period, enhanced IPTV and Premium Dark Fiber solutions helped the business stay at the forefront. IPTV delivers standard and high-definition content over full IP network infrastructure powered by Radius’ 100% pure fiber network and enterprise-grade eLINE, ensuring stable, high-quality viewing across hotels and healthcare facilities. During the reporting year, four additional enterprise clients confirmed orders and completed implementation, reflecting growing demand for reliable, fiber-based content distribution.

In parallel, Premium Dark Fiber continued to serve mission-critical operations that require the highest levels of performance, security and scalability. The solution provides fully private, unlit fiber networks that give businesses complete control to meet their needs. The service generated an average monthly revenue of PHP 21.7 million, up 74% year-on-year, with around 240 active circuits and Optical Line Monitoring and Protection deployed across 11 major data centers to uphold a 99.9% uptime commitment—solidifying Radius’ role in supporting the Philippines’ expanding digital economy.

ENHANCING CUSTOMER EXPERIENCE THROUGH NETWORK RELIABILITY

Through our subsidiary Radius, we strengthened both digital engagement and network reliability in 2025. Radius relaunched its website in phases from July to December, aiming to improve the customer experience by enabling clients to view circuits in real time, monitor requests and trouble tickets, check service feasibility, request proposals, and place orders online. Delivered through close collaboration among Sales, Product and Market Development, IT, Business Process Management, and Network teams, the enhanced platform improves transparency and efficiency while also positioning Radius to drive greater lead generation and order conversion. The next phase will introduce real-time online billing statements and integrated help center access, further reinforcing a responsive, customer-centric digital interface.

At the same time, Radius has upgraded its Optical Transport Network to support up to 200 Gbps capacity to meet the needs of hyperscale, telecommunications and other high priority customers, with

an ongoing proof-of-concept to deliver and support high-capacity connectivity up to 800 Gbps. Proactive Fiber Network Monitoring through Optical Line Monitoring and Optical Line Protection was also implemented to uphold stringent service level commitments to hyperscale customers in major data centers. Completed in two phases across nine facilities in 2025, the system enables real-time monitoring of fiber health and automatic switching to backup links, ensuring uninterrupted traffic flow and strengthening resilience. Through this initiative, we have committed to maintaining service availability of 99.9% and targeted restoration times of 12 hours for cable and 4 hours for network incidents. Further expansion to more data centers is planned in 2026 to continue to support future-ready, high-performance connectivity infrastructure.

B. Enabling Data Center Growth

In response to the growing demand for electricity in an increasingly data-driven world, MSERV has undertaken the supply and installation of mission-critical electrical infrastructure for ST Telemedia Global Data Centers (“STT GDC”), one of the world’s fastest-growing data center providers. Started in 2023, MSERV completed the project in June 2025, enabling reliable and high-performance operations by enhancing uptime, strengthening redundancies, and improving overall energy efficiency. Beyond commissioning, the initiative reinforces our commitment to energy-efficient, future-ready power systems and positions MSERV for potential expansion opportunities.

C. Electrifying Mobility in the Philippines

The uptake of EVs in the Philippines continues to grow, and One Meralco remains committed to supporting the ecosystem that is enabling this historic transition. Through our subsidiary Movem, we formally established the Charge Point Operatorship (“COP”) business in 2025, launching eight inaugural charge points and laying the foundation for scalable, long-term growth. Installations included a 22-kW charging station at Festival Mall Alabang—marking the first ad-based charging at Festival Mall in partnership with ChargeEuropa—five 22-kW charging stations at Rockwell Edades Tower and Suites, and two 22-kW charging stations at the Meralco Operating Center constituting our first employee charging facility at the Meralco head office.

We also helped ensure the safe, timely, and reliable energization of more EV charging stations in close coordination with our customers. In 2025, we energized multiple sites, including facilities for Victory Liner, V-Green, and commercial carparks, generating incremental electricity demand and opening new growth opportunities as we continue scaling electric mobility in the years ahead.

Complementing this physical expansion, we launched ChargeM by Movem Electric, a fully functional EV charging mobile application with an integrated payment gateway. The platform enables drivers to locate stations, check real-time availability, initiate and pay for charging sessions, and access detailed reports—enhancing convenience while strengthening a connected, data-driven EV ecosystem.

Beyond this, Movem entered into an agreement with Megaworld Corporation to electrify its Citylink bus fleet, aiming to cut carbon emissions, reduce noise pollution, and deliver a more comfortable commuting experience for thousands of daily passengers. Eleven (11) e-buses are targeted to be introduced by 2026, positioning Megaworld as one of the early movers in large-scale transport electrification within private developments.

SCALING CLEAN TRANSPORT THROUGH SYNERGIES

Meralco has signed a memorandum of understanding with Vingroup-affiliated companies V-Green and Green GSM Philippines to accelerate EV adoption and build a more integrated electric mobility ecosystem in the country. The partnership brings together Meralco's expertise in power infrastructure with V-Green's extensive experience in EV charging networks and Green GSM's electric ride-hailing operations to help scale sustainable urban transport solutions across Metro Manila and other key cities.

Under the agreement, the three companies will identify and evaluate strategic locations for public charging stations and electric taxi hubs, support the rollout of scalable and efficient charging networks, and explore complementary initiatives such as solar-powered charging stations, workforce training, and technical knowledge-sharing. The collaboration also aligns with the goals of the Electric Vehicle Industry Development Act ("EVIDA"), reinforcing national efforts to promote cleaner transport and reduce carbon emissions.

V-Green, the exclusive charging partner of VinFast in Vietnam, brings significant operational experience, having developed one of Southeast Asia's most extensive charging networks. Green GSM, which operates a fully electric ride-hailing fleet powered by VinFast vehicles, is set to expand its presence in the Philippines, further strengthening the country's transition towards low-emission mobility solutions.

Through this collaboration, Meralco continues to support the development of a future-ready, inclusive transportation ecosystem—one that integrates reliable power infrastructure with innovative mobility solutions to help drive the Philippines' green mobility revolution.

Community Engagement: Growing Stronger Together

GRI 203-1 | GRI 203-2 | GRI 413

While access to reliable energy is a cornerstone of inclusive and sustainable development, we at Meralco have always recognized that our responsibility extends beyond delivering electricity alone—we must operate in a way that advances resilience, opportunity, and long-term progress for the communities we serve. Through the One Meralco Foundation (“OMF”), we work to close critical energy access gaps in unserved and underserved areas, ensuring that essential areas that can do the most good—including education, healthcare, agriculture, livelihoods, and clean water—are supported by dependable power infrastructure. These efforts directly served over 52,000 families in 2025 alone. Beyond electrification, we work with like-minded partners to drive progress where it is needed most.

For more information about OMF’s corporate social responsibility initiatives, please refer to the 2025 OMF Annual Report.

A. Electrifying Underserved Communities

In 2025, we invested nearly PhP 22.3 million through OMF’s Household Electrification Program (“HEP”) to connect low-income families within Meralco’s franchise area to the grid. This contributed to 6,503 low-income households being energized during the reporting period. Complementing this effort, the School Electrification Program energized five off-grid public schools, while learning conditions were improved for 531 students through electrification. In addition, we also energized three agricultural cooperatives serving 779 members and their families, three rural health stations that can support 2,144 families, and a water access facility that directly benefits 374 families.

In total, 52,304 families were directly served by OMF in 2025. Through these community development initiatives, Meralco continues to use electricity as a catalyst for improving quality of life within and beyond our service area.

BRINGING POWER TO THE HARD-TO-REACH

The Cagbalete Microgrid is set to become the largest microgrid system in the Philippines upon reaching its full build-out capacity, consisting of a 2.8-MWp solar PV system, a 6.69 MWh battery energy storage system, and four sets of 0.25-MW diesel backup. This hybrid solution is designed to deliver 24/7 electricity to over 1,000 residential and commercial customers, as well as essential facilities in the island.

Energized by OMF on December 18, the project aims to achieve 100% household-level electrification for the island and provide RE that can potentially offset up to 42,000 tonnes of carbon dioxide emissions, significantly benefiting the environment and advancing the nation’s electrification and sustainability goals.

B. Empowering Communities Beyond Electrification

Beyond expanding energy access, One Meralco is committed to strengthening the social, environmental, and economic foundations of our communities in other ways, by working in close collaboration with stakeholders from local governments, national agencies and private partners to host communities themselves. Together, we continue to advance programs that support environmental

stewardship, inclusive mobility, education, disaster preparedness, health, and local livelihoods for thousands of beneficiaries.

PREPARING FOR THE BIG ONE

Strengthening community resilience in the Philippines—by some assessments the world’s most disaster-prone nation—requires both preparedness and rapid response. In 2025, we intensified our disaster readiness efforts, with more than 3,000 Meralco employees, contractors, and partners participating in the Fourth Quarter Nationwide Simultaneous Earthquake Drill (“NSED”) led by the National Disaster Risk Reduction and Management Council (“NDRRMC”). The full-scale simulation for “The Big One” rigorously tested emergency response and business continuity protocols under realistic conditions, reinforcing our capability to protect our people, sustain critical operations, and maintain reliable service during large-scale disruptions.

Beyond preparedness, we continue to extend support to affected communities. In partnership with OMF, Vantage Energy mobilized earthquake relief efforts in Cebu following the 6.9 magnitude earthquake in October 2025. Over 300 relief packs and solar lamps were distributed to affected households in Bogu City, Daanbantayan, and Tabogon. Together, these initiatives demonstrate One Meralco’s holistic approach to disaster resilience—combining operational readiness with swift, community-centered assistance in times of need.

MAKING GREEN MOBILITY INCLUSIVE

We at Meralco believe the shift towards electric mobility should be an inclusive one. In partnership with the Department of Social Welfare and Development (“DSWD”) and with support from OMF, Meralco energized five e-tricycle charging stations with ten outlets at the VAL MULCETRODA terminal in Valenzuela City in October, providing 24-hour access to reliable charging for e-tricycle drivers serving local communities. Strategically located near Lawang Bato School, the facility enhances transport reliability for nearby residents, including parents that use e-tricycles to pick up their children from school.

The pilot project supports sustainable urban mobility and the livelihoods of e-tricycle drivers, while generating incremental electricity demand estimated at nearly 8,000 kWh per month at full utilization. It is demonstrating a scalable model that integrates livelihood development with electrification. Subject to successful implementation, the initiative may be replicated across franchise areas in partnership with DSWD and OMF, expanding both community impact and long-term energy growth.

TURNING THE SPOTLIGHT ON OUR COUNTRY’S HERITAGE

When the first lights glow against centuries-old stone walls and historic plazas, Christmas in the Philippines feels timeless once again. Through Maliwanag ang Pasko 2025, Meralco transforms Plaza Roma into Liwanag Park—a celebration of history, innovation, and shared joy under the theme “A Brighter Christmas for All”. The ceremonial switch-on, led by Meralco leaders alongside representatives from key cultural and tourism institutions, gathered families, tourists, and heritage enthusiasts to witness a historic district illuminated in a way that honors both tradition and progress.

At the heart of the installation stands a 20-foot Christmas tree crafted from recycled meter covers and steel crossarms, its LED glow symbolizing sustainability and creativity. A wooden tranvia replica made from reclaimed materials pays tribute to Meralco’s roots and the area’s storied past, inviting visitors to

walk through light-filled pathways that blend cultural heritage with energy-efficient design. Liwanag Park offers more than a display—it creates an experience where history shines brighter and the spirit of Christmas is warmly shared.

BUILDING BRIGHTER SHARED SPACES FOR COMMUNITIES

Our support for local communities extends to culture, sport, and other activities that excite and inspire. During the reporting period, MGEN, through Panay Energy Development Corporation (“PEDC”) and with support from OMF, completed the Php 17.3 million illumination of the La Paz Football Ground in partnership with the Iloilo City Government. This upgrade has established the first internationally compliant, plaza-based football lighting system in Western Visayas, enabling evening training, tournaments, and community events that will strengthen Iloilo’s position as a center for grassroots sports development, while expanding safe and accessible public spaces for youth and families.

This initiative forms part of MGEN’s compliance with Energy Regulation No. 1-94 (“ER 1-94”), which was enacted to ensure host communities receive a reasonable share of the benefits from power plants operating in their area. ER 1-94 provides that host communities receive one centavo for every kilowatt-hour generated.

MOBILIZING OUR CUSTOMERS FOR SOCIAL IMPACT

Now in its sixth year, the Back-to-School Donation Drive led by MPower and Vantage Energy further expanded our impact through education. Joined by five partner-customers in 2025—Bataan 2020, Robinsons Land Corporation, EMD Technologies, Pioneer Highlands South, and Anilson Packaging—the program delivered essential school supplies worth Php 880,000 to six schools across Luzon and Visayas. Since its launch in 2020, the initiative has supported over 45,000 students.

Bright Sparks: Inspiring Energy Innovation Across the Nation

In October 2025, MGEN, in partnership with the Meralco Power Academy (“MPA”), inaugurated the first MGEN Center for Innovation (“MCI”) in Iloilo City—establishing a dedicated hub for energy education, research, and capability development in the Visayas. Located within the PEDC facility, the Center marks the first MPA learning facility established outside the Meralco franchise area, extending One Meralco’s technical expertise, training programs, and best practices to a broader regional audience. Formerly known as the GBP Institute for Energy, the facility has been revitalized to address the evolving needs of the energy sector, with the ambition of becoming the first in a series of innovation centers across MGEN’s sites nationwide.

The MCI serves as a bridge between current and emerging capabilities—strengthening regional talent pipelines, fostering technical excellence, and supporting inclusive growth through continuous learning. By opening its programs to students, professionals, and industry stakeholders, the Center aims to cultivate future energy leaders equipped to navigate decarbonization, digitalization, and operational complexity. Its inaugural Young Engineers and Scientists Summit gathered students from leading Iloilo institutions for collaborative learning and exposure to energy innovation, underscoring the Center’s role in nurturing the next generation of engineers and scientists who will shape the country’s sustainable energy future.

Supply Chain Sustainability: Strengthening Synergies in the Energy Ecosystem

GRI 2-6

One Meralco's value chain brings together a wide range of stakeholders, including an extensive network of suppliers that help power the country's economic engine. In line with our commitment to national development and the growth of local businesses, we prioritize sourcing goods and services from Philippine-based suppliers whenever feasible. In 2025, our Group spent PhP 65.1 billion on local procurement contracts, directly supporting Filipino enterprises and strengthening the local economy.

TOTAL PROCUREMENT SPEND IN 2025 (in PhP million)			
	Local	Foreign	Subtotal
Meralco	33,733	5,661	39,394
Subsidiaries	31,377	34,996	66,373
Total	65,110	40,657	105,768

TOTAL NUMBER OF SUPPLIERS BY CLASSIFICATION IN 2025			
	Tier 1	Non-Tier 1	Subtotal
Meralco	782	0	782
Subsidiaries	2,637	327	2,964
Total	3,419	327	3,746

TOTAL NUMBER OF SUPPLIERS BY LOCATION IN 2025			
	Local	Foreign	Subtotal
Meralco	650	132	782
Subsidiaries	2,564	400	2,964
Total	3,214	532	3,746

Our sourcing strategy delivers both financial and operational benefits. By prioritizing local procurement where possible, we strengthen our role as a responsible corporate citizen while reducing exposure to complex international supply chains that may be vulnerable to disruption. This approach supports our supply chain resilience and contributes to broader economic growth in the Philippines.

In addition to economic considerations, we are committed to addressing ESG issues across our supply chain. This commitment is anchored in our Human Rights Policy, which requires business partners to uphold human rights principles in line with the United Nations' Universal Declaration of Human Rights. We require our suppliers to implement policies and conditions that seek to protect and promote human rights within their own spheres of influence.

A. Enabling Our Suppliers' Sustainability Journeys

All business units across One Meralco play a significant role in shaping the performance and growth of our suppliers, whose practices in turn influence the Group's overall ESG performance. Recognizing this interdependence, we actively encourage and support suppliers in adopting sustainability principles within their own operations.

In 2025, we continued implementing the Meralco Supplier Sustainability Scorecard (“MS³”), which covers 131 ESG criteria—aligned with the GRI Standards and the SDGs—that Meralco’s suppliers are required to meet to maintain accreditation. We also continued rolling out our sustainability toolkit and supplier commitment form as part of the accreditation process, further strengthening alignment and engagement on sustainability expectations.

Through MS³, we gain clearer insight into our suppliers’ policies, processes, and initiatives that could influence Meralco’s financial and sustainability performance. As of the end of 2025, 616 supply chain partners—accounting for 98.3% of our annual procurement spend—comply with our sustainability-related requirements.

MS³ has evolved beyond a compliance mechanism into a strategic engagement platform that fosters meaningful dialogue with our suppliers. This initiative enables us to understand and address the challenges they encounter in integrating sustainability principles into their operations. By embedding ESG assessment criteria into our procurement processes, we not only manage reputational risks to our organization but also help elevate sustainability standards in the broader industry.

Looking ahead, we plan to advance additional supply chain sustainability initiatives, with a focus on more complex ESG priorities such as Scope 3 emissions reduction and supplier diversity.

CLOSING DATA GAPS IN OUR SUPPLY CHAIN

Recognizing that strong supplier relationships are built on reliable and transparent information, we launched the Vendor Data Quality Dashboard to strengthen data governance across our supply chain. Designed to enhance the accuracy, completeness, and consistency of vendor records, the platform improves visibility into data gaps and enables timely resolution of issues affecting procurement, invoicing, and payment processes. By minimizing duplicate records, preventing erroneous payments, and reducing manual reconciliation efforts, the initiative delivers both operational efficiency and cost savings while promoting greater accountability and engagement with our suppliers. Phase 1 went live on December 19, 2025, marking a meaningful step towards a more transparent, efficient, and digitally enabled supply chain ecosystem.

B. Strengthening Human Rights Due Diligence in Our Supply Chain

We at One Meralco believe that respect for human rights is non-negotiable—it is a fundamental principle that must be upheld without fail. This conviction guides every aspect of our operations and partnerships as enshrined in Meralco’s Human Rights Policy, which extends to our vendors and other partners. In this regard, we seek to ensure, through contractual stipulations or other formal commitments, that our third-party business partners uphold the same principles and implement them within their own operations through pertinent policies and conditions that seek to protect and promote human rights.

To support this, we actively advocate for human rights through education and training, ensuring that both our internal and external stakeholders are well-informed about our commitments. Our directors, officers, and employees lead by example, committing to strict compliance with our human rights standards and encouraging the same dedication from our business partners. This collective

responsibility reflects our aim to build a fair, equitable, and ethical business environment throughout our supply chain.

C. Forging Strategic Partnerships Beyond Our Value Chain

Beyond strengthening individual customer capabilities and modernizing our grid infrastructure, we are advancing broader strategic partnerships that support the nation's accelerating industrial growth, reinforcing Meralco's role as a reliable partner in powering economic development.

In 2025, following a successful collaboration to strengthen the power systems in the Cavite Economic Zone, Meralco and the Philippine Economy Zone Authority ("PEZA") formalized a strategic partnership to energize future-ready economic zones nationwide. The agreement permits Meralco to design, build, own, and operate electric distribution projects within PEZA-managed economic hubs, leveraging the Company's track record and PEZA's growing network of 433 ecozones and over 4,000 export-oriented locator companies.

In the same year, Meralco committed to power the expansion of Samsung Electro-Mechanics Philippines Corporation's manufacturing facility in Calamba, Laguna, to ensure stable electricity supply that can support the plant's higher operational requirements. Additionally, Meralco held strategic dialogues with the Philippine Iron & Steel Institute to address economic and geopolitical pressures affecting the local steel sector and to explore collaborative investment opportunities. We also reinforced Meralco's role as a trusted industry partner through active participation in leading industry associations, including the Federation of Philippine Industries, the Semiconductor and Electronics Industries in the Philippines, and other sector boards.

Meralco also advanced our push to position the Philippines as a competitive and sustainable hub for hyperscale data centers by strengthening executive partnerships and shaping industry dialogue. From strategic sector engagements to thought leadership at the Philippines Cloud & Data Center Convention 2025 and the Siemens Tech Forum: The Next Level for the Philippine Data Center Industry—as well as the completion of a white paper on hyperscale growth—we reinforced our role as the trusted power partner for mission-critical facilities, supporting the country's digital transformation.

Our Governance

Business Ethics: Sustaining Trust Through Integrity and Accountability

We at Meralco are firmly committed to upholding our social and legal responsibilities by maintaining the highest standards of business ethics in everything we do. Serving more than 8 million customers and working alongside thousands of employees, suppliers, and shareholders, we are strongly committed to conducting our business with integrity and accountability at all times. This commitment extends beyond the obligations of our franchise—it is rooted in our conviction that doing what is right defines who we are as an organization.

To institutionalize this commitment, our Board of Directors enacted our Manual of Corporate Governance (“CG Manual”) in 2017, aligned with the Securities and Exchange Commission’s (“SEC”) Corporate Governance Code. The Manual establishes the principles and standards that guide ethical conduct and sound governance throughout the organization, applying to all directors, officers, and employees in their engagement with stakeholders. Senior management ensures that our operations remain consistent with these standards, and the Board most recently amended the Manual on July 29, 2024, to keep our governance framework responsive and up to date.

CONDUCTING BUSINESS ETHICALLY

Our Code of Business Conduct and Ethics serves as the foundation for how we conduct business as an organization, outlining the ethical principles and behavioral standards that all directors, officers, and employees are expected to uphold in the performance of their duties and responsibilities. To ensure awareness and consistent application, copies of the Code are distributed to all officers and employees across the organization.

Implementation and compliance of our Code of Business Conduct and Ethics are overseen by the Corporate Governance Office (“CGO”). Through the online Corporate Governance Facility available on our human resource portal, employees must complete all governance-related requirements. As part of our governance protocols, directors, senior management, and employees are required to annually file Full Business Interest Disclosure Forms and Conflict of Interest Forms. We also require them to declare any gifts received from business partners through the online Gift Registry. Non-compliance with these obligations is addressed through appropriate disciplinary measures.

Our Management Control Policy mandates senior management to maintain a robust system of checks and balances and ensure that internal controls function effectively across the organization. This ensures that effective management oversight keeps the behavior and decisions of our people aligned with Meralco’s objectives and strategies. The policy also reinforces the importance of internal controls as an integral part of our governance system and risk management.

PREVENTING BRIBERY AND CORRUPTION

To ensure that we conduct our business with integrity and accountability, our Code of Business Conduct and Ethics sets clear standards for all our directors, officers, and employees to act with professionalism, honesty, and good faith in all dealings with customers, suppliers, business partners, regulators, creditors, competitors, and fellow employees. It defines the ethical boundaries we uphold and explicitly prohibits any act that may constitute, or be perceived as, direct or indirect bribery or

corruption under applicable laws—particularly those that result in actual or perceived undue advantage.

Complementing this, our Anti-Bribery and Corruption Policy strictly prohibit corporate gift-giving to both private and public entities when such actions are deemed as a bribery or corrupt practices. The policy outlines specific examples to guide directors, officers, and employees in recognizing and avoiding improper conduct. In parallel, our Policy on Solicitation and Acceptance of Gifts prohibits the acceptance of gifts from suppliers, contractors, and other third-party business partners to prevent situations that could compromise objectivity or influence the performance of duties.

We extend these standards to our supply chain through our Code of Business Conduct and Ethics for Vendors which requires suppliers to comply with all applicable anti-bribery and corruption laws. Vendors are strictly prohibited from offering, promising, authorizing, or giving bribes, kickbacks, gifts, or any form of improper advantage to our directors, officers, or employees.

Compliance with these policies is subject to regular review by our Internal Audit department. Findings are reported to the Audit Committee to ensure independent oversight and continued adherence to our governance standards.

ENCOURAGING OUR EMPLOYEES TO SPEAK OUT

Meralco's Speak Out Policy institutionalizes the Company's whistleblowing program and encourages the reporting of violations of corporate governance rules or policies, questionable accounting or auditing practices, and other forms of misconduct involving directors, officers, or employees. The policy also applies to consultants, vendors, other third-party business partners, and, where specified, Meralco's subsidiaries. Any stakeholder may file a report on improper conduct or behavior.

While the policy focuses on corporate governance-related concerns, Meralco also accepts reports that fall outside these categories. Such reports are referred to the appropriate offices for proper review and action. In line with this approach, vendors are encouraged to help safeguard the integrity of the procurement process by raising concerns, filing complaints, or seeking redress for grievances related to procurement activities. All procurement-related concerns are investigated and addressed in accordance with applicable laws, regulations, and internal policies and procedures.

To protect the integrity of the process, Meralco has established controls to ensure the confidentiality of reports and investigations. The Company strictly prohibits retaliation against individuals who submit reports in good faith and provides protection to whistleblowers and witnesses. In cases of retaliation, affected individuals may file a report with the CGO.

Employees, suppliers, customers, and other stakeholders can download whistleblower and grievance report forms from the Company website and submit them to the CGO via email or regular mail.

COMMUNICATION OF ANTI-CORRUPTION POLICIES AND PROCEDURES IN MERALCO ²⁶			
	2023	2024	2025
Board of directors	11	11	11
Senior management	789	825	845
Middle management	795	809	851
Rank and file	4,346	4,372	4,364
Fixed-term and project-based hires	320	297	249
Third-party workers	0	0	0
Business partners	1,292	409	362

TRAINING ON ANTI-CORRUPTION IN MERALCO ²⁶			
	2023	2024	2025
Board of directors	11	11	11
Senior management	789	825	845
Middle management	795	809	851
Rank-and-file	4,346	4,372	4,364
Fixed-term and project-based hires	320	297	249
Third-party workers	0	0	0
Business partners	1,292	409	362

NUMBER OF CORRUPTION INCIDENTS IN MERALCO REPORTED VIA OUR SPEAK OUT PLATFORM			
	2023	2024	2025
Under ongoing investigation	0	0	0
Closed with corresponding corrective action	0	0	2
Closed without corresponding corrective action	0	0	0
Total	0	0	2

NUMBER OF REPORTED DISCRIMINATION INCIDENTS IN MERALCO			
	2023	2024	2025
Under ongoing investigation	0	0	0
Closed with corresponding corrective action	0	0	0
Closed without corresponding corrective action	0	0	0
Total	0	0	0

²⁶ Meralco's anti-corruption training and awareness programs are conducted in January of every year. Hence, the figures in this table do not reflect the year-end count of employees.