Enterprise Risks Management

The main risks that the Company faces are foreign currency market risk, liquidity risk, Internet rate risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below, together with the related risk management structure.

The Company's overall risk management program focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

Credit Risk

To manage credit risk, the Company trades only with recognized and credit-worthy customers. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification process with emphasis on their capacity, character and willingness to pay. Each customer, whether corporate or otherwise, has an approved maximum credit limit. These limits are reviewed regularly by the Treasury Department. Trade receivable balance is monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Company, which consist of cash with banks and refundable deposits, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments before taking into account any collateral and other credit enhancements.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities as well as securing credit lines from other banks. Liquidity requirements and positions are monitored daily and monthly reports are reviewed by the management. Sufficient credit lines with various local banks are obtained and regularly renewed.

Interest Rate Risk

Interest rate risk arises on Interest-bearing financial instruments recognized in the statement of financial position and on some financial instruments not recognized in the financial position (i.e. certain loan commitments, if any)

The Company's exposure to interest rate risk pertains to the fluctuations in interest rates of its interest bearing loans and borrowings. The Company manages its exposures in interest rate risk by closely monitoring the same with various banks and other financial instruments and maximizing borrowing period based on market volatility of interest rates.

Price Risk

The Company is exposed to price risk because of the nature of its business. This is managed by maintaining good business relations with customers, producing a wide-range of products and providing prompt, courteous, and efficient marketing and delivery service. Likewise, for valued customers, prices are contracted for a long-term period.

The Company does not anticipate that its high quality intravenous fluids products will decline significantly in the foreseeable future and therefore, has not entered into derivative or other contracts to manage the risk of a decline in market prices. The Company reviews its outlook for market prices regularly in considering the need for active financial risk management.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risks arise form future commercial transactions, recognized assets and liabilities, importations and export sales. The Company is continuously expanding its export sales to different countries to increase its US dollar revenues as an edge to currency fluctuations. The Company manages this risk by having peso denominated loans only and maintaining US accounts where export proceeds are maintained from which payments for imports are made.

Raw Materials and Product Registration Risks

At present, Euro-Med's raw materials are primarily sourced form other countries. These materials are initial inputs for producing parenteral solutions and LDPE bottles. Supply shortages or increases in world prices of these raw materials will result in an increase in the Company's production cost. The Company always maintain at least two (2) or more suppliers of its material requirements, so that it would not be dependent in only one (1) supplier and to provide room for negotiating prices for three (3) months, six (6) months or one (1) year contracts.

- **Product Registration**

Pharmaceutical products in the Philippines are required to be registered with the BFAD before the product can be sold. Product registration procedures are also required in other countries where the Company intends to sell its products. The time it takes to register a product can take from six (6) months to several years from the date of filing depending of the BFAD or the similar foreign counterpart. Any significant delay in the registration of new products with BFAD could affect the Company's financial performance. The Company has employed a full-time regulatory officer to follow-up applications for product registrations.