



SECURITIES AND EXCHANGE COMMISSION

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every 3rd Wed. of June

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2024
2. SEC Identification Number 148022
3. BIR Tax Identification No. 000-288-655V
4. Exact name of registrant as specified in its charter EURO-MED LABORATORIES PHIL., INC.
5. Philippines
(Province, country or other jurisdiction of
incorporation or organization)
6. (SEC Use Only)
Industry Classification Code:
7. 2/F PPI Bldg. United Nations Avenue cor. San Marcelino St., Manila
Address of principal office 1000
postal code
8. (632) 8524-0091 to 98
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 Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	4,112,140,540 shares

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

Common Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder, 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. The aggregate market value of the voting stock held by non-affiliates of the registrant amounted to **P 410,396,519 (based on closing market price on Mar. 31, 2025 of P 0.93 per share).**

EURO-MED LABORATORIES PHIL., INC.
2020 ANNUAL REPORT TO STOCKHOLDERS

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1 Business

History and Background

Euro-Med Laboratories Phil., Inc. (Euro-Med) was incorporated and registered with the Securities and Exchange Commission (SEC) on January 29, 1988. Upon receipt of the licenses and product registration approvals from the Food and Drug Administration (FDA), formerly BFAD, Euro-Med began commercial production in 1991. The parent Company (Euro-Med) is engaged in the manufacture of pharmaceutical products such as large and small volume parenterals and other solutions. Large volume parenterals (LVP) are more commonly known as intravenous fluids. Intravenous fluids are defined as any fluid applied directly into the vein. LVP are packaged in containers of more than 100 mL while small volume parenterals (SVP) are injections that are packaged in containers of 100 mL or less. SVP may also be used as a solvent for other drugs. The Company also manufactures sterile water for injection, and other solutions such as ophthalmic, inhalation, irrigation and dialysis. The Company is the largest manufacturer of high quality intravenous fluids in the Philippines. Euro-Med is the parent company of the following two (2) subsidiaries:

1. Hemotek Renal Center, Inc. (Hemotek /the Subsidiary), a 100% owned firm which was incorporated in June 2008 and is engaged as a dialysis center.
2. CafeFrance Corp. (CafeFrance / the Subsidiary), a 100% owned firm which was incorporated in August 2010 and is engaged to operate restaurants, bakeries, food services, catering, food production and other related services incidental thereto.

The Company is 58.41% owned by its ultimate parent company, U.S.Automotive Co. Inc., which is also incorporated in the Philippines.

The Company has not at anytime been involved in any cases of bankruptcy, receivership or other similar proceedings.

Products

Presently, the company manufactures and distributes a wide range of parenteral products in various sizes ranging from 1mL to 1000mL. Parenteral products are considered unique because they are administered by injection through the skin or mucous membrane into internal body compartments. Parenteral products must be free from microbial contamination and toxic components, and an exceptionally high level of purity of the dosage form must be achieved. For this reason, the preparations of parenteral products have become a highly specialized area in pharmaceutical manufacturing.

The parenteral solutions manufactured by Euro-Med in plastic containers are all in parenteral-grade low-density polyethylene (LDPE) containers and polyethylene (PP) Bags. The plastic containers are unbreakable and lightweight. Euro-Med's plastic container does not require air introduction in order to be dispensed which prevents particle contamination of the solution. Gravity and atmospheric pressure pressing on the container allows the fluid to flow out of the container.

Euro-Med also manufactures parenteral solutions in glass packaging. The glass container enables the solution to be seen at its clearest, thus facilitating inspection of content. Graduations can be read quite easily because of its rigidity.

All Euro-Med products are duly registered with the Food and Drug Administration (FDA) prior to its release in the market. More products in various stages of development will be introduced in the market to broaden the Company's product line.

Large Volume Parenterals

LVP apply to single dose injections intended for intravenous use and are packaged in containers labeled as containing more than 100 mL. Euro-Med manufactures LVP in plastic containers in 500mL and 1000mL sizes. Euro-Med also manufactures LVP in glass bottles in 250mL, 500mL and 1000mL sizes. In many cases, patients are given LVP shortly after they have been admitted to the hospital to provide the necessary fluids and caloric or electrolyte requirements. Ready access to the venous system also becomes available in case additional medication is required. An intravenous injection is made when immediate physiological action is needed from a drug.

Small Volume Parenterals

SVP apply to injections that are packaged in containers labeled as containing less than 100 mL. Euro-Med presently markets products in 20mL, 30mL and 50mL multiple dose plastic vials and 1 mL, 2 mL, 2.5 mL, 4 mL, 5 mL, 10 mL, and 20 mL plastic ampoules. Euro-Med's container of plastic vials has a rubber stopper which permits the insertion of a needle from a hypodermic syringe and the withdrawal of part of the solution.

Specialty Fluids

Peritoneal Dialysis Solutions may be used for the treatment of acute or chronic renal failure and are not to be used intravenously. The Irrigation Solutions are sterile solutions intended to bathe and flush open wounds or body cavities. They are used topically and not parenterally. The Mannitol Injection is an osmotic diuretic that promotes the excretion of water. It may be used in the treatment of patients to reduce raised intraocular pressure, to reduce or prevent cerebral edema or for the treatment of acute renal failure. Dextran 70 is a type of fluid given by injection into a vein to expand blood volume. Specifically it is used for shock such as that caused by bleeding or burns when blood transfusions are not quickly available. Metronidazole (Metrinox IV), is used for infections of gum and dental cavities, pelvic area infection, brain infection, lung infection, bones infections, gastrointestinal infections, genital tract infections, blood infection, pressure sores.

Haemodialysis Solution is a concentrated solution of electrolytes in Water for Injection. It is formulated such that when the concentrated solution is diluted in the prescribed manner, the electrolyte content will be similar to that of extracellular fluid or plasma. It is used in the management of renal failure and poisoning by allowing the selective removal of toxic substances, electrolytes, excess body fluids and metabolites such as urea, creatinine and uric acid. They allow the selective removal of toxic substances, electrolytes and excessive body fluids from the blood. In peritoneal dialysis, the exchange of ions between the solution and the patient's blood is made across the membranes of the peritoneal cavity.

These fluids may or may not be intravenous products used for surgical and non-surgical procedures.

Other Drug Preparation

Bacticide is used for disinfection of wounds, burns, lacerations and abrasions. It is also used for pre- and post-operative disinfection prior to injections.

Medical Devices

Euro-Med is the exclusive distributor of ICU Medical Venipuncture Intravenous sets and non DEHP Gravity Administration Sets in the Philippines. The Distribution Agreement has expired in December 2019, that was entered in August 2017 and amended in January 2018 remain valid until Euro-Med and ICU Medical sign a new Distribution Agreement. A letter for Authorization was issued by ICU Medical dated 19 May 2023 that Euro-Med is ICU Medical's distributor and has the exclusive Marketing authorization of ICU Medical products valid until December 31, 2027.

The following products are available in the market:

1. Extension Set 2 Pierced Y-Sites, Secure lock
2. Primary Blood Set 200 Micron Filter, secure lock 203cm/47mL

3. Latex-Free, Primary IV Set, convertible Pin, 100 inch with Clave and Option-Lok, Micro-drip, Non DEHP
4. Primary Set Clave™ Y-site Secure Lock, 100 inches
5. 150mL Burette Set w/ Float Valve, Clave Additive Port, 15 Micron Filter in Sight Chamber, Clave Y-Site, Secure Lock, 198cm.
6. Abbocath-T,10-G, 26-G, 22-G,24-G,16-G & 18-G
7. Infusion set (w/o needle) Fixed Luer
8. Infusion set (w/o needle) Rotating Luer
9. Infusion set- Flow Regulator
10. Infusion set (w/o needle) Pedia
11. Blood Transfusion Set (w/o needle)
12. Burette Infusion Set (w/o needle) 100mL
13. Burette Infusion Set (w/o needle) 150mL

Euro-Med is the Sub-distributor of PLUM products of ICU Medical. The distribution rights is valid until December 31, 2029.

Plum 360 (non-exclusive)
 Plum A+ Remanufactured (exclusive)
 All Plum Sets(non-exclusive)

Limulus Amebocyte Lysate (LAL) Test

The LAL test is an endotoxin test derived from the blood of the Horseshoe Crab (*Limulus Polyphemus*). Endotoxins are lipopolysaccharide fractions of the cell wall of gram-negative bacteria, which have been found to be pyrogenic, or substances which cause fever, chills and body aches.

The LAL test is a sensitive and fast method for detection of endotoxins. It is routinely used to determine if the intravenous solutions are free from pyrogens. Prior to the availability of the LAL test in the Philippines, the only acceptable means of measuring pyrogenicity was through the rabbit pyrogen test. However, the rabbit pyrogen test cannot quantify the amount of pyrogens present in the test solution. Through the pioneering efforts of Euro-Med, the FDA has accepted and accredited the LAL test as an alternate to the rabbit pyrogen test.

Since 1991, the Company has been the exclusive distributor of the LAL test in the Philippines for Associates of Cape Cod Incorporated of Massachusetts, U.S.A. The exclusive distributorship is valid until the end of 2003 and is automatically renewed every two (2) years.

Bottled Water

Euro-Med has launched its own brand of distilled drinking water in various sizes ranging from 350 mL to 4000 mL. These products are manufactured from its plant in Cavite to ensure high quality bottled water.

Toll Manufacturing

Euro-Med is engaged in the toll manufacturing of pharmaceutical products in liquid form.

Effects of existing or probable governmental regulations on the business

Pharmaceutical products in the Philippines are required to be registered with the FDA before the products 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 on the FDA or the similar foreign counterpart. Any significant delay in the registration of new products with the FDA could affect the Company's financial performance. The Company is not aware of any probable governmental regulation, which will have a significant effect on its business.

Transactions with and/or dependence on related parties

The group, in the regular course of business, transact with related parties, which may consist but not limited to the following:

- Purchase of goods and services.
- Cash advances for working capital purposes.
- Lease of the Company's main office from the ultimate parent of the group.
- Regular bank transactions with an affiliate.
- The parent company provides management and accounting consultancy services to its subsidiaries.

See Note 18 to Consolidated Financial Statements for detailed transactions with Related Parties.

Patents, trademarks, licenses, franchises, concessions, or royalty agreements including duration:

The Company's wide range of parenteral and other pharmaceutical products are all registered with Food and Drug Administration (FDA) with the corresponding Certificate of Product Registration (CPR). The term of these CPRs ranges from two (2) to five (5) years, and are renewed regularly.

The Company has also been issued by FDA the following Licenses to Operate (LTO) and GMP Certificate with a term of one (1) to three (3) years, which are renewed regularly:

1. Drug Manufacturer
2. Medical Device Manufacturer
3. Medical Device /Importer/Wholesaler/Exporter
4. Food Manufacturer
5. Drug Trader
6. Drug Importer/Wholesaler Distributor-Importer/Wholesaler
7. Bottled Drinking Water Processor / Toll Manufacturer Bottled Water Manufacturer
8. Cosmetic Distributor Cosmetic Wholesaler
9. Food Exporter/ Wholesaler Food Importer/Exporter/ Wholesaler
10. Certificate of Current Good Manufacturing Practice for Non-Pen Sterile Products
11. Certificate of Current Good Manufacturing Practice for Medical Device

The Company has registered the following tradename and trademarks with the Department of Trade – Intellectual Property Office, Trademarks and Technology Transfer with a term of ten (10) years:

1. EURO-MED
2. EUROPERSOL
3. EURO-ION
4. The Company Logo with three (3) horizontal bars within a circle.
5. Multisol
6. Intrapersol
7. Multi-Ion MB
8. Eurosol-R
9. Eurosol-MK
10. Eurosol- M
11. LM

In 2011, the Company acquired the international trademarks "Lidex®", "Lidemol®", "Synalar®", owned by and registered under the name of Stiefel Laboratories, Inc., (Stiefel US) and "Dobutrex®", owned and registered under the name of Glaxosmithkline Philippines, Inc. (GSKPI) and all registered intellectual property rights associated with these trademarks, through the assignment by Stiefel US and GSKPI of the subject trademarks to the Company.

In 2016, the Company acquired the local trademark "Dr. Edwards", owned by and registered under the name of Advanced Nutritional Technologies (ANTECH) Inc. and all registered intellectual property rights associated with these trademarks, through the assignment by Antech of the subject trademark to the Company.

Employees and labor contract

As of December 31, 2024, Euro-Med (Parent Company) employs a total of 1,188 employees, consisting of 13 Executive Officers, 77 Managerial and 1,111 rank and file and casual personnel. There has not been a strike in the company. In a Certification Election on November 4, 1999 held under the supervision of the Department of Labor and Employment (DOLE) – Region IV, Euro-Med Employees Union won and was subsequently certified on November 15, 1999 as the sole and exclusive bargaining agent of regular rank and file employees of Euro-Med Laboratories Phil., Inc. for purposes of collective bargaining. A collective bargaining agreement (CBA) was ratified on March 13, 2009 that would cover the period January 1, 2010 to December 31, 2014. A new CBA was ratified on March 2014 that would cover the period January 1, 2015 to December 31, 2019. A New CBA was ratified on October 7, 2019 that would cover Jan. 1, 2020 up to Dec. 31, 2024. A new CBA was signed to cover the period Jan. 01, 2025 to Dec. 31, 2029. Among others, the CBA provide for the following benefits:

- (a) Annual salary increase.
- (b) Birthday, Bereavement, Graduation and Wedding leave with pay.
- (c) Optional retirement after 10 years of service.
- (d) Free uniforms
- (e) Housing and emergency assistance loan
- (f) Loyalty Bonus

Euro-Med is the Parent Company of two (2) subsidiaries:

1. Hemotek Renal Center, Inc., a 100% owned firm which was incorporated in June 2008 and is engaged as a dialysis center. This subsidiary has a total of 293 employees as of December 31, 2024.
2. CafeFrance Corp. (CafeFrance / the Subsidiary), a 100% owned firm which was incorporated in August 2010 and is engaged to operate restaurants, bakeries, food services, catering, food production and other related services incidental thereto. The subsidiary has a total of 237 employees as of December 31, 2024.

Raw Materials

Euro-Med's raw materials are obtained on a competitive basis from various local and foreign suppliers. The Company always maintain at least two (2) or more suppliers of its material requirements, so that it would not be dependent on only one (1) supplier. There are no major existing supply contracts. These materials are vital inputs for producing parenteral solutions and LDPE bottles. Supply shortages or increases in prices of these raw materials will result in an increase in the Company's production cost.

Marketing and Distribution

Industry Data

The Philippine IV Fluid market at present does not have complete information and studies from any independent research institution monitoring the industry's total rated capacity, actual market size and value and competitors.

Current estimates are derived from Company reports extrapolated from data obtained through hospitals, drugstores, clinics and medical associations and thus may differ from other industry reports.

Euro-Med is the leading manufacturer of Large Volume Parenteral Intravenous Fluids in the Philippines with about eighty percent (80%) market share in the country (based on Company data). Euro-Med competes with other companies such B. Braun Medical Supplies, Inc. and Endure Medical Inc. Euro-Med competes in terms of quality, price, availability, delivery service and customer relations. Euro-Med's continued success in the IV Fluids market can be attributed to its high quality products, wide range of product line, competitive price, availability, efficient delivery and dedicated sales team. The Company has a customer base composed of more than 8,000 institutions nationwide. The Company's sales, therefore, are not dependent on one or a few major customers and no customer accounts for more than ten percent (10%) of the Company's sales. Among the Company's customers

are hospitals, clinics, drugstores, medical distributors and traders as well as corporate/industrial accounts. Euro-Med's primary customers are hospitals all over the country. Hospitals can be either private or government, sub-divided into primary, secondary and tertiary levels, depending on the bed capacity and hospital equipment. In 2024 sales to hospitals and clinics accounted for approximately 62% of total revenues. Sales to drugstores reached 12% while combined revenues from distributors, traders, industrial accounts and laboratories reached approximately 26% of total Company revenues.

On occasion, the Company participates in trade shows, trade fairs and medical conventions to broaden awareness of the existing product lines and to support the medical associations sponsoring these conventions.

Over the years, Euro-Med has established strong and efficient marketing teams, who are deployed all over the country to promote and sell its products. Euro-Med has established its own nationwide distribution network providing prompt and efficient delivery service to customers. The Company maintains fourteen (14) depots strategically located in key cities all over the country. There are currently six (6) depots in Luzon including the Central Warehouse in Cavite, four (4) in Visayas and four (4) in Mindanao. At present, Euro-Med is leasing these provincial depots except the Central Warehouse in Cavite and Plaridel Bulacan which are owned by the Company.

To ensure on-time delivery of Euro-Med products to its customers, the Company uses local trucking companies for its nationwide distribution. To transfer finished goods from its Central Warehouse in Cavite to the provincial depots specifically in the Visayas and Mindanao areas, Euro-Med utilizes local companies for inter-island shipping.

Exports

Euro-Med is presently exporting its intravenous fluids to several countries and will be expanding its international customer base to include markets in other parts of the world. In 2022, 2023 and 2024, export sales contributed approximately 8%, 6% and 8% respectively of total Company sales. The Company products are imported and distributed by a local distributor(s) in the respective countries. The breakdowns of exports per region for the past three (3) years are as follows:

REGION	2022		2023		2024	
	P (000)	%	P (000)	%	P (000)	%
ASEAN	195,813	73.43%	182,430	67.59%	215,558	64.47%
Other Asia	9,222	3.45%	15,053	5.57%	2,375	0.71%
Others	61,620	23.11%	72,421	26.83%	116,425	34.82%
Total	266,655	100.0%	269,905	100.0%	334,357	100.0%

Research and Development

Euro-Med is continuously developing additional pharmaceutical products for ophthalmic, inhalation, irrigation and other health care purposes. In 2022, 2023 and 2024, the Research and Development Department of Euro-Med spent ₱ 5.5 million, ₱ 2.5 million and ₱ 1.7 million respectively to develop new products. The funds were used to purchase raw materials and laboratory equipment to test the new formulations.

Euro-Med's laboratory facilities are equipped with the latest equipment for testing raw materials and finished pharmaceutical products. The laboratory has been certified as an accredited laboratory by the Board of Chemistry of the Professional Regulation Commission. The Company offers analytical laboratory services to other companies for the testing of selected raw materials and pharmaceutical products to maximize the usage of these modern equipments.

Costs and effects of compliance with environmental laws.

The Company has invested ₱ 1.8 million in capital expenditures for pollution prevention equipment to comply with environmental regulations. Annual expenditures to maintain and operate the pollution facility currently amount to about ₱ 2.0 million. The Company adopts a proactive approach to environmental standards and its facilities are constructed to high standards.

Major business risks

- **Raw materials**

At present, Euro-Med's raw materials are primarily sourced from 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 FDA 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 on the FDA or the similar foreign counterpart. Any significant delay in the registration of new products with FDA could affect the Company's financial performance. The Company has employed a full-time regulatory officer to follow-up applications for product registrations.

- **Foreign Exchange**

Most of Euro-Med's raw materials are imported from various sources abroad. Payment for these imports are made in U.S. Dollars. As such, any significant depreciation of Philippine Peso against the U. S. Dollar may affect the Company's margins and profitability. The Company is continuously expanding its export sales to different countries to increase its U.S. Dollar revenues as an hedge to currency fluctuations. The company has exposures in foreign currencies, primarily in US dollars. Foreign exchange risk arises from difference in exchange rates between assets, liabilities and equity which are denominated in foreign currency. 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

- **Medical Supplies**

At present, Hemotek's medical supplies are primarily sourced from local suppliers which act as distributors of other countries. These supplies are used mainly for the patient's dialysis treatment and other medicines as needed during the treatment. Increase or decrease in prices of supplies affects the dialysis rates and medicines. To avoid sudden price changes, the Company always maintains at least three (3) or more suppliers of its item of medical supplies to provide room for negotiation of prices.

- **Receivables from Philippine Charity Sweepstakes Office (PCSO)**

Some dialysis patients of Hemotek are receiving Guaranty Letters (GL) as government assistance from PCSO. Consumption of GL amount is monitored daily per patient to avoid overcharge to PCSO GL. Once GL amounts are fully consumed by the patient, statement of account (SOA) is prepared and submitted to PCSO for the processing of payment to the Company. Constant monitoring of PCSO receivable is needed for the preparation of SOA which will serve as the basis of PCSO for the payment of the Company's receivable.

- **Receivables from Philippine Health Insurance Corp. (Philhealth)**

Hemotek accepts patients which are Philhealth members. These receivables are monitored per patient both in the head office and in branches so that all charges reimbursable from Philhealth are properly accounted. The Philhealth officer prepares transmittal form for submission to Philhealth. Checking of payments against transmittal form previously received by Philhealth and verification of

Philhealth eligibility are being done in the head office to ensure that all charges to Philhealth are being collected by the Company.

- **Medical Practice Risks**
Hemotek Stand alone centers do not accept critical patients and refer these to hospitals. Hemotek Hospital Units risk falls under the management of the hospital.
- **Raw Materials**
CafeFrance prides itself as the place for fresh and healthy food. Sourcing of the raw materials that go into every CafeFrance product is therefore of paramount importance, requiring a good balance between managing costs and ensuring a reliable, uninterrupted and abundant supply that meet its quality standards for freshness, safety and consistency. The flour that is used in its baked products is imported all the way from France, and all the fresh produce that are used in all the stores go through a careful inspection and selection process, demanding huge man-hours of quality control. As perishable raw materials are susceptible to price fluctuations, it has been a challenge for the Purchasing function to meet demand requirements within cost budgets. Since stock-outs translate to lost revenue, the Company has had to keep a balance between managing margins and biting the bullet to buy these raw materials at higher costs, just to keep the customer relationship and ensure vendor's continuity of supply. One of the strategies being adopted is to go directly to the source of these raw materials to save on middle-men costs, look for substitute raw materials without compromising flavor and quality, and or accredit and maintain more suppliers whose pooled supply capacity can meet our requirements. We have also taken to locking these vendors on supply agreements for a quarter or more, just to manage the cost volatility and reasonably predict and ensure product margins.
- **Stores**
CafeFrance stores are insured against fire, food poisoning, loss of money and securities inside the stores' premises due to robbery or burglary, as well as liability for accidents within the stores' premises. While insurance costs are high, the Company has opted to get a comprehensive insurance coverage to manage its risks from the above incidents, thereby limiting possible losses arising from any of the above incidents.
- **Manpower**
CafeFrance is highly dependent on its human resources, investing heavily in the training of personnel in its stores and its Commissary. All personnel in the commissary are compliant with government-mandated clearances for workers in the food industry, and some of them even have special accreditations and licenses beyond what the government requires. Our coterie of personnel at the stores all went through a rigorous selection process and a uniform service standards training; but beyond the costs of recruitment and training, CafeFrance continues to contend with the industry reality of employee turnover. Employee retention has been a challenge, and to mitigate the risk of possible disruption in our operations arising from sudden employee resignations, the Company has had to rely on outsourced services providers for the steady supply of manpower. Over and above the payroll of the outsourcing service provider, CafeFrance has had to pay a premium for the provider's administration fees, but in so doing, the Company has managed to address the risk of manpower supply as well as the perennial issue on employee turnover.

Item 2 Properties

Cavite Plant

The pharmaceutical manufacturing plant is located on a 36,314 square meter lot located along Aguinaldo Highway, Dasmariñas, Cavite. The plant consists of executive and departmental offices, various meeting rooms, library for reference materials, storage for packaging materials, production facilities, laboratories, four (4) warehouses, a machine shop, power plant, cafeteria and a dormitory for the Company's technical staff. The land, buildings, machinery and equipment are wholly owned by the Company and are mortgaged as collateral for the Company's long term debt. There are no existing limitations on its ownership or usage.

Bulacan Depot

Euro-Med acquired a 2,500 square meter commercial lot along the National Highway in Plaridel, Bulacan. A 1,900 square meter warehouse with a two-storey office building was constructed and completed in July 1997. The land and building are wholly owned by the Company and are mortgaged as collateral for the Company's long term debt. There are no existing limitations on its ownership or usage.

Manila

In Oct. 2015, Euro-Med acquired a parcel of land in Lamayan Sta. Ana, Manila, with a total area of 1,530.80 square meter, more or less. The building is for use of Euro-Med new distributed products. There are no existing limitations on its ownership or usage.

In 2016, Euro-Med acquired a parcel of land in Barangay Sabutan, Silang Cavite with a total area of 14,172 square meters, more or less. The company owned warehouse was constructed and completed in 2019. The warehouse was expanded in the latter part of 2021 to accommodate new distributed products.

San Fernando La Union

In October 19, 2023, Euro-Med acquired a parcel of land and building in Pagdaraon, City of San Fernando La Union, with a total lot area of 3,479 square meters and a commercial building with 1,287 square meters. The land and building are wholly owned by the Company and are mortgaged as collateral for the Company's long term debt. There are no existing limitations on its ownership or usage.

Properties/Offices under lease

The Company leases the following properties:

- (a) The Company's head office at the PPL Building, United Nations Avenue corner San Marcelino Street, Manila from U. S. Automotive Co., Inc., a majority stockholder of the company. The lease is for a one (1) year period and is being renewed annually subject to mutual agreement of the parties. The rent for the year 2024 amounted to ₱ 21.2 million.
- (b) The Company's twelve (12) depots which are located strategically in key cities all over the country. The lease contracts are for a one (1) year period and are being renewed annually subject to mutual agreement of the parties. The rent for the year 2024 amounted to P 21.7 million

ITEM 3 Legal Proceedings

The Company is subject to lawsuits and legal actions in the ordinary course of business. The company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceedings that could be expected to have a material adverse effect on the Company's financial position or results of operations.

The Parent Company has various cases which were filed by the Parent Company in various dates and courts in the Philippines against its customers for the collection of various amounts, bouncing checks and, insolvency case by client where the Parent Company has pending accountabilities.

The aggregate amount claimed for all these cases is approximately P18.0 million.

Claims against the Parent Company

The Parent company has cases of illegal dismissal with the National Labor Relations Commission one (1) case has already been resolved in favor of the company in a decision dated Nov. 05, 2020. There is a pending labor case being appealed by the Company before the Court of Appeals which awarded claims to the employee.

There are no other matters of material litigation is apprised of.

Item 4 Submission of Matters to a Vote of Security Holders

There was no matter submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

1.) Market Information

Euro-Med's common shares are publicly listed with the Philippine Stock Exchange.

The high and low sales prices of the shares are:

	HIGH	LOW
2025		
1st quarter	0.93	0.72
2024		
1st quarter	1.01	0.77
2nd quarter	0.79	0.70
3rd quarter	0.78	0.71
4th quarter	1.01	0.72
2023		
1st quarter	1.01	0.77
2nd quarter	0.88	0.77
3rd quarter	0.83	0.70
4th quarter	0.87	0.70

The market price per share of Euro-Med is ₱ 0.80 on March 31 2025 (the latest practicable trading date before submission of the report).

2.) Holders

As of March 31, 2025, the Company has on record a total of 541 stockholders with a total of 4.112 million issued and outstanding shares. The top twenty (20) stockholders are as follows:

	NAME	Nationality	No. of Shares	%
1	U.S. Automotive Co., Inc.	PH	2,401,747,112	58.41%
2	USAUTO CO., Inc.	PH	855,505,147	20.80%
3	Philippine Trust Company	PH	231,124,845	5.62%
	Philippine Trust Company (Trust Department)	PH	133,986,446	3.26%
4	Evergreen Stock Brokerage & Securities, Inc.	PH	298,725,323	7.26%
5	PCD Nominee Corporation	PH	37,123,189	0.90%
6	Yap, Johnny C.	PH	36,980,720	0.90%
7	Yap III, Emilio C.	PH	35,695,668	0.87%
8	Yap, Nichol C.	PH	35,695,668	0.87%
9	Yap, Enrique Raymond I.	PH	16,862,581	0.41%
10	Ilusorio, Carlo Daniel K.	PH	5,000,000	0.12%
11	Ilusorio, Roberto Havel K.	PH	5,000,000	0.12%
12	Yap, Michael Vincent Y.	PH	2,794,742	0.07%
13	Evidente, Georgiana S.	PH	1,285,052	0.03%
14	Maramba, Tomas P.	PH	1,285,052	0.03%
15	Cohu, Marshall Cohu ITF: March C Allan	PH	822,430	0.02%
16	PCD Nominee Corporation (Non-Fil)	PH	769,311	0.02%
17	Cohu, Marshall Cohu ITF: Danica Marie C.	PH	616,823	0.02%
18	Cohu, Marshall Cohu ITF: Dianne Bernice C.	PH	616,823	0.02%
19	Goldclass Inc.	PH	586,617	0.01%
20	Baviera, Adolfo R.	PH	205,610	0.01%

3.) Dividends

The Company declared the following dividends for the past three (3) years:

YEAR	Kind	Amount	Rate	Record Date
2021	Cash	82.2 Million	2.00%	Nov.04, 2022
2022	Cash	143.9 Million	3.50%	Nov. 23, 2023
2023	Cash	246.7 Million	6.00%	Nov. 15, 2024

The Company has not restricted any portion of its retained earnings for future expenses, contingencies or other purposes.

4.) Recent Sales of Unregistered or Exempt Securities, Including recent issuance of Securities Constituting an Exempt Transaction.

For the past three (3) years the registrant has not sold securities which were not registered under the Code. There was no sales of reacquired securities, as well as securities issued in exchange for property, service and other securities, resulting from the modification of outstanding securities.

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

Calendar Year 2024 Compared to Calendar Year 2023

The company's strategies are:

- a.) Restructuring of the territorial area of Marketing Division and intensify customer visits, thereby resulting in a better coverage and higher sales.
- b.) The company has created the Business Development unit under the Senior Executive, with the primary objective of developing new product contracts, distribution of multinational products and generation of new revenue streams.
- c.) The company has also created the Customer Care unit under the Treasury Department. This unit will endeavor to address all concerns, i.e. marketing, delivery, payments, credit terms, collections, etc. This holistic approach would further strengthen the customer relationship in due course.
- d.) On the logistic area, the Company introduced an employee work schedule with rotational assignments. Since warehousing and distribution functions are on a 24 hour operations basis, this scheme would make the preparation and delivery of products to customers more efficient and on time. Likewise, the Logistics Department's plantilla includes reliever /roving pharmacists to have a ready remedy in cases of emergency leaves, immediate resignations, death, etc.
- e.) On the production area the strategy is to maximize the utilization of existing capacity. This is done by continuously do advanced planning and increasing flexibility through multi-line set-up.
- f.) The resumption in 2023 of the face to face annual sales conference to discuss strategies to strengthen the coordination between marketing and distribution and its procedures on faster resolution of customer issues and concerns to further improve customer relationship.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

1.) The Company's net sales increased by 10.1% from ₱ 5,263.9 million in 2023 to ₱ 5,796.0 million in 2024. The domestic sales increased by 9.4% from ₱ 4,994.0 million in 2023 to ₱ 5,461.7 million in 2024, while Export sales increased by 23.9% from ₱ 269.9 million in 2023 to ₱ 334.4 million in 2024. The increase/decrease in sales indicator was chosen by management as it disclosed the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) The gross profit on sales increased by 6.1% from ₱ 1,917.2 million for the year 2023 to ₱ 2,033.7 million for the year 2024. Cost of sales and service increased by 12.4% from ₱ 3,346.7 million in 2023 to ₱ 3,762.3 million in 2024. However, as a percentage of net sales, Cost of sales and service increased from 63.5% in 2023 to 64.9% in 2024. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase (decrease) in gross profit by the peso gross profit during the comparable period of previous year.

3.) Operating expenses (administrative, selling, distribution and other expenses) increased by 7.8% from ₱ 1,265.6 million in 2023 to ₱ 1,364.7 million in 2024. The increase was due to the increase in operating expenses i.e. gasoline, repairs, electricity and other expenses. As a percentage of net sales, operating expenses decreased from 24% in 2023 to 23.5% in 2024. Changes in operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling, distribution and other expenses. The percentage change in operating expenses is calculated by dividing the peso increase (decrease) in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance and miscellaneous income/cost decreased by 8.5% from P253.1 million in 2023 to P 231.6 million for 2024. Changes in Net finance and miscellaneous income/cost indicator provides information on significant elements of income and other expenditures that did not arise from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in Net finance and miscellaneous income/cost by the net finance and miscellaneous income/cost during the comparable period of previous year.

5.) Provision for income tax decreased by 8% from ₱ 108.4 million in 2023 to ₱ 98.8 million in 2024. The total net income increased by 16.5% from ₱ 289.9 million for the year 2023 to ₱ 337.7 million for the year 2024. Changes in total net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of-return expectations. The percentage change in total net income is calculated by dividing the peso increase (decrease) in total net income by the peso total net income during the comparable period of previous year.

The Company's total assets increased by 1.7% from ₱ 10,763.9 million in 2023 to ₱ 10,949.9 million in 2023. Current ratio increased from 1.31:1 in 2023 to 1.36:1 in 2024. Debt ratio increased by 1.3% from 0.457:1 in 2023 to 0.46:1 in 2024, while the equity ratio decreased by 1.1% from 54:1 in 2023 to 0.53:1 in 2024.

The increase in Financial assets at FVPL was due to the profit and the conversion of unrealized foreign exchange gain. The increase in trade and other receivables was due to increase in sales. The decrease in other current assets was due to the decrease on excess input VAT and increase in other assets. The increase in right of use assets was due to adjustments of lease contracts, arising from the adaption of PFRS 16. The increase deferred tax assets was due to recognition of retirement expenses and retirement liability per PAS#19 (revised 2013) based on overall actuarial report. The increase of other non-current assets was due to advances to suppliers for the expansion of production area. The decrease in Trade and other payables was due payments made of distributed products and regular suppliers of goods and services. The increase in Finance lease liability (current and non-current) was due to the recording of lease contracts. The increase in retirement liability was due to the set up of retirement expense based on actuarial report of 2024. The increase in acceptances /trust receipts payables was due to the purchased via trust receipts for the importation of raw materials and local distributed products. The increase in total Notes and loans Payable (current & non- current) was due to availment on Omnibus credit line for additional working capital of the company. The decrease in Income tax payable was due to the net effect of payments of income tax on a quarterly basis. The decrease in other components of equity was due to the cumulative comprehensive gain/loss recognized in the comprehensive income. The increase in retained earnings was due to the net income for year 2024.

Projections and Effects of Covid -19 Pandemic

The Company felt the effect of Covid-19 pandemic starting March, 2020 and still raging in year 2021. The new variant, Omicron set in late 2021 and eases up at start of March 2022. Hardest hit is its subsidiary CaféFrance, however, the company sees a glim of hope in 2022 as the government and the private sector are closely coordinating to have a mass vaccination in the country, thereby opening up the economy towards the end of 2022. Starting 2023, the company have recovered and is working hard to continue its growth.

The Company has implemented in 2021 a reorganization of our nationwide sales field personnel to reduce their areas of coverage which would result to better coverage and higher sales.

The consolidated sales forecast for 2025 would be an increase in sales of about 10%, totaling to about P6.4 billion. The expected net income for 2025 is about P 378.0 million which is about 6% of sales.

Calendar Year 2023 Compared to Calendar Year 2022

Strategies to mitigate the effects of Covid-19 Pandemic

The company focused on building upon the recovery efforts from the effects of the Covid-19 pandemic in 2020 to 2022. In 2022, the Company worked hard to meet the challenges to mitigate the effects of the pandemic. The company had a modest improvement in the year 2022 and likewise projected that starting year 2023, it would reach the pre-pandemic levels of performance and continue to have a robust growth from then on.

The company's strategies are:

- g.) Restructuring of the territorial area of Marketing Division and intensify customer visits, thereby resulting in a better coverage and higher sales.
- h.) The company has created the Business Development unit under the Senior Executive, with the primary objective of developing new product contracts, distribution of multinational products and generation of new revenue streams.
- i.) The company has also created the Customer Care unit under the Treasury Department. This unit will endeavor to address all concerns, i.e. marketing, delivery, payments, credit terms, collections, etc. This holistic approach would further strengthen the customer relationship in due course.
- j.) On the logistic area, the Company introduced an employee work schedule with rotational assignments. Since warehousing and distribution functions are on a 24 hour operations basis, this scheme would make the preparation and delivery of products to customers more efficient and on time. Likewise, the Logistics Department's plantilla includes reliever /roving pharmacists to have a ready remedy in cases of emergency leaves, immediate resignations, death, etc.
- k.) On the production area the strategy is to maximize the utilization of existing capacity. This is done by continuously do advanced planning and increasing flexibility through multi-line set-up.
- l.) The resumption of the face to face annual sales conference to discuss strategies to strengthen the coordination between marketing and distribution and its procedures on faster resolution of customer issues and concerns to further improve customer relationship.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

1.) The Company's net sales increased by 24.6% from ₱ 4,224.1 million in 2022 to ₱ 5,263.9 million in 2023. The domestic sales increased by 26.2 % from ₱ 3,957.4 million in 2022 to ₱ 4,994.0 million in 2023, while Export sales increased by 1.2% from ₱ 266.6 million in 2022 to ₱ 269.9 million in 2023. The increase/decrease in sales indicator was chosen by management as it disclosed the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) The gross profit on sales increased by 26.6% from ₱ 1,513.9 million for the year 2022 to ₱ 1,917.2 million for the year 2023. Cost of sales and service increased by 23.5% from ₱ 2,710.1 million in 2022 to ₱ 3,346.7 million in 2023. However, as a percentage of net sales, Cost of sales and service decreased from 64.1% in 2022 to 63.5% in 2023. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase (decrease) in gross profit by the peso gross profit during the comparable period of previous year.

3.) Operating expenses (administrative, selling, distribution and other expenses) increased by 17.4% from ₱ 1,073.5 million in 2022 to ₱ 1,260.6 million in 2023. The increase was due to the increase in operating expenses i.e. gasoline, transportation expenses and other expenses. As a percentage of

net sales, operating expenses decreased from 25.4% in 2022 to 23.9% in 2023. Changes in operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling, distribution and other expenses. The percentage change in operating expenses is calculated by dividing the peso increase (decrease) in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance and miscellaneous income/cost increased by 58.7% from P160.1 million in 2022 to P 254.2 million for 2023. Changes in Net finance and miscellaneous income/cost indicator provides information on significant elements of income and other expenditures that did not arise from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in Net finance and miscellaneous income/cost by the net finance and miscellaneous income/cost during the comparable period of previous year.

5.) Provision for income tax increased by 34.9 % from ₱ 80.4 million in 2022 to ₱ 108.4 million in 2023. The total net income increased by 47.1% from ₱ 199.9 million for the year 2022 to ₱ 293.9 million for the year 2023. Changes in total net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of-return expectations. The percentage change in total net income is calculated by dividing the peso increase (decrease) in total net income by the peso total net income during the comparable period of previous year.

The Company's total assets increased by 7% from ₱ 10,058.7 million in 2022 to ₱ 10,763.9 million in 2023. Current ratio decreased from 1.33:1 in 2022 to 1.31:1 in 2023. Debt ratio increased by 5.7% from 0.43:1 in 2022 to 0.46:1 in 2023, while the equity ratio decreased by 4.3% from 57:1 in 2022 to 0.54:1 in 2023.

The increase in cash and cash equivalents was due to more cash sales during the year. The increase in Financial assets at FVPL was due to the conversion of unrealized foreign exchange gain. The increase in trade and other receivables was due to increase in sales. The increase in inventories was due to increase in finished goods produced. The increase in other current assets was due to the increase on excess input VAT, since almost of our IV products were classified to non-vatable sales resulting to lower VAT payable. The decrease in right of use assets was due to depreciation of lease contracts, arising from the adaption of PFRS 16. The increase deferred tax assets was due to recognition of retirement expenses and retirement liability per PAS#19 (revised 2013) based on overall actuarial report. The decrease of other non-current assets was due to full payment of advances to suppliers. The increase in Trade and other payables was due to the accrual of expenses of distributed products and regular suppliers of goods and services. The decrease in Finance lease liability (current and non-current) was due to the expiration of lease contracts. The increase in retirement liability was due to the set up of retirement expense. The increase in acceptances /trust receipts payables was due to the purchased via trust receipts for the importation of raw materials and local distributed products. The increase in total Notes and loans Payable (current & non- current) was due to additional working capital of the company. The increase in Income Tax Payable was due to the increase of the net income. The decrease in other components of equity was due to the cumulative comprehensive gain recognized in the comprehensive income. The increase in retained earnings was due to the net income for year 2023.

Projections and Effects of Covid -19 Pandemic

The Company felt the effect of Covid-19 pandemic starting March, 2020 and still raging in year 2021. The new variant, Omicron set in late 2021 and eases up at start of March 2022. Hardest hit is its subsidiary CaféFrance, however, the company sees a glim of hope in 2022 as the government and the private sector are closely coordinating to have a mass vaccination in the country, thereby opening up the economy towards the end of 2022.

The Company has implemented in 2021 a reorganization of our nationwide sales field personnel to reduce their areas of coverage which would result to better coverage and higher sales.

The consolidated sales forecast for 2024 would be an increase in sales of about 10%, totaling to about P 5,790 million. The expected net income for 2024 is about P347.4 million which is about 5% of sales.

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

Calendar Year 2022 Compared to Calendar Year 2021

Effects of Covid-19 Pandemic

On March 11, 2020, the World Health Organization (WHO) declared COVID-19 as a global pandemic. On March 16, 2020, the Philippines was declared under state of calamity and was placed under Enhanced Community Quarantine (ECQ) until May 15, 2020. Thereafter, the whole Metro Manila and key cities and provinces throughout the country was placed under General Community Quarantine (GCQ) until March 2021, and again under MECQ until April 30, 2021. The pandemic surged in the second half of 2021, and a new variant Omicron appear in Dec.2021 to January 2022. It decelerates in March 2022. This pandemic and these measures taken by the government have triggered significant disruption to business throughout the country.

The Company has recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of Covid-19. In the face of this pandemic, the common assumption is that pharmaceutical companies may experience a surge in demand for their products. However, the reverse was experienced by the Company as it has severe reduction in product sales. This may have been caused by the low patients census in hospitals. Non-covid-19 patients both out-patients and in-patients were staying away from hospitals for fear of contracting Covid-19 inside the hospital premises. Likewise, the Company encountered problems in delivery, as some local government units (LGU's) required medical clearance from delivery personnel before they can enter a certain city or province. Also, the company's subsidiary (CafeFrance) was hard hit as all its stores have been closed during ECQ and all its sales are limited only to food delivery.

In the latter part of year 2022, the government in cooperation with private business group had intensified the booster shots against Covid-19. This resulted to easing the business pain of the pandemic and the economy started to open-up. At the start of fourth quarter of 2022, the business improved and the wearing of face mask was made voluntary starting second quarter of 2023. Economic recovery then formally started in year 2023.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

1.) The Company's net sales increased by 17.7% from ₱ 3,587.4 million in 2021 to ₱ 4,224.1 million in 2022. The domestic sales increased by 15.0% from ₱ 3,440.2 million in 2021 to ₱ 3,957.4 million in 2022, while Export sales increased by 81.2% from ₱ 147.2 million in 2021 to ₱ 266.6 million in 2022. The increase/decrease in sales indicator was chosen by management as it disclosed the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) The gross profit on sales increased by 4.3% from ₱ 1,451.9 million for the year 2021 to ₱ 1,513.9 million for the year 2022. Cost of sales and service increased by 26.9% from ₱ 2,135.5 million in 2021 to ₱ 2,710.1 million in 2022. However, as a percentage of net sales, Cost of sales and service increased from 59.5% in 2021 to 64.1% in 2022. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase (decrease) in gross profit by the peso gross profit during the comparable period of previous year.

3.) Operating expenses (administrative, selling, distribution and other expenses) increased by 3.2% from ₱ 1,040.8 million in 2021 to ₱ 1,073.5 million in 2022. The increase was due to the increase in

operating expenses i.e. gasoline, transportation expenses and other expenses. As a percentage of net sales, operating expenses decreased from 29% in 2021 to 25.4% in 2022. Changes in operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling, distribution and other expenses. The percentage change in operating expenses is calculated by dividing the peso increase (decrease) in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance and miscellaneous income/cost decreased by 10.8% from P179.7 million in 2021 to P 160.1 million for 2022. Changes in Net finance and miscellaneous income/cost indicator provides information on significant elements of income and other expenditures that did not arise from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in Net finance and miscellaneous income/cost by the net finance and miscellaneous income/cost during the comparable period of previous year.

5.) Provision for income tax increased by 28.9% from ₱ 62.3 million in 2021 to ₱ 80.4 million in 2022. The total net income increased by 18.2% from ₱ 169.1 million for the year 2021 to ₱ 199.9 million for the year 2022. Changes in total net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of-return expectations. The percentage change in total net income is calculated by dividing the peso increase (decrease) in total net income by the peso total net income during the comparable period of previous year.

The Company's total assets increased by 3.8% from ₱ 9,691.4 million in 2021 to ₱ 10,058.7 million in 2022. Current ratio is the same at 1.331 in 2021 and in 2022. Debt ratio increased by 3.5% from 0.42:1 in 2021 to 0.43:1 in 2022, while the equity ratio decreased by 2.5% from 0.58:1 in 2021 to 0.57:1 in 2022.

The increase in cash and cash equivalents was due to more cash sales during the year. The increase in Financial assets at FVPL was due to the conversion of unrealized foreign exchange gain. The increase in inventories was due to increase in finished goods produced. The increase in other current assets was due to the increase excess input VAT, since almost of our IV products were classified to non-vatable sales resulting to lower VAT payable. The increase in right of use assets was due to recording of lease contracts, net of depreciation arising from the adaption of PFRS 16. The decrease deferred tax assets was due to recognition of retirement expenses and retirement liability per PAS#19 (revised 2013) based on overall actuarial report. The decrease of other non-current assets was due to full payment of advances to suppliers. The increase in Trade and other payables was due to the accrual of expenses of distributed products and regular suppliers of goods and services. The increase in Finance lease liability (current and non-current) was due to set-up of new lease contracts. The increase in acceptances /trust receipts payables was due to the purchased via trust receipts for the importation of raw materials and local distributed products. The increase in total Notes and loans Payable (current & non- current) was due to additional working capital of the company. The increase in Income Tax Payable was due to the increase of the net income. The decrease in other components of equity was due to the cumulative comprehensive gain recognized in the comprehensive income. The increase in retained earnings was due to the net income for year 2022.

Projections and Effects of Covid -19 Pandemic

The Company felt the effect of Covid-19 pandemic starting March, 2020 and still raging in year 2021. The new variant, Omicron set in late 2021 and eases up at start of March 2022. Hardest hit is its subsidiary CaféFrance, however, the company sees a glim of hope as the government and the private sector are closely coordinating to have a mass vaccination in the country, thereby opening up the economy in 2022.

The Company has implemented in 2021 a reorganization of our nationwide sales field personnel to reduce their areas of coverage which would result to better coverage and higher sales.

The consolidated sales forecast for 2023 would be an increase in sales of about 15%, totaling to about P 4,900 million. The expected net income for 2023 is about P240 million which is about 5% of sales.

Liquidity and Capital Resources

The Company's primary need for funds is to finance its operations and capital expenditures. Historically, the Company relied on its internally generated funds, revolving Omnibus Credit Lines and long term debts from various banks.

Capital expenditures for the years 2022, 2023 and 2024 were ₱ 88.8 million, ₱ 291.9 million and ₱ _____ million respectively. These capital expenditures related primarily to the expansion programs of the Company for land, buildings, machinery and equipment.

Working capital and capital expenditures for the years 2022, 2023 and 2024 were financed through internally generated funds, and short term and long-term borrowings from various commercial banks.

The Company has Omnibus Credit Lines in the aggregate amount of about ₱ 4.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollar), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no margin deposit at opening). Availments are for a period of 180 to 360 days, with interest payable/reviewable monthly or every 60 to 90 days in arrears at prevailing bank loan rates.

Plans of the Company

Euro-Med intends to expand its present product line to include specialty products for inhalation, ophthalmic, irrigation and other healthcare purposes. New products will include oral drug preparation in tablet, syrup and suspension. The Company expects to open new export markets in other countries and increased the number of products being exported. The subsidiaries are continuously looking for branches throughout the country.

Item 7 Financial Statements

Exhibit I - Statement of Management's Responsibility for Financial Statements.

Exhibit II - Audited Consolidated Financial Statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2022, 2023 and 2024.

Item 8 Information on Independent Accountant and other Related Matters

1.) External Audit fees and Services

a.) Audit and Audit Related Fees

The aggregate fees billed by the Company's external auditors for the years 2024 and 2023 is P700,000 respectively. These amounts cover the cost of the regular audit of the Company's annual financial statements in connection with statutory and regulatory filings for those covered years. These fees also include consultation on minor accounting matters and minor tax matters, such as queries on new BIR regulations, computation of VAT, etc. Any work that will involve our external auditors to represent the company on cases with the Bureau of Internal Revenue and other regulatory bodies are considered major accounting and tax matters which shall be billed commensurate with the number of hours spent by the auditors working on such consultation.

b.) Tax fees – None

c.) All other fees – None

d.) The above-stated fees are approved by the Company's Audit and Risk Oversight Committee based on a written engagement letter subject to the mutual agreement of both parties.

2.) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

The appointment of Mendoza, Querido & Co., CPA's as External Auditor for the years 2017 to 2021, was approved and ratified during the annual stockholders meeting on June 19, 2019, August 14, 2020 and June 16, 2021.

As the Audit & Risk Oversight Committee Charter prescribes the rotation of the External Auditor after every three to five years pursuant to SEC Rule 68, the Committee recommended the engagement of Aquino, Mata, Calica and Associates as External Auditor for the period 2022-2023.

The appointment of Aquino, Mata, Calica and Associates as External Auditor, was approved and ratified during the annual stockholders' meeting on June 15, 2022.

For the fiscal year 2023-2024, the Audit & Risk Oversight Committee, in its meeting held on April 25, 2023, also engaged the services of Aquino, Mata, Calica and Associates as External Auditor. Representatives of the auditing firm are expected to be present during the stockholders' meeting and they will have the opportunity to make a statement of their desire to do so and to respond to appropriate questions.

Aquino, Mata, Calica and Associates accreditation has been renewed by the Securities and Exchange Commission last July 25, 2023 and classified under Group A and is valid for a period of five years to engage in the audit of 2023 to 2027 financial statements.

There were no disagreements with the Company's accountants on any accounting and financial disclosure during the recent fiscal year or any subsequent period.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers of the Issuer

Each of the directors and officers serve a term of one (1) year until the election and qualification of their successors. Following are the Company's board of directors as of December 31, 2024.

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Previous Terms (yrs)</u>
Dr. Tomas P. Maramba, Jr.	93	Filipino	Honorary Chairman Emeritus	30
Dr. William G. Padolina *	78	Filipino	Director/Chairman of the Board	25
Mr. Edwin Feist *	78	Australian	Director/ Vice Chairman	14
Dr. Esperanza I. Cabral *	81	Filipino	Independent Director	8
Mrs. Georgiana S. Evidente	64	Filipino	Director	30
Dr. Evangeline V. Baviera	70	Filipino	Director	28
Mr. Johnny C. Yap	52	Filipino	Director	30
Mr. Basilio C. Yap	75	Filipino	Director/ Vice Chairman	11
Mr. Benjamin C. Yap	79	Filipino	Director	11
Mr. Anthony Joseph Gaw	36	Filipino	Director	4
Dr. Enrique Y. Yap Jr.	50	Filipino	Director	5

*The Company's independent directors as required by Section 38 of Securities Regulation Code.

The following are the Company's key executive officers as of December 31, 2024:

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Previous Term (yrs.)</u>
Mrs. Georgiana S.Evidente	64	Filipino	President	30

Dr. Evangeline V. Baviera	70	Filipino	Executive Vice President	28
Mr. Johnny C. Yap	52	Filipino	EVP/Treasurer and Assistant Corporate Secretary	30
Mr. Enrique Raymond Y. Yap	46	Filipino	Senior Vice President Business Development	5
Mrs. Janice R. Ong	54	Filipino	Corporate Secretary	17

- The company had created the following Board Committees:

a.) Audit and Risk Oversight Committee:

* Current membership are:

- a.1) Mr. Edwin D. Feist - Independent Director - Chairman
- a.2) Anthony Joseph Gaw - Member
- a.3) William Padolina – - Independent Director, Member

The Financial Statements of the Corporation duly approved by the Audit Committee are submitted to the board of directors for final approval prior to their release.

b.) Corporate Governance and Nomination Committee:

* Current membership are:

- b.1) Dr. William G. Padolina – (*Independent director*) Chairman
- b.2) Mr. Edwin D. Feist (*Independent director*) -Member
- b.3) Esperanza Cabral M.D. (*Independent director*) Member
- b.4) Georgiana S. Evidente –Member
- b.5) Dr. Johnny S. Yap - Member

DR. TOMAS P. MARAMBA, JR.

Honorary Chairman Emeritus

Director since 1994

93 years of age

Dr. Tomas P. Maramba, Jr., married, Filipino, graduated from the College of Medicine, University of the Philippines, with the degree of Doctor of Medicine in 1956. In 1975, he completed his Master's Degree in Hospital Administration from the Institute of Public Health of the same university. He took postgraduate training at the Philippine General Hospital in Manila; D.C. General Hospital in Washington D.C.; University of Kansas Medical Center in Kansas City, Kansas; and the Medical College of Georgia in Augusta, Georgia. The American Board of Pathology and the Philippine Board of Pathology have certified him, both in Anatomic Pathology and Clinical Pathology. Dr. Maramba has extensive experience in the field of Medicine in the specialties of Anatomic Pathology and Laboratory Medicine, Public Health, Regulation of Health Services, Hospital Administration and Quality Management in Hospitals and Clinical Laboratories. He was formerly Head of the Departments of Pathology of Rizal Provincial Hospital, Lungsod ng Kabataan and Lung Center of the Philippines. He established and headed the Rizal Cancer Registry and reorganized and headed the Philippine Cancer Society Tumor Registry. In the government, he served as Director of the Bureau of Research and Laboratories, Undersecretary for the Office of Standards and Regulation, Acting Chairman of the Dangerous Drugs Board, Vice-Chairman of the Philippine Council for Health Research and Development, and Program Manager of the National Blood Services Program of the Department of Health. He is a former President of the Philippine Society of Pathologists, Philippine Blood Coordinating Council, Philippine Society of Oncology, Philippine Society for Quality in Health Care, Philippine Council for Accreditation of Healthcare Organizations, Asian Network for Clinical Laboratory Standardization and Harmonization and Philippine Council for Quality Assurance in Clinical Laboratories. He is a former member of the Board of Governors and Philippine National Red Cross; a former Instructor in the Department of Pathology, College of Medicine, University of the Philippines, former Associate Professor and Professorial Lecturer at the Department of Health Policy and Administration, College of Public Health, University of the Philippines, Manila; a former Chairman of the Department of Pathology; and former Head of the Quality Management Department at the Dr. Victor R. Potenciano Medical Center. He is currently President Emeritus of the Philippine Society for

Quality in Health Care and a former President of the Philippine Council for Accreditation of Healthcare Organizations. In the Department of Health, he is Chairman of the National Technical Working Group for the National Health Laboratory Network Program and Chairman of the TWG Committee on Quality Assurance in Laboratory Services. He is the Vice-Chairman of the Department of Pathology at the Dr. Victor R. Potenciano Medical Center and Associate Pathologist and Head of the Blood Bank Section of the United Doctors Medical Center. On 12 May 2010, Dr. Tomas P. Maramba, Jr., retired as Chairman of the Board of Euro-Med Laboratories Phil., Inc. and was thereupon appointed Honorary Chairman Emeritus.

DR. WILLIAM G. PADOLINA

Chairman of the Board/Independent Director

Director since 1999

78 years of age

Dr. William G. Padolina, married, Filipino, graduated magna cum laude from the University of the Philippines, Los Baños with the degree of Bachelor of Science in Agricultural Chemistry in 1968. Subsequently as a Fulbright-Hays Scholar, he obtained his Ph.D in Botany/Phytochemistry in 1973 from the University of Texas at Austin. Upon his return from studies abroad, he continued teaching at the Institute of Chemistry, University of the Philippines Los Baños where he became a full Professor of Chemistry in 1987. He was a Consultant for Euro-Med Laboratories Phil., Inc. from 1990 to 1992. Dr. Padolina was appointed as an Undersecretary, Acting Secretary and Secretary of Department of Science and Technology from September 1992 to January 1999. He served as Deputy Director General of the International Rice Research Institute in Los Banos, Laguna from February 1999 to November 2011 and also served as Senior Advisor in 2012. He was first appointed Chairman of the Board of Euro-Med Laboratories Phil., Inc. on 17 May 2010 and is still the incumbent Chairman of the Board of the Company. He is currently a Senior Fellow at the Southeast Asian Center for Graduate Study and Research in Agriculture. He was elected President of the National Academy of Science and Technology, Philippines in October 2012 for a term of three years.

MR. EDWIN D. FEIST

Vice Chairman/Independent Director

Director since 2010

78 years of age

Mr. Edwin D. Feist, married, Australian, has established a distinguished & extensive global career in both the Pharmaceutical and Nutrition Industry in Asia and Latin America. His credentials would include Marketing Director, Bristol Myers Australia 1986-1988; Vice President, Marketing Bristol Myers Philippines 1987-1990; President and General Manager, Mead Johnson Philippines, 1990-1993; Vice President for Latin America Mead Johnson, 1993-1994; President and General Manager, Abbott Laboratories Philippines 1994-2006; Regional Director Abbott Nutrition - Philippines, Thailand, Australia, Cambodia, Sri Lanka, 2006-2010; Chairman of the Board, Bausch and Lomb, 2012 to 2015 and Vice Chairman, Euro-Med Laboratories, 2010 to present. As an industry leader, Ed was President of the Pharmaceutical and Health Care Association of the Philippines (PHAP) for 8 consecutive years (2002-2010) and a member of the Board of Trustees of PHAP for 12 years (1998-2010). He was also President of Infant and Pediatric Nutrition Association of the Philippines for 1 year (2008-2009). He is currently President of the American Chamber Foundation (2006 to present) and a past member of the Board of American Chamber of the Philippines.

ESPERANZA I. CABRAL, M.D.

Independent Director

81 years of age

Esperanza Alcantara Icasas-Cabral, Filipino, graduated from the UP College of Medicine and completed her training in Internal Medicine, Cardiology and Clinical Pharmacology at the Philippine General Hospital, Harvard Medical School and Massachusetts General Hospital. She was Associate Professor at the Departments of Medicine and Pharmacology of the UPCM, Director of the Philippine Heart Center, Chief of Cardiology of Asian Hospital and Medical Center, President of the Philippine College of Physicians, the Philippine Heart Association and the Philippine Society of Hypertension. She served as Secretary of Social Welfare and Development and Secretary of Health. Dr. Cabral is certified in U.S. ECFMG and Philippine Board of Medical Examiners. She is currently an Independent Director at Manila Bulletin Publishing Corp. since July 08, 2010.

MRS. GEORGIANA S. EVIDENTE**Director and President****Director since 1993****64 years of age**

Mrs. Georgiana S. Evidente, married, Filipino, holds a degree of Bachelor of Arts in Communication Arts from Maryknoll College in Quezon City. She joined the Company in 1990 and assisted in the completion of the Cavite plant. In 1991, she was promoted to Vice President and was responsible for setting up the nationwide marketing and distribution network of the Company. Through her management and marketing efforts, Euro-Med's domestic sales grew to what it is today and export sales were developed. She is the President and Chief Executive Officer of the Company with over 20 years of marketing and management experience.

EVANGELINE V. BAVIERA, M.D.**Director and Executive Vice President****Director since 1996****70 years of age**

Dr. Evangeline V. Baviera, married, Filipino, graduated in 1976 from the University of the Philippines with the degree of Bachelor of Science in Pre-Medicine. She completed her course in Medicine at the University of the East Ramon Magsaysay Memorial Medical Center in 1980. After graduation, she took her specialization in Pediatrics in the hospital of the same university. In 1986, she became a faculty member of the Department of Pharmacology. She served as a consultant to the Bureau of Food and Drugs from 1988 to 1990. She was the Chairman of the Department of Pharmacology, De La Salle University Health Science Campus in Dasmariñas, Cavite from 1990 to 1992. In 1990, she joined Euro-Med as a medical consultant and subsequently became the Medical Director. She was promoted to Vice President in 1992 and Senior Vice President in 1997. She became a Director of the Company in 1996. Dr. Baviera is the head of all plant operations. She was promoted to Executive Vice President of the Company in 2004.

DR. JOHNNY C. YAP***Director, Executive Vice President, Treasurer and Asst. Corp. Secretary****Director since 1994****52 years of age**

Johnny C. Yap, Filipino, graduated from De La Salle University in 1993 with the degree of Bachelor of Science in Management of Financial Institutions. He was consistently in the Dean's List and was awarded "Best in Thesis" for his work, "Derivation of the Security of the Market Line". He joined the Company in 1993 and subsequently became a Director, Assistant Treasurer and Assistant Corporate Secretary. At present, he is a Director and the Treasurer of the Company. He is also the Director and Chief Financial Officer of Centro Escolar University (CEU). In January 01, 2009, he was promoted to Executive Vice President of Euro-Med Laboratories Phil., Inc. On March 21, 2010, Foundation University, Dumaguete conferred upon him the degree of Doctor of Humanities. He served as Director of Philtrust Bank from April 25, 2012 until April 26, 2016. He is currently the Chairman of the Board of CafeFrance Corp., a wholly owned subsidiary of Euro-Med Laboratories Phil., Inc.

MR. BASILIO C. YAP***Vice Chairman/Director****Director since 2014****75 years of age**

Mr. Basilio C. Yap, Filipino, graduated from De La Salle University with the degree of Bachelor of Science in Commerce major in Accounting, graduated Cum Laude in 1972, a Certified Public Accountant and Asian Institute of Management with the degree of Masters in Business Management in 1977. He has held the position of Assistant Vice President in Bank of America up to 1985. He is currently the Chairman, President and a Director of U.S. Automotive Co. Inc., Usautoco Inc., Philtrust Realty Corporation, Manila Prince Hotel, Cocushil Development Corporation, U. N. Properties Development Corporation and Seebreeze Enterprises,

Inc.; the Vice Chairman and Director of Philtrust Bank; and Director of Manila Hotel Corporation. Mr. Yap was elected Director of Euro-Med on 18 June 2014.

MR. BENJAMIN C. YAP*

Director

Director since 2016

79 years of age

Mr. Benjamin C. Yap, Filipino, graduated from the University of the East with a Bachelor's Degree in Business Administration. Currently, Mr. Yap is the Chairman of the Board of Benjamin Favored Son, Inc. and House of Refuge Foundation. He is a Director of USAUTO CO Inc., Manila Hotel Corporation and Centro Escolar University. Mr. Yap was elected Director of Euro-Med on 15 June 2016.

MR. ANTHONY JOSEPH Y. GAW

Director since 2021

36 years of age

Anthony Joseph Y. Gaw, Filipino, graduated with a Bachelor's Degree in Business Administration from the International Academy of Management and Economics in 2008. He also obtained his Master's degree in Business Management from the same institution in 2012. He is currently the President of Goldclass Inc. At present he is serving as a private PA rifleman at the Service Company Headquarters, 402nd IBFTR CDC at Camp Riego de Dios, Cavite.

MRS. JANICE R. ONG**

Corporate Secretary & Investment Relations Officer

54 years of age

Mrs. Janice R. Ong, married, Filipino, graduated from St. Scholastica's College with a degree of Bachelor of Arts in Mass Communication. After graduation, she joined Banco de Oro. In January 1992, she joined Euro-Med as Secretary to the Executive Vice President. She was promoted to Manager in 1999 and was elected by the Board of Directors as Corporate Secretary on September 01, 2007. She was appointed as Investment Relations Officer last 2013. Currently, Mrs. Ong was appointed as Vice President for Finance of Hemotek Renal Center, Inc., a subsidiary of the Corporation.

MRS. MA. BERNADETTE M. DOCTOR

Assistant Treasurer

59 years of age

Mrs. Ma. Bernadette M. Doctor, married, Filipino, graduated from De la Salle University Manila in 1987 with a degree of Bachelor of Science in Commerce major in Accounting. She passed the CPA Board examination in 1988. She joined Security Diners International Corp. in the same year. In 1990, she transferred to Republic-Asahi Glass Corporation. She then joined Euro-Med in 1993 as an Executive Assistant. She was promoted to Credit & Collection Manager in 1994 and subsequently became Assistant Treasurer in 2004.

MR. ENRIQUE RAYMOND I. YAP*

Senior Vice President – Business Development

46 years of age

Mr. Enrique Raymond I. Yap, Filipino, graduated from De La Salle University in 2002 with a degree of Bachelor of Science in Accountancy, became a Certified Public Accountant in 2003 and attended various courses at Harvard University and the Asian Institute of Management. He became a licensed stock broker in 1996 known as the country's youngest at age 17 and joined Euro-Med in 2003 as a financial analyst. In January 2009, he was promoted to Assistant Treasurer. He is a Director and Vice President of Phil-Progress Securities Corp. and Incorporator, Director, Chief Financial Officer and Chairman of the Board of Hemotek Renal Center, Inc. He has also been recognized as an Honorary Member of the PMA Philippine Military Academy Mapitagan class of 1980. Mr. Enrique Raymond I. Yap is also a holder of a founding share in Baguio Country Club and a Director,

Treasurer, and the Chief Operating Officer under the Company Delibob's Inc. He is currently the Vice Chairman of the Board and Executive Vice President of CafeFrance Corp., a wholly owned subsidiary of Euro-Med Laboratories Phil., Inc. Last 24 November 2020, the Board approved his promotion from Asst. Treasurer to Senior Vice President - Business Development.

DR. ENRIQUE Y. YAP, JR.*

Director

Director since 2020

50 years of age

Dr. Enrique Y. Yap, Jr., is a Director and Vice President of Business Development at Manila Bulletin Publishing Corp. He is also the Executive Vice President and Director of Manila Hotel Corporation and the CEO, President and member of the Board of Directors of Tim Hortons Philippines, Inc. He is one of the recipients of the Ten Outstanding Manilan Award in 2012 conferred by the Hon. Alfredo S. Lim (Former Mayor of the City of Manila). He holds a Doctorate degree in Business Administration (Honoris Causa) from the Polytechnic University of the Philippines. He is additionally a Director of U.S. Automotive Co., Inc., USAUTO CO. Inc., U.N. Properties Development Corporation, Manila Prince Hotel Corporation, Philtrust Bank, Philtrust Realty Corporation, and Centro Escolar Las Piñas, Inc. He was elected Director of Euro-Med last 14 August 2020. Dr. Yap has completed the General Management Program at Harvard Business School. Obtained his Master of Business Administration from New York University Stern School of Business, London School of Economics and Political Science and HEC Paris School of Management. Dr. Yap has attended trainings on Corporate Governance in the past 3 years, the most recent of which is the Advanced Corporate Governance Training conducted by the Institute of Corporate Directors (ICD) held last November 12, 2022.

MR. JOSE A. EMITERIO

Senior Vice President & Compliance Officer

74 years of age

Mr. Jose A. Emitterio, married, Filipino, graduated from the University of the East with a degree of Bachelor of Science in Commerce, major in Accounting in 1972. Subsequently, he passed the board examination for Certified Public Accountant (CPA) in 1973. He worked with a bank for nine (9) years in various positions, the latest of which was as a branch manager until his resignation in 1983. In 1984, he became a faculty member of the Department of Accountancy in National College of Business and Arts (NCBA) and engaged in public accountancy. He joined the Company in 1992 as its Chief Accountant. He was promoted to Vice President in 1998 and to Senior Vice President in 1999, the position he occupied until his resignation in January 2004. He rejoined the Company in January 2007 as Senior Vice President. On March 28, 2017, the Board approved his appointment as Compliance officer of the Company.

MRS. ROSANNA MARIE S. SUÑGA

Vice President

58 years of age

Mrs. Rosanna Marie S. Suñga, married, Filipino, graduated from University of the Philippines, Diliman with the degree of Bachelor of Arts in Mass Communication. After graduation, she joined an airline industry for eight years in the field of customer service and airline operations. In 1997, she joined Euro-Med as Executive Assistant and subsequently became Personnel Manager in 1999. She was promoted to Vice President on July 01, 2004.

MRS. ISLEEN Y. SY

Vice President

48 years of age

Mrs. Isleen Yu-Sy, married, Filipino, graduated from the University of the Philippines in 1997 with the degree of Bachelor of Science in Pharmacy. In June 1999, she joined Euro-Med as a purchasing assistant and was promoted to materials manager in January 2001. She earned her Master's Degree in Business Adminis-

tration in 2004 from the University of the Philippines. In January 01, 2009, she was promoted to Vice President.

MRS. DINAH D. TRIVILEGIO

Vice President

48 years of age

Mrs. Dinah D. Trivilegio, married, Filipino, graduated as a gold medalist from Centro Escolar University in 1993 with the degree of Bachelor of Science in Pharmacy. She joined Euro-Med in 1997 as a production pharmacist. In January 2000, she was promoted to Assistant Production Manager, Cavite Plant and to Research & Development Manager in November 2000. In February 2007, she was appointed as Quality Assurance Manager & Research Development Manager for the Mandaluyong Plant of the Company. In October 2007, she was promoted to Quality Assurance Manager, Cavite Plant and to Vice President of the Company in January 01, 2009.

MR. VIRGILIO V. LEYEZA, JR.

Vice President

57 years of age

Mr. Virgilio Villanueva Leyeza, Jr., Filipino, graduated from the Adamson University in 1989 with a degree of Bachelor of Science in Computer Engineering. After graduation, he started working in Microcircuits Corporation as a technician. He joined Euro-Med in 1990 as a computer engineer. In June 2007, he was promoted to chief engineer, Cavite Plant and promoted to Vice President on 01 November 2009.

ATTY. DAVID MICHAEL O. GABRIEL

Data Protection Officer and Legal Counsel

Atty. David M. O. Gabriel is a degree holder in Bachelor of Arts in Behavioral Science from the University of the Philippines, before proceeding to obtain his degree as Juris Doctor from the Ateneo de Manila University College of Law in 1998. He became part of the Ad-Hoc Independent and Investigative Committee, chaired by former Sen. Rene A. V. Saguisag, wherein he conducted investigations on various public works projects undertaken by all national and local government units all over the country. His investigative work then allowed him to coordinate and work closely with various government agencies. He worked as Special Project Counsel for Petron Corporation. As such, he was made to handle all the legal requirements for the negotiations and the eventual purchase of water wells and real estate properties for Petron. He likewise formulated tax avoidance courses of action aside from handling the civil and criminal litigation requirements of the company.

Atty. Gabriel also worked as Bank Attorney of the Office of Special Investigation (OSI) under the Bangko Sentral ng Pilipinas. In this office, he was primarily involved in investigating and prosecuting bank anomalies, irregularities and other forms of financial fraud in the banking system. He also acted as Chairman of BSP Committee that looked into spurious checks and suspicious banking transactions (precursor of the AMLA). He was also named as the BSP representative to the National Law Enforcement and Coordinating Committee and the Sub-Committees on Interpol and Intelligence. His last exposure in government was being the Corporate Legal Counsel of the Philippine Health Insurance Corporation (PHILHEALTH) from 2009 to 2011 where he handled legal concerns of the PHILHEALTH in support of the directives of its goals and objectives.

He has been a partner of the Gabriel and Mendoza law firm for the past twelve (12) years and previously as a partner in the Del Rosario Mendoza Tiamson Gabriel & Pulido Law Firm since 2001.

MRS. SANDRA N. PINEDA

Chief Accountant

58 years of age

Mrs. Sandra N. Pineda, married, Filipino, graduated from National College of Business and Arts with a degree of Bachelor of Science in Business Administration - Major in Accounting in 1987. She passed the board examination for Certified Public Accountant (CPA) in 1989. She worked in an Auditing Firm for four (4) years as Junior Auditor. She joined the Company in 1992 as Disbursement Accountant, promoted as Assistant Chief Accountant in 1998 and Chief Accountant since 2004.

MRS. EVELYN MANGGUING
Internal Audit Head
60 years of age

Evelyn O. Mangguing, married, Filipino, graduated from University of the East, with a degree of Bachelor of Science in Business Administration-major in Accounting in 1984. She passed the board examination for Certified Public Accountant (CPA) in 1986. She worked at Park & Shop, Inc. in 1988 as Disbursement Accountant. She joined the company in 1989 as General Accountant. Appointed as Acting Head- Euro-Med Group Internal Audit Services in 2020 and promoted as Internal Audit Head in 2022.

Family Relationship

Messrs. Basilio C. Yap, Johnny C. Yap, Mr. Michael Vincent Y. Yap, Mr. Enrique Raymond I. Yap AND Mr. Enrique Y. Yap Jr. are related by consanguinity. Anthony Joseph Gaw is related by consanguinity.

Significant Employee

The Company recognizes the contribution of each employee to its success. However, the company is not dependent on any single or group of employees for its operations.

Involvement of Directors and Officers in Certain Legal Proceedings

None of the directors has had any bankruptcy petition filed by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within five years of that time; nor any conviction by final judgment, in a criminal proceeding, domestic or foreign, or been subject to a pending criminal proceeding, domestic or foreign, nor been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking services; nor been found by a domestic or foreign court of competent jurisdiction (in a civil action), the commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated securities or commodities law, and the judgment has been reversed, suspended or vacated.

Item 10 Executive Compensation

a.) Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	
Georgiana S. Evidente					
<i>President</i>					
Johnny C. Yap					
<i>Executive Vice President/</i>	)				
<i>Vice Chairman/Treasurer</i>	)	2022	8,857,645	898,137	1,378,771
Evangeline V. Baviera	)	2023	7,079,965	1,066,312	932,514
<i>Executive Vice President</i>	)	2024	7,357,922	969,045	951,662
Enrique Raymond I. Yap					
<i>Senior Vice President</i>	)				
Jose A. Emiterio	)				
<i>Senior Vice President</i>					
All officers and Directors as a	)	2022	14,424,620	1,562,052	3,599,062
group unnamed	)	2023	13,160,584	2,378,196	3,281,882
	)	2024	13,861,954	2,250,386	3,139,730

The Company's executive officers receive a fixed basic salary on a monthly basis. The Company does not enter into an employment/management contract with any of its executive officers. There are no outstanding warrants or options held by directors and officers

b.) Compensation of Directors

Standard Arrangements. Except for per diems of P30,000 for the Chairman, P20,000 for the Vice Chairman and P10,000 per Director per board meeting, there are no other arrangements pursuant to which directors of the Company are compensated directly or indirectly, for any services provided directly or indirectly to the Company during the Company's last fiscal year and the ensuing year.

Item 11

Security Ownership of Certain Beneficial Owners and Management

1) Security Ownership of Certain Record and Beneficial Owners

As of March 31, 2025 (the latest practicable date prior to the printing of this document), the following shareholders are the sole owners of record owning more than five percent (5%) of the outstanding shares of the common stock in the capital of the Company:

Title of Class	Name & Address of record owner & relationship with issuer	Name of Beneficial owner & relationship with record owner***	Citizenship	Number of shares held	Percent of Class
Common	U.S. Automotive Co., Inc.* United Nations Avenue corner San Marcelino St. Manila Major Shareholder	Yap Family Stockholder/Director Officer	Filipino	2,401,747,112 Ⓢ	58.41%
Common	USAUTOCD, Inc.* United Nations Avenue corner San Marcelino St. Manila Major Shareholder	Yap Family Stockholder/Director Officer	Filipino	855,505,147 Ⓢ	20.80%
Common	Philippine Trust Company** United Nations Avenue corner San Marcelino St. Manila	Yap Family Stockholder/Director Officer	Filipino	365,111,291 Ⓢ	8.88%
Common	Evergreen Stock Brokerage & Securities, Inc.* 6F Tower 1 Exchange Plaza Ayala Avene, corner Paseo de Roxas, Makati City	various clients	Filipino	298,725,323 Ⓢ	7.26%

* These companies are expected to issue their respective proxies in favor of Mr. Basilio C. Yap, Vice Chairman and Director of the Company.

** Per previous disclosure of the Top 100 Stockholders as of 31, March 2024, 133,986,446 shares from 365,111,291 shares in the name of Philippine Trust Company are held by the Trust Department.

2) Security Ownership of Management

The entire capital stock of the Company consists of common shares. The directors merely own qualifying shares while the officers of the Company have no significant shareholdings therein. The following table presents the shareholdings of the incumbent directors and officers as of 31 March 2025.

Title of Class	Name of Beneficial Owner	Amount and Nature of beneficial Ownership	Citizenship	% of Ownership
Common	Johnny C. Yap	36,980,720 (D)	Filipino	0.8993%
Common	Enrique Raymond I. Yap Jr	16,852,581 (D)	Filipino	0.4098%
Common	Tomas P. Maramba, M.D.	1,285,052 (D)	Filipino	0.0313%
Common	Georgiana S. Evidente	1,285,052 (D)	Filipino	0.0313%
Common	Janice R. Ong	51,410 (D)	Filipino	0.0013%
Common	Evangeline V. Baviera	41,645 (D)	Filipino	0.0010%
Common	William G. Padolina	20,564 (D)	Filipino	0.0005%
Common	Basilio C. Yap	20,564 (D)	Filipino	0.0005%
Common	Anthony Joseph Gaw	20,564 (D)	Filipino	0.0005%
Common	Edwin D. Feist	11,607 (D)	Australian	0.0003%
Common	Benjamin C. Yap	1,000 (D)	Filipino	0.0000%
Common	Esperanza I. Cabral, M.D.	1,000 (D)	Filipino	0.0000%
Common	All other directors and officers as a group unnamed	999,399 (D)	Filipino	0.0243%

Mr. Basilio C. Yap and Benjamin C. Yap have indirect ownership in the Company thru their ownership of 9.3% and 8.8% respectively of U.S. Automotive Co., Inc., which companies are the controlling stockholders of the Company.

Other than the abovementioned indirect interest of Mr. Basilio C. Yap and, Benjamin C. Yap, the security ownership of management as above enumerated are all direct.

Item 12 Certain Relationships and Related Transactions

Except for the transactions disclosed in Note 18 of the accompanying Audited Financial Statements of the Company, there are no other transactions or proposed transactions with or involving the Company or any of its subsidiaries during the last two (2) years in which a director, executive officer or stockholder who owns ten percent (10%) or more of the total outstanding shares of the Company and members of their immediate family had or is to have a direct or indirect material interest therein.

The purpose and economic substance of the aforementioned related transactions, as well as their effect on the financial statement and their special risks or contingencies, are as follows:

- a.) The Company is leasing its office at PPL Building, United Nations Avenue corner San Marcelino Street, Manila from US Automotive Co., Inc., a majority stockholder of the Company. The lease is for one (1) year period and is being renewed annually subject to mutual agreement of the parties. The rent charged by management is based on the lease rates charged to the other tenants in the building and in the vicinity. The rent for the period January to December 2024 and 2023 amounted to P 21.2 million in both years. Dividends paid in cash, non-bearing interest amounted to P144.1 million for year 2024. No outstanding payable as of December 31, 2024. There are no other ongoing contractual or other commitments as a result of the arrangement.
- b.) The Company has advances to its 100% subsidiary CafeFrance Corp. amounting to P 998.4 million in 2024 and 2023. Sales to CafeFrance Corp., amounted to P 1.2 million for the year 2024 and P 1.6 million for the year 2023, and accounts receivable of P 10.3 million in 2024 and P10.3 million in 2023. Sales to Hemotek Renal Center, Inc. amounted to P 143.0 million for the year 2024 and P93.3 million for the year 2023, and accounts receivable of P 755.8 million in 2024 and P614.8 million in 2023. The sales prices charged to Hemotek and CafeFrance are competitive as those charge to other regular customers. There are no ongoing contractual or other commitments as a result of the arrangement
- c.) The Company engages in regular bank transactions with Philtrust Bank, an affiliated local commercial bank. Transactions are for deposits and withdrawals requirements of the company. Deposit balances as of December 31, 2024 and 2023 amounted to P 212.6 million and P 291.8

million respectively. There are no ongoing contractual or other commitments as a result of the arrangement.

- d.) The Company avails of advertising services of Manila Bulletin Publishing Corp., an affiliate under common control. Advertising rates charged are the same as charged to other regular customers. Total services purchased for January to December 2024 and 2023 amounted to P0.2 million and P 1.3 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement
- e.) The Company avails of hotel services of Manila Hotel, an affiliate under common control. Hotel charges are the same as charged to other regular customers. Total services purchased for January to December 31, 2024 and 2023 amounted to P 2.3 million and P 0.01 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement

- The Company has no material transactions (that may not be available from others) with other parties falling outside the definition of “related parties”.

Item 13 Annual Corporate Governance Report (ACGR)

PART IV – Annual Corporate Governance Report

Evaluation System

The Board of Directors and Management, including the officers and staff of the Company hereby commit to the principles and the best practices contained in its Manual of Corporate Governance and acknowledge that the same may guide the attainment of the corporate goals. The Company has an established evaluation procedure which determines and measures compliance with this Manual.

Regular meetings of the Board are scheduled at the beginning of the year and are being held regularly every month. A Director's absence or non-participation in more than fifty (50%) of all meeting in a year is a ground for temporary disqualification in the succeeding election.

The company conducts its annual performance evaluation through a Self-evaluation Questionnaire. The questionnaire has been devised to enable assessment of the effectiveness of the Board and its individual members.

The Board has instituted on an annual basis that all Board Members and key officers should attend a Continuing Education on good Corporate Governance practices. This would them well informed on governance related developments, regular annual education programs and other areas. These are conducted in coordination with the training providers duly accredited by the SEC. The Company plans to improve its corporate governance by applying appropriate and reasonable learning from these education programs to have a more effective and efficient policies.

The evaluation system is a self-rating approach whereby each director and the top-level management is given a self –assessment form consisting of questionnaires wherein they assessed themselves as to their contribution to the effectiveness of the Board of Directors and top management.

Improvement of the Company's Manual of Corporate Governance

- a.) On May 17, 2023, the Company submitted its Integrated Annual Corporate Governance (IACGR) for year 2021, which can be viewed and downloaded in the Company's website, and copies were furnished to the Securities and Exchange Commission.
- b.) On September 29, 2020, the company submitted its Revised Manual of Corporate Governance to the Securities and Exchange Commission in compliance with SEC Memorandum Circular No. 24 series of 2019 and Memorandum Circular No.19 Series of 2020.
- c.) The Corporate Governance and Nomination Committee last January 26, 2021 has engage the services of N.A. Calderon & Company CPA's as the external facilitator for the Corporation's

annual self-assessment activity for a period of three years starting 2020. The committee approved the engage the services of Mariano Caguete & Co. CPA's as the external facilitator for the company's annual self assessment activity for a period of three years starting 2023.

Compliance with the Adopted Leading Practices

The Board conducts an annual review of this Manual to determine if there is a need for amendment to fully comply with leading practices on good corporate governance. Our directors and officers have been attending the Corporate Governance seminar conducted by the Institute of Corporate Directors annually since year 2015. The Company has been annually submitting its update on Consolidated Changes to the Corporate Governance Report with the SEC.

Deviation from the Company's Manual of Corporate Governance

At present, the Company has no knowledge of any deviation committed by any of its personnel from the Company's Manual.

Item 14 Minimum Public Ownership (MPO)

As of March 31, 2025 (the latest practicable date prior to issuance of this annual report) the level of the Company's public float is 13.68%.

PART V – EXHIBITS AND SCHEDULES

Item 15 Exhibits and Reports on SEC Form 17-C

a.) Exhibits

- I** Statement of Management's Responsibility for Financial Statements
- II** Audited Consolidated Financial Statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2022, 2023 and 2024.

b.) Material Contracts

The Company enters into a large number of contracts relating to its operations and finances on an annual basis. In the opinion of the Directors, these contracts are entered into in the ordinary course of business and the reproduction of copies of all such documents would not be feasible and might be prejudicial to its operations.

c.) Reports on SEC Form 17-C

Feb. 02, 2024	Certification on Board Attendance for 2023
Feb. 27, 2024	Amendment of Company By-Laws
Mar. 19, 2024	Board approval of annual shareholders' meeting date for year 2024, issuance of Audited Financial Statements and nominees for election as members of the board 2024-2025
Mar. 21, 2024	Certification of Nominated Independent Directors
April 15, 2024	Filing of Annual report 17-A
April 24, 2024	Filing of AFS Dec. 31, 2023
May 13, 2024	Filing of 17Q March 31, 2024
May 22, 2024	List of stockholders of record as of May 20 2024, and the record date of stockholders entitled to notice and to vote at the meeting and at any adjournment thereof.
June 19, 2024	stockholders entitled to notice and to vote at the meeting and at any adjournment thereof.
June 19, 2024	Definitive Information Statement
June 19, 2024	Declaration of Cash Dividend
June 19, 2024	Result of Annual Stockholders' Meeting & Organizational Meeting
July 23, 2024	Ratification of CBA
Aug. 14, 2024	Filing of 17Q June 30, 2024
Nov. 14, 2024	Filing of 17Q September , 2024
Nov. 19, 2024	Certificates of Participation of Corporate Governance Seminar Training

a.) Financial Statements filed under SEC Form 17-Q

<u>Date Filed</u>	<u>Period Covered</u>
May 13, 2024	Quarter ended March 31, 2024
Aug. 14, 2024	Quarter ended June 30, 2024
Nov. 13, 2024	Quarter ended September 30, 2024



Euro-Med Laboratories Phil., Inc.

SIGNATURES

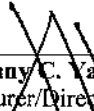
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on _____, 2025.

EURO-MED LABORATORIES PHIL., INC.

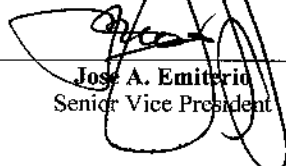
By:



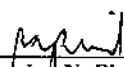
Georgiana S. Evidente
President/Director



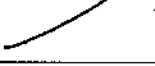
Johnny C. Yap
Treasurer/Director



Jose A. Emiterio
Senior Vice President



Sandra N. Pineda
Chief Accountant



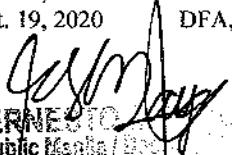
Janice R. Ong
Corporate Secretary

APR 14 2025

SUBSCRIBED AND SWORN to before me this _____th day of _____ 2025
at the City of Manila, affiants exhibiting to me their Valid Identification number, as follows:

<u>Names</u>	<u>Passport Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Georgiana S. Evidente	P7230425B	July 19, 2021	DFA, Manila
Johnny C. Yap	P8380997B	Dec. 03, 2021	DFA, Manila
Jose A. Emiterio	SSS 03-22751846	Year 2007	SSS Manila
Sandra N. Pineda	P9359302A	Oct. 30, 2018	DFA, Manila
Janice R. Ong	P5654481B	Oct. 19, 2020	DFA, NCR, South

Doc. No. 307
Page No. 73
Book No. 10
Series of 2025


ATTY. ERNESTO
Notary Public Manila / Doc. No. _____
Notarial Commission No. _____
Merchant Bldg. 509 Padre Faura St. Ermita, Manila
Roll of Attorney's No. 77572
PTR NO. MLA 2041417 Jan. 2, 2025; City of Manila
IBP O.R. No. 476665; Nov. 12, 2024
MCLE Compliance No. VII-0023702
Valid until April 14, 2028

SEC Registration Number

33



Consolidated Financial Statements

**EURO-MED LABORATORIES PHIL., INC.
AND SUBSIDIARIES**

December 31, 2024 and 2023



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of **Euro-Med Laboratories Phil., Inc. and Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative but to do so.

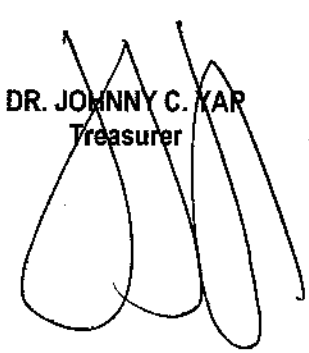
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

AMC & Associates, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


DR. WILLIAM G. PADOLINA
Chairman of the Board


GEORGIANA S. EVIDENTE
President


DR. JOHNNY C. YAP
Treasurer

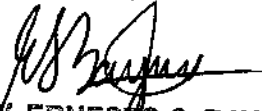
Signed this 25th day of March, 2025

APR 15 2025

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2025 at the City of Makati, affiants exhibiting to me their Passport Number, as follows:

<u>Names</u>	<u>Passport Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
William Padolina	P3754597A	July 22, 2017	DFA, Manila
Georgiana S.Evidente	P7230425B	July 19, 2021	DFA, Manila
Johnny C. Yap	P8380997B	Dec. 03, 2021	DFA, Manila

Doc. No. 40
Page No. 9
Book No. 11
Series of 2025


ATTY. ERNESTO S. BAYOG
Notary Public Manila / Dec. 31, 2026
Notarial Commission No. 2025-075
Merchant Bldg. 509 Padre Faura St. Ermita, Manila
Roll of Attorney's No. 77572
PTR NO. MLA 2041417 Jan. 2, 2025: City of Manila
IBP O.R No. 476665: Nov. 12, 2024
MCLE Compliance No. VIII-0023702
Valid until April 14, 2028

REPORT OF INDEPENDENT AUDITORS

The Shareholders and the Board of Directors
Euro-Med Laboratories Phil., Inc.
PPL Building, United Nations Ave.
Cor. San Marcelino Street, Manila

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Euro-Med Laboratories Phil., Inc. and Subsidiaries (the "Group")**, which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (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 (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits 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 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.

Recognition of Allowance for Expected Credit Losses on Trade Receivables

Description of the Matter

The Group's application of the expected credit loss (ECL) model in determining the allowance for credit losses on trade receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: 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 incorporating forward-looking information in calculating ECL.

Allowance for credit losses and the provision for credit losses as at and for the year ended December 31, 2024 amounted to P150.2 million and P16.9 million, respectively.

Refer to Notes 7 and 23 to the consolidated financial statements for the disclosures on details of the allowance for credit losses using the ECL model.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these methodologies and models 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 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-off; (d) checked the classification of outstanding exposures to their corresponding aging; and (e) checked 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 checked the data used in the ECL models, such as the historical collection analysis and default and recovery data, by examining the supporting documents for credits granted to customers and their subsequent settlement and performing an analysis of trade receivables' aging. We checked subsequent collections and conducted inquiry with the Treasury Department on the status of collections.

We recalculated impairment provisions on a sample basis. We checked the adjustments and reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.



Existence and valuation of inventory

Description of the Matter

As at December 31, 2024, the Group's inventory amounted to P1,741.7 million representing 15.91% of its total assets included in Note 8 to the consolidated financial statements. The Group has fourteen (14) depots, twenty (20) medical centers and fifty-two (52) store branches throughout the country as at December 31, 2024.

Inventories are valued at the lower of cost and net realizable value. Cost is determined using moving average method. Recognition of inventory cost, particularly related to finished goods, involves management judgement and estimates in appropriately allocating the manufacturing costs, including overhead, based on actual units produced. In addition, management uses estimates in assessing whether inventories are valued at lower of cost and net realizable value. Moreover, the Group's inventories are considered voluminous and the majority of these are kept in the Group's warehouses and stores. Relative to these, we determined that existence and valuation of inventories is a key audit matter to our audit.

Audit Response

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of inventory, which was considered to be significant risk included, among others are the following:

a. On inventory existence:

We obtained an understanding of the Group's inventory process and performed test of controls for selected stores and warehouses. We visited selected warehouses and stores, and observed the physical inventory counts. We performed test counts and compared the results to the Group's inventory compilation reports to determine if the compilation reports reflect the results of the inventory count. We traced the last documents used for shipping, receiving, transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We reviewed the reconciliations performed by management and tested the reconciling items. We performed testing, on a sampling basis, of the Group's rollforward or rollback procedures on inventory quantities from the date of physical inventory count to the financial reporting date.

b. On inventory valuation:

We performed testing of design and operating effectiveness of processes and controls over the inventory costing, reconciliation, data entry and cost review. We determined the appropriateness of the method of inventory costing and evaluated the consistency of application to the valuation of inventories at lower of cost and net realizable value. We also performed test on inventory costing of selected inventory items by recomputing unit cost and comparing to unit cost per books, examining movements affecting the average unit cost, reporting unresolved differences, if any, to appropriate personnel. Lastly, we determined whether inventory is stated at lower of cost and net realizable value by obtaining latest selling price, estimating cost to sell of sample inventory items and comparing the net selling price to the unit cost per books, reporting unresolved differences, if any, to appropriate personnel.

Other Matter

We did not audit the financial statements of the subsidiaries whose financial statements reflect total assets of P3,649.7 million and P3,419.7 million as at December 31, 2024 and 2023, respectively. These subsidiaries reported total revenues of P1,542.8 million, P1,317.0 million and P1,115.2 million and net cash out flows amounting to P19.9 million, P0.2 million and P14.3 million for each of the three years in the period ended December 31, 2024. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion, in so far as it related to the amounts and disclosures included in respect of these subsidiaries, is based on the reports of the other auditors. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for other information. Other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2024, but does not include the consolidated financial statements and our 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, 2024 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 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 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 statement 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

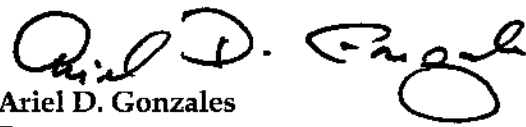
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related 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 Ariel D. Gonzales.

AMC & ASSOCIATES

By: 
Ariel D. Gonzales
Partner
CPA Cert. No. 89570
TIN 169-688-077-000
PTR No. 10469764, Jan. 7, 2025, Makati City
BIR Accreditation No. 08-002582-003-2024
(issued on Nov. 15, 2024 valid until Nov. 14, 2027)
SEC Accreditation No. 89570 (Group A)
(valid to audit 2021 to 2025 financial statements)
IC Accreditation No. 89570-IC (Group A)
(valid to audit 2020 to 2024 financial statements)
BSP Accreditation No. 89570-BSP (Group B)
(valid to audit 2021 to 2025 financial statements)

March 25, 2025

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid from June 29, 2023 to June 28, 2026

BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026

SEC Accreditation No. 4275-SEC (Group A) - valid to audit 2023 to 2027 financial statements

IC Accreditation No. 4275-IC (Group A) - valid to audit 2020 to 2024 financial statements

BSP Accreditation No. 4275-BSP (Group B) - valid to audit 2021 to 2025 financial statements

CDA CEA No. 075-AF - valid from January 15, 2025 to January 14, 2030

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Peso)

	<u>2024</u>	<u>2023</u>
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash (Note 5)	P 857,622,959	P 881,349,462
Financial assets at fair value through profit or loss (Note 6)	233,556,613	202,005,397
Trade and other receivables - net (Note 7)	2,103,323,573	1,804,019,866
Inventories (Note 8)	1,741,724,233	1,692,836,982
Other current assets (Note 9)	<u>381,831,302</u>	<u>555,205,785</u>
Total Current Assets	<u>5,318,058,680</u>	<u>5,135,417,492</u>
NON-CURRENT ASSETS		
Property, plant and equipment - net (Note 10)	4,758,300,517	4,828,297,378
Intangible assets (Note 11)	268,132,852	268,132,852
Right-of-use assets - net (Note 30)	174,891,495	132,893,063
Deferred tax assets - net (Note 31)	122,264,262	109,149,428
Other non-current assets (Note 12)	<u>308,256,933</u>	<u>290,027,780</u>
Total Non-current Assets	<u>5,631,846,059</u>	<u>5,628,500,501</u>
TOTAL ASSETS	<u>P 10,949,904,739</u>	<u>P 10,763,917,993</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables (Note 13)	P 489,603,117	P 583,895,384
Trust receipts payable (Note 16)	498,734,364	407,707,584
Notes payable (Note 14)	2,541,683,889	2,606,511,000
Current portion of loans payable (Note 15)	285,650,564	209,750,000
Current portion of lease liabilities (Note 30)	66,983,492	58,597,932
Income tax payable	<u>26,605,355</u>	<u>51,641,174</u>
Total Current Liabilities	<u>3,909,260,781</u>	<u>3,918,103,074</u>
NON-CURRENT LIABILITIES		
Loans payable, net of current portion (Note 15)	774,251,237	666,908,333
Lease liabilities, net of current portion (Note 30)	125,533,590	89,482,077
Retirement benefit obligation (Note 29)	<u>257,959,193</u>	<u>244,236,531</u>
Total Non-current Liabilities	<u>1,157,744,020</u>	<u>1,000,626,941</u>
Total Liabilities	<u>5,067,004,801</u>	<u>4,918,730,015</u>
EQUITY		
Capital stock (Note 17)	4,112,140,540	4,112,140,540
Additional paid-in capital (Note 17)	66,609,227	66,609,227
Other component of equity (Notes 29 and 33)	(19,767,297)	(25,150,977)
Retained earnings (Note 17)	<u>1,723,917,468</u>	<u>1,591,589,188</u>
Total Equity	<u>5,882,899,938</u>	<u>5,845,187,978</u>
TOTAL LIABILITIES AND EQUITY	<u>P 10,949,904,739</u>	<u>P 10,763,917,993</u>

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Peso)

	2024	2023	2022
NET SALES (Note 19)	P 5,796,044,756	P 5,263,939,460	P 4,224,101,893
COST OF GOODS MANUFACTURED AND SOLD (Note 20)	<u>3,762,302,273</u>	<u>3,346,727,181</u>	<u>2,710,109,009</u>
GROSS PROFIT	<u>2,033,742,483</u>	<u>1,917,212,279</u>	<u>1,513,992,884</u>
OPERATING EXPENSES			
Selling and distribution costs (Note 22)	885,017,638	849,792,455	700,070,628
General and administrative expenses (Note 23)	479,695,193	414,843,420	373,479,253
Other expenses - net (Note 24)	<u>231,570,422</u>	<u>254,179,764</u>	<u>160,143,784</u>
	<u>1,596,283,253</u>	<u>1,518,815,639</u>	<u>1,233,693,665</u>
PROFIT BEFORE TAX	437,459,230	398,396,640	280,299,219
PROVISION FOR INCOME TAX (Note 31)	<u>99,781,543</u>	<u>108,449,724</u>	<u>80,411,821</u>
NET PROFIT	337,677,687	289,946,916	199,887,398
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) - net tax (Notes 29 and 33)	<u>5,383,680</u>	<u>(8,634,689)</u>	<u>15,271,433</u>
TOTAL COMPREHENSIVE INCOME	<u>P 343,061,367</u>	<u>P 281,312,227</u>	<u>P 215,158,831</u>
BASIC/DILUTED INCOME PER SHARE (Note 32)			
Computed based on Net Profit	P 0.08	P 0.07	P 0.05
Computed based on Total Comprehensive Income	<u>0.08</u>	<u>0.07</u>	<u>0.05</u>

See Notes to Consolidated Financial Statements.

BURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Peso)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
CAPITAL STOCK (Note 17)	P 4,112,140,540	P 4,112,140,540	P 4,112,140,540
ADDITIONAL PAID-IN CAPITAL (Note 17)	<u>66,609,227</u>	<u>66,609,227</u>	<u>66,609,227</u>
OTHER COMPONENT OF EQUITY (Notes 29 and 33)			
Balance at beginning of year	(25,150,977)	(16,516,288)	(31,787,721)
Actuarial gain (loss) - net tax	<u>5,383,680</u>	<u>(8,634,689)</u>	<u>15,271,433</u>
Balance at end of year	<u>(19,767,297)</u>	<u>(25,150,977)</u>	<u>(16,516,288)</u>
RETAINED EARNINGS (Note 17)			
Balance at beginning of year	1,691,589,188	1,546,689,773	1,493,715,455
Prior period adjustments	(58,620,975)	(1,122,583)	(2,988,161)
Net profit for the year	337,677,687	289,946,916	199,887,398
Cash dividends	<u>(246,728,432)</u>	<u>(143,924,918)</u>	<u>(143,924,919)</u>
Balance at end of year	<u>1,723,917,468</u>	<u>1,691,589,188</u>	<u>1,546,689,773</u>
	<u>P 5,882,899,938</u>	<u>P 5,845,187,978</u>	<u>P 5,708,923,252</u>

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Peso)

	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	P 437,459,230	P 398,396,640	P 280,299,219
Adjustments for:			
Depreciation (Notes 10 and 30)	329,593,387	298,227,673	286,813,130
Interest expense (Note 25)	307,781,612	270,447,576	206,795,732
Retirement benefit expense (Note 29)	28,703,025	27,183,773	27,866,313
Provision for expected credit losses (Notes 7 and 23)	16,838,019	3,689,775	4,251,415
Gain on lease modification (Note 26)	(154,963)	2,565,482)	(3,191,700)
Interest income (Note 24)	(2,929,984)	(1,291,556)	(503,281)
Unrealized gain on foreign exchange (Note 24)	(9,592,453)	(4,164,579)	(21,727,963)
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 24)	(22,466,965)	(13,226,327)	1,091,309
Gain on sale of property and equipment (Note 10)	(36,452,279)		
Amortization of intangible assets (Note 11)	-		80,306
Operating profit before working capital changes	1,048,798,629	976,697,493	781,774,480
Increase in trade and other receivables	(316,161,726)	(187,315,022)	(64,708,944)
Increase in inventories	(48,887,251)	(156,155,323)	(272,434,409)
Decrease (increase) in other current assets	116,399,897	(91,026,964)	(105,377,562)
Decrease (increase) in other non-current assets	(18,229,153)	15,129,002	50,284,027
Increase (decrease) in trade and other payables	(94,292,267)	167,625,533	28,735,286
Cash generated from operations	687,628,129	724,954,719	418,272,878
Interest received (Note 24)	2,929,984	1,291,556	503,281
Retirement benefits paid (Note 29)	(7,802,123)	(16,081,389)	(5,205,198)
Income tax paid (Note 31)	(140,377,958)	(95,039,472)	(68,888,764)
Interest paid (Note 25)	(295,569,323)	(260,997,085)	(196,448,431)
Net Cash Provided by Operating Activities	246,808,709	354,128,329	148,233,766
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment (Note 10)	43,139,055	-	-
Acquisitions of property, plant and equipment (Note 10)	(196,077,033)	(291,869,484)	(88,888,017)
Net Cash Used in Investing Activities	(152,937,978)	(291,869,484)	(88,888,017)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of notes payable (Notes 14 and 34)	3,043,952,209	3,283,711,000	2,379,994,840
Proceeds from availment of loans (Notes 15 and 34)	209,791,384	309,700,000	64,000,000
Net proceeds of trust receipts payable (Notes 16 and 34)	91,026,780	194,412,855	18,918,363
Repayments of lease liabilities (Note 30)	(80,820,140)	(68,534,246)	(72,953,674)
Dividends paid (Note 17)	(246,728,432)	(143,924,918)	(143,924,919)
Repayments of loans (Notes 15 and 34)	(26,547,916)	(280,968,407)	(199,905,812)
Repayments of notes payable (Notes 14 and 34)	(3,108,779,320)	(3,097,003,691)	(2,048,590,835)
Net Cash Provided by (Used in) Financing Activities	(118,105,435)	197,392,593	(1,562,037)
EFFECT OF EXCHANGE RATES CHANGE ON CASH	508,201	5,982,498	3,427,186
NET INCREASE (DECREASE) IN CASH	(23,726,503)	265,633,936	61,210,898
NET INCREASE (DECREASE) IN CASH	(23,726,503)	265,633,936	61,210,898
CASH AT BEGINNING OF YEAR	881,349,462	615,715,526	554,504,628
CASH AT END OF YEAR (see Note 5)	P 857,622,959	P 881,349,462	P 615,715,526

See Notes to Consolidated Financial Statements.



EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Peso)

1. GENERAL INFORMATION

Corporate Information

Euro-Med Laboratories Phil., Inc. (the "Parent Company") was registered with the Philippine Securities and Exchange Commission (SEC) on January 29, 1988. Its primary purpose is to engage in the manufacture of pharmaceutical products such as large and small-volume parenteral and other solutions, inhalation, irrigation, and dialysis.

On July 13, 2016, the Parent Company's Articles of Incorporation was amended to add the provision of training or seminar for detailmen, medical representatives, and professional sales representatives and to do all other acts and things in connection with the business as one of the Parent Company's primary purposes.

The registered address of the Parent Company is at PPL Building, United Nations Avenue corner San Marcelino Street, Manila.

The Parent Company's ultimate parent company is U.S. Automotive Co, Inc. (U.S. Automotive), which was also incorporated in the Philippines.

The Parent Company's shares of stocks are publicly traded in the Philippine Stock Exchange (PSE).

Subsidiaries of the Parent Company

The Parent Company and all subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The followings are the subsidiaries and the respective principal activities as at December 31, 2024 and 2023:

	<u>Principal Activities</u>
Hemotek Renal Center, Inc. (Hemotek)	Provide renal and other healthcare services
CafeFrance Corp. (CafeFrance)	Development and operation of Quick Service Restaurant (QSR)

Approval of the Consolidated Financial Statements

The Board of Directors (BOD) authorized the consolidated financial statements for the year ended December 31, 2024 for issue on March, 25, 2025.



2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of Preparation of Financial Statements

The Group's consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards includes statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations of the International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss (FVTPL) which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the functional currency of the Group, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements as at December 31, 2024 and 2023 and for each of the three (3) years in the period ended December 31, 2024, represent the consolidation of the financial statements of Euro-Med and the following subsidiaries owned by the Parent Company:

	Effective Percentage of Ownership			
	2024		2023	
	Direct	Indirect	Direct	Indirect
Hemotek	100	-	100	-
CaféFrance	100	-	100	-

All subsidiaries were incorporated in the Philippines and the functional currency is the Philippine peso.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2024 and 2023. Control is achieved when the Parent Company is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current liability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights



The Parent Company 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. Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group. Intercompany transactions, balances, and unrealized gains or losses on transactions between group companies are eliminated.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and the net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those in previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2024. Except as otherwise indicated, the new standards and amendments have no significant impact on the consolidated financial statements of the Group.

- *Amendments to PAS 1, Classification of Liabilities as Current or Non-current*

The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments has no significant impact on the Group's financial statements.

- *Amendments to PAS 1, Non-current Liabilities with Covenants*

The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For the non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments has no impact on the Group's financial statements.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments has no significant impact on the Group's financial statements.

Effective in 2024 that is not Relevant to the Group

Among the amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules* and PFRS 16, *Leases – Lease Liability in a Sale and Leaseback*, are not relevant to the Group's financial statements.

Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The 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 Group's financial statements.

Effective subsequent to 2024 but not Adopted Early

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027)

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to December 31, 2024. Additional disclosures required by these new and amended accounting standards and interpretations will be included in the financial statements when they are adopted.

Material Accounting Policies

Financial Assets

Classification

The Group classifies its financial assets in the following measurement categories:

- (a) those to be measured subsequently at fair value (either through OCI or through profit or loss)
- (b) those to be measured at amortized cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group shall reclassify financial assets when and only when its business model for managing those assets changes.

The Group's financial assets at amortized cost includes cash, trade and other receivables (except advances to suppliers and contractors), bidders and performance bonds and other non-current assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors and investment in club shares).

The Group's financial assets measured at fair value through profit and loss includes investments in portfolio held for trading purposes, while financial assets held at fair value through other comprehensive income includes investment in club shares.

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

(a) Debt instruments – subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in "Other expenses (net)" in the statement of comprehensive income, using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly to profit or loss and presented in "Other expenses (net)" in the consolidated statement of comprehensive income, together with foreign exchange gains and losses. Impairment losses are presented in administrative expenses in the consolidated statement of comprehensive income.

The Group's financial assets at amortized cost consists of cash, trade and other receivables (except advances to suppliers and contractors), bidders and performance bonds and other non-current assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors and investment in club shares).

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other expenses (net)" in the consolidated statement of comprehensive income. Interest income from these financial assets is included in "Other expenses (net)" in the consolidated statement of comprehensive income, using effective interest rate method. Foreign exchange gains and losses are presented in "Other expenses (net)" and impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

The Group does not have debt instruments that are classified as financial assets at FVOCI.

- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented in "Other expenses (net)" in the consolidated statement of comprehensive income.

The Group's financial assets measured at fair value through profit and loss consists of investments portfolio held for trading purposes.

(b) Equity instruments

Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the equity investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in "Other expenses (net)" in the consolidated statement of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Group's equity financial assets at FVOCI consists of investment in club shares.

Impairment of Financial Assets

The Group recognizes an allowance for ECL for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Financial Liabilities

Classification

The Group's financial liabilities are classified as (a) financial liabilities at amortized cost and (b) financial liabilities at FVTPL.

The Group did not hold any financial liabilities at FVTPL during and at the end of each reporting period.

Financial liabilities at amortized cost are included in current liabilities, except for maturities greater than 12 months after the reporting date when the Group has an unconditional right to defer settlement for at least 12 months after the reporting date which are classified as non-current liabilities.

The Group's financial liabilities at amortized cost consists of trade and other payables (excluding statutory payables), trust receipts payable, notes payable, loans payable and lease liabilities.

Initial Recognition and Measurement

The Group recognizes a financial liability in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Other financial liabilities are initially measured at fair value plus transaction costs.

Subsequent Measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

Derecognition

Financial liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the 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 non-financial 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 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 period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy as explained above.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realized the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of raw materials, goods in process and finished goods are calculated based on standard costing method. Standard cost is principally determined using the moving average method. The NRV of raw materials, finished goods and merchandise inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and of marketing and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	- first-in first-out method
Finished goods	- the cost of direct materials and labor and a the proportion of manufacturing overhead based on a normal operating capacity but excluding borrowing cost, a moving average basis
Merchandise	- first in first-out

Property, Plant and Equipment

Following initial recognition at cost, land is stated at cost less impairment in value, if any. All other property, plant and equipment are stated at cost less accumulated depreciation, amortization, and any impairment in value.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

Land improvements	20 years
Building and leasehold improvements	30 years
Machineries and equipment	20 years
Transportation equipment	10 years
Laboratory and office equipment and improvements	10 years

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction in progress represents properties under construction and is stated at cost. Cost includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Intangible Assets

Intangible assets include trademarks and licenses, and patents and rights.

Trademarks and licenses with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

Trademarks and licenses are derecognized when no future economic benefits are expected from use or disposal. Gains or losses, arising from derecognition of trademarks and licenses are measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognized in profit or loss.

Patents and rights are stated at cost, which includes purchase price and other direct costs, less accumulated amortization, and any impairment in value. Patents and rights are amortized on a straight-line basis over twenty (20) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

When patents and rights are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Revenue and Cost 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 the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent.

The Group 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 is recognized:

Sales of Goods. Revenue from sale of goods is recognized at the point in time when control is transferred to the customer, which is normally upon delivery. Sales returns and discounts are deducted from sales to arrive at net sales shown in the consolidated statements of comprehensive income.

Sale of Service. Sales of services are recognized when services are provided.

Interest Income. Interest income is recognized as interest accrues taking into account the effective yield on the asset.

Other Income. Income from other sources is recognized when earned during the period.

Employee Benefits

The Group provides short-term and post-employment benefits to employees through defined benefit obligations and other employee benefits.

The Group's defined benefit obligation covers all regular full-time employees. It is calculated annually by independent actuaries using projected unit credit method. The defined benefit obligation is not funded.

Leases

The Group as a Lessee

Subsequent to initial recognition, the Group depreciated the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term which is from two to ten years.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line bases over the lease term.

The Group as a Lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term.

Borrowing Costs

Borrowing cost incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognized and charged to profit or loss in the period in which these are incurred.

Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period where the Group generate taxable income.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.



Functional Currency and Foreign Currency Translation

The financial statements are presented in Philippine peso, which is the functional and presentation currency. 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 retranslated at the functional currency rate of exchange prevailing at the statements of financial position date. All differences are taken to the consolidated statements of comprehensive income.

Equity

Capital stock represents the nominal value of shares that have been issued. Contribution in excess of par value is accounted for as an additional paid-in capital.

Other component of equity include the accumulated actuarial gains or (losses) from remeasurements of post-employment defined benefit plan.

Retained earnings includes all current and prior period results as disclosed in the statements of comprehensive income, reduced by the amounts of dividends declared, if any.

Related Parties

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under the common control with the reporting enterprise, or between and/or among entities and its key management personnel, directors or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income for the year attributable to common stockholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Segment Reporting

The Group reports separate information about each operating segment identified.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components; from whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment; and for which discrete information is available.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with PFRS Accounting Standards requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgments and accounting estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates, and assumptions made by the Group:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determining the Lease Term of Contracts with Renewal and Termination Options - Group as a Lessee

The Group determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal period as part of the lease term for leases of buildings even though the Group typically exercises its option to renew for these leases because the Group does not have an enforceable right to extend the lease beyond the non-cancellable period.

Determining Functional Currency

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group, including prices of goods and services, competition, cost and expenses and other factors including the currency in which financing is primarily undertaken by each entity.

Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of that of a Group rather than being carried out with significant autonomy.

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant Increase of Credit Risk

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

Determining the Fair Values of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position account cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.



Assessment for ECL on Trade Receivables

The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

Provision for ECL in 2024, 2023 and 2022 amounted to P16.9 million, P3.7 million and P4.3 million, respectively (see Note 23). The carrying amount of trade receivables is P1,807.4 million and P1,591.6 million as at December 31, 2024 and 2023, respectively (see Note 7).

Assessment for ECL on Other Financial Assets at Amortized Cost

The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 120 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2024 and 2023. The carrying amounts of other financial assets at amortized cost are as follows:

	2024	2023
Cash in banks	P 848,366,786	P 873,428,290
Financial asset at FVTPL	233,556,613	202,005,397
Other receivables:		
Advances to officers and employees	63,751,787	57,613,044
Others*	127,122,358	105,496,057
Other current assets:		
Bidders and performance bonds	9,369,943	9,281,459
Rental and security deposits	169,175,352	166,994,393
Bidders and performance bonds	14,054,915	13,677,874
Advances to officers and employees	30,272,272	14,243,307
	<u>P 1,495,670,026</u>	<u>P 1,442,739,821</u>

*Excluding receivable from SSS amounting to P5.1 million and P6.0 million as at December 31, 2024 and 2023, respectively.

Determination of NRV of Inventories

The Group writes down the cost of inventories whenever the NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The Group reviews the lower of cost and NRV of inventories on a periodic basis. NRV represents the estimated future selling price of the product based on prevailing prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. NRV test for spare parts and supplies is also performed annually. The NRV of spare parts and supplies represents the current replacement cost. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

As at December 31, 2024 and 2023, the cost of inventories is lower than its NRV. The carrying amount of inventories is P1,741.7 million and P1,692.8 million as at December 31, 2024 and 2023, respectively (see Note 8).



Estimated Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the noncurrent assets.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

Land improvements	20 years
Building and leasehold improvements	30 years
Machineries and equipment	20 years
Transportation equipment	10 years
Laboratory and office equipment and improvements	10 years

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property, plant and equipment.

The carrying values of property, plant and equipment amounted to P4,758.3 million and P4,828.3 million as at December 31, 2024 and 2023, respectively (*see Note 10*).

Estimated Useful Life of Intangible Asset

The useful life of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The useful life of tangible asset with definite life is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

Amortization of patents and rights is computed on the straight-line basis over the useful life of twenty (20) years. The estimated useful life and amortization method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the intangible asset.

The carrying value of intangible asset with finite useful lives amounted to nil as at December 31, 2024 and 2023 (*see Note 11*).



Impairment of Nonfinancial Assets

PFRS Accounting Standards requires that an impairment review be performed when certain impairment indicators are present. This requires an estimation of the value in use of the cash-generating units to which the assets belong. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of property, plant and equipment, intangible assets, and other nonfinancial assets, requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. The future event could cause management to conclude that assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Group's consolidated financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the Group's assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS Accounting Standards.

No reversal or impairment loss was recognized in 2024, 2023, and 2022.

Realizability of Deferred Tax Assets

Deferred tax assets are established for tax benefits related to deductible temporary differences, carry forward of unused MCIT and NOLCO. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings, and tax planning strategies that can be utilized to increase the likelihood that tax assets will be realized.

As at December 31, 2024 and 2023, net deferred tax assets amounted to P122.3 million and P109.1 million, respectively (*see Note 31*).

Estimating Contingencies

The Group evaluates legal and administrative proceedings in which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and the results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Retirement Benefit

The cost of a defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on the Philippine government bonds with terms consistent with the expected employee benefit payout as of consolidated statements of financial position date.

Lessee - Estimating Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay 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. The incremental borrowing rate, therefore, reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL MANAGEMENT OBJECTIVE AND POLICIES

The Group's financial instruments consist mainly of cash (except cash on hand), financial assets at FVTPL, trade and other receivables, bidders and performance bonds, other non-current assets (excluding prepayments, deferred input VAT and advances to suppliers and contractors) and trade and other payables (excluding statutory payables), trust receipts payable, notes payable, loans payable and lease liabilities.

The main financial risk arising from the Group's use of financial instruments includes credit risk, market risk, and liquidity risk. The Group's BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below:

Credit Risk

Credit risk is the risk that the third party will default on its obligation to the Group and cause the Group to incur a financial loss. The Group's business policy aims to limit the amount of credit exposure to any individual client and financial institution. The Group has credit management policies in place to ensure that contracts are entered into with clients who have the sufficient financial capacity and good credit history.

Trade Receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information, and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from the upper level of Management.



The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. The Group provides credit limits to all its accredited customers to manage credit risk concentrations. These limits are reviewed regularly by the Treasury Department. Trade receivable balance is monitored on an ongoing basis with the result that the Group's exposure to credit losses is not significant. The maximum exposure of trade receivables is equal to its carrying amount.

At December 31, 2024 and 2023, the exposure to credit risk for trade receivables are as follows:

	Neither past due nor impaired	Past due but not impaired	Total
2024	1,748,850,866	208,791,714	1,957,642,580
2023	1,371,412,829	353,562,252	1,724,975,081

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and offsetting arrangements. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment (i.e., gross national income from real estate and construction industry). At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Aging Analysis of Trade Receivables

	2024	2023
1-30 days	P 630,771,235	P 351,166,987
31-90 days	315,937,310	390,610,811
91-120 days	206,616,487	327,611,467
Over 120 days	804,317,548	655,585,816
	<u>P 1,957,642,580</u>	<u>P 1,724,975,081</u>

Trade receivables that are past due for over 120 days were not considered in default since based on qualitative assessment, the customers are not deemed to be in significant financial difficulty and are likely to pay their obligations.

Other Financial Assets at Amortized Cost

The Group's other financial assets at amortized cost are composed of cash, other receivables (except advances to suppliers and contractors), bidders and performance bonds, and other noncurrent assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors, and investment in club shares). The Group limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency, and therefore, are considered to be low-credit-risk investments. Other receivables are being monitored on a regular basis to ensure the timely execution of necessary intervention efforts to minimize credit losses.

It is the Group's policy to measure ECL on the above 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 lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 120 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when nonpayment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2024			
	Financial assets at amortized cost			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Cash in banks	P 848,366,786	P -	P -	P 848,366,786
Trade and other receivables				
Trade	-	1,957,642,580	-	1,957,642,580
Advances to officers and employees - current	63,751,787	-	-	63,751,787
Others*	127,122,358	-	-	127,122,358
Other current assets				
Bidders and performance bonds	9,369,943	-	-	9,369,943
Other non-current assets:				
Rental and security deposits	169,175,352	-	-	169,175,352
Bidders and performance bonds, net of current portion	14,054,915	-	-	14,054,915
Advances to officers and employees	30,272,272	-	-	30,272,272
	<u>P 1,262,113,413</u>	<u>P 1,957,642,580</u>	<u>P -</u>	<u>P 3,219,755,993</u>

* Excluding receivable from SSS amounting to P5.1 million as at December 31, 2024.



	2023			
	Financial assets at amortized cost			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Cash in banks	P 873,428,290	P -	P -	P 873,428,290
Trade and other receivables				
Trade	-	1,724,975,081	-	1,724,975,081
Advances to officers and employees - current	57,613,044	-	-	57,613,044
Others*	105,496,057	-	-	105,496,057
Other current assets				
Bidders and performance bonds	9,281,459	-	-	9,281,459
Other non-current assets:				
Rental and security deposits	166,994,393	-	-	166,994,393
Bidders and performance bonds, net of current portion	13,677,874	-	-	13,677,874
Advances to officers and employees	14,243,307	-	-	14,243,307
	<u>P 1,240,734,424</u>	<u>P 1,724,975,081</u>	<u>P -</u>	<u>P 2,965,709,505</u>

* Excluding receivable from SSS amounting to P6.0 million as at December 31, 2023.

Market risks

The Group is exposed to market risks, primarily those related to foreign currency risk, equity price risk, and interest rate risk. BOD actively monitors these exposures as follows:

Foreign currency risk

The BOD reviews and agrees on policies for this risk by maintaining foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits.

Information on the Group's foreign currency-denominated deposits and investment in portfolio and their Philippine peso equivalent:

	2024		2023	
	Foreign Currency	Peso equivalent	Foreign currency	Peso equivalent
US Dollar (USD)	4,890,527	P 283,699,471	4,794,887	P 266,437,486
Euro (EUR)	12,818	775,104	787,902	48,432,336

With the translation of this foreign currency denominated asset, the Group reported net unrealized foreign exchange gain of P9.6 million in 2024 and P4.2 million in 2023 (see Note 24). These resulted from the movements of the Philippine peso against the following foreign currency exchange rates:

		2024		2023
USD	P	58.010	P	55.567
EUR		60.470		61.470

The analysis below is performed for the effect of a reasonable possible movement of the currencies against the Philippine peso with all other variables held constant on the Group's excess of receipts over expenses:

Currency	Philippine Peso depreciation (appreciation)	Impact on excess of receipts over expenses	
		2024	2023
USD	+0.75%	P 4,715,750	(P 4,695,873)
USD	-0.75%	460,307	(8,692,650)
EUR	+3.00%	(237,186)	2,858,238
EUR	-3.00%	(283,691)	(47,703)

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences. Positive change in currency rate reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

Equity price risk

Equity price risk is the risk that the Group will incur economic losses due to adverse changes in a particular stock index. The Group's equity price risk arises from its financial assets at FVTPL and financial assets at FVOCI.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing payables to local financial institutions with fixed interest rates. Exposure of the Group to changes in the interest rates is not significant.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Liquidity Risk

Liquidity risk is a risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. BOD closely monitors the Group's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The table below analyzes the financial assets and financial liabilities of the Group into their relevant maturity groups based on the remaining period at the consolidated statements of financial position dates to their contractual maturities or expected repayment dates:

As at December 31, 2024	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash	P 857,622,959	P -	P -	P -	P -	P 857,622,959
Financial assets at FVTPL	233,556,613	-	-	-	-	233,556,613
Trade and other receivables						1,807,412,449
Trade	1,807,412,449	-	-	-	-	1,807,412,449
Advances to suppliers and contractors	99,962,161	-	-	-	-	99,962,161
Advances to officers and employees current	63,751,787	-	-	-	-	63,751,787
Others*	127,122,358	-	-	-	-	127,122,358
Other current assets						
Bidders and performance bonds	9,369,943	-	-	-	-	9,369,943
Other noncurrent assets						
Rental and security deposits	-	-	169,175,352	-	-	169,175,352
Bidders and performance bonds net of current portion	-	14,054,915	-	-	-	14,054,915
Advances to officers and employees net of current portion	-	30,272,272	-	-	-	30,272,272
Investment in club shares	-	-	-	-	200,000	200,000
	<u>P 3,198,798,270</u>	<u>P 44,327,187</u>	<u>P 169,175,352</u>	<u>P -</u>	<u>P 200,000</u>	<u>P 3,412,500,809</u>

*Excluding receivable from SSS amounting to P5.1 million as at December 31, 2024.

As at December 31, 2024	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial liabilities:						
Trade and other payables						P 349,494,747
Trade	P 349,494,747	P -	P -	P -	P -	P 349,494,747
Accrued expenses	73,235,206	-	-	-	-	73,235,206
Advances from officers and employees	222,591	-	-	-	-	222,591
Trust receipts payable	498,734,364	-	-	-	-	498,734,364
Notes payable	2,541,683,889	-	-	-	-	2,541,683,889
Loans payable	285,650,564	633,001,236	141,250,000	-	-	1,059,901,800
Lease liabilities	66,983,492	125,533,590	-	-	-	192,517,082
	<u>P 3,816,004,853</u>	<u>P 758,534,826</u>	<u>P 141,250,000</u>	<u>P -</u>	<u>P -</u>	<u>P 4,715,789,679</u>

As at December 31, 2023	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash	P 881,349,462	P -	P -	P -	P -	P 881,349,462
Financial assets at FVTPL	202,005,397	-	-	-	-	202,005,397
Trade and other receivables						
Trade	1,591,602,969	-	-	-	-	1,591,602,969
Advances to suppliers and contractors	43,288,354	-	-	-	-	43,288,354
Advances to officers and employees current	57,613,044	-	-	-	-	57,613,044
Others*	105,496,057	-	-	-	-	105,496,057
Other current assets						
Bidders and performance bonds	9,281,459	-	-	-	-	9,281,459
Other noncurrent assets						
Rental and security deposits	-	-	166,994,393	-	-	166,994,393
Bidders and performance bonds net of current portion	-	13,677,874	-	-	-	13,677,874
Advances to officers and employees net of current portion	-	14,243,307	-	-	-	14,243,307
Investment in club shares	-	-	-	-	200,000	200,000
	<u>P2,890,636,742</u>	<u>P 27,921,181</u>	<u>P 166,994,393</u>	<u>P -</u>	<u>P 200,000</u>	<u>P3,065,752,316</u>

*Excluding receivable from SSS amounting to P6.0 million as at December 31, 2023.

Financial liabilities:						
Trade and other payables						
Trade	P 477,376,827	P -	P -	P -	P -	P 477,376,827
Accrued expenses	64,103,900	-	-	-	-	64,103,900
Advances from officers and employees	106,248	-	-	-	-	106,248
Trust receipts payable	407,707,584	-	-	-	-	407,707,584
Notes payable	2,606,511,000	-	-	-	-	2,606,511,000
Loans payable	209,750,000	576,908,333	90,000,000	-	-	876,658,333
Lease liabilities	58,597,932	89,482,077	-	-	-	148,080,009
	<u>P3,824,153,491</u>	<u>P 666,390,410</u>	<u>P 90,000,000</u>	<u>P -</u>	<u>P -</u>	<u>P4,580,543,901</u>

Financial Assets and Financial Liabilities

The following table presents the carrying amounts and fair values of the Group's financial assets measured at fair value and financial liability for which fair value is disclosed and the corresponding fair value hierarchy:

		2024			
		Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash	P	857,622,959	P -	P 857,622,959	P -
Financial assets at FVPL		233,556,613	233,556,613	-	-
Trade and other receivables					
Trade		1,807,412,449	-	-	1,807,412,449
Advances to suppliers and contractors		99,962,161	-	-	99,962,161
Advances to officers and employees current		63,751,787	-	-	63,751,787
Others*		127,122,358	-	-	127,122,358
Other current assets					
Bidders and performance bonds		9,369,943	-	-	9,369,943
Other noncurrent assets					
Rental and security deposits		169,175,352	-	-	169,175,352
Bidders and performance bonds net of current portion		14,054,915	-	-	14,054,915
Advances to officers and employee net of current portion		30,272,272	-	-	30,272,272
Investment in club shares		200,000	200,000	-	-
	P	<u>3,412,500,809</u>	P <u>233,756,613</u>	P <u>857,622,959</u>	P <u>2,321,121,237</u>

*Excluding receivable from SSS amounting to P5.1 million as at December 31, 2024.

		Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial liabilities:					
Trade and other payables					
Trade	P	349,494,747	P -	P -	P 349,494,747
Accrued expenses		73,235,206	-	-	73,235,206
Advances from officers and employees		222,591	-	-	222,591
Trust receipts payable		498,734,364	-	-	498,734,364
Notes payable		2,541,683,889	-	-	2,541,683,889
Loans payable		1,059,901,800	-	-	1,059,901,800
Lease liabilities		192,517,082	-	-	192,517,082
	P	<u>4,715,789,679</u>	P -	P -	P <u>4,715,789,679</u>

2023				
	Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash	P 881,349,462	P -	P 881,349,462	P -
Financial assets at FVPL	202,005,397	202,005,397	-	-
Trade and other receivables				
Trade	1,591,602,969	-	-	1,591,602,969
Advances to suppliers and contractors	43,288,354	-	-	43,288,354
Advances to officers and employees current	57,613,044	-	-	57,613,044
Others*	105,496,057	-	-	105,496,057
Other current assets				
Bidders and performance bonds	9,281,459	-	-	9,281,459
Other noncurrent assets				
Rental and security deposits	166,994,393	-	-	166,994,393
Bidders and performance bonds net of current portion	13,677,874	-	-	13,677,874
Advances to officers and employee net of current portion	14,243,307	-	-	14,243,307
Investment in club shares	200,000	200,000	-	-
	<u>P 3,085,752,316</u>	<u>P 202,205,397</u>	<u>P 881,349,462</u>	<u>P 2,002,197,457</u>

*Excluding receivable from SSS amounting to P6.0 million as at December 31, 2023.

	Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial liabilities:				
Trade and other payables				
Trade	P 477,376,827	P -	P -	P 477,376,827
Accrued expenses	64,103,900	-	-	64,103,900
Advances from officers and employees	106,248	-	-	106,248
Trust receipts payable	407,707,584	-	-	407,707,584
Notes payable	2,606,511,000	-	-	2,606,511,000
Loans payable	876,658,333	-	-	876,658,333
Lease liabilities	148,080,009	-	-	148,080,009
	<u>P 4,580,543,901</u>	<u>P -</u>	<u>P -</u>	<u>P 4,580,543,901</u>

Assumption used to estimate fair values

The carrying amounts of cash, trade and other receivables, bidders and performance bonds, trade and other payables, notes payable, and trust receipts payable approximate their fair values due to the short-term maturities of the financial assets and financial liabilities.

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of financial assets and financial liabilities:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

There were no reclassifications made between the different fair value hierarchy levels in 2024 and 2023.

Capital Management

The primary objective of the Group's capital management is to secure ongoing financial needs of the Group to continue as a going concern as well as to maintain a strong credit standing and healthy capital ratio in order to support the business and maximize shareholder value.

The Group considers equity contributions from shareholders and retained earnings as its capital totaling P5,882.9 million and P5,845.2 million as at December 31, 2024 and 2023, respectively. The Group manages the capital structure and makes adjustments when there are changes in economic conditions, business activities, expansion programs, and the risk characteristics of the underlying assets. In order to manage the capital structure, the Group may adjust its borrowings, adjust dividend payment to shareholders, or raise equity.

The Group is not subject to externally imposed capital requirements.

No changes were made in capital management objectives, policies or processes in 2024 and 2023.

5. CASH

This account consists of:

	<u>2024</u>	<u>2023</u>
Cash on hand	P 9,256,173	P 7,921,172
Cash in banks	<u>848,366,786</u>	<u>873,428,290</u>
	<u>P 857,622,959</u>	<u>P 881,349,462</u>

Cash in banks earns interest at the respective prevailing bank deposit rates. Interest income earned on cash in banks and short-term placements, presented in the consolidated statements of comprehensive income, amounted to P2.9 million, P1.3 million, and P0.5 million in 2024, 2023, and 2022, respectively (see Note 24).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets at FVTPL represent investment portfolio consisting of bonds and equity instruments held by the Group for trading purposes. As at December 31, 2024 and 2023, financial assets at FVTPL amounted to P233.6 million and P202.0 million, respectively.

The following are the movements of financial assets at FVTPL:

	2024	2023
Balance at beginning of year	P 202,005,397	P 190,596,989
Change in fair value (see Note 24)	22,466,965	13,226,327
Unrealized foreign gain (loss)	9,084,251	(1,817,919)
	<u>P 233,556,613</u>	<u>P 202,005,397</u>

Unrealized gain on financial assets at FVTPL amounting to P22.5 million and P13.2 million is recognized under other income (expense) in the consolidated statements of comprehensive income in 2024 and 2023, respectively (see Note 24).

The Group's financial assets at FVTPL as at December 31, 2024 and 2023 are carried at fair values based on sources classified under the Level 1 category. The fair values of financial assets at FVTPL are based on quoted market prices or bidding dealer price quotations from active markets as at their reporting date.

7. TRADE AND OTHER RECEIVABLES

This account consists of:

	2024	2023
Trade:		
Third-party	P 1,957,642,580	P 1,724,975,081
Less: allowance for expected credit losses	150,230,131	133,372,112
Net	1,807,412,449	1,591,602,969
Advances to suppliers and contractors - current (see Note 12)	99,962,161	43,288,354
Advances to officers and employees - current (see Notes 12 and 18)	63,751,787	57,613,044
Others	132,197,176	111,515,499
	<u>P 2,103,323,573</u>	<u>P 1,804,019,866</u>

Trade receivables are unsecured and non-interest-bearing and generally have credit terms of 120 days (see Note 4).

Advances to suppliers and contractors represent various partial payments for the purchase orders of materials and packaging supplies. Advances to contractors pertain to payment of partial cost of contract to renovate leased stores and branches. The amounts that are expected to be applied against the actual construction cost within 12 months are recognized under other current assets. The remaining amount to be amortized is recognized under other non-current assets (see Note 12).



Advances to officers and employees pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction. These are interest-bearing and have various maturity dates ranging from 2023 to 2026. Interest income earned in cash from these advances amounted to P1.1 million, P0.9 million and P1.4 million in 2024, 2023 and 2022, respectively (see Note 26).

Other receivables pertain to non-trade receivables from various third parties for transactions not directly related to its normal course of business.

The following are the movements of allowance for expected credit losses:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 133,372,112	P 129,682,337
Provision for the year (see Note 23)	<u>16,858,019</u>	<u>3,689,775</u>
Balance at end of year	<u>P 150,230,131</u>	<u>P 133,372,112</u>

The carrying amounts of trade and other receivables approximate their fair values due to its short- term maturities.

No receivables were used as collateral to any of the Group's liabilities in 2024 and 2023.

8. INVENTORIES

This account consists of:

	<u>2024</u>	<u>2023</u>
Raw materials	P 693,100,473	P 645,351,328
Finished goods	553,316,517	574,269,466
Merchandise inventory	254,356,118	229,188,392
Supplies	<u>240,951,125</u>	<u>244,027,796</u>
	<u>P 1,741,724,233</u>	<u>P 1,692,836,982</u>

Cost of inventories as at December 31, 2024, 2023 and 2022 is lower than its NRV. Hence, there were no write-down of inventories in both years. Cost of inventories sold amounted to P3,762.3 million, P3,346.7 million and P2,710.1 million in 2024, 2023 and 2022, respectively (see Note 20).

No inventories were pledged to any of the Group's liabilities as at December 31, 2024 and 2023.



9. OTHER CURRENT ASSETS

This account consists of:

	2024	2023
Prepayments	P 330,908,966	P 321,841,726
Creditable withholding tax	17,389,510	15,525,942
Creditable withholding VAT	9,584,539	9,584,539
Current portion of bidders and performance bonds (<i>see Note 12</i>)	9,369,943	9,281,459
Current portion of prepaid marketing and development expense (<i>see Note 12</i>)	7,679,177	5,267,363
Current portion of deferred input VAT (<i>see Note 12</i>)	6,899,167	10,391,899
Input VAT	-	183,312,857
	<u>P 381,831,302</u>	<u>P 555,205,785</u>

Prepayments consist of advance payments for utilities, advertising, rent, insurance, taxes, and other miscellaneous expenses. Prepaid expenses are charged to the operation in the next financial year as the related expenses are incurred.

Creditable withholding tax (CWT) represents the amount withheld in relation to sales. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Creditable withholding VAT (CVAT) refers to deductions made by the government from their payments for sales of goods and are creditable from VAT output tax, upon submission of the relative Certificate of Withholding VAT from these customers.

Bidders and performance bonds refer to cash bonds deposited with customers as required by its bidding procedures. Bidders bond are withdrawable within thirty (30) days from completion of bidding, while performance bonds are withdrawable within six (6) to twenty four (24) months from completion of sales contracts. The amounts that are withdrawable in the next 12 months are recognized under "Other current assets". The remaining amount is recognized under, "Other noncurrent assets" (*see Note 12*).

Prepaid marketing and development expense refer to payments made to client hospitals of the Group as stipulated on long-term sales contracts ranging from three (3) to ten (10) years. These payments are to cover the client hospitals' marketing development expenses to promote the use of the Group's products during the contract period. The amounts that are to be amortized in the next 12 months are recognized under "Other current assets". The remaining amount to be amortized is recognized under "Other noncurrent assets" (*see Note 12*).

Deferred input VAT arises from purchases of capital goods above P1.0 million. This is amortized for a period of five years or over the useful life of the asset purchased, whichever is shorter. The amounts that are to be amortized in the next 12 months are recognized under "Other current assets".

Input VAT is a tax imposed on purchases of goods and services. These are available for offset against output VAT in future periods.



The Group evaluated whether there is any indications of impairment on other current assets. Based on management's evaluation, no impairment losses were identified as at December 31, 2024 and 2023.

10. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

	2023	Additions	Disposals/ Reclassification	2024
Cost:				
Machineries and equipment	P 5,590,131,105	P 108,119,873	P -	P 5,698,250,978
Building and leasehold improvements	2,981,114,994	61,937,777	-	3,043,052,771
Land and improvements	173,340,563	-	(6,568,767)	166,771,796
Laboratory and office equipment and improvements	725,659,070	23,695,207	-	749,354,277
Transportation equipment	49,295,534	2,324,176	(666,816)	50,952,894
	<u>9,519,541,266</u>	<u>196,077,033</u>	<u>(7,235,583)</u>	<u>9,708,382,716</u>
Less: accumulated depreciation				
Machineries and equipment	3,225,202,929	126,737,593	-	3,351,940,522
Building and leasehold improvements	1,010,195,031	106,488,144	-	1,116,683,175
Land and improvements	23,202,104	163,061	-	23,365,165
Laboratory and office equipment and improvements	392,849,706	25,173,627	-	418,023,333
Transportation equipment	39,794,118	824,693	(548,807)	40,070,004
	<u>4,691,243,888</u>	<u>259,387,118</u>	<u>(548,807)</u>	<u>4,950,082,199</u>
	<u>P 4,828,297,378</u>			<u>P 4,758,300,517</u>
	2022	Additions	Reclassification	2023
Cost:				
Machineries and equipment	P 5,516,953,389	P 73,177,716	P -	P 5,590,131,105
Building and leasehold improvements	2,816,445,636	164,669,358	-	2,981,114,994
Land and improvements	131,826,289	41,514,274	-	173,340,563
Laboratory and office equipment and improvements	719,150,934	12,508,136	-	725,659,070
Transportation equipment	48,135,534	-	1,160,000	49,295,534
	<u>9,226,511,782</u>	<u>291,869,484</u>	<u>1,160,000</u>	<u>9,519,541,266</u>
Less: accumulated depreciation				
Machineries and equipment	3,108,577,239	116,625,690	-	3,225,202,929
Building and leasehold improvements	915,651,067	94,543,964	-	1,010,195,031
Land and improvements	23,039,043	163,061	-	23,202,104
Laboratory and office equipment and improvements	367,098,571	25,751,135	-	392,849,706
Transportation equipment	37,692,808	1,057,310	1,044,000	39,794,118
	<u>4,452,058,728</u>	<u>238,141,160</u>	<u>1,044,000</u>	<u>4,691,243,888</u>
	<u>P 4,774,453,054</u>			<u>P 4,828,297,378</u>



The depreciation on property, plant and equipment are charged to the following:

	2024	2023	2022
Cost of goods manufactured and sold (see Notes 20 and 21)	P 166,411,095	P 160,969,002	P 154,356,714
Selling and distribution expenses (see Note 22)	32,653,485	31,071,626	25,389,516
General and administrative expenses (see Note 23)	60,322,538	46,100,532	43,819,456
	<u>P 259,387,118</u>	<u>P 238,141,160</u>	<u>P 223,565,686</u>

In 2024, the Parent Company sold parcels of land from Ibaan, Batangas and transportation equipment with book values amounting to P6.6 million and P0.1 million, respectively. The proceeds from this sale amounted to P43.1 million resulting to gain on sale of property and equipment amounted to P36.5 million (see Note 26).

There were no capitalizable interest for the years ended December 31, 2024, 2023 and 2022.

The property, plant and equipment pledged as security for liabilities in 2024 and 2023 are disclosed in Note 15.

Management believes that there is no indication that an impairment loss has occurred during the year. The carrying values of the property, plant and equipment approximate their fair values.

11. INTANGIBLE ASSETS

This account consists the Group's trademarks and licenses and patents and rights.

Trademarks and licenses

In 2016, the Group acquired the trade name "Dr. Edwards" from Antech and the entire products manufactured under the trade name (see Note 8). Trademarks and licenses pertain to the international trademarks (a) Lidex®; (b) Lidemol®; (c) Synelar®; and (d) Dobutrex® which the Group acquired from Stiefel Laboratories, Inc. and Glaxosmithkline Philippines, Inc. in 2011.

The balance of trademarks and licenses amounted to P268.13 million as at December 31, 2024 and 2023.

Patents and Rights

Patents and rights are carried at acquisition cost which is amortized over a period of twenty (20) years. The Group has registered trade names and trademarks with the Department of Trade - Bureau of Patents, Trademarks and Technology (BPTT).



Movement of patents and rights account as at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Cost	P 3,605,080	P 3,605,080
Less: Accumulated amortization	<u>3,605,080</u>	<u>3,605,080</u>
Balance at end of year	<u>P -</u>	<u>P -</u>

Amortization in 2024, 2023 and 2022 is charged to general and administrative expense in the Group's consolidated statements of comprehensive income (see Note 23).

The Group assessed its intangible assets whether there is any indications of impairment. Based on management's evaluation, no impairment losses were identified as at December 31, 2024 and 2023.

12. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>2024</u>	<u>2023</u>
Rental and security deposits (see Note 30)	P 169,175,352	P 166,994,393
Advances to suppliers and contractors net of current portion (see Note 7)	75,494,072	64,094,376
Prepaid marketing and development expense net of current portion (see Note 9)	12,645,940	21,069,450
Advances to officers and employees, net of current portion (see Notes 7 and 18)	30,272,272	14,243,307
Bidders and performance bonds, net of current portion (see Note 9)	14,054,915	13,677,874
Deferred input VAT, net of current portion (see Note 9)	3,583,572	9,656,130
Investment in club shares	200,000	200,000
Others	<u>2,830,810</u>	<u>92,250</u>
	<u>P 308,256,933</u>	<u>P 290,027,780</u>

Rental and security deposits represent deposits made on lease contracts of various branches and commissary which are recoverable at the end of lease terms.

Investment in club shares represents the Group's investment in Casino Español de Manila (CEDM) shares. The Group's investment in club shares is classified as equity instrument designated at fair value through OCI as at December 31, 2024 and 2023.

No impairment loss was recognized in 2024, 2023 and 2022.

The carrying values of other noncurrent assets approximate their fair values.



13. TRADE AND OTHER PAYABLES

This account consists of:

	<u>2024</u>	<u>2023</u>
Trade		
Third party	P 349,494,747	P 477,376,827
Accrued expenses	73,235,206	64,103,900
Payable to government agencies	66,279,059	40,500,843
Deferred revenue	371,514	1,807,566
Advances from officers and employees	<u>222,591</u>	<u>106,248</u>
	<u>P 489,603,117</u>	<u>P 583,895,384</u>

Trade payables are unsecured and noninterest-bearing and are normally settled in 30 to 90 days. This account represents payables arising mainly from purchases of inventories.

Accrued expenses pertain to accrual of employee benefits, repairs and maintenance, utilities and other operating related expenses. These are unsecured and noninterest-bearing and are normally settled in 30 days.

Payable to government agencies includes deferred output VAT, withholding taxes, and mandatory contributions and loan payment to the Social Security System (SSS), Philhealth Insurance Corporation (PHIC) and Home Development Mutual Fund (HDMF) which are normally settled in the subsequent month.

Deferred revenue pertains to customers' purchase of gift certificates that are still outstanding as at December 31, 2024 and 2023.

The carrying values of trade and other payables approximate their fair values.

14. NOTES PAYABLE

This account pertains to the Group's Omnibus credit lines with an aggregate amount of about P4.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollar), Export/Domestic Bills Purchase Lines, Banker's Acceptances and Letters of Credit (with no marginal deposit at opening). The Group's various obligations are secured by the Surety of a Group's key management officer. Availments are for a period of 180 to 360 days, with interest payable monthly or every 60 to 90 days in arrears at prevailing bank loan rates.

The movements in this account are as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of the year	P 2,606,511,000	P 2,419,803,691
Availments	3,043,952,209	3,283,711,000
Repayments	<u>(3,108,779,320)</u>	<u>(3,097,003,691)</u>
Balance at end of the year	<u>P 2,541,683,889</u>	<u>P 2,606,511,000</u>



Notes payables are unsecured and peso-denominated bank loans that bear interest rates ranging from 5.0% to 10.0% and 5.0% to 9.8% per annum in 2024 and 2023, respectively.

Interest expenses incurred in 2024, 2023, and 2022 amounted to P164.4 million, P176.9 million, and P127.9 million, respectively (see Note 25).

15. LOANS PAYABLE

This account pertains to various loans availed by the Group from local banks. Principals are payable quarterly while the interest is payable monthly up to maturity date that varies from three (3) to ten (10) years from availment date.

Loans payable is presented in the statements of financial position as follows:

	2024	2023
Current	P 285,650,564	P 209,750,000
Non-current	774,251,237	666,908,333
	<u>P 1,059,901,801</u>	<u>P 876,658,333</u>

The movements in this account are as follows:

	2024	2023
Balance at beginning of year	P 876,658,333	P 847,926,740
Availments	209,791,384	309,700,000
Repayments	(26,547,916)	(280,968,407)
Balance at end of year	<u>P 1,059,901,801</u>	<u>P 876,658,333</u>

The loans are collateralized by a mortgage on land with an area of 36,314 square meters in Cavite; building and improvements on land; and machineries and equipment consisting of three production lines. Details of fair value of property, plant and equipment pledged as security to these loans are as follows:

	2024	2023
Land	P 446,662,000	P 446,662,000
Building and improvements	156,746,000	156,746,000
Machineries and equipment	1,974,357,300	1,974,357,300
	<u>P 2,577,765,300</u>	<u>P 2,577,765,300</u>

Property, plant and equipment are stated at its fair values which were appraised by an accredited external appraiser.

Long-term loans bear interest rates ranging from 4.8% to 8.5% in 2024 and 4.8% to 7.6% in 2023 that will mature on various dates starting in 2020 through 2028. These loans are subject to interest repricing periodically.



Year	Description	Interest rates	Within 1 year	More than 1 year but less than 3 years	More than 3 years	Total
2024	Term loans	4.8% to 8.5%	P 285,650,564	P 633,001,237	P 141,250,000	P1,059,901,801
2023	Term loans	4.8% to 7.6%	P 209,750,000	P 576,908,333	P 90,000,000	P 876,658,333

Interest expense incurred in 2024, 2023 and 2022 amounted to P97.0 million, P57.5 million and P51.9 million, respectively (see Note 25).

16. TRUST RECEIPTS PAYABLE

This account pertains to trust receipts availed by the Group from various local banks in connection with its importation of raw materials, bearing interest rates from 5.8% to 9.0% and 4.8% to 8.5% per annum in 2024 and 2023, respectively. This is part of the availments from Omnibus Credit lines of various commercial banks.

Credit lines provide for (a) no margin deposits at opening of letters of credit; (b) foreign exchange conversion at prevailing bank rate; and (c) trust receipts available up to 180 days with interest payable monthly or every 30 to 90 days in arrears at prevailing bank loan rate.

As at December 31, 2024 and 2023, outstanding trust receipts payable amounted to P498.7 million and P407.7 million, respectively.

Interest expense incurred in 2024, 2023 and 2022 amounted to P34.2 million, P26.7 million and P16.7 million, respectively (see Note 25).

17. EQUITY

Capital Stock

Capital stock consists of:

	Number of shares	Amount
Common stock – P1 par value		
Authorized	5,000,000,000	P 5,000,000,000
Issued and outstanding	4,112,140,540	P 4,112,140,540



Total shares registered and outstanding as at December 31, 2024 and 2023 is 4,112.1 million. These shares are held by 540 and 541 stockholders as at December 31, 2024 and 2023, respectively. There have been no recent changes in the number of shares issued and outstanding. Details of the Group's common shares registration are as follows:

	<u>Authorized shares</u>	<u>Number of shares</u>	<u>Issued offer price</u>
1988	1,200,000	300,000	P 100
1994	18,800,000	4,700,000	100
1997	-	200,000	100
1999	1,980,000,000	594,800,000	1
August 5, 1999	600,000,000	600,000,000	1
March 29, 2001	1,200,000,000	300,000,000	1
December 28, 2001	-	225,000,000	1
December 26, 2002	-	275,000,000	1
December 15, 2003	-	200,000,000	1
December 20, 2004	-	220,000,000	1
December 21, 2006	-	242,000,000	1
July 24, 2007	-	266,200,000	1
December 19, 2007	-	292,820,000	1
December 17, 2008	-	322,102,000	1
September 6, 2010	1,200,000,000	300,000,000	1
April 12, 2011	-	269,018,540	1
	<u>5,000,000,000</u>	<u>4,112,140,540</u>	

Additional Paid-in Capital

Additional paid-in capital consists of amount received in excess of the par value of the shares issued, net of directly attributable transaction costs on the initial public offering.

Dividend Declaration

In the meeting held on October 29, 2024, the Parent Company's BOD approved the declaration of cash dividends of P0.06 per share equivalent to P246.7 million from unrestricted retained earnings as at December 31, 2023 to all shareholders of record as at November 15, 2024, payable on December 2, 2024.

In the meeting held on October 24, 2023, the Parent Company's BOD approved the declaration of cash dividends of P0.035 per share equivalent to P143.9 million from unrestricted retained earnings as at December 31, 2022 to all shareholders of record as at November 10, 2023, payable on November 28, 2023.



Prior Period Adjustments

Prior period adjustments pertain to adjustment on input VAT from exempt sales from the Parent Company and adjustment made for right-of-use asset and lease liabilities from existing leases from Hemotek, a subsidiary.

a. Adjustment on input VAT

During the year, the Parent Company identified a prior period adjustment related to input VAT amounting to P57.9 million, which pertains to exempt sales disallowed by the Bureau of Internal Revenue during their examination. The disallowance of the exempt sales occurred in previous years, but the error was considered immaterial to the financial statements for those years.

b. Adjustment on right-of-use assets and lease liabilities

During the year, Hemotek, a subsidiary, conducted a review of its existing lease contracts and identified a lease that required accounting under PFRS 16, *Leases*. The resulting adjustment had a net impact of P0.7 million on retained earnings.

In accordance with PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group opted not to restate the prior year financial statements, as the amount is not considered significant to the financial position or performance of those periods. Instead, the Group has charged the adjustment in the opening balance of retained earnings as at January 1, 2024. As a result, the opening balance of retained earnings as at January 1, 2024 was adjusted by P58,620,975.

The affected accounts as at January 1, 2024 are presented as follows:

	Opening balance	Adjustments	Adjusted Balance
Statement of Financial Position			
Other current assets	P 555,205,785	(P 57,874,585)	P 497,331,200
Right-of-use assets	132,893,063	8,245,278	141,138,341
Deferred tax asset, net	109,149,428	248,796	109,398,224
Lease liabilities	148,080,009	9,240,464	157,320,473
Statement of changes in equity			
Retained earnings	1,691,589,188	(58,620,975)	1,632,968,213

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control are controlled by, or under common control with the Group; (b) other related parties; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

	Year	Classification	Terms and Condition	Allowance for expected credit losses/expected credit losses for the year	Amount of the transaction (in millions)	Outstanding Balance
(a) <i>Parent Company</i> US Automotive Co., Inc.	2024	Rental and light and water administrative and expenses (Note 30)	Lease term is for year period renewable annually upon mutual agreement	P -	P 48.7	P -
	2023			-	40.0	-
	2024	Dividends paid (Note 17)	Paid in cash noninterest-bearing	-	144.1	-
	2023			-	84.1	-
(b) <i>Other Related Parties</i> Phil. Trust Company	2024	Cash in bank (Note 5)	Earn interest at the prevailing bank deposits rates, unimpaird	-	365.2	365.2
	2023			-	351.6	351.6
	2024	Trade payables and marketing & development expense (Notes 13 and 22)	Unsecured non-interest bearing no term payable in cash no guarantees	-	1.00	-
	2023			-	0.9	0.1
	2024	Property, plant and equipment (Note 10)	Unsecured non-interest bearing, 30 days terms, payable in cash, no guarantees	-	-	-
	2023			-	0.5	-
	2024	Miscellaneous expense under selling and distribution expense (Notes 13 and 22)	Unsecured non-interest bearing 30 days term, payable in cash no guarantees	-	2.5	-
	2023			-	-	-
	2024	Lease (Note 30)	Unsecured non-interest bearing, 30 days term, payable in cash, no guarantee	-	3.0	-
	2023			-	3.0	-
(c) <i>Key Management Personnel</i> Director and officer	2024	Advances to officers and employees (Notes 7 and 12)	Unsecured interest bearing, receivable through salary deduction	-	13.4	51.4
	2023			-	(3.7)	38.0

Other related parties are entities that are owned and controlled by the major shareholders of the Group and neither a subsidiary nor an associate of the Group.



The following are other relevant related party disclosures:

Identification	Nature of Relationship	Business Purpose of Arrangement	On-going Contractual or Other Commitment
US Automotive Co., Inc.	Ultimate Parent Company	Lease of principal office	Lease contract (<i>Note 30</i>)
		Dividends paid	No contract
Phil. Trust Company	Other related parties under common control of certain major stockholders	Engaged in regular bank transaction	No contract
Manila Bulletin Publishing Corporation	Other related parties under common control of certain major stockholders	Availment of hotel services	No contract
Advance Solutions, Inc.	Other related parties under common control of certain major stockholders	Availment of Computer equipment	No contract
Manila Prime Holdings, Inc.	Other related parties under common control of certain major stockholders	Rental of warehouse	Lease contract (<i>Note 30</i>)
Director and Officer	Key Management personnel/ stockholders	Advances which include salary and emergency loans payable within a year through salary deduction	No contract

Transactions with related parties were made at normal market prices. An assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Transactions with related parties have been fairly evaluated since the Group treated it same with the transactions to third parties.

There are no parties that fall outside the definition of "related parties" with whom the Group or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties at an arm's length basis.



Compensation of Key Management Personnel

The summary of compensation of key management personnel of the Group are as follows:

	2024	2023	2022
Salaries and wages	P 35,716,702	P 38,404,417	P 30,215,425
Other annual compensation	4,066,884	5,140,635	7,735,931
	<u>P 39,783,586</u>	<u>P 43,545,052</u>	<u>P 37,951,356</u>

19. REVENUES

This account consists of:

	2024	2023	2022
Sale of goods	P 5,175,046,043	P 4,800,902,348	P 3,801,339,513
Sale of services	655,705,740	493,915,636	454,105,640
Total sales	<u>5,830,751,783</u>	<u>5,294,817,984</u>	<u>4,255,445,153</u>
Less:			
Sales discount	(24,616,137)	(22,876,754)	(23,807,101)
Sales return	(10,090,890)	(8,001,770)	(7,536,159)
	<u>(34,707,027)</u>	<u>(30,878,524)</u>	<u>(31,343,260)</u>
	<u>P 5,796,044,756</u>	<u>P 5,263,939,460</u>	<u>P 4,224,101,893</u>

The table below disaggregate the Group's revenue by geographical markets:

	2024	2023	2022
Local sales	P 5,461,687,193	P 4,994,034,387	P 3,957,445,332
Export sales			
ASEAN	215,557,708	182,430,175	195,813,909
Other Asian Countries	2,374,692	15,053,434	9,222,223
Others	<u>116,425,163</u>	<u>72,421,464</u>	<u>61,620,429</u>
	<u>P 5,796,044,756</u>	<u>P 5,263,939,460</u>	<u>P 4,224,101,893</u>



20. COST OF GOODS MANUFACTURED AND SOLD

This account consists of:

	2024	2023	2022
Cost of goods manufactured:			
Direct materials	P 1,211,031,278	P 1,097,449,148	P 787,283,781
Direct labor (see Note 28)	199,906,699	162,665,870	122,477,916
Manufacturing overhead (see Note 21)	920,428,899	865,124,963	787,977,602
Total manufacturing cost	2,331,366,876	2,125,239,981	1,697,739,299
Add finished goods, beginning (see Note 8)	574,269,466	576,052,498	582,748,552
Good available for sale	2,905,636,342	2,701,292,479	2,280,487,851
Less finished goods, ending (see Note 8)	553,316,517	574,269,466	576,052,498
	<u>2,352,319,825</u>	<u>2,127,023,013</u>	<u>1,704,435,353</u>
Merchandise inventory:			
Merchandise inventory, beginning (see Note 8)	229,188,392	148,890,590	181,511,815
Add purchases	471,722,576	463,305,505	258,004,953
Goods available for sale	700,910,968	612,196,095	439,516,768
Less merchandise inventory, ending (see Note 8)	254,356,118	229,188,392	148,890,590
	<u>446,554,850</u>	<u>383,007,703</u>	<u>290,626,178</u>
Cost of services:			
Supplies used	396,201,472	322,929,736	251,260,716
Depreciation (see Notes 10 and 30)	127,713,308	114,720,950	112,042,963
Personnel expenses (see Note 28)	112,490,499	103,486,931	97,343,817
Outside services	97,069,606	77,675,364	57,462,779
Rentals (see Note 30)	71,658,297	74,965,134	65,973,747
Communication, light and water	69,611,176	69,366,649	61,536,635
Professional fees	53,637,410	41,191,625	38,848,488
Laboratory fees	3,499,204	1,078,883	2,161,751
Spoilage	-	-	1,414
Others	31,546,626	31,281,193	28,415,168
	<u>963,427,598</u>	<u>836,696,465</u>	<u>715,047,478</u>
	<u>P 3,762,302,273</u>	<u>P 3,346,727,181</u>	<u>P 2,710,109,009</u>



The details of direct materials are presented below:

	2024	2023	2022
Raw materials, beginning	P 645,351,328	P 589,638,072	P 332,789,114
Add purchases	1,258,780,423	1,153,162,404	1,044,132,739
Raw materials available for use	1,904,131,751	1,742,800,476	1,376,921,853
Less raw materials, ending (see Note 8)	693,100,473	645,351,328	589,638,072
Direct materials used	P 1,211,031,278	P 1,097,449,148	P 787,283,781

21. MANUFACTURING OVERHEAD

This account consists of:

	2024	2023	2022
Repair and maintenance	P 248,614,298	P 228,872,233	P 198,557,187
Gas and oil	174,752,686	182,518,267	178,736,279
Light and water	156,068,006	141,764,041	113,054,147
Personnel expenses (see Note 28)	145,682,445	123,615,739	104,093,416
Depreciation (see Note 10)	92,009,421	90,102,264	89,929,304
Laboratory supplies	35,227,190	37,336,988	31,887,825
Production supplies	25,246,224	18,866,983	20,171,517
Transportation and travel	16,835,017	15,469,618	17,244,043
Rentals (see Note 30)	4,628,429	3,439,156	3,536,571
Insurance	4,460,630	4,508,745	4,227,365
Security services	4,273,932	2,364,999	2,629,488
Representation and entertainment	3,903,035	5,351,955	10,503,099
Taxes and licenses	3,300,375	3,261,588	3,336,242
Office and warehouse supplies	1,815,573	1,064,229	1,236,580
Research and development	1,765,747	4,832,292	6,436,718
Security agency fee	423,793	411,518	554,550
Postage, telephone and telegram	409,517	352,967	350,718
Professional fees	339,733	289,434	351,000
Miscellaneous	672,848	701,947	1,141,553
	P 920,428,899	P 865,124,963	P 787,977,602

Expenses included under miscellaneous pertain to other cost of goods manufactured that the individual amount of which are immaterial and below 1 percent of the Group's total manufacturing overhead.



22. SELLING AND DISTRIBUTION COSTS

This account consists of:

	2024	2023	2022
Delivery expense	P 280,938,275	P 256,418,181	P 192,084,586
Personnel expenses (see Note 28)	158,067,473	145,392,807	122,359,684
Marketing and development expense (see Notes 9 and 12)	115,399,893	138,520,072	137,140,299
Senior citizen and person with disability (PWD) discount	113,241,642	97,392,202	91,001,907
Transportation and travel	62,567,649	65,051,929	33,283,871
Depreciation (see Notes 10 and 30)	49,548,120	47,303,927	41,021,407
Taxes and licenses	24,775,091	23,427,455	18,138,344
Training and seminars	22,384,590	4,386,138	116,294
Representation and entertainment	13,889,744	24,449,053	11,700,288
Repairs and maintenance	6,433,562	9,872,681	8,146,994
Insurance	5,252,271	4,878,422	4,680,433
Light and water	5,126,861	5,502,809	4,626,491
Postage and telephone	3,262,495	3,121,962	3,280,643
Gas and oil	2,890,371	3,312,408	3,127,387
Office and warehouse supplies	2,487,141	2,594,465	2,374,142
Rentals (see Note 30)	1,117,329	3,925,575	15,561,711
Miscellaneous	17,635,131	14,242,369	11,426,147
	<u>P 885,017,638</u>	<u>P 849,792,455</u>	<u>P 700,070,628</u>

23. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	2024	2023	2022
Personnel expenses (see Note 28)	P 122,847,622	P 114,449,350	P 111,378,237
Depreciation and amortization (see Note 10 and 11)	60,322,538	46,100,532	43,899,762
Taxes and licenses	43,158,315	34,219,453	34,696,226
Allocable input VAT	30,577,587	32,752,022	28,029,774
Rentals (see Note 30)	29,063,583	29,198,083	29,152,547
Transportation and travel	31,880,561	26,004,897	16,347,589
Communication, light and water	22,641,411	22,772,235	22,613,811
Professional fees	23,503,947	22,464,988	18,841,278
Outside services	18,364,279	17,887,165	12,056,596
Representation and entertainment	17,918,269	14,020,548	11,960,749
Provision for expected credit losses (see Note 7)	16,858,019	3,689,775	4,251,415
Repair and maintenance	15,768,630	13,224,404	12,702,946
Office supplies	12,111,269	11,642,813	9,762,119
Gas and oil	2,000,370	2,237,775	2,917,749
Insurance	1,715,184	1,522,690	1,285,925



	<u>2024</u>	<u>2023</u>	<u>2022</u>
Training and seminars	1,306,366	1,281,681	600,445
Miscellaneous	<u>29,657,243</u>	<u>21,375,009</u>	<u>12,982,085</u>
	<u>P 479,695,193</u>	<u>P 414,843,420</u>	<u>P 373,479,253</u>

Expenses included under miscellaneous pertains to bank charges, SSS and other employee, benefits, subscription dues and other general and administrative expenses that the individual amount of which are immaterial and below 1 percent of the Group's total general and administrative expenses.

24. OTHER INCOME (EXPENSE)

This account consists of:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Unrealized gain (loss) on financial assets at FVPL (see Note 6)	P 22,466,965	P 13,226,327	(P 1,091,309)
Interest income (see Note 5)	2,929,984	1,291,556	503,281
Realized gain (loss) on foreign exchange - net	3,746,247	(2,502,706)	12,629,749
Unrealized gain on foreign exchange - net	9,592,453	4,164,579	21,727,963
Interest expense (see Note 25)	(307,781,612)	(270,447,576)	(206,795,733)
Miscellaneous income (see Note 26)	49,059,113	21,375,393	25,386,055
Miscellaneous expense (see Note 27)	(11,583,572)	(21,287,337)	(12,503,790)
	<u>(P 231,570,422)</u>	<u>(P 254,179,764)</u>	<u>(P 160,143,784)</u>

25. INTEREST EXPENSE

This account consists of:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Trust receipts payable (see Note 16)	P 34,195,919	P 26,730,965	P 16,658,657
Notes and loans payable (see Notes 14 and 15)	261,373,404	234,266,120	179,789,774
Lease liability (see Note 30)	<u>12,212,289</u>	<u>9,450,491</u>	<u>10,347,301</u>
	<u>P 307,781,612</u>	<u>P 270,447,576</u>	<u>P 206,795,732</u>



26. MISCELLANEOUS INCOME

This account consists of:

	2024	2023	2022
Gain on sale of property and equipment (<i>see Note 10</i>)	P 36,452,279	P -	P -
Scrap sales and other income	11,379,083	17,939,420	20,839,004
Interest on employees' advances for car/housing loan (<i>see Note 7</i>)	1,072,788	870,491	1,355,351
Gain on lease modification (<i>see Note 30</i>)	154,963	2,565,482	3,191,700
	<u>P 49,059,113</u>	<u>P 21,375,393</u>	<u>P 25,386,055</u>

27. MISCELLANEOUS EXPENSE

This account consists of penalties on deficiency tax assessments made by the BIR for taxable years 2024, 2023 and 2022.

	2024	2023	2022
Basic tax	P 10,307,073	P 17,358,932	P 10,897,254
Interest and surcharges			
Taxable year 2023	625,083	-	-
Taxable year 2022	561,416	1,666,543	-
Taxable year 2021	-	926,807	1,481,536
Taxable year 2019	-	849,857	-
Compromise			
Taxable year 2023	25,000	-	-
Taxable year 2022	65,000	101,824	-
Taxable year 2021	-	293,374	125,000
Taxable year 2019	-	90,000	-
	<u>P 11,583,572</u>	<u>P 21,287,337</u>	<u>P 12,503,790</u>



28. PERSONNEL EXPENSES

Personnel expenses presented under cost of sales account is as follows (see Notes 20 and 21):

	2024	2023	2022
Salaries and wages	P 402,311,217	P 339,296,150	P 280,042,241
Retirement benefit costs (see Note 29)	12,140,696	11,453,291	10,392,457
Other employee benefits	43,627,730	39,019,099	33,480,451
	<u>P 458,079,643</u>	<u>P 389,768,540</u>	<u>P 323,915,149</u>

Personnel expenses presented under selling and distributions and general and administrative expenses account is as follows (see Notes 20 and 21):

	2024	2023	2022
Salaries and wages	P 240,967,842	P 229,560,210	P 198,277,415
Retirement benefit costs (see Note 29)	16,562,329	15,730,482	17,473,856
Other employee benefits	23,384,924	14,551,465	17,986,650
	<u>P 280,915,095</u>	<u>P 259,842,157</u>	<u>P 233,737,921</u>

29. RETIREMENT BENEFITS

The Group has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its qualified regular employees. The retirement benefit is based on a certain percentage of final monthly basic salary for every year of credited service of the employees. The benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees under the Group's defined benefit retirement plan meet the minimum mandated benefit under R.A. No. 7641. Retirement benefit liability is based on the actuarial valuation report as at December 31, 2023.

The components of retirement benefit costs included under "Personnel expenses" account (see Note 28) in the consolidated statements of comprehensive income are as follows:

	2024	2023	2022
Current service cost	P 18,014,450	P 15,910,530	P 19,673,665
Net interest cost	10,688,575	11,273,243	8,192,648
	<u>P 28,703,025</u>	<u>P 27,183,773</u>	<u>P 27,866,313</u>



Retirement benefit costs is distributed as follows:

	2024	2023	2022
Cost of sales (see Note 28)	P 12,140,696	P 11,453,291	P 10,392,457
Selling and distribution expenses (see Note 28)	9,901,446	9,455,202	10,113,280
General and administrative expenses (see Note 28)	6,660,883	6,275,280	7,360,576
	<u>P 28,703,025</u>	<u>P 27,183,773</u>	<u>P 27,866,313</u>

Movements in retirement liability recognized in the consolidated statements of financial position are as follows:

	2024	2023
Balance at beginning of year	P 244,236,531	P 221,621,228
Amount recognized in profit or loss	28,703,025	27,183,773
Amount recognized in OCI	(7,178,240)	11,512,919
Benefit paid	(7,802,123)	(16,081,389)
	<u>P 257,959,193</u>	<u>P 244,236,531</u>

The movements in the present value of the obligation are presented below:

	2024	2023
Balance at beginning of year	P 244,236,531	P 221,621,228
Current service cost	18,014,450	15,910,530
Interest cost	10,688,575	11,273,243
Remeasurement losses (gains) recognized in OCI:		
Experience adjustments	(9,837,312)	(93,849)
Changes in financial assumptions	2,659,072	11,606,768
Benefit paid	(7,802,123)	(16,081,389)
	<u>P 257,959,193</u>	<u>P 244,236,531</u>

The principal assumptions used in determining retirement liability are as follows:

	2024	2023
Discount rate	6.09% to 6.11%	6.07% to 6.09%
Future salary increase	1.00% to 5.00%	1.00% to 5.00%



Sensitivity analysis on net retirement liability as at December 31, 2024 and 2023 are as follows:

	2024		2023	
	Changes in rate	Effect on net retirement benefit liability	Changes in rate	Effect on net retirement benefit liability
Discount rate	+1.00%	P 247,613,906	+1.00%	P 234,469,786
	-1.00%	269,598,352	-1.00%	254,530,982
Future salary increase	+1.00%	259,943,892	+1.00%	245,799,242
	-1.00%	256,204,450	-1.00%	241,999,806

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring as at the end of the reporting period.

Details of other comprehensive income (loss) in the consolidated statements of comprehensive income are as follows:

	2024	2023	2022
Actuarial gain (loss)	P 7,178,240	(P 11,512,919)	P 20,361,912
Deferred tax for the period	(1,794,560)	2,878,230	(5,090,479)
	<u>P 5,383,680</u>	<u>(P 8,634,689)</u>	<u>P 15,271,433</u>

The cumulative remeasurement gains on net retirement benefit liability recognized in the consolidated statements of equity are presented in Note 33.

The maturity analysis of the undiscounted net retirement benefit liability is as follows:

Plan Year	2024	2023
Less than one year	P 136,975,202	P 136,097,459
More than one year to five years	55,559,307	47,887,376
More than five years to ten years	104,450,241	98,853,389
More than ten years to fifteen years	138,379,330	127,860,124
More than fifteen years to twenty years	149,878,687	133,491,358
More than 20 years	144,410,720	120,480,802
	<u>P 729,653,487</u>	<u>P 664,670,508</u>

The average duration of the retirement benefit liability at the end of the reporting period is 6.91 to 12.42 years in 2024 and 6.91 to 13.06 years in 2023.

30. LEASE

The Group as a Lessee

The Group has lease contracts for various buildings wherein its warehouses or distributions centers, store branches, medical centers and office premises are located. Lease terms are generally between 1 year up to 10 years, renewable upon mutual agreements of both parties. The monthly fees are based on fixed rate subject to 2.5% to 6.0% escalation rate.

The Group also has lease of transportation equipment with lease term of two (2) years. Movements in ROU assets are presented below:

	2024		
	Building	Transportation Equipment	Total
Cost:			
Balance at beginning of year	P 263,253,365	P -	P 263,253,365
Adjustment (see Note 17)	19,027,564	-	19,027,564
Additions	104,851,609	-	104,851,609
Derecognition	(5,055,609)	-	(5,055,609)
Balance at end of year	<u>382,076,929</u>	<u>-</u>	<u>382,076,929</u>
Accumulated depreciation:			
Balance at beginning of year	P 130,360,302	P -	P 130,360,302
Adjustment (see Note 17)	10,782,286	-	10,782,286
Depreciation of right-of-use assets (see Notes 22 and 23)	70,206,269	-	70,206,269
Derecognition	(4,163,423)	-	(4,163,423)
Balance at end of year	<u>207,185,434</u>	<u>-</u>	<u>207,185,434</u>
	<u>P 174,891,495</u>	<u>P -</u>	<u>P 174,891,495</u>



	2023		
	Building	Transportation Equipment	Total
Cost:			
Balance at beginning of year	P 350,493,990	P 1,160,000	P 351,653,990
Additions	32,983,492	-	32,983,492
Reclassification	-	(1,160,000)	(1,160,000)
Derecognition	(120,224,117)	-	(120,224,117)
Balance at end of year	<u>263,253,365</u>	<u>-</u>	<u>263,253,365</u>
Accumulated depreciation:			
Balance at beginning of year	164,319,515	1,044,000	165,363,515
Depreciation of right-of-use assets (see Notes 22 and 23)	60,086,513	-	60,086,513
Reclassification	-	(1,044,000)	(1,044,000)
Derecognition	(94,045,726)	-	(94,045,726)
Balance at end of year	<u>130,360,302</u>	<u>-</u>	<u>130,360,302</u>
	<u>P 132,893,063</u>	<u>P -</u>	<u>P 132,893,063</u>

In 2024 and 2023, the Group shortened the term of certain long-term leases. The lease modification resulted to recognition of a gain amounting to P0.2 million and P2.6 million, respectively, and derecognition of ROU assets and accumulated depreciation amounting to P0.9 million and P10.5 million, respectively.

Movements in lease liabilities are presented below:

	2024	2023
Balance at beginning of year	P 148,080,009	P 199,732,444
Adjustment (see Note 17)	9,240,464	3,191,700
Additions	104,851,609	32,983,492
Lease modification	(1,047,149)	(28,743,872)
Accretion of interest (see Note 25)	12,212,289	9,450,491
Payments	(80,820,140)	(68,534,246)
	<u>192,517,082</u>	<u>148,080,009</u>
Less current portion	<u>66,983,492</u>	<u>58,597,932</u>
Non-current portion	<u>P 125,533,590</u>	<u>P 89,482,077</u>

The following are the amounts recognized in consolidated statements of comprehensive income:

		<u>2024</u>		<u>2023</u>		<u>2022</u>
Rentals (see Notes 20, 21, 22 and 23)	P	106,467,638	P	111,527,948	P	114,224,576
Depreciation of right-of-use assets (see Note 22 and 23)		70,206,269		60,086,513		63,247,444
Interest on lease liabilities (see Note 25)		<u>12,212,289</u>		<u>9,450,491</u>		<u>10,347,301</u>
	<u>P</u>	<u>188,886,196</u>	<u>P</u>	<u>181,064,952</u>	<u>P</u>	<u>187,819,321</u>

During the year, rentals account pertains to payments classified as short-term leases and leases of low-value assets.

Rental expenses are charged to the following:

		<u>2024</u>		<u>2023</u>		<u>2022</u>
Cost of goods manufactured and sold (see Notes 20 and 21)	P	76,286,726	P	78,404,290	P	69,510,318
Selling and distribution expenses (see Note 22)		1,117,329		3,925,575		15,561,711
General and administrative expenses (see Note 23)		<u>29,063,583</u>		<u>29,198,083</u>		<u>29,152,547</u>
	<u>P</u>	<u>106,467,638</u>	<u>P</u>	<u>111,527,948</u>	<u>P</u>	<u>114,224,576</u>

Depreciation on ROU assets are charged to the following:

		<u>2024</u>		<u>2023</u>		<u>2022</u>
Cost of goods manufactured and sold (see Notes 20 and 21)	P	53,311,634	P	43,854,212	P	47,615,553
Selling and distribution expenses (see Note 22)		<u>16,894,635</u>		<u>16,232,301</u>		<u>15,631,891</u>
	<u>P</u>	<u>70,206,269</u>	<u>P</u>	<u>60,086,513</u>	<u>P</u>	<u>63,247,444</u>

At year end, the Group has outstanding commitments under noncancellable operating leases that fall due as follows:

		<u>2024</u>		<u>2023</u>		<u>2022</u>
Within 1 year	P	101,516,746	P	71,499,809	P	70,312,299
Later than 1 year but within 5 years		139,839,876		63,631,409		142,605,561
Later than 5 years		<u>21,348,784</u>		<u>-</u>		<u>-</u>
	<u>P</u>	<u>262,705,406</u>	<u>P</u>	<u>135,131,218</u>	<u>P</u>	<u>212,917,860</u>



31. INCOME TAXES

The components of tax expense as reported in the profit or loss section of consolidated statements of comprehensive income are as follows:

	2024	2023	2022
Current tax	P 109,552,712	P 115,559,145	P 76,709,862
Deferred tax	(9,771,169)	(7,109,421)	3,701,959
	<u>P 99,781,543</u>	<u>P 108,449,724</u>	<u>P 80,411,821</u>

The reconciliation of the tax computed at statutory tax rate to provision for income tax follow:

	2024	2023	2022
Income at statutory income tax rate	P 109,364,808	P 99,599,160	P 70,268,916
Income tax effects of:			
Nondeductible representation and entertainment	2,793,597	5,378,247	4,266,225
Nondeductible interest expense	187,463	44,952	55,033
Nondeductible miscellaneous expense	2,619,518	2,283,442	5,263,441
Royalty subjected to final tax	(174,420)	(1,133,328)	(841,530)
Interest income subjected to final tax	(636,449)	(176,810)	(319,931)
Unrealized gain on financial assets at FVPL	(5,616,741)	(3,306,582)	272,827
Gain on sale of property and equipment	(9,101,559)	-	-
Movement of deferred tax asset	345,326	5,760,643	1,446,840
	<u>P 99,781,543</u>	<u>P 108,449,724</u>	<u>P 80,411,821</u>

The components of the Group's net deferred tax assets account consist of tax consequences on the following:

	2024	2023
Allowance for expected credit losses	P 37,557,533	P 33,343,028
Retirement liability - retirement benefit	64,489,798	61,059,133
Net unrealized foreign exchange gain (loss) - net	(2,398,113)	(1,041,144)
MCIT over RCIT	18,208,649	11,899,924
NOLCO	-	91,752
Difference in taxation and PFRS Accounting Standards for lease	4,406,395	3,796,735
	<u>P 122,264,262</u>	<u>P 109,149,428</u>

32. EARNINGS PER SHARE

Basic and diluted EPS based on net income are as follows:

	2024	2023	2022
Net profit	P 337,677,687	P 289,946,916	P 199,887,398
Divided by weighted average number of issued and outstanding common shares	<u>4,112,140,540</u>	<u>4,112,140,540</u>	<u>4,112,140,540</u>
	<u>P 0.08</u>	<u>P 0.07</u>	<u>P 0.05</u>

Basic and diluted EPS based on total comprehensive income are as follows:

	2024	2023	2022
Total comprehensive income	P 343,061,367	P 281,312,227	P 215,158,831
Divided by weighted average number of issued and outstanding common shares	<u>4,112,140,540</u>	<u>4,112,140,540</u>	<u>4,112,140,540</u>
	<u>P 0.08</u>	<u>P 0.07</u>	<u>P 0.05</u>

Diluted EPS is equal to the basic EPS since the Group does not have potential dilutive shares.

33. OTHER COMPONENT OF EQUITY

This account pertains to cumulative comprehensive income (loss) recognized in the consolidated statements of comprehensive income. Comprehensive income (loss) consists of net income or loss for the year, together with other gains and losses that are not recognized in profit or loss for the year as required or permitted by PFRS Accounting Standards collectively described as Other comprehensive income (loss).

The cumulative remeasurement gains on net retirement benefit liability recognized in the consolidated statements of comprehensive income are as follows:

	2024		
	Cumulative Remeasurement Gain on Retirement Benefit Liability	Deferred Tax Benefit (Expense)	Net
Balance at beginning of year	(P 33,134,900)	P 7,983,923	(P 25,150,977)
Remeasurement gain	<u>7,178,240</u>	<u>(1,794,560)</u>	<u>5,383,680</u>
Balance at end of year	<u>(P 25,956,660)</u>	<u>P 6,189,363</u>	<u>(P 19,767,297)</u>



	2023		
	Cumulative Remeasurement Gain on Retirement Benefit Liability	Deferred Tax Benefit (Expense)	Net
Balance at beginning of year	(P 21,621,981)	P 5,105,693	(P 16,516,288)
Remeasurement gain	(11,512,919)	2,878,230	(8,634,689)
Balance at end of year	(P 33,134,900)	P 7,983,923	(P 25,150,977)

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table summarizes the changes in liabilities arising from financing activities:

	December 31, 2023	Cash Flows	Adjustment	December 31, 2024
Trust receipts payable	P 407,707,584	P 91,026,780	P -	P 498,734,364
Notes payable	2,606,511,000	(64,827,111)	-	2,541,683,889
Loans payable	876,658,333	183,243,468	-	1,059,901,801
Lease liabilities	148,080,009	(80,820,140)	125,257,213	192,517,082
	<u>P 4,038,956,926</u>	<u>P 128,622,997</u>	<u>P 125,257,213</u>	<u>P 4,292,837,136</u>
	December 31, 2022	Cash Flows	Adjustment	December 31, 2023
Trust receipts payable	P 213,294,729	P 194,412,855	P -	P 407,707,584
Notes payable	2,419,803,691	186,707,309	-	2,606,511,000
Loans payable	847,926,740	28,731,593	-	876,658,333
Lease liabilities	199,732,444	(68,534,246)	16,881,811	148,080,009
	<u>P 3,680,757,604</u>	<u>P 341,317,511</u>	<u>P 16,881,811</u>	<u>P 4,038,956,926</u>
	December 31, 2021	Cash flows	Adjustment	December 31, 2022
Trust receipts payable	P 194,376,366	P 18,918,363	P -	P 213,294,729
Notes payable	2,088,399,686	331,404,005	-	2,419,803,691
Loans payable	983,832,552	(135,905,812)	-	847,926,740
Lease liabilities	154,467,758	(72,053,674)	117,318,360	199,732,444
	<u>P 3,421,076,362</u>	<u>(P 142,362,882)</u>	<u>P 117,318,360</u>	<u>P 3,680,757,604</u>

Noncash Investing Activity

As at December 31, 2024 and 2023, the following are noncash transactions related to PRFS 16:

- Right-of-use assets of P104.9 million and P33.0 million were recognized in 2024 and 2023, respectively.
- Lease liabilities of P104.9 million and P33.0 million were recognized in 2024 and 2023, respectively.

35. OPERATING SEGMENT INFORMATION

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relate to manufacturing pharmaceutical products, providing health and other care services and development and operation of quick service restaurants.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS Accounting Standards. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

Segment	2024				
	Manufacturing pharmaceutical products	Providing health and other care services	Development and operation of quick service restaurant (in Thousands)	Elimination	Total
Segment revenue:					
Revenues from					
Third party	P 4,253,229	P 655,682	P 887,133	P -	P 5,796,044
Inter-segment	144,309	-	-	(144,309)	-
Segment expense	(3,755,195)	(652,139)	(863,989)	144,309	(5,127,014)
Operating income	642,343	3,543	23,144	-	669,030
Other expense - net	(208,897)	(5,258)	(17,415)	-	(231,570)
Income before tax	433,446	(1,715)	5,729	-	437,460
Provision for income tax	(98,854)	385	(1,582)	-	(100,051)
Segment net income	<u>P 334,592</u>	<u>(P 1,330)</u>	<u>P 4,147</u>	<u>P -</u>	<u>P 337,409</u>
Assets and liabilities:					
Segment assets	P 10,228,705	P 1,236,706	P 2,384,111	(P 3,021,882)	P 10,827,640
Deferred tax assets	93,329	15,464	13,472	-	122,265
Total assets	<u>P 10,322,034</u>	<u>P 1,252,170</u>	<u>P 2,397,583</u>	<u>(P 3,021,882)</u>	<u>P 10,949,905</u>
Segment liabilities	P 3,510,415	P 894,784	P 1,249,339	(P 1,771,882)	P 3,882,656
Long-term debt	979,241	63,551	114,952	-	1,157,744
Income tax payable	25,802	-	803	-	26,605
Total liabilities	<u>P 4,515,458</u>	<u>P 958,335</u>	<u>P 1,365,094</u>	<u>(P 1,771,882)</u>	<u>P 5,067,005</u>
Other segment information					
Capital expenditures	P 66,163	P 46,170	P 83,744	P -	P 196,077
Depreciation and amortization	129,300	56,351	73,736	-	259,387

Segment	2023				
	Manufacturing pharmaceutical products	Providing health and other care services	Development and operation of quick service restaurant (in Thousands)	Elimination	Total
Segment revenue:					
Revenues from					
Third party	P 3,946,976	P 493,871	P 823,093	P -	P 5,263,940
Inter-segment	85,214	-	-	(85,214)	-
Segment expense	(3,410,433)	(494,683)	(791,462)	85,214	(4,611,364)
Operating income	621,757	(812)	31,631	-	652,576
Other expense - net	(229,274)	(2,555)	(22,351)	-	(254,180)
Income before tax	392,483	(3,367)	9,280	-	398,396
Provision for income tax	(102,343)	(1,961)	(4,146)	-	(108,450)
Segment net income	<u>P 290,140</u>	<u>(P 5,328)</u>	<u>P 5,134</u>	<u>P -</u>	<u>P 289,946</u>
Assets and liabilities:					
Segment assets	P 10,120,500	P 1,104,678	P 2,293,310	(P 2,863,720)	P 10,654,768
Deferred tax assets	87,485	10,136	11,529	-	109,150
Total assets	<u>P 10,207,985</u>	<u>P 1,114,814</u>	<u>P 2,304,839</u>	<u>(P 2,863,720)</u>	<u>P 10,763,918</u>
Segment liabilities	P 3,476,904	P 759,377	P 1,243,901	(P 1,613,720)	P 3,866,462
Long-term debt	907,667	60,110	32,850	-	1,000,627
Income tax payable	51,130	-	511	-	51,641
Total liabilities	<u>P 4,435,701</u>	<u>P 819,487</u>	<u>P 1,277,262</u>	<u>(P 1,613,720)</u>	<u>P 4,918,730</u>
Other segment information:					
Capital expenditures	P 120,470	P 75,411	P 95,988	P -	P 291,869
Depreciation and amortization	126,119	44,590	67,431	-	238,140

Segment	2022				
	Manufacturing pharmaceutical products	Providing health and other care services	Development and operation of quick service restaurant <i>(in Thousands)</i>	Elimination	Total
Segment revenue:					
Revenues from					
Third party	P 3,108,866	P 453,798	P 661,437	P -	P 4,224,101
Inter-segment	53,215	-	-	(53,215)	-
Segment expense	(2,740,644)	(463,107)	(633,123)	53,215	(3,783,659)
Operating income	421,437	(9,309)	28,314	-	440,442
Other expense - net	(143,462)	7,632	(24,314)	-	(160,144)
Income before tax	277,975	(1,677)	4,000	-	280,298
Provision for income tax	(76,751)	(1,918)	(1,742)	-	(80,411)
Segment net income	P 201,224	(P 3,595)	P 2,258	P -	(P 199,887)
Assets and liabilities:					
Segment assets	P 9,348,293	P 1,054,855	P 2,338,142	(P 2,779,690)	P 9,961,600
Deferred tax assets	77,524	6,858	12,769	-	97,151
Total assets	P 9,425,817	P 1,061,713	P 2,350,911	(P 2,779,690)	P 10,058,751
Segment liabilities	P 2,871,723	P 678,393	P 1,274,069	(P 1,529,690)	P 3,294,495
Long-term debt	889,059	81,800	53,295	-	1,024,154
Income tax payable	30,735	-	444	-	31,179
Total liabilities	P 3,791,517	P 760,193	P 1,327,808	(P 1,529,690)	P 4,349,828
Other segment information					
Capital expenditures	P 38,196	P 35,151	P 15,541	P -	P 88,888
Depreciation and amortization	120,480	43,379	60,019	-	223,878

Geographic Information

	2024	2023	2022
Revenues from external customers			
Net profit	P 5,461,687,193	P 4,994,034,387	P 3,957,445,332
Export sales	334,357,563	269,905,073	266,656,561
	P 5,796,044,756	P 5,263,939,460	P 4,224,101,893

The Group has no revenue from transactions with a single external customer accounting for 10% or more of the consolidated revenues. All property, plant and equipment of the Group are located in the Philippines.

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

No events occurred between the statements of financial position date and the date on which these financial statements were approved by the Company's Board of Directors that would require adjustments to or disclosure in the financial statements.



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INDEPENDENT AUDITORS' REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Shareholders and the Board of Directors
Euro-Med Laboratories Phil., Inc.
PPL Building, United Nations Ave.
Cor. San Marcelino Street, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated statements of **Euro-Med Laboratories Phil., Inc. and Subsidiaries (the "Group")** as at and for the year ended December 31, 2024 included in this Form 17-A and have issued our report thereon dated March 25, 2025. Our audit was 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. The schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 (2019) issued by the Securities and Exchange Commission, and is not required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 and no material exceptions were noted.

AMC & ASSOCIATES

By: 
Ariel D. Gonzales
Partner
CPA Cert. No. 89570
TIN 169-688-077-000
PTR No. 10469764, Jan. 7, 2025, Makati City
BIR Accreditation No. 08-002582-003-2024
(issued on Nov. 15, 2024 valid until Nov. 14, 2027)
SEC Accreditation No. 89570 (Group A)
(valid to audit 2021 to 2025 financial statements)
IC Accreditation No. 89570-IC (Group A)
(valid to audit 2020 to 2024 financial statements)
BSP Accreditation No. 89570-BSP (Group B)
(valid to audit 2021 to 2025 financial statements)

March 25, 2025

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid from June 29, 2023 to June 28, 2026

BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026

SEC Accreditation No. 4275-SEC (Group A) - valid to audit 2023 to 2027 financial statements

IC Accreditation No. 4275-IC (Group A) - valid to audit 2020 to 2024 financial statements

BSP Accreditation No. 4275-BSP (Group B) - valid to audit 2021 to 2025 financial statements

CDA CEA No. 075-AF - valid from January 15, 2025 to January 14, 2030

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2024 and 2023

RATIO	FORMULA	2024	2023
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.36:1 5,318,058,680 3,909,260,781	1.31:1 5,135,417,492 3,918,103,074
Acid test ratio	$\frac{\text{Current assets - inventory} \\ \text{- prepayments}}{\text{Current liabilities}}$	0.83:1 3,245,425,481 3,909,260,781	0.65:1 3,120,738,784 3,918,103,074
Solvency ratio	$\frac{\text{Net income before} \\ \text{depreciation and} \\ \text{amortization}}{\text{Total liabilities}}$	0.13:1 667,271,074 5,067,004,801	0.12:1 588,174,589 4,918,730,015
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.86:1 5,067,004,801 5,882,899,938	0.84:1 4,918,730,015 5,845,187,978
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.86:1 10,949,904,739 5,882,899,938	1.84:1 10,763,917,993 5,845,187,978
Interest rate coverage ratio	$\frac{\text{Operating EBITDA}}{\text{Net interest}}$	3.53:1 1,074,834,229 304,851,628	3.59:1 967,071,889 269,156,020
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	3% 337,677,687 5,864,043,958	5% 289,946,916 5,743,045,627
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	3% 337,677,687 10,856,911,366	3% 289,946,916 10,058,750,779
Net profit margin	$\frac{\text{Net income}}{\text{Total revenue}}$	6% 337,677,687 5,861,372,553	7% 289,946,916 4,284,348,941



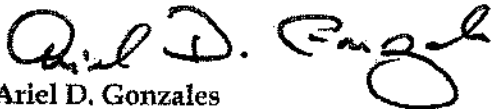
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Shareholders and the Board of Directors
Euro-Med Laboratories Phil., Inc.
PPL Building, United Nations Ave.
Cor. San Marcelino Street, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2024 included in this Form 17-A and have issued our report thereon dated March 25, 2025. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated 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 68 (2019), 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 information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

AMC & ASSOCIATES


By: Ariel D. Gonzales
Partner
CPA Cert. No. 89570
TIN 169-688-077-000
PTR No. 10469764, Jan. 7, 2025, Makati City
BIR Accreditation No. 08-002582-003-2024
(issued on Nov. 15, 2024 valid until Nov. 14, 2027)
SEC Accreditation No. 89570 (Group A)
(valid to audit 2021 to 2025 financial statements)
IC Accreditation No. 89570-IC (Group A)
(valid to audit 2020 to 2024 financial statements)
BSP Accreditation No. 89570-BSP (Group B)
(valid to audit 2021 to 2025 financial statements)

March 25, 2025

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates
BOA Accreditation No. 4275 - valid from June 29, 2023 to June 28, 2026
BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026
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BSP Accreditation No. 4275-BSP (Group B) - valid to audit 2021 to 2025 financial statements
CDA CBA No. 075-AF - valid from January 15, 2025 to January 14, 2030



**EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors on Supplementary Schedules

- I. Supplementary schedules required by Annex 68-J
 - A. Financial Assets
 - B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - C. Amounts Receivables/Payable From/To Related Parties which are Eliminated during the Consolidation of Financial Statement
 - D. Long-term Debt
 - E. Indebtedness to Related Parties (Long-term Loans from Related Companies)
 - F. Guarantees of Securities and Other Issues
 - G. Capital Stock
- II. Reconciliation of Retained Earnings Available for Dividend Declaration
- III. Map of the Relationship Between and Among the Companies in the Group

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIAL ASSETS
DECEMBER 31, 2024
(Amounts in Philippine Peso)

Name of Issuing Entity and Association of Each Issue	Number of Shares of Principal Amount of Bonds and Notes	Amount Shown in Statement of Financial Position	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
Cash				
Cash in banks	P -	P 848,366,786	P 848,366,786	P -
Financial assets at FVTPL				
Investment in portfolio UBS AG	-	233,556,613	233,556,613	-
Trade and other receivables				
Trade	-	1,807,412,449	P 1,807,412,449	-
Advances to officers and employees	-	63,751,787	63,751,787	1,072,788
Others	-	232,159,337	232,159,337	-
	-	2,103,323,573	2,103,323,573	1,072,788
Other current assets				
Bidders and performance bonds	-	9,369,943	9,369,943	-
Other noncurrent assets				
Rental and security deposits	-	169,175,352	169,175,352	-
Bidders and performance bonds	-	14,054,915	14,054,915	-
Advances to officers and employees	-	30,272,272	30,272,272	-
Investment in club shares	1	200,000	200,000	-
	1	213,702,539	213,702,539	-
		P 3,408,319,454	P 3,408,319,454	P 1,072,788

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES,
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2024

(Amounts in Philippine Peso)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amount Collected	Amounts Written off	Current	Not Current	Balance at End of Period
Advances to Officers/Employees:							
Salary loan	P 44,704,185	P 20,160,438	P 6,171,605	P -	-	P -	P 58,693,018
Cash Advance (for liquidation)	9,983,832	20,216,557	9,803,030	-	-	-	20,397,359
Car/housing	17,168,334	14,130,885	16,365,537	-	-	-	14,933,682
	<u>P 71,856,351</u>	<u>P 54,507,880</u>	<u>P 32,340,172</u>	<u>P -</u>	<u>-</u>	<u>-</u>	<u>P 94,024,059</u>

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Amounts in Philippine Peso)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at End of Period
Hemotek Renal Center, Inc.	P 614,819,414	P 143,009,704	P 1,989,921	P -	P 757,829,118	P -	P 757,829,118
a. Trade receivables							
CafeFrance Corp.	10,357,143	1,299,179	1,404,692	-	10,251,630	-	10,251,630
a. Trade receivables	998,351,550	-	-	-	998,351,550	-	998,351,550
b. Advances to subsidiaries	7,439,561	-	-	-	7,439,561	-	7,439,561
c. Other receivables							
	P 1,630,967,668	P 144,308,883	P 3,394,613	P -	P 1,773,871,859	P -	P 1,773,871,859

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT
DECEMBER 31, 2024
(Amounts in Philippine Peso)



Name of Issuing Entity and Association of Each Issue	Amount Shown under		
	Amount Authorized by Indenture	caption "Current Portion of Long-term Debt" in related Statement of Financial Position	Amount shown under Caption "Long-term Debt" in Statement of Financial Position
Promissory note	P 2,541,683,889	P 2,541,683,889	P -
Term loan	1,059,901,801	285,650,564	774,251,237
Lease liabilities	192,517,082	66,983,492	125,533,590
	<u>P 3,794,102,772</u>	<u>P 2,894,317,945</u>	<u>P 899,784,827</u>



EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2024
(Amounts in Philippine Peso)

<u>Name of related party</u>	<u>Balance at Beginning of Period</u>	<u>Balance at End of Period</u>
	Not applicable	

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SCHEDULE F. GUARANTEES OF SECURITIES AND OTHER ISSUES
DECEMBER 31, 2024
(Amounts in Philippine Peso)

<u>Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed</u>	<u>Title of Issue of each Class of Secured Guaranteed</u>	<u>Total amount Guaranteed and Outstanding</u>	<u>Amount Owned by Person for which Statement is Filed</u>	<u>Balance at End Nature of Guarantee</u>
---	---	--	--	---

Not applicable

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SCHEDULE G. CAPITAL STOCK
DECEMBER 31, 2024
(Amounts in Philippine Peso)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related Statement of Financial Position	Number of Shares Reserved by Options, Warrants Conversion, and Other Rights	Number of Shares Held by Directors, Officers and Employees			
				Directors	Officers and Employees	Related Parties	Others
Common share	5,000,000,000	4,112,140,540	-	93,317,952	3,670,853,960		347,968,628

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2024**

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
PPL Building, United Nations Ave, Cor. San Marcelino Street, Manila

Unappropriated Retained Earnings, beginning of reporting period	P	1,518,530,755	
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings			
Retained Earnings			
Reversal of Retained Earnings Appropriation/s	P	-	
Effect of restatements or prior-period adjustments		-	
Others (describe nature)		-	-
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings			
Retained Earnings			
Dividend declaration during the reporting period	P	246,728,432	
Retained Earnings appropriated during the reporting period		-	
Effect of restatements or prior-period adjustments		57,874,585	
Others (describe nature)		-	304,603,817
Unappropriated Retained Earnings, as adjusted			1,213,927,738
Add/Less: Net Income (loss) for the current year			334,861,399
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)			
Equity in net income of associate/ joint venture, net of dividends declared	P	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents		7,194,340	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		16,850,224	
Unrealized fair value gain of Investment Property		-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)		-	(24,044,564)
Less: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)			
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	P	3,123,434	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		9,919,745	
Realized fair value gain of Investment Property		-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)		-	13,043,180
Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)			
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	P	-	
Reversal of previously recognized fair value adjustment mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		-	
Reversal of previously recorded fair value gain of Investment Property		-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)		-	-
Adjusted Net Income/Loss			1,537,787,753
(forward)			

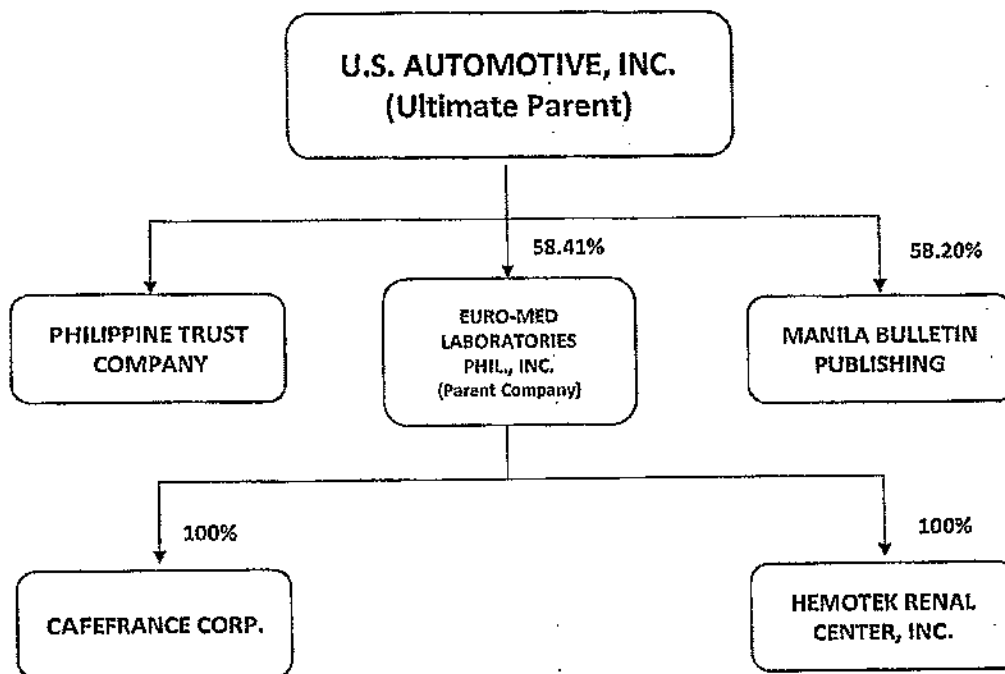


RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2024

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
PPL Building, United Nations Ave. Cor. San Marcelino Street, Manila

Adjusted Net Income/Loss	P	1,537,787,753
Add: <u>Category D</u> : Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: <u>Category E</u> : Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	P	-
Total amount of reporting relief granted during the year		-
Others (describe nature)		-
Staggered booking of allowance for credit losses		-
Add/Less: <u>Category F</u> : Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	P	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(	9,510,931)
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g. set-up of right-of-use asset and lease liability, set-up of asset and asset retirement benefit obligation, and set-up of service concession asset and concession payable		-
Adjustment due to deviation from PFRS/GAAP - gain (loss)		-
Others (describe nature)		-
		(9,510,931)
Total Retained Earnings, end of the reporting period available for dividend	P	1,528,276,822

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN
THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2024



EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Total Audit Fees (Section 2.1a)	P910,000	P910,000
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total Non-audit Fees (Section 2.1b)	-	-
Total Audit and Non-audit Fees	P910,000	P910,000
Audit and Non-audit fees of other related entities (Section 2.1c)		
	2024	2023
Audit fees	P -	P -
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total Audit and Non-audit Fees of Other Related Entities	P -	P -

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	4	8	0	2	2
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COMPANY NAME

				E	U	R	O	-	M	E	D		L	A	B	O	R	A	T	O	R	I	E	S
												P	H	I	L	,		I	N	C	.			

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

		P	P	L		B	U	I	L	D	I	N	G	,		U	N	I	T	E	D		N	A	T	I	O	N	S
		A	V	E	N	U	E		C	O	R	N	E	R		S	A	N		M	A	R	C	E	L	I	N	O	
									S	T	R	E	E	T	,		M	A	N	I	L	A							

Form Type

A	F	S
---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	A
---	---

COMPANY INFORMATION

Company's Email Address

corporate@euromedlab.net

Company's Telephone Number/s

00-63-2-85240091 to 98

Mobile Number

09178008071

No. of Stockholders

541

Annual Meeting
Month/Day

JUNE 15

Fiscal Year
Month/Day

DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

JOSE A. EMITERIO

Email Address

corporate@euromedlab.net

Telephone Number/s

00-63-2-85240091 to 98

Mobile Number

09189455739

CONTACT PERSON'S ADDRESS

2ND FLOOR PPL BUILDING, UNITED NATIONS AVE., COR SAN MARCELINO ST., MANILA

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.

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



Financial Statements
EURO-MED LABORATORIES PHIL., INC.
December 31, 2024 and 2023



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

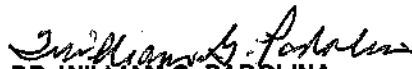
The management of **Euro-Med Laboratories Phil., Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

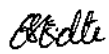
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

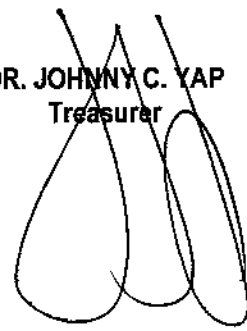
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

AMC & Associates, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


DR. WILLIAM G. PADOLINA
Chairman of the Board


GEORGIANA S. EVIDENTE
President


DR. JOHNNY C. YAP
Treasurer

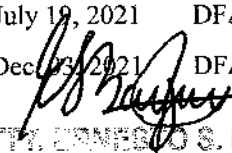
Signed this 25th day of March, 2025

APR 15 2025

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2025 at the City of Makati, affiants exhibiting to me their Passport Number, as follows:

<u>Names</u>	<u>Passport Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
William Padolina	P3754597A	July 22, 2017	DFA, Manila
Georgiana S.Evidente	P7230425B	July 19, 2021	DFA, Manila
Johnny C. Yap	P8380997B	Dec 23, 2021	DFA, Manila

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Page No. 9
Book No. 11
Series of 2025


ATTY. DINESIO S. BAYOC
Notary Public - Manila / Dec. 31, 2026
Notarial Commission No. 2025-875
Merchant Bldg. 509 Padre Faura St. Ermita, Manila
Roll of Attorney's No. 77572
PTR NO. MLA 2041417 Jan. 2, 2025: City of Manila
IBP O.R No. 476665: Nov. 12, 2024
MCLE Compliance No. VIII-0023702
Valid until April 14, 2028



REPORT OF INDEPENDENT AUDITORS

The Shareholders and the Board of Directors
Euro-Med Laboratories Phil., Inc.
PPL Building, United Nations Ave.
Cor. San Marcelino Street, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Euro-Med Laboratories Phil., Inc. (the 'Parent Company'), which comprise the statements of financial position as at December 31, 2024 and 2023 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2024 and 2023, 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent 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 Parent 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 financial statement 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

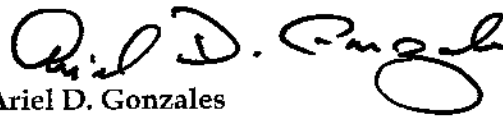


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 required by the Bureau of Internal Revenue as disclosed in Note 38 to the financial statements is presented for the purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audits 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.

AMC & ASSOCIATES



By: **Ariel D. Gonzales**

Partner

CPA Cert. No. 89570

TIN 169-688-077-000

PTR No. 10469764, Jan. 7, 2025, Makati City

BIR Accreditation No. 08-002582-003-2024

(issued on Nov. 15, 2024 valid until Nov. 14, 2027)

SEC Accreditation No. 89570 (Group A)

(valid to audit 2021 to 2025 financial statements)

IC Accreditation No. 89570-IC (Group A)

(valid to audit 2020 to 2024 financial statements)

BSP Accreditation No. 89570-BSP (Group B)

(valid to audit 2021 to 2025 financial statements)

March 25, 2025

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid from June 29, 2023 to June 28, 2026

BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026

SEC Accreditation No. 4275-SEC (Group A) - valid to audit 2023 to 2027 financial statements

IC Accreditation No. 4275-IC (Group A) - valid to audit 2020 to 2024 financial statements

BSP Accreditation No. 4275-BSP (Group B) - valid to audit 2021 to 2025 financial statements

CDA CEA No. 075-AF - valid from January 15, 2025 to January 14, 2030



Aquino, Mata, Calica & Associates
Certified Public Accountants
Suite 1805 - 1807 Cityland Condominium 30 Tower 2
H.V. Dela Costa St., Makati City, 1227 Philippines
T +63 2 8841 0462 • +63 2 8893 0287

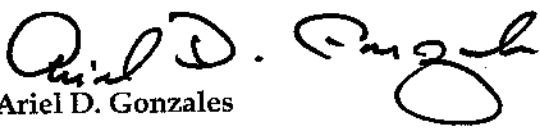
SUPPLEMENTAL WRITTEN STATEMENT OF INDEPENDENT AUDITORS

The Shareholders and the Board of Directors
Euro-Med Laboratories Phil., Inc.
PPL Building, United Nations Ave.
Cor. San Marcelino Street, Manila

We have audited the financial statements of **Euro-Med Laboratories Phil., Inc.** (the 'Parent Company'), for the year ended December 31, 2024, on which we have issued our attached report dated March 25, 2025.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Parent Company have five hundred thirty-eight (538) shareholders owning one hundred (100) or more shares each as at December 31, 2024.

AMC & ASSOCIATES

By: 
Ariel D. Gonzales
Partner
CPA Cert. No. 89570
TIN 169-688-077-000
PTR No. 10469764, Jan. 7, 2025, Makati City
BIR Accreditation No. 08-002582-003-2024
(issued on Nov. 15, 2024 valid until Nov. 14, 2027)
SEC Accreditation No. 89570 (Group A)
(valid to audit 2021 to 2025 financial statements)
IC Accreditation No. 89570-IC (Group A)
(valid to audit 2020 to 2024 financial statements)
BSP Accreditation No. 89570-BSP (Group B)
(valid to audit 2021 to 2025 financial statements)

March 25, 2025

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates
BOA Accreditation No. 4275 - valid from June 29, 2023 to June 28, 2026
BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026
SEC Accreditation No. 4275-SEC (Group A) - valid to audit 2023 to 2027 financial statements
IC Accreditation No. 4275-IC (Group A) - valid to audit 2020 to 2024 financial statements
BSP Accreditation No. 4275-BSP (Group B) - valid to audit 2021 to 2025 financial statements
CDA CBA No. 075-AF - valid from January 15, 2025 to January 14, 2030

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 and 2023
(Amounts in Philippine Pesos)



	<u>2024</u>	<u>2023</u>
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash (Note 5)	P 726,787,766	P 770,419,249
Financial assets at fair value through profit or loss (Note 6)	233,556,613	202,005,397
Trade and other receivables (Notes 7)	3,311,634,415	2,978,716,552
Inventories (Note 8)	1,500,773,108	1,448,809,186
Other current assets (Note 9)	<u>32,579,135</u>	<u>216,699,245</u>
Total Current Assets	<u>5,805,331,037</u>	<u>5,616,649,629</u>
NON-CURRENT ASSETS		
Investment in subsidiaries (Note 10)	1,250,000,000	1,250,000,000
Property, plant and equipment (Note 11)	2,794,051,774	2,863,875,589
Intangible assets (Note 12)	268,042,694	268,042,694
Right-of-use assets (Note 32)	15,123,122	27,916,315
Deferred tax assets (Note 33)	93,328,759	87,484,956
Other non-current assets (Note 13)	<u>96,156,122</u>	<u>94,016,055</u>
Total Non-current Assets	<u>4,516,702,471</u>	<u>4,591,335,609</u>
TOTAL ASSETS	<u>P 10,322,033,508</u>	<u>P 10,207,985,238</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables (Note 14)	P 419,191,620	P 508,757,981
Notes payable (Note 15)	2,306,000,000	2,335,000,000
Current portion of loans payable (Note 16)	273,616,666	209,750,000
Trust receipts payable (Note 17)	498,734,364	407,707,584
Current portion of lease liabilities (Note 32)	12,871,909	15,688,143
Income tax payable (Notes 2, 3 and 33)	<u>25,802,153</u>	<u>51,129,855</u>
Total Current Liabilities	<u>3,536,216,712</u>	<u>3,528,033,563</u>
NON-CURRENT LIABILITIES		
Loans payable, net of current portion (Note 16)	736,468,751	666,908,333
Lease liabilities, net of current portion (Note 32)	3,407,469	13,824,341
Retirement benefit obligation (Note 31)	<u>239,364,489</u>	<u>226,934,056</u>
Total Non-current Liabilities	<u>979,240,709</u>	<u>907,666,730</u>
Total Liabilities	<u>4,515,457,421</u>	<u>4,435,700,293</u>
EQUITY		
Capital stock (Note 18)	4,112,140,540	4,112,140,540
Additional paid-in capital (Note 18)	66,609,227	66,609,227
Other component of equity (Note 35)	(25,838,679)	(29,871,439)
Retained earnings (Notes 18)	<u>1,653,664,999</u>	<u>1,623,406,617</u>
Total Equity	<u>5,806,576,087</u>	<u>5,772,284,945</u>
TOTAL LIABILITIES AND EQUITY	<u>P 10,322,033,508</u>	<u>P 10,207,985,238</u>

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023
(Amounts in Philippine Pesos)

	<u>2024</u>	<u>2023</u>
NET SALES (Note 20)	P 4,397,537,747	P 4,032,190,049
COST OF GOODS MANUFACTURED AND SOLD (Note 21)	<u>2,798,874,675</u>	<u>2,510,030,716</u>
GROSS PROFIT	<u>1,598,663,072</u>	<u>1,522,159,333</u>
OPERATING EXPENSES		
Selling and distribution expenses (Note 23)	763,539,790	745,876,639
General and administrative expenses (Note 24)	193,836,538	155,549,952
Other expenses - net (Note 25)	<u>207,841,361</u>	<u>228,249,623</u>
	<u>1,165,217,689</u>	<u>1,129,676,214</u>
PROFIT BEFORE TAX	433,445,383	392,483,119
TAX EXPENSE (Note 33)	<u>98,583,984</u>	<u>102,343,279</u>
NET PROFIT	334,861,399	290,139,840
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified subsequently to profit or loss		
Actuarial (loss) gain - net of tax (Note 31)	<u>4,032,760</u>	<u>(8,231,041)</u>
TOTAL COMPREHENSIVE INCOME	<u>P 338,894,159</u>	<u>P 281,908,799</u>
EARNINGS PER SHARE (Note 34)		
Computed based on Net Profit	P 0.08	P 0.07
Computed based on Total Comprehensive Income	<u>P 0.08</u>	<u>P 0.07</u>

See Notes to Financial Statements.

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023
(Amounts in Philippine Pesos)

	<u>2024</u>	<u>2023</u>
CAPITAL STOCK (Note 18)	P 4,112,140,540	P 4,112,140,540
ADDITIONAL PAID-IN CAPITAL (Note 18)	<u>66,609,227</u>	<u>66,609,227</u>
OTHER COMPONENT OF EQUITY (Note 35)		
Balance at beginning of year	(29,871,439)	(21,640,398)
Actuarial gain - net tax	<u>4,032,760</u>	<u>(8,231,041)</u>
Balance at end of year	(<u>25,838,679</u>)	(<u>29,871,439</u>)
RETAINED EARNINGS (Note 18)		
Balance at beginning of year	1,623,406,617	1,477,191,695
Prior period adjustment	(57,874,585)	-
Net profit for the year	334,861,399	290,139,840
Cash dividends	<u>(246,728,432)</u>	<u>(143,924,918)</u>
Balance at end of year	<u>1,653,664,999</u>	<u>1,623,406,617</u>
TOTAL EQUITY	<u>P 5,806,576,087</u>	<u>P 5,772,284,945</u>

See Notes to Financial Statements.

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023
(Amounts in Philippine Pesos)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 433,445,383	P 392,483,119
Adjustments for:		
Interest expense (Notes 26 and 32)	275,862,746	240,060,777
Depreciation (Notes 11 and 32)	146,194,553	142,351,561
Retirement benefit costs (Note 31)	25,609,570	24,405,885
Provision for expected credit losses (Notes 24)	16,812,571	2,813,986
Interest income (Note 5)	(2,410,272)	(707,238)
Interest income from advances to subsidiaries (Note 27)	(2,272,200)	(2,133,500)
Unrealized gain on foreign exchange (Note 25)	(9,592,453)	(4,164,579)
Unrealized (gain) loss on financial assets at fair value through profit or loss (Note 25)	(22,466,965)	(13,226,327)
Gain on sale of property and equipment (Note 11)	(36,452,279)	-
Operating profit before working capital changes	824,730,654	781,883,684
Increase in trade and other receivables	(352,139,080)	(304,593,664)
Increase in inventories	(51,963,922)	(134,228,026)
Decrease (increase) in other current assets	126,245,526	(87,837,433)
Decrease in other non-current assets	14,862,131	15,762,758
Increase (decrease) in trade and other payables	(89,566,361)	150,042,732
Cash generated from operations	472,168,948	421,030,051
Interest received (Notes 25 and 27)	4,682,472	2,840,738
Retirement benefits paid (Note 31)	(7,802,123)	(15,806,548)
Income tax paid (Note 33)	(131,099,744)	(89,165,626)
Interest paid (Note 25)	(274,807,177)	(239,036,250)
Net Cash Provided by Operating Activities	63,142,376	79,862,365
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment (Note 11)	43,139,055	-
Advances (repayments) to officers under other receivables and non-current assets (Notes 7 and 13)	(14,593,552)	3,747,677
Acquisitions of property, plant and equipment (Note 11)	(66,162,879)	(120,470,446)
Net Cash Used in Investing Activities	(37,617,376)	(116,722,769)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of notes payable (Note 15)	2,807,268,320	3,011,000,000
Proceeds from availment of loans payable (Notes 16)	159,975,000	309,700,000
Net availments of trust receipts payable (Note 17)	91,026,780	194,412,855
Repayments of lease liabilities (Note 32)	(18,390,117)	(17,363,898)
Repayments of loans payable (Notes 16)	(26,547,916)	(185,335,074)
Dividends paid (Note 18)	(246,728,432)	(143,924,918)
Repayments of notes payable (Note 15)	(2,836,268,320)	(2,872,202,691)
Net Cash From (Used in) Financing Activities	(69,664,685)	296,286,274
EFFECT OF EXCHANGE RATES CHANGE ON CASH	508,202	5,982,498
NET INCREASE (DECREASE) IN CASH	(P 43,631,483)	P 265,408,368

Forward

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023
(Amounts in Philippine Pesos)

	<u>2024</u>	<u>2023</u>
NET INCREASE (DECREASE) IN CASH	(P 43,631,483)	P 265,408,368
CASH AT BEGINNING OF YEAR	<u>770,419,249</u>	<u>505,010,881</u>
CASH AT END OF YEAR (Note 5)	<u>P 726,787,766</u>	<u>P 770,419,249</u>
CASH AT END OF YEAR CONSISTS OF:		
Cash on hand	P 2,676,628	P 2,567,628
Cash in banks	<u>724,111,138</u>	<u>767,851,621</u>
	<u>P 726,787,766</u>	<u>P 770,419,249</u>
SUPPLEMENTAL INFORMATION OF NON-CASH FINANCING AND INVESTING ACTIVITIES (Note 36)		
Additions to lease liabilities (Note 32)	P 4,101,442	P 12,936,255
Additions to right-of-use assets (Note 32)	(<u>4,101,442</u>)	(<u>12,936,255</u>)
TOTAL NON-CASH ACTIVITIES	<u>P -</u>	<u>P -</u>

See Notes to Financial Statements.

EURO-MED LABORATORIES PHIL., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

1. GENERAL INFORMATION

Corporate Information

Euro-Med Laboratories Phil., Inc. (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on January 29, 1988. Its primary purpose is to engage in the manufacture of pharmaceutical products such as large and small volume parenteral and other solutions, inhalation, irrigation and dialysis.

On July 13, 2016, the Parent Company's Articles of Incorporation was amended to add the provision of training or seminar for detailmen, medical representatives and professional sales representatives and to do all other acts and things in connection with the business as one of the Parent Company's primary purposes.

The Parent Company conducts business in its principal office located at PPL Building, United Nations Avenue corner San Marcelino Street, Manila.

The Parent Company's shares of stocks are publicly traded in the Philippine Stock Exchange (PSE).

As at December 31, 2024 and 2023, the Parent Company is 58.41% owned by U.S. Automotive Inc. (US Automotive).

The Parent Company has one thousand one hundred eighty-eight (1,188) and one thousand eighty-three (1,083) employees as at December 31, 2024 and 2023, respectively.

Approval of the Financial Statements

The financial statements of the Parent Company as at and for the year ended December 31, 2024 (including the comparatives as at and for the year ended December 31, 2023) were authorized for issue by the Board of Directors on March 25, 2025.



2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of Preparation of Financial Statements

The Parent Company financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards includes statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

The financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss (FVTPL) which have been measured at fair value. The financial statements are presented in Philippine Peso, the functional currency of the Parent Company, and all values are rounded to the nearest peso, except when otherwise indicated.

Changes in Accounting Policies

The accounting policies adopted are consistent with those in previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2024. Except as otherwise indicated, the new standards and amendments have no significant impact on the annual financial statements of the Parent Company.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments has no significant impact on the Company's financial statements.

- Amendments to PAS 1, *Non-current Liabilities with Covenants*

The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For the non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments has no impact on the Company's financial statements.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments has no significant impact on the Company's financial statements.



Effective in 2024 that is not Relevant to the Parent Company

Among the amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules* and PFRS 16, *Leases – Lease Liability in a Sale and Leaseback*, are not relevant to the Parent Company's financial Statements.

Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Parent Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Parent Company's financial statements.

Effective subsequent to 2024 but not Adopted Early

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027)

The Parent Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to December 31, 2024. Additional disclosures required by these new and amended accounting standards and interpretations will be included in the financial statements when they are adopted.

Material Accounting Policies

Financial Assets

Classification

The Parent Company classifies its financial assets in the following measurement categories:

- (a) those to be measured subsequently at fair value (either through OCI or through profit or loss)
- (b) those to be measured at amortized cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments that are not held for trading, this will depend on whether the Parent Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Parent Company shall reclassify financial assets when and only when its business model for managing those assets changes.

The Parent Company's financial assets at amortized cost includes cash, trade and other receivables (except advances to suppliers and contractors), bidders and performance bonds and other non-current assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors and investment in club shares).

The Parent Company's financial assets measured at fair value through profit and loss includes investments in portfolio held for trading purposes, while financial assets held at fair value through other comprehensive income includes investment in club shares.

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Parent Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Parent Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Parent Company measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

(a) Debt instruments - subsequent measurement

Subsequent measurement of debt instruments depends on the Parent Company's business model for managing asset and the cash flow characteristics of the asset. There are three measurement categories into which the Parent Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in "Other expenses (net)" in the statements of comprehensive income, using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly to profit or loss and presented in "Other expenses (net)" in the statements of comprehensive income, together with foreign exchange gains and losses. Impairment losses are presented in administrative expenses in the statements of comprehensive income.

The Parent Company's financial assets at amortized cost consists of cash, trade and other receivables (except advances to suppliers and contractors), bidders and performance bonds and other non-current assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors and investment in club shares).

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other expenses (net)" in the statements of comprehensive income. Interest income from these financial assets is included in "Other expenses (net)" in the statements of comprehensive income, using effective interest rate method. Foreign exchange gains and losses are presented in "Other expenses (net)" and impairment losses are presented as separate line item in the statements of comprehensive income.

The Parent Company does not have debt instruments that are classified as financial assets at FVOCI.

- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented in "Other expenses (net)" in the statements of comprehensive income.

The Parent Company's financial assets measured at fair value through profit and loss consists of investments portfolio held for trading purposes.

(b) Equity instruments

Where the Parent Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the equity investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Parent Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in "Other expenses (net)" in the statements of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Parent Company's equity financial assets at FVOCI consists of investment in club shares.

Impairment of Financial Assets

The Parent Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Parent Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Parent Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Parent Company also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Financial Liabilities

Classification

The Parent Company financial liabilities are classified as (a) financial liabilities at amortized cost and (b) financial liabilities at FVTPL.

The Parent Company did not hold any financial liabilities at FVTPL during and at the end of each reporting period.

Financial liabilities at amortized cost are included in current liabilities, except for maturities greater than 12 months after the reporting date when the Parent Company has an unconditional right to defer settlement for at least 12 months after the reporting date which are classified as non-current liabilities.

The Parent Company's financial liabilities at amortized cost consists of trade and other payables (excluding statutory payables), trust receipts payable, notes payable, loans payable and lease liabilities.

Initial Recognition and Measurement

The Parent Company recognizes a financial liability in the statement of financial position when the Parent Company becomes a party to the contractual provision of the instrument.

Other financial liabilities are initially measured at fair value plus transaction costs.

Subsequent Measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

Derecognition

Financial liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.



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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Parent Company.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Parent Company 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 period.

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

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realized the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Parent Company or the counterparty.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of raw materials, goods in process and finished goods are calculated based on standard costing method. Standard cost is principally determined using the moving average method. The NRV of raw materials, finished goods and merchandise inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and of marketing and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	- first in first-out method
Finished goods	- cost of direct materials and labor and a proportion of manufacturing overhead based on a normal operating capacity but excluding borrowing cost, a moving average basis
Merchandise	- first in first-out method

Investment in Subsidiaries

Investment in subsidiaries is accounted for using the cost method in the separate financial statements. Under this method, investments are initially measured at cost which is the fair value of the consideration paid by the Parent Company (as investor) and includes transaction costs directly attributable to the acquisition. Subsequently, investments in subsidiaries are measured at cost less any impairment. Income from investment (i.e. dividend declared by subsidiaries) is recognized in the profit or loss.

Investment in subsidiaries are derecognized when the Parent Company ceases to have control or shareholding over the entities.

Property, Plant and Equipment

Following initial recognition at cost, land is stated at cost less impairment in value, if any. All other property, plant and equipment are stated at cost less accumulated depreciation, amortization, and any impairment in value.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

Land and improvements	20 years
Building and leasehold improvements	30 years
Machineries and equipment	20 years
Transportation equipment	10 years
Laboratory and office equipment and improvements	10 years

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.



Intangible Assets

Intangible assets include trademarks and licenses, and patents and rights.

Trademarks and licenses with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

Trademarks and licenses are derecognized when no future economic benefits are expected from use or disposal. Gains or losses, arising from derecognition of trademarks and licenses are measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognized in profit or loss.

Patents and rights are stated at cost, which includes purchase price and other direct costs, less accumulated amortization, and any impairment in value. Patents and rights are amortized on a straight-line basis over twenty (20) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

When patents and rights are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Revenue and Cost Recognition

Revenue comprises sale of goods measured by reference to the fair value of consideration received or receivable by the Parent Company for goods sold, excluding value-added tax (VAT).

The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations and significant judgments used in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3. The Parent Company uses the practical expedient in PFRS 15, *Revenue from Contracts with Customers*, with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Parent Company's contracts with customers have original expected duration of one year or less.

Specifically, revenue from sale of goods is recognized when the control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged delivery of goods. Invoices for goods transferred are due upon receipt by the customer.

The Parent Company also assesses its revenue agreements in order to determine if it is acting as principal or agent. Both the legal form and the substance of the agreement are considered to determine each party's respective roles in the agreement. In all revenue agreements, Parent Company is acting as a principal.



As applicable, if the Parent Company is required to refund the related purchase price for returned goods, it recognizes a sales return for the refunds by adjusting the amount of revenues recognized during the period. The Parent Company recognizes the return of goods from the customers with a corresponding adjustment to Inventory account and Cost of Goods Sold account. However, there were no contracts that contained significant right of return arrangements that remain outstanding during the reporting periods.

In obtaining customer contracts, the Parent Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Parent Company uses the practical expedient in PFRS 15 and recognizes as outright expenses such costs as incurred.

Employee Benefits

The Parent Company provides short-term and post-employment benefits to employees through defined benefit obligations and other employee benefits.

The Parent Company's defined benefit obligation covers all regular full-time employees. It is calculated annually by independent actuaries using projected unit credit method. The defined benefit obligation is not funded.

Leases

Subsequent to initial recognition, the Parent Company depreciated the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term which is from two to five years.

The Parent Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line bases over the lease term.

Borrowing Costs

Borrowing costs are generally recognized as expense in the year in which these costs are incurred.

However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. It includes interest expense, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Functional Currency and Foreign Currency Translation

The financial statements are presented in Philippine peso, which is the functional and presentation currency. 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 retranslated at the functional currency rate of exchange prevailing at the statements of financial position date. All differences are taken to the statements of comprehensive income.



Equity

Capital stock represents the nominal value of shares that have been issued. Contribution in excess of par value is accounted for as an additional paid-in capital.

Other component of equity include the accumulated actuarial gains or (losses) from remeasurements of post-employment defined benefit plan.

Retained earnings includes all current and prior period results as disclosed in the statements of comprehensive income, reduced by the amounts of dividends declared, if any.

Related Parties

A party is considered to be related to the Parent Company if it has the ability, directly or indirectly through one or more intermediaries, to control, is controlled by, or is under common control with, the Parent Company; or exercises significant influence over the Parent Company in making financial and operating decisions; or has a joint control over the Parent Company. It is also related to the Parent Company if a party is an associate, a joint venture in which the Parent Company is a venturer, a member of the key management personnel of the Parent Company or its parent, a close member of the family of Parent Company's related party, an entity controlled, jointly controlled or significantly influenced by a key management personnel of the Parent Company or close member of the family of Parent Company's related party, and a post-employment benefit plan for the benefit of employees of the Parent Company or its related party. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to nonrelated parties.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net profit for the year attributable to common stockholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted EPS is computed by dividing net profit by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS Accounting Standards requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the financial statements and related notes. The judgments and accounting estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Parent Company:

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the financial statements:

Determining the Lease Term of Contracts with Renewal and Termination Options

The Parent Company determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Parent Company has several lease contracts that include extension and termination options. The Parent Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Parent Company did not include the renewal period as part of the lease term for leases of buildings even though the Parent Company typically exercises its option to renew for these leases because the Parent Company does not have an enforceable right to extend the lease beyond the noncancellable period.

Determining the Timing of Satisfaction of Performance Obligation

The Parent Company determined that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

Determining Transaction Price

The Parent Company determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

The transaction price is considered receivable to the extent of products sold with consideration on the right of return, if applicable. Also, the Parent Company uses the practical expedient in PFRS 15, with respect to non-adjustment of the promised amount of consideration for the effects of any financing component as the Parent Company expects, at contract inception, that the period between when the Parent Company transfers promised goods or services to the customer and payment due date is one year or less.

Determining Functional Currency

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Parent Company, including prices of goods and services, competition, cost and expenses and other factors including the currency in which financing is primarily undertaken by each entity.

Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of that of a Parent Company rather than being carried out with significant autonomy.

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Parent Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Parent Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant Increase of Credit Risk

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

Determining the Fair Values of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position account cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.



Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon the Parent Company's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Assessment for ECL on Trade Receivables

The Parent Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Parent Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Parent Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Parent Company adjusts historical default rates to forward-looking default rate by determining the closely-related economic factor affecting each customer segment. The Parent Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

Provision for ECL in 2024 and 2023 amounted to P142.4 million and P125.6 million, respectively. The carrying amount of trade receivables is P2,163.9 million and P1,892.0 million as at December 31, 2024 and 2023, respectively (see Note 7).

Assessment for ECL on Other Financial Assets at Amortized Cost

The Parent Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Parent Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Parent Company also considers financial assets that are more than 120 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.



The Parent Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Parent Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2024 and 2023. The carrying amounts of other financial assets at amortized cost are as follows:

	<u>2024</u>	<u>2023</u>
Cash in banks	P 724,111,138	P 767,851,621
Financial assets at FVTPL	233,556,613	202,005,397
Other receivables:		
Advances to subsidiary	998,351,550	998,351,550
Advances to officers-current	24,595,030	27,003,676
Advances to employees-current	11,677,728	7,418,570
Others*	31,088,656	26,092,814
Other current assets:		
Bidders and performance bonds	9,369,943	9,281,459
Other non-current assets:		
Bidders and performance bonds - net of current portion	14,054,915	13,677,874
Advances to officers - net of current portion	27,952,614	10,950,416
Advances to employees - net of current portion	<u>2,319,658</u>	<u>3,292,891</u>
	<u>P 2,077,077,845</u>	<u>P 2,065,926,268</u>

*Excluding receivable from SSS amounting to P3.2 million and P4.2 million as at December 31, 2024 and 2023, respectively.

Determination of NRV of Inventories

The Parent Company writes down the cost of inventories whenever the NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The Parent Company reviews the lower of cost and NRV of inventories on a periodic basis. NRV represents the estimated future selling price of the product based on prevailing prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. NRV test for spare parts and supplies is also performed annually. The NRV of spare parts and supplies represents the current replacement cost. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

As at December 31, 2024 and 2023, the cost of inventories is lower than its NRV. The carrying amount of inventories is P1,500.8 million and P1,448.8 million as at December 31, 2024 and 2023, respectively (see Note 8).



Estimated Useful Lives of Property, Plant and Equipment

The Parent Company estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the noncurrent assets.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

Land improvements	20 years
Building and leasehold improvements	30 years
Machineries and equipment	20 years
Transportation equipment	10 years
Laboratory and office equipment and improvements	10 years

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property, plant and equipment.

The carrying values of property, plant and equipment amounted to P2,794.1 million and P2,863.9 million as at December 31, 2024 and 2023, respectively (*see Note 11*).

Estimated Useful Life of Intangible Asset

The useful life of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Parent Company. The useful life of tangible asset with definite life is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

Amortization of patents and rights is computed on the straight-line basis over the useful life of twenty (20) years. The estimated useful life and amortization method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the intangible asset.

The Parent Company's intangible assets with finite useful life are fully amortized as at December 31, 2024 and 2023 (*see Note 12*).



Impairment of Nonfinancial Assets

PFRS Accounting Standards requires that an impairment review be performed when certain impairment indicators are present. This requires an estimation of the value in use of the cash-generating units to which the assets belong. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flow.

Determining the recoverable amount of property, plant and equipment, intangible assets, ROU assets and other nonfinancial assets, requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. Future event could cause management to conclude that assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Parent Company's financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While the Parent Company believes that its assumptions are appropriate and reasonable, significant changes in the Parent Company's assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS Accounting Standards.

No reversal or impairment loss was recognized in 2024 and 2023.

Realizability of Deferred Tax Assets

Deferred tax assets are established for tax benefits related to deductible temporary differences, carry forward of unused MCIT and NOLCO. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

As at December 31, 2024 and 2023, net deferred tax assets amounted to P93.3 million and P87.5 million, respectively (see Note 33).

Retirement Benefit

The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on the Philippine government bonds with terms consistent with the expected employee benefit payout as of statements of financial position date.



Lessee - Estimating Incremental Borrowing Rate

The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Parent Company would have to pay 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. The incremental borrowing rate therefore reflects what the Parent Company "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Parent Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity, specific estimates (such as the subsidiary's stand-alone credit rating).

4. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL MANAGEMENT OBJECTIVE AND POLICIES

The Parent Company's financial instruments consist mainly of cash, financial assets at FVTPL, trade and other receivables, bidders and performance bonds, other noncurrent assets (excluding prepayments, deferred input VAT and advances to suppliers and contractors) and trade and other payables (excluding statutory payables), trust receipts payable, notes payable, loans payable and lease liabilities.

The main financial risk arising from the Parent Company's use of financial instruments includes credit risk, market risk and liquidity risk. The Parent Company's BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below:

Credit Risk

Credit risk is the risk that the third party will default on its obligation to the Parent Company and cause the Parent Company to incur financial loss. The Parent Company's business policy aims to limit the amount of credit exposure to any individual client and financial institution. The Parent Company has credit management policies in place to ensure that contracts are entered into with clients who have sufficient financial capacity and good credit history.

Trade Receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Parent Company's standard payment and delivery terms, and conditions are offered. The Parent Company's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of Management.



The Parent Company limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. The Parent Company provides credit limits to all its accredited customers to manage credit risk concentrations. These limits are reviewed regularly by the Treasury Department. Trade receivable balance is monitored on an ongoing basis with the result that the Parent Company's exposure to credit losses is not significant. The maximum exposure of trade receivables is equal to its carrying amount.

At December 31, 2024 and 2023, the exposure to credit risk for trade receivables are as follows:

		2024		
		Neither past due nor impaired	Past due but not impaired	Total
Third party	P	765,161,819	P 775,019,006	P 1,540,180,825
Related parties		766,090,827	-	766,090,827
	P	1,531,252,646	P 775,019,006	P 2,306,271,652
		2023		
		Neither past due nor impaired	Past due but not impaired	Total
Third party	P	548,547,407	P 843,833,954	P 1,392,381,361
Related parties		625,176,557	-	625,176,557
	P	1,173,723,964	P 843,833,954	P 2,017,557,918

The Parent Company uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and offsetting arrangements. The Parent Company adjusts historical default rates to forward looking default rate by determining the closely related economic factor affecting each customer segment (i.e., gross national income from real estate and construction industry). At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Aging Analysis of Trade Receivables

	2024	2023
1-30 days	P 417,049,804	P 319,805,439
31-90 days	297,296,466	373,672,416
91-120 days	198,027,737	317,986,010
Over 120 days	1,393,924,645	1,006,094,053
	P 2,306,298,652	P 2,017,557,918

Trade receivables that are past due for over 120 days were not considered in default since based on qualitative assessment, the customers are not deemed to be in significant financial difficulty and are likely to pay their obligations.



Other Financial Assets at Amortized Cost

The Parent Company's other financial assets at amortized cost are composed of cash in banks, other receivables (except advances to suppliers and contractors), bidders and performance bonds and other noncurrent assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors, and investment in club shares). The Parent Company limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency, and therefore, are considered to be low credit risk investments. Other receivables are being monitored on a regular basis to ensure timely execution of necessary intervention efforts to minimize credit losses.

It is the Parent Company's policy to measure ECL on the above 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 lifetime ECL.

When determining if there has been a significant increase in credit risk, the Parent Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and actual or expected significant adverse changes in the operating results of the borrower.

The Parent Company also considers financial assets that are more than 120 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when nonpayment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

The table below presents the summary of the Parent Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2024			
	Financial assets at amortized cost			Total
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
Cash in banks	P 724,111,138	P -	P -	P 724,111,138
Trade and other receivables				
Third party	-	1,397,794,083	-	1,397,794,083
Related parties	-	766,090,827	-	766,090,827
Advances to subsidiary	-	998,351,550	-	998,351,550
Advances to officers-current	24,595,030	-	-	24,595,030
Advances to employees-current	11,677,728	-	-	11,677,728
Others*	31,088,656	-	-	31,088,656
Other current assets				
Bidders and performance bonds	9,369,943	-	-	9,369,943
Other non-current assets				
Bidders and performance bonds - net of current portion	14,054,915	-	-	14,054,915
Advances to officers-non-current portion	27,952,614	-	-	27,952,614
Advances to employees net of current portion	2,319,658	-	-	2,319,658
	<u>P 845,169,682</u>	<u>P3,162,236,460</u>	<u>P -</u>	<u>P4,007,406,142</u>

* Excluding receivable from SSS amounting to P3.2 million as at December 31, 2024.



	2023			
	Financial assets at amortized cost			Total
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
Cash in banks	P 767,851,621	P -	P -	P 767,851,621
Trade and other receivables				
Third-party	-	1,266,807,190	-	1,266,807,190
Related parties	-	625,176,557	-	625,176,557
Advances to subsidiary	-	998,351,550	-	998,351,550
Advances to officers-				
Current	27,003,676	-	-	27,003,676
Advances to employees-				
Current	7,418,570	-	-	7,418,570
Others*	26,092,814	-	-	26,092,814
Other current assets				
Bidders and performance				
Bonds	9,281,459	-	-	9,281,459
Other non-current assets				
Bidders and performance				
bonds net of current				
portion	13,677,874	-	-	13,677,874
Advances to officers-non-				
current portion	10,950,416	-	-	10,950,416
Advances to employees				
net of current portion	3,292,891	-	-	3,292,891
	<u>P 865,569,321</u>	<u>P2,890,335,297</u>	<u>P -</u>	<u>P3,755,904,618</u>

* Excluding receivable from SSS amounting to P4.2 million as at December 31, 2023.

Market Risks

The Parent Company is exposed to market risks, primarily those related to foreign currency risk, equity price risk and interest rate risk. BOD actively monitors these exposures, as follows:

Foreign currency risk

The BOD reviews and agrees policies for this risk by maintaining foreign currency exposure within acceptable limits. The Parent Company believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits.

Information on the Parent Company's foreign currency denominated deposits and investment in portfolio and their Philippine peso equivalent:

	2024		2023	
	Foreign Currency	Peso Equivalent	Foreign Currency	Peso Equivalent
US Dollar (USD)	4,890,527	P 283,699,471	4,794,887	P 266,437,486
Euro (EUR)	12,818	775,104	787,902	48,432,336



With the translation of this foreign currency denominated asset, the Parent Company reported net unrealized foreign exchange gain (loss) of P9.6 million in 2024 and P4.2 million in 2023 (see Note 25). These resulted from the movements of the Philippine peso against the following foreign currency exchange rates:

		2024		2023
USD	P	58.010	P	55.567
EUR		60.470		61.470

The analysis below is performed for the effect of a reasonable possible movement of the currencies against the Philippine peso with all other variables held constant on the Parent Company's excess of receipts over expenses:

Currency	Philippine Peso depreciation (appreciation)	Impact on excess of receipts over expenses	
		2024	2023
USD	+0.75%	P 4,715,750	(P 4,695,873)
USD	-0.75%	460,307	(8,692,650)
EUR	+3.00%	(237,186)	2,858,238
EUR	-3.00%	(283,691)	(47,703)

The change in currency rate is based on the Parent Company's best estimate of expected change considering historical trends and experiences. Positive change in currency reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

Equity price risk

Equity price risk is the risk that the Parent Company will incur economic losses due to adverse changes in a particular stock index. The Parent Company's equity price risk arises from its financial assets at FVPL and financial asset at FVOCI.

The Parent Company's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

Interest rate risk

The Parent Company's exposure to the risk for changes in market interest rates relates primarily to the Parent Company's interest-bearing payables to local financial institutions with fixed interest rates. Exposure of the Parent Company to changes in the interest rates is not significant.

There is no other impact on the Parent Company's equity other than those already affecting the statements of comprehensive income.



Liquidity Risk

Liquidity risk is a risk that the Parent Company will not be able to meet its financial obligations as they fall due. The Parent Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. BOD closely monitors the Parent Company's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The table below analyzes the financial assets and financial liabilities of the Parent Company into their relevant maturity groups based on the remaining period at the statements of financial position dates to their contractual maturities or expected repayment dates:

As at December 31, 2024	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash	P 726,787,766	P -	P -	P -	P -	P 726,787,766
Financial assets at FVTPL	233,556,613	-	-	-	-	233,556,613
Trade and other receivables						
Trade						
Third party	1,397,794,083	-	-	-	-	1,397,794,083
Related parties	766,090,827	-	-	-	-	766,090,827
Advances to subsidiary	998,351,550	-	-	-	-	998,351,550
Advances to suppliers and contractor	78,858,281	-	-	-	-	78,858,281
Advances to officers - current	24,595,030	-	-	-	-	24,595,030
Advances to employees						
Current	11,677,728	-	-	-	-	11,677,728
Others*	31,088,656	-	-	-	-	31,088,656
Other current assets						
Bidders and performance bonds	9,369,943	-	-	-	-	9,369,943
Other non-current assets						
Bidders and performance bonds - net of current portion	-	14,054,915	-	-	-	14,054,915
Advances to officers - net of current portion	-	27,952,614	-	-	-	27,952,614
Advances to employees - net of current portion	-	2,319,658	-	-	-	2,319,658
Investment in club shares	-	200,000	-	-	-	200,000
	<u>P4,278,170,477</u>	<u>P 44,527,187</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 4,322,697,664</u>

*Excluding receivable from SSS amounting to P3.2 million as at December 31, 2024.

Financial liabilities						
Trade and other payables**						
Trade						
Third party	P 331,442,144	P -	P -	P -	P -	P 331,442,144
Accrued expenses	39,896,238	-	-	-	-	39,896,238
Trust receipts payable	498,734,364	-	-	-	-	498,734,364
Notes payable	2,306,000,000	-	-	-	-	2,306,000,000
Loans payable	273,616,667	595,218,750	141,250,000	-	-	1,010,085,417
Lease liabilities	12,871,909	3,407,469	-	-	-	16,279,378
	<u>P 3,462,561,322</u>	<u>P 598,626,219</u>	<u>P 141,250,000</u>	<u>P -</u>	<u>P -</u>	<u>P 4,202,437,541</u>

** Excluding government payables amounting to P47.9 million as at December 31, 2024.



As at December 31, 2023	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash	P 770,419,249	P -	P -	P -	P -	P 770,419,249
Financial assets at FVTPL	202,005,397	-	-	-	-	202,005,397
Trade and other receivables						
Trade						
Third party	1,266,807,190	-	-	-	-	1,266,807,190
Related parties	625,176,557	-	-	-	-	625,176,557
Advances to subsidiary	998,351,550	-	-	-	-	998,351,550
Advances to suppliers and contractor	23,703,269	-	-	-	-	23,703,269
Advances to officers – current	27,003,676	-	-	-	-	27,003,676
Advances to employees current	7,418,570	-	-	-	-	7,418,570
Others*	26,092,814	-	-	-	-	26,092,814
Other current assets						
Bidders and performance bonds	9,281,459	-	-	-	-	9,281,459
Other non-current assets						
Bidders and performance bonds net of current portion	-	13,677,874	-	-	-	13,677,874
Advances to officers net of current portion	-	10,950,416	-	-	-	10,950,416
Advances to employees net of current portion	-	3,292,891	-	-	-	3,292,891
Investment in club shares	-	200,000	-	-	-	200,000
	<u>P3,956,259,731</u>	<u>P 25,121,181</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P3,984,380,912</u>

*Excluding receivable from SSS amounting to P4.2 million as at December 31, 2023.

Financial liabilities						
Trade and other payables**						
Trade						
Third party	P 450,437,958	P -	P -	P -	P -	P 450,437,958
Accrued expenses	31,937,241	-	-	-	-	31,937,241
Trust receipts payable	407,707,584	-	-	-	-	407,707,584
Notes payable	2,335,000,000	-	-	-	-	2,335,000,000
Loans payable	209,750,000	576,908,333	90,000,000	-	-	876,658,333
Lease liabilities	15,688,143	13,824,341	-	-	-	29,512,484
	<u>P3,450,520,926</u>	<u>P 590,732,674</u>	<u>P 90,000,000</u>	<u>P -</u>	<u>P -</u>	<u>P4,131,253,600</u>

** Excluding government payables amounting to P26.4 million as at December 31, 2023.

Financial Assets and Financial Liabilities

The following table presents the carrying amounts and fair values of the Parent Company's financial assets measured at fair value and financial liability for which fair value is disclosed and the corresponding fair value hierarchy:

	2024			
	Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash	P 726,787,766	P -	P 726,787,766	P -
Financial assets at FVTPL	233,556,613	233,556,613	-	-
Trade and other receivables				
Trade				
Third party	1,397,794,083	-	-	1,397,794,083
Related parties	766,090,827	-	-	766,090,827
Advances to subsidiary	998,351,550	-	-	998,351,550
forward				

	2024			
	Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Advances to suppliers and contractors	78,858,281	-	-	78,858,281
Advances to officers- current	24,595,030	-	-	24,595,030
Advances to employees- current	11,677,728	-	-	11,677,728
Others*	31,088,656	-	-	31,088,656
Other current assets				
Bidders and performance bonds	9,369,943	-	-	9,369,943
Other non-current assets				
Bidders and performance bonds - net of current portion	14,054,915	-	-	14,054,915
Advances to officers - net of current portion	27,952,614	-	-	27,952,614
Advances to employee - net of current portion	2,319,658	-	-	2,319,658
Investment in club shares	200,000	200,000	-	-
	<u>P4,322,697,664</u>	<u>P 233,756,613</u>	<u>P 726,787,766</u>	<u>P3,362,153,285</u>

*Excluding receivable from SSS amounting to P3.2 million as at December 31, 2024.

Financial liabilities:

Trade and other payables**

Trade				
Third party	P 331,442,144	P -	P -	P 331,442,144
Accrued expenses	39,896,238	-	-	39,896,238
Trust receipts payable	498,734,364	-	-	498,734,364
Notes payable	2,306,000,000	-	-	2,306,000,000
Loans payable	1,010,085,417	-	-	1,010,085,417
Lease liabilities	16,279,378	-	-	16,279,378
	<u>P4,202,437,541</u>	<u>P -</u>	<u>P -</u>	<u>P4,202,437,541</u>

**Excluding government payable amounting to P47.9 million as at December 31, 2024.

	2023			
	Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash	P 770,419,249	P -	P 770,419,249	P -
Financial assets at FVPL	202,005,397	202,005,397	-	-
Trade and other receivables				
Trade				
Third party	1,266,807,190	-	-	1,266,807,190
Related parties	625,176,557	-	-	625,176,557
Advances to subsidiaries	998,351,550	-	-	998,351,550
Advances to suppliers and contractors	23,703,269	-	-	23,703,269
Advances to officers- current	27,003,676	-	-	27,003,676
Advances to employees- current	7,418,570	-	-	7,418,570
Others*	26,092,814	-	-	26,092,814
Other current assets				
Bidders and performance bonds	9,281,459	-	-	9,281,459
Other non-current assets				
Bidders and performance bonds net of current portion	13,677,874	-	-	13,677,874
Advances to officers - net of current portion	10,950,416	-	-	10,950,416
Advances to employee - net of current portion	3,292,891	-	-	3,292,891
Investment in club shares	200,000	200,000	-	-
	<u>P3,984,380,912</u>	<u>P 202,205,397</u>	<u>P 770,419,249</u>	<u>P3,011,756,266</u>

*Excluding receivable from SSS amounting to P4.2 million as at December 31, 2023.

Financial liabilities:				
Trade and other payables**				
Trade				
Third party	P 450,437,958	P -	P -	P 450,437,958
Accrued expenses	31,937,241	-	-	31,937,241
Trust receipts payable	407,707,584	-	-	407,707,584
Notes payable	2,335,000,000	-	-	2,335,000,000
Loans payable	876,658,333	-	-	876,658,333
Lease liabilities	29,512,484	-	-	29,512,484
	<u>P4,131,253,600</u>	<u>P -</u>	<u>P -</u>	<u>P4,131,253,600</u>

**Excluding government payable amounting to P26.4 million as at December 31, 2023.



Assumption used to estimate fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, bidders and performance bonds, trade and other payables and trust receipts payable approximate their fair values due to the short-term in nature or the effect of discounting for those with maturities more than one year is not material.

The carrying value of loans payable approximates its fair value based on the discounted value of future cash flows using fixed interest rate stated in its commercial loan.

The fair values of the Parent Company's lease liabilities as at December 31, 2024 and 2023 are measured at the present value of the remaining lease payments, discounted at the Parent Company's incremental borrowing rate.

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining the fair value of financial assets and liabilities:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

There were no reclassifications made between the different fair value hierarchy levels in 2024 and 2023.

Capital Management

The primary objective of the Parent Company's capital management is to secure ongoing financial needs of the Parent Company to continue as a going concern as well as to maintain a strong credit standing and healthy capital ratio in order to support the business and maximize stockholder value.

The Parent Company considers equity contributions from stockholders and retained earnings as its capital, which amounted to P5,806.6 million and P5,772.3 million as at December 31, 2024 and 2023, respectively. The Parent Company manages the capital structure and makes adjustments when there are changes in economic conditions, business activities, expansion programs, and the risk characteristics of the underlying assets. In order to manage the capital structure, the Parent Company may adjust its borrowings, adjust dividend payment to shareholders.

The Parent Company is not subject to externally imposed capital requirements.

No changes were made in capital management objectives, policies or processes in 2024 and 2023.



5. CASH

This account consists of:

	<u>2024</u>	<u>2023</u>
Cash on hand	P 2,676,628	P 2,567,628
Cash in banks	<u>724,111,138</u>	<u>767,851,621</u>
	<u>P 726,787,766</u>	<u>P 770,419,249</u>

Cash in banks earn interest at the respective prevailing bank deposit rates. Interest income earned on cash in banks presented in the statements of comprehensive income amounted to P2.4 million and P0.7 million in 2024 and 2023, respectively (*see Note 25*).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets at FVTPL represent investment portfolio consisting of bonds and equity instruments held by the Parent Company for trading purposes. As at December 31, 2024 and 2023, financial assets at FVTPL amounted to P233.6 million and P202.0 million, respectively.

The following are the movements of financial assets at FVTPL:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 202,005,397	P 190,596,989
Change in fair value (<i>see Note 25</i>)	22,466,965	13,226,327
Unrealized foreign gain (loss)	<u>9,084,251</u>	<u>(1,817,919)</u>
Balance at end of year	<u>P 233,556,613</u>	<u>P 202,005,397</u>

Unrealized gain on financial assets at FVTPL amounting to P22.5 million and P13.2 million is recognized in 2024 and 2023, respectively (*see Note 25*).

The Parent Company's financial assets at FVTPL as at December 31, 2024 and 2023 are carried at fair values based on sources classified under the Level 1 category. The fair values of financial assets at FVTPL are based on quoted market prices or bidding dealer price quotations from active market as at their reporting date.

7. TRADE AND OTHER RECEIVABLES

This account consists of:

	2024	2023
Trade:		
Third party	P 1,540,180,825	P 1,392,381,361
Related parties (<i>see Note 19</i>)	<u>766,090,827</u>	<u>625,176,557</u>
	2,306,271,652	2,017,557,918
Less: Allowance for expected credit losses	<u>142,386,742</u>	<u>125,574,171</u>
Net	2,163,884,910	1,891,983,747
Advances to subsidiary (<i>see Note 19</i>)	998,351,550	998,351,550
Advances to suppliers and contractors – current (<i>see Note 13</i>)	78,858,281	23,703,269
Advances to officers – current (<i>see Notes 13 and 19</i>)	24,595,030	27,003,676
Advances to employees – current (<i>see Note 13</i>)	11,677,728	7,418,570
Others	<u>34,266,916</u>	<u>30,255,740</u>
	<u>P 3,311,634,415</u>	<u>P 2,978,716,552</u>

Trade receivables are unsecured, noninterest-bearing and generally have credit terms of 120 days (*see Note 4*). The terms and conditions relating to related party receivables are further discussed in Note 19.

Advances to subsidiary refer to advances made by the Parent Company to its wholly owned subsidiary, CaféFrance Corp. (CaféFrance). The Parent Company received gift checks from CaféFrance in exchange for the interest arising from the advances to the latter amounting to P2.3 million in 2024 and P2.1 million in 2023 (*see Note 27*).

Advances to suppliers and contractors represent various partial payments for the purchase orders of materials and packaging supplies. Advances to contractors pertain to payment of partial cost of contract to renovate leased stores and branches. The amounts that are expected to be applied against the actual construction cost within 12 months are recognized under other current assets. The remaining amount to be amortized is recognized under other noncurrent assets (*see Note 13*).

Advances to officers and employees pertain to housing, car, salary and other loans granted to the Parent Company's officers and employees which are collectible through salary deduction. These are interest-bearing and have various maturity dates from 2023 to 2026. Interest income earned from these advances amounted to P1.1 million and P0.9 million in 2024 and 2023, respectively (*see Note 27*).

Other receivables pertain to receivables from SSS and other receivables from CaféFrance (*see Note 19*).



The following are the movements of allowance for expected credit losses:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 125,574,171	P 122,760,185
Provision (see Note 24)	<u>16,812,571</u>	<u>2,813,986</u>
Balance at end of year	<u>P 142,386,742</u>	<u>P 125,574,171</u>

The carrying amounts of trade and other receivables approximate their fair values due to their short- term maturities.

No receivables were used as collateral to any of the Parent Company's liabilities in 2024 and 2023.

8. INVENTORIES

This account consists of:

	<u>2024</u>	<u>2023</u>
Raw materials	P 693,100,473	P 645,351,328
Finished goods	553,316,517	574,269,466
Merchandise inventory	<u>254,356,118</u>	<u>229,188,392</u>
	<u>P 1,500,773,108</u>	<u>P 1,448,809,186</u>

Cost of inventories as at December 31, 2024 and 2023 is lower than its NRV. Hence, there were no write-down of inventories in both years. Cost of inventories sold amounted to P1,678.5 million and P1,482.2 million in 2024 and 2023, respectively (see Note 21).

No inventories were pledged to any of the Parent Company's liabilities as at December 31, 2024 and 2023.



9. OTHER CURRENT ASSETS

This account consists of:

	2024	2023
Creditable withholding VAT	P 9,584,539	P 9,584,539
Current portion of bidders and performance bonds (see Note 13)	9,369,943	9,281,459
Current portion of prepaid marketing and development expense (see Note 13)	7,679,177	8,716,027
Current portion of deferred input VAT (see Note 13)	5,799,114	5,267,363
Prepaid insurance	146,362	537,000
Input VAT	-	183,312,857
	<u>P 32,579,135</u>	<u>P 216,699,245</u>

Creditable withholding VAT (CVAT) refers to deductions made by the government from their payments for sales of goods and are creditable from VAT output tax, upon submission of the relative Certificate of Withholding VAT from these customers.

Bidders and performance bond refers to cash bonds deposited with customers as required by its bidding procedures. Bidders bond are withdrawable within thirty (30) days from completion of bidding, while performance bonds are withdrawable within six (6) to twenty-four (24) months from completion of sales contracts. The amounts that are withdrawable in the next twelve (12) months are recognized under other current assets. The remaining amount is recognized under other noncurrent assets (see Note 13).

Prepaid marketing and development expense refers to payments made to client hospitals of the Parent Company as stipulated on long-term sales contracts ranging from three (3) to ten (10) years. These payments cover the client hospitals' marketing development expense to promote the use of the Parent Company's products during the contract period. The amounts that are to be amortized in the next twelve (12) months are recognized under other current assets. The remaining amount to be amortized is recognized under other noncurrent assets (see Note 13).

Deferred input VAT arises from purchases of capital goods above P1.0 million. This is amortized for a period of five years or over the useful life of the asset purchased, whichever is shorter. The amounts that are to be amortized in the next twelve (12) months are recognized under "Other current assets".

Input VAT is a tax imposed on purchases of goods and services. These are available for offset against output VAT in future periods.

The Parent Company evaluated whether there is any indications of impairment on other current assets. Based on management's evaluation, no impairment losses were identified as at December 31, 2024 and 2023.



10. INVESTMENT IN SUBSIDIARIES

The following are the investment in subsidiaries accounted for at cost:

	<u>2024</u>	<u>2023</u>
CafeFrance Corp. (CafeFrance) – 100% owned	P 1,000,000,000	P 1,000,000,000
Hemotek Rental Center, Inc. (Hemotek) – 100% owned	<u>250,000,000</u>	<u>250,000,000</u>
	<u>P 1,250,000,000</u>	<u>P 1,250,000,000</u>

Investment in CaféFrance

CafeFrance is a wholly owned subsidiary incorporated on August 24, 2010 with its principal place of business located at United Nations Avenue, Manila. The wholly-owned subsidiary is primarily involved in development and operation of Quick Service Restaurants (QSR) doing business under the name and style of "CaféFrance" "Café TiAmo", "Flavours of China", "Tempura Japanese Grill", "Holy Cow, Steak Ranch and American Grill", "Karate Kid", and "Congo Grille".

The Parent Company carries the investment in CaféFrance in its books at cost.

Summarized financial information of CaféFrance with respect to the Parent Company's investments are set out below:

	<u>2024</u>	<u>2023</u>
Total assets	P 2,397,583,092	P 2,304,838,321
Total liabilities	1,113,303,675	1,277,262,425
Net assets	1,284,279,417	1,027,575,896

Investment in Hemotek

Hemotek is a wholly owned subsidiary incorporated on June 11, 2008 with its principal place of business located at United Nations Avenue, Manila. The wholly-owned subsidiary is principally involved in operating medical centers that provide renal and other health care services.

The Parent Company carries the investment in Hemotek in its books at cost.

Summarized financial information of Hemotek with respect to the Parent Company's investments are set out below:

	<u>2024</u>	<u>2023</u>
Total assets	P 1,252,170,076	P 1,115,661,937
Total liabilities	958,335,362	829,824,244
Net assets	293,834,714	285,837,693

11. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

	2023	Additions	Disposals	2024
Cost:				
Machineries and equipment	P 4,479,127,382	P 45,901,364	P -	P 4,525,028,746
Building and leasehold improvements	1,223,228,050	11,364,649	-	1,234,592,699
Land and improvements	173,340,563	-	(6,568,767)	166,771,796
Laboratory and office equipment and improvements	332,855,714	8,896,866	-	341,752,580
Transportation equipment	22,497,852	-	(666,816)	21,831,036
	<u>P 6,231,049,561</u>	<u>P 66,162,879</u>	<u>(P 7,235,583)</u>	<u>P 6,289,976,857</u>
Less:				
Accumulated depreciation				
Machineries and equipment	P 2,676,770,097	P 74,695,725	P -	P 2,751,465,822
Building and leasehold improvements	403,229,641	38,439,963	-	441,669,604
Land and improvements	23,202,104	163,061	-	23,365,165
Laboratory and office equipment and improvements	244,712,297	15,414,070	-	260,126,367
Transportation equipment	19,259,833	587,099	(548,807)	19,298,125
	<u>P 3,367,173,972</u>	<u>P 129,299,918</u>	<u>(P 548,807)</u>	<u>P 3,495,925,083</u>
	<u>P 2,863,875,589</u>			<u>P 2,794,051,774</u>
	2022	Additions	Disposals	2023
Cost:				
Machineries and equipment	P 4,453,052,521	P 26,074,861	P -	P 4,479,127,382
Building and leasehold improvements	1,178,942,248	44,285,802	-	1,223,228,050
Land and improvements	131,826,289	41,514,274	-	173,340,563
Laboratory and office equipment and improvements	324,260,205	8,595,509	-	332,855,714
Transportation equipment	22,497,852	-	-	22,497,852
	<u>P 6,110,579,115</u>	<u>P 120,470,446</u>	<u>P -</u>	<u>P 6,231,049,561</u>
Less:				
Accumulated depreciation				
Machineries and equipment	P 2,603,378,115	P 73,391,982	P -	P 2,676,770,097
Building and leasehold improvements	366,214,692	37,014,949	-	403,229,641
Land and improvements	23,039,043	163,061	-	23,202,104
Laboratory and office equipment and improvements	229,800,140	14,912,157	-	244,712,297
Transportation equipment	18,622,722	637,111	-	19,259,833
	<u>P 3,241,054,712</u>	<u>P 126,119,260</u>	<u>P -</u>	<u>P 3,367,173,972</u>
	<u>P 2,869,524,403</u>			<u>P 2,863,875,589</u>

The depreciation on property, plant and equipment are charged to the following:

	<u>2024</u>	<u>2023</u>
Cost of goods manufactured and sold (<i>see Note 22</i>)	P 92,009,421	P 90,102,264
Selling and distribution expenses (<i>see Note 23</i>)	32,653,485	31,071,626
General and administrative expenses (<i>see Note 24</i>)	<u>4,637,012</u>	<u>4,945,370</u>
	<u>P 129,299,918</u>	<u>P 126,119,260</u>

In 2024, the Parent Company sold parcels of land from Ibaan, Batangas and transportation equipment with book values amounting to P6.6 million and P0.1 million, respectively. The proceeds from this sale amounted to P43.1 million resulting to gain on sale of property and equipment amounted to P36.5 million (*see Note 27*).

There were no capitalizable interest for the years ended December 31, 2024 and 2023.

The property, plant and equipment pledged as security for liabilities in 2024 and 2023 are disclosed in Note 16.

Management believes that there is no indication that an impairment loss has occurred during the year. The carrying values of the property, plant and equipment approximate their fair values.

12. INTANGIBLE ASSETS

This account consists of trademark and licenses amounting to P268,042,694 as at December 31, 2024 and 2023.

In 2016, the Parent Company acquired the trade name "Dr. Edwards" from Antech and the entire products manufactured under the trade name. Trademarks and licenses pertain to the international trademarks (a) Lidex®; (b) Lidemol®; (c) Synelar®; and (d) Dobutrex® which the Parent Company acquired from Stiefel Laboratories, Inc. and Glaxosmithkline Philippines, Inc. in 2011.

The balance of trademarks and licenses amounted to P268.13 million as at December 31, 2024 and 2023.

Patents and rights are carried at cost and amortized over a period of twenty (20) years. The Parent Company has registered trade names and trademarks with the Department of Trade - Bureau of Patents, Trademarks and Technology (BPTT).



Movement of patents and rights account as at December 31, 2024 and 2023 are as follows:

	2024	2023
Cost	P 3,605,080	P 3,605,080
Less: Accumulated amortization	<u>3,605,080</u>	<u>3,605,080</u>
Balance at end of year	<u>P -</u>	<u>P -</u>

The Parent Company assessed its intangible assets whether there is any indications of impairment. Based on management's evaluation, no impairment losses identified as at December 31, 2024 and 2023.

13. OTHER NON-CURRENT ASSETS

This account consists of:

	2024	2023
Prepaid marketing and development expense net of current portion (see Note 9)	P 12,645,940	P 21,069,450
Advances to suppliers and contractors - net of current portion (see Note 7)	35,399,423	35,442,737
Deferred input VAT - net of current portion (see Note 9)	3,583,572	9,382,687
Bidders and performance bonds - net of current portion (see Note 9)	14,054,915	13,677,874
Advances to officers - net of current portion (see Notes 7 and 19)	27,952,614	10,950,416
Advances to employees - net of current portion (see Note 7)	2,319,658	3,292,891
Investment in club shares	<u>200,000</u>	<u>200,000</u>
	<u>P 96,156,122</u>	<u>P 94,016,055</u>

Investment in club shares represents the Parent Company's investment in Casino Español de Manila (CEdM) shares. The Parent Company's investment in club shares is classified as equity instrument designated at fair value through OCI as at December 31, 2024 and 2023.

No impairment loss was recognized in 2024 and 2023.

The carrying values of other noncurrent assets approximate their fair values.

14. TRADE AND OTHER PAYABLES

This account consists of:

	<u>2024</u>	<u>2023</u>
Trade		
Third party	P 331,442,144	P 450,437,958
Accrued expenses	39,896,238	31,937,241
Payable to government agencies	<u>47,853,238</u>	<u>26,382,782</u>
	<u>P 419,191,620</u>	<u>P 508,757,981</u>

Trade payables pertain to payables to third parties. These are unsecured and noninterest-bearing and are normally settled in 30 to 90 days. This account represents payables arising mainly from purchases of inventories.

Accrued expenses pertain to accrual of employee benefits, repairs and maintenance, utilities and other operating related expenses. These are unsecured and noninterest-bearing and are normally settled in 30 days.

Payable to government agencies includes deferred output vat, withholding taxes, and mandatory contributions and loan payment to the Social Security System (SSS), Philhealth Insurance Corporation (PHIC) and Home Development Mutual Fund (HDMF) which are normally settled in the subsequent month.

The carrying values of trade and other payables approximate their fair values.

15. NOTES PAYABLE

This account pertains to the Parent Company's Omnibus Credit lines with an aggregate amount of about P4.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollar), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). The Parent Company's various obligations are secured by the Surety of a Company's key management officer. Availments are for a period of 180 to 360 days, with interest payable monthly or every 60 to 90 days in arrears at prevailing bank loan rates.

The movements in this account are as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 2,335,000,000	P 2,196,202,691
Availments	2,807,268,320	3,011,000,000
Repayments	<u>(2,836,268,320)</u>	<u>(2,872,202,691)</u>
Balance at end of year	<u>P 2,306,000,000</u>	<u>P 2,335,000,000</u>

Notes payables are unsecured and peso-denominated bank loans which bear interest rate ranging from 5.0% to 9.8% per annum in 2024 and 2023.

Interest expense incurred in 2024 and 2023 amounted to P143.6 million and P156.2 million, respectively (see Note 26).

16. LOANS PAYABLE

This account pertains to various loans availed by the Parent Company from local banks. Principals are payable quarterly while the interests are payable monthly up to maturity date that varies from three (3) to ten (10) years from availment date.

Loans payable is presented in the statements of financial position as follows:

	2024	2023
Current	P 273,616,666	P 209,750,000
Non-current	<u>736,468,751</u>	<u>666,908,333</u>
	<u>P 1,010,085,417</u>	<u>P 876,658,333</u>

The movements in this account are as follows:

	2024	2023
Balance at beginning of year	P 876,658,333	P 752,293,407
Availments	159,975,000	309,700,000
Repayments	<u>(26,547,916)</u>	<u>(185,335,074)</u>
Balance at end of year	<u>P 1,010,085,417</u>	<u>P 876,658,333</u>

The loans are collateralized by a mortgage on land with an area of 36,314 square meters in Cavite; building and improvements on land; and machineries consisting of three production lines. Details of fair value of property, plant and equipment pledged as security to these loans are as follows:

	2024	2023
Land	P 446,662,000	P 446,662,000
Building and improvements	156,746,000	156,746,000
Machineries and equipment	<u>1,974,357,300</u>	<u>1,974,357,300</u>
	<u>P 2,577,765,300</u>	<u>P 2,577,765,300</u>

Property, plant and equipment are stated at their fair values which were appraised by an accredited external appraiser.

The Company is not subject to restrictions with its existing loans.

Long-term loans bear interest rates ranging from 4.8% to 8.5% in 2024 and 2023 that will mature on various dates starting in 2025 through 2034. These loans are subject to interest repricing periodically.

Year	Description	Interest rates	Within 1 year	More than 1 year but less than 3 years	More than 3 years	Total
2024	Term loans	4.8% to 8.5%	P 273,616,667	P 595,218,750	P 141,250,000	P 1,010,085,417
2023	Term loans	4.8% to 8.5%	P 209,750,000	P 576,908,333	P 90,000,000	P 876,658,333

Interest expense incurred in 2024 and 2023 amounted to P97.0 million and P55.8 million, respectively (see Note 26).

17. TRUST RECEIPTS PAYABLE

This account pertains to trust receipts availed by the Parent Company from various local banks in connection with its importation of raw materials, bearing interest rates from 5.8% to 9.0% and 4.8% to 8.5% per annum in 2024 and 2023, respectively. This is part of the availments from Omnibus Credit lines of various commercial banks.

Credit lines provide for (a) no margin deposits at opening of letters of credit; (b) foreign exchange conversion at prevailing bank rate; and (c) trust receipts available up to 180 days with interest payable monthly or every 30 to 90 days in arrears at prevailing bank loan rate.

As at December 31, 2024 and 2023, outstanding trust receipts payable amounted to P498.7 million and P407.7 million, respectively.

Interest expense incurred in 2024 and 2023 amounted to P34.2 million and P26.7 million, respectively (see Note 26).

18. EQUITY

Capital Stock

Capital stock consists of:

	Number of shares	Amount
Common stock – P1 par value		
Authorized	5,000,000,000	P 5,000,000,000
Issued and outstanding	4,112,140,540	P 4,112,140,540

Total shares registered and outstanding as at December 31, 2024 and 2023 is 4,112.1 million. These shares are held by 540 and 541 stockholders as at December 31, 2024 and 2023, respectively. There have been no recent changes in the number of shares issued and outstanding. Details of the Parent Company's common shares registration are as follows:

	<u>Authorized shares</u>	<u>Number of shares</u>	<u>Issued offer price</u>
1988	1,200,000	300,000	P 100
1994	18,800,000	4,700,000	100
1997	-	200,000	100
1999	1,980,000,000	594,800,000	1
August 5, 1999	600,000,000	600,000,000	1
March 29, 2001	1,200,000,000	300,000,000	1
December 28, 2001	-	225,000,000	1
December 26, 2002	-	275,000,000	1
December 15, 2003	-	200,000,000	1
December 20, 2004	-	220,000,000	1
December 21, 2006	-	242,000,000	1
July 24, 2007	-	266,200,000	1
December 19, 2007	-	292,820,000	1
December 17, 2008	-	322,102,000	1
September 6, 2010	1,200,000,000	300,000,000	1
April 12, 2011	-	269,018,540	1
	<u>5,000,000,000</u>	<u>4,112,140,540</u>	

Additional Paid-in Capital

Additional paid-in capital consists of amount received in excess of the par value of the shares issued, net of directly attributable transaction costs on the initial public offering.

Dividend Declaration

In the meeting held on October 29, 2024, the Parent Company's BOD approved the declaration of cash dividends of P0.06 per share equivalent to P246.7 million from unrestricted retained earnings as of December 31, 2023 to all shareholders of record as of November 15, 2024, payable on December 2, 2024.

In the meeting held on October 24, 2023, the Parent Company's BOD approved the declaration of cash dividends of P0.035 per share equivalent to P143.9 million from unrestricted retained earnings as of December 31, 2022 to all shareholders of record as of November 10, 2023, payable on November 28, 2023.

Prior Period Adjustment

During the year, the Company identified a prior period adjustment related to input VAT amounting to P57,874,585, which pertains to exempt sales disallowed by the Bureau of Internal Revenue during their examination. The disallowance of the exempt sales occurred in previous years, but the error was considered immaterial to the financial statements for those years.

In accordance with PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company opted not to restate the prior year financial statements, as the amount is not considered significant to the financial position or performance of those periods. Instead, the Company has charged the adjustment in the opening balance of retained earnings as at January 1, 2024. As a result, the opening balance of retained earnings as at January 1, 2024 was adjusted by P57,874,585.

The affected accounts are presented as follows:

	Opening balance	Adjustments	Adjusted Balance
Statement of Financial Position	P 216,699,245	(P 57,874,585)	P 158,824,660
Other current assets			
Statement of changes in equity			
Retained earnings	1,623,406,617	(57,874,585)	1,565,532,032

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, controlled by, or under common control with the Parent Company; (b) subsidiaries; (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that give them significant influence over the Parent Company and close members of the family of any such individual; and (d) other related parties.

	Year	Classification	Terms and Condition	Allowance for expected credit losses for the year	Amount of the transaction (in millions)	Outstanding balances
(a) Parent Company US Automotive Co., Inc.	2024	Rental and light and water under General and Administrative expenses (Note 24)	Lease term is for 1 year period and renewable annually upon mutual agreement	none	P 28.9	P -
	2023			none	29.3	-
	2024	Dividends paid (Note 18)	Paid in cash, noninterest-bearing	none	144.1	-
	2023			none	84.1	-
(b) Wholly Owned Subsidiaries Hemotek Renal Center, Inc.	2024	Trade receivable and sales (Notes 7 and 20)	Unsecured, noninterest bearing, 30 to 120 days term, receivable in cash no guarantees	none	143.0	755.8
	2023			none	83.6	614.8
CaféFrance Corp.	2024	Trade receivable and sales (Notes 7 and 20)	Unsecured, noninterest bearing no term payable in cash no guarantees	none	1.3	10.3
	2023			none	1.6	10.4
	2024	Advances to subsidiary (Note 7)	Unsecured, 1% interest bearing interest to be settled with gift certificates, principal to be settled in cash	none	-	998.4
	2023			none	-	998.4

	Year	Classification	Terms and Condition	Allowance for expected credit losses for the year	Amount of the transaction (in millions)	Outstanding balances
(c) Other Related Parties	2024	Interest income (Note 27)		none	2.3	-
	2023			none	2.1	1.1
	2024	Other receivable and rental income (Notes 7 and 27)	Unsecured, noninterest-bearing, no term receivable in cash, no guarantees	none	-	7.4
	2023			none	-	7.4
	2024	Cash in bank (Note 5)	Earn interest at the prevailing bank deposit rates, unimpaired	none	298.4	298.4
	2023			none	292.3	292.3
	2024	Interest income (Note 25)		none	2.2	-
	2023			none	0.4	-
	2024	Trade payables, marketing and development expense (Notes 14 and 23)	Unsecured, noninterest bearing, no term, payable in cash, no guarantees	none	0.6	-
	2023			none	0.6	0.1
Manila Hotel Corporation	2024	Miscellaneous expense under Selling and Distribution Expense (Note 23)	Unsecured, noninterest bearing, 30 days term, payable in cash, no guarantees	none	2.5	-
	2023			none	.02	-
Manila Prime Land Holdings Inc.	2024	Lease (Note 32)	Unsecured, noninterest bearing, 30 days term, payable in cash, no guarantee	none	3.0	-
	2023			none	3.0	-
(c) Key Management Personnel Director and Officer	2024	Advances to Officers (Notes 7 and 13)	Unsecured, interest bearing, receivable through salary	none	13.4	52.5
	2023			none	(3.7)	38.0

Other related parties are entities that are owned and controlled by the major shareholders of the Parent Company and neither a subsidiary nor an associate of the Parent Company.

Significant related party transactions include the following:

Identification	Nature of Relationship	Business Purpose of Arrangement	On-going Contractual or Other Commitment
US Automotive Co., Inc.	Ultimate Parent Company	Lease of principal office	Lease contract (Note 32)
		Dividends paid	No contract
Hemotek Renal Center, Inc.	Wholly-owned subsidiary	Sale of pharmaceutical products	No contract
CaféFrance Corp.	Wholly-owned subsidiary	Sale of bottled water products	No contract
		Working capital advances	No contract
Phil. Trust Company	Other related parties under common control of certain major stockholders	Engaged in regular bank transaction	No contract
Manila Bulletin Publishing Corporation	Other related parties under common control of certain major stockholders	Availment of hotel services	No contract
Manila Prime Holdings, Inc.	Other related parties under common control of certain major stockholders	Rental of warehouse	Lease contract (Note 32)
Director and Officer	Key Management personnel/ stockholders	Advances which include salary and emergency loans payable within a year through salary deduction	No contract

Transactions with related parties were made at normal market prices. An assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Transactions with related parties have been fairly evaluated since the Parent Company treated it same with the transactions to third parties.

There are no parties that fall outside the definition of "related parties" with whom the Parent Company or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties at an arm's length basis.

Compensation of Key Management Personnel

The summary of compensation of key management personnel of the Parent Company are as follows:

	2024	2023
Salaries and wages	P 28,494,160	P 28,036,678
Other annual compensation	3,139,730	3,211,882
	<u>P 31,633,890</u>	<u>P 31,248,560</u>

20. NET SALES

This account consists of:

	2024	2023
Sales	P 4,415,209,820	P 4,049,516,540
Sales discount	(7,581,183)	(9,324,721)
Sales return	(10,090,890)	(8,001,770)
	<u>P 4,397,537,747</u>	<u>P 4,032,190,049</u>

The table below disaggregate the Parent Company's revenue by geographical markets:

	2024	2023
Local sales	P 4,063,180,184	P 3,762,284,976
Export Sales		
ASEAN	215,557,708	182,430,175
Other Asian Countries	2,374,692	15,053,434
Others	<u>116,425,163</u>	<u>72,421,464</u>
	<u>P 4,397,537,747</u>	<u>P 4,032,190,049</u>

21. COST OF GOODS MANUFACTURED AND SOLD

This account consists of:

	<u>2024</u>	<u>2023</u>
Cost of goods manufactured		
Direct materials	P 1,211,031,278	P 1,097,449,148
Direct labor (see Note 30)	199,906,699	162,665,870
Manufacturing overhead (see Note 22)	920,428,899	865,124,963
Total manufacturing cost	<u>2,331,366,876</u>	<u>2,125,239,981</u>
Add finished goods,		
beginning (see Note 8)	574,269,466	576,052,498
Good available for sale	<u>2,905,636,342</u>	<u>2,701,292,479</u>
Less finished goods,		
ending (see Note 8)	<u>553,316,517</u>	<u>574,269,466</u>
	<u>2,352,319,825</u>	<u>2,127,023,013</u>
Merchandise inventory:		
Merchandise inventory, beginning (see Note 8)	229,188,392	148,890,590
Add purchases	471,722,576	463,305,505
Goods available for sale	<u>700,910,968</u>	<u>612,196,095</u>
Less merchandise inventory,		
ending (see Note 8)	<u>254,356,118</u>	<u>229,188,392</u>
	<u>446,554,850</u>	<u>383,007,703</u>
	<u>P 2,798,874,675</u>	<u>P 2,510,030,716</u>

The details of direct materials are presented below:

	<u>2024</u>	<u>2023</u>
Raw materials, beginning	P 645,351,328	P 589,638,072
Add purchases	1,258,780,423	1,153,162,404
Raw materials available for use	<u>1,904,131,751</u>	<u>1,742,800,476</u>
Less raw materials, ending (see Note 8)	<u>693,100,473</u>	<u>645,351,328</u>
	<u>P 1,211,031,278</u>	<u>P 1,097,449,148</u>

22. MANUFACTURING OVERHEAD

This account consists of:

	<u>2024</u>	<u>2023</u>
Repairs and maintenance	P 248,614,298	P 228,872,233
Gas and oil	174,752,686	182,518,267
Light and water	156,068,006	141,764,041
Personnel expenses (see Note 30)	145,682,445	123,615,739
Depreciation (see Note 11)	92,009,421	90,102,264
Laboratory supplies	35,227,190	37,336,988
Production supplies	25,246,224	18,866,983
Transportation and travel	16,835,017	15,469,618
Rental (see Note 32)	4,628,429	4,508,745
Insurance	4,460,630	4,832,292
Security services	4,273,932	3,439,156
Representation and entertainment	3,903,035	5,351,955
Taxes and licenses (see Note 38)	3,300,375	3,261,588
Office and warehouse supplies	1,815,573	1,064,229
Research and development (see Note 29)	1,765,747	2,364,999
Security agency fee	423,793	411,518
Postage, telephone and telegram	409,517	289,434
Professional fees	339,733	352,967
Miscellaneous	672,848	701,947
	<u>P 920,428,899</u>	<u>P 865,124,963</u>

Expenses included under miscellaneous pertain to other cost of goods manufactured, the individual amount of which are immaterial and below 1 percent of the Parent Company's total manufacturing overhead.

23. SELLING AND DISTRIBUTION EXPENSES

This account consists of:

	2024	2023
Delivery expense	P 280,938,275	P 256,418,181
Personnel expenses (see Note 30)	158,067,473	145,392,807
Marketing and development expense (see Notes 9 and 13)	106,108,118	130,971,931
Transportation and travel	62,567,649	65,051,929
Depreciation of property, plant and equipment (see Note 11)	32,653,485	31,071,626
Taxes and licenses (see Note 38)	24,775,091	23,427,455
Training and seminars	22,384,590	4,386,138
Depreciation of ROU assets (see Note 32)	16,894,635	16,232,301
Representation and entertainment	13,889,744	24,449,053
Repairs and maintenance	6,433,562	9,872,681
Insurance	5,252,271	4,878,422
Light and water	5,126,861	5,502,809
Postage and telephone	3,262,495	3,121,962
Gas and oil	2,890,371	3,312,408
Office and warehouse supplies	2,487,141	2,594,465
Rentals (see Note 32)	1,117,329	3,925,575
Miscellaneous	18,690,700	15,266,896
	<u>P 763,539,790</u>	<u>P 745,876,639</u>

Miscellaneous expenses include security guard salaries and agency fees, bank charges, interest on lease liabilities and other marketing and distribution expenses.

24. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	2024	2023
Personnel expense (<i>see Note 30</i>)	P 46,076,382	P 40,834,333
Professional fees	21,886,793	20,535,457
Taxes and licenses (<i>see Note 38</i>)	20,973,615	15,645,020
Rentals (<i>see Note 32</i>)	20,679,583	20,679,583
Provision for expected credit losses (<i>see Note 7</i>)	16,812,571	2,813,986
Representation and entertainment	15,369,298	11,872,929
Communication, light and water	9,236,431	9,904,017
Transportation and travel	8,546,123	6,081,729
Depreciation (<i>see Note 11</i>)	4,637,012	4,945,370
Office supplies	4,559,369	3,564,137
Repair and maintenance	3,327,207	932,166
Bank charges	2,134,414	1,888,559
Gas and oil	2,000,370	2,237,775
Insurance	1,184,382	1,065,736
Subscription dues	353,911	410,006
Miscellaneous	16,059,077	12,139,149
	<u>P 193,836,538</u>	<u>P 155,549,952</u>

Miscellaneous expenses consists mostly of allocable input VAT, employers' share on maternity benefits, advertising, donations and other miscellaneous expenses

25. OTHER INCOME (EXPENSE)

This account consists of:

	2024	2023
Unrealized gain on financial assets at FVTPL (<i>see Note 6</i>)	P 22,466,965	P 13,226,327
Interest income (<i>see Note 5</i>)	2,410,272	707,238
Realized gain (loss) on foreign exchange - net	3,746,247	(2,502,706)
Unrealized gain on foreign exchange - net	9,592,453	4,164,579
Interest expense (<i>see Note 26</i>)	(274,807,177)	(239,036,250)
Miscellaneous income (<i>see Note 27</i>)	40,333,451	5,193,159
Miscellaneous expenses (<i>see Note 28</i>)	(11,583,572)	(10,001,970)
	<u>(P 207,841,361)</u>	<u>(P 228,249,623)</u>



26. INTEREST EXPENSE

This account consists of:

	<u>2024</u>	<u>2023</u>
Notes and loan payable (see Notes 15 and 16)	P 240,611,258	P 212,305,285
Trust receipts payable (see Note 17)	<u>34,195,919</u>	<u>26,730,965</u>
	<u>P 274,807,177</u>	<u>P 239,036,250</u>

27. MISCELLANEOUS INCOME

This account consists of:

	<u>2024</u>	<u>2023</u>
Gain on sale of property and equipment (see Note 11)	P 36,452,279	P -
Interest income on advances to subsidiary (see Note 7)	2,272,200	2,133,500
Interest on employees' advances for car/housing loan (see Note 7)	1,072,788	870,491
Scrap sales and other income	<u>536,184</u>	<u>2,189,168</u>
	<u>P 40,333,451</u>	<u>P 5,193,159</u>

28. MISCELLANEOUS EXPENSE

This account consists of penalty on deficiency tax assessments of BIR paid in 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Basic tax	P 10,307,073	P 8,482,607
Interest and surcharges		
Taxable year 2023	625,083	-
Taxable year 2022	561,416	1,519,363
Compromise		
Taxable year 2023	25,000	-
Taxable year 2022	<u>65,000</u>	<u>-</u>
	<u>P 11,583,572</u>	<u>P 10,001,970</u>

29. RESEARCH AND DEVELOPMENT COST

This account consists of materials, research cost, laboratory supplies, and salary of development staff to test new formulations amounting to P1.8 million and P2.4 million in 2024 and 2023, respectively, and is presented under manufacturing overhead in statements of comprehensive income (see Note 22).



30. PERSONNEL EXPENSES

Personnel expenses presented under cost of sales account is as follows (see Notes 21 and 22):

	<u>2024</u>	<u>2023</u>
Salaries and wages	P 289,820,718	P 235,809,219
Retirement benefit cost (see Note 31)	12,140,696	11,453,291
Other employee benefits	<u>43,627,730</u>	<u>39,019,099</u>
	<u>P 345,589,144</u>	<u>P 286,281,609</u>

Personnel expenses presented under selling and distributions, and general and administrative expenses account is as follows (see Notes 23 and 24):

	<u>2024</u>	<u>2023</u>
Salaries and wages	P 176,020,746	P 160,835,729
Retirement benefit cost (see Note 31)	13,468,874	12,952,594
Other employee benefits	<u>14,654,235</u>	<u>12,438,817</u>
	<u>P 204,143,855</u>	<u>P 186,227,140</u>

31. RETIREMENT BENEFITS

The Parent Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its qualified regular employees. The retirement benefit is based on a certain percentage of final monthly basic salary for every year of credited service of the employees. The benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees under the Parent Company's defined benefit retirement plan meet the minimum mandated benefit under R.A. No. 7641. Retirement benefit liability is based on the actuarial valuation report as at December 31, 2024.

The components of retirement benefit costs included under "Personnel expenses" account (see Note 30) in the statements of comprehensive income are as follows:

	<u>2024</u>	<u>2023</u>
Current service cost	P 15,949,343	P 14,131,815
Net interest cost	<u>9,660,227</u>	<u>10,274,070</u>
	<u>P 25,609,570</u>	<u>P 24,405,885</u>



Retirement benefit costs is distributed as follows:

	2024	2023
Cost of sales (see Note 30)	P 12,140,696	P 11,453,291
Selling and distribution expenses (see Note 30)	9,901,446	9,455,202
General and administrative expenses (see Note 30)	3,567,428	3,497,392
	<u>P 25,609,570</u>	<u>P 24,405,885</u>

Movements in retirement liability recognized in the statements of financial position are as follows:

	2024	2023
Balance at beginning of year	P 226,934,056	P 207,359,998
Amount recognized in profit or loss	25,609,570	24,405,885
Amount recognized in OCI	(5,377,014)	10,974,721
Benefit paid	(7,802,123)	(15,806,548)
	<u>P 239,364,489</u>	<u>P 226,934,056</u>

The movements in the present value of the obligation are presented below:

	2024	2023
Balance at beginning of year	P 226,934,056	P 207,359,998
Current service cost	15,949,343	14,131,815
Interest cost	9,660,227	10,274,070
Remeasurement losses (gains) recognized in OCI		
Experience adjustments	(8,083,006)	1,129,675
Changes in financial assumptions	2,705,992	9,845,046
Benefits paid	(7,802,123)	(15,806,548)
Balance at end of year	<u>P 239,364,489</u>	<u>P 226,934,056</u>

The principal assumptions used in determining retirement liability are as follows:

	2024	2023
Discount rate	6.12%	6.07%
Future salary increase	5.00%	5.00%

Sensitivity analysis on net retirement liability as at December 31, 2024 and 2023 are as follows:

	2024		2023	
	Changes in rate	Effect on net retirement benefit liability	Changes in rate	Effect on net retirement benefit liability
Discount rate	+1.00%	P 230,615,565	+1.00%	P 219,019,513
	-1.00%	249,173,289	-1.00%	235,812,001
Salary rate	+1.00%	239,381,454	+1.00%	226,950,261
	-1.00%	239,347,524	-1.00%	226,917,852

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring as at the end of the reporting period.

Details of other comprehensive income (loss) in the statements of comprehensive income are as follows:

	2024	2023
Income at statutory income tax rate	(P 5,377,014)	P 10,974,721
Deferred tax for the period	<u>1,344,254</u>	<u>(2,743,680)</u>
	<u>(P 4,032,760)</u>	<u>P 8,231,041</u>

The cumulative remeasurement gains on net retirement benefit liability recognized in the other component equity is presented in Note 35.

The maturity analysis of the undiscounted net retirement benefit liability is as follows:

Plan Year	2024	2023
Less than one year	P 135,458,505	P 135,279,578
More than one year to five years	51,036,298	44,003,276
More than five years to ten years	88,416,887	82,594,643
More than ten years to fifteen years	118,562,533	105,913,898
More than fifteen years to twenty years	130,197,650	114,554,503
More than 20 years	<u>116,567,231</u>	<u>93,634,364</u>
	<u>P 640,239,104</u>	<u>P 575,980,262</u>

The average duration of the retirement benefit liability at the end of the reporting period is 6.91 years and 6.12 years in 2024 and 2023, respectively.

32. LEASE

The Parent Company as a Lessee

The Parent Company has lease contracts for various buildings where its warehouses or distributions centers, store branches, medical centers and office premises are located. Lease terms are generally between 1 year up to 10 years, renewable upon mutual agreements of both parties. The monthly fees are based on fixed rate subject to 4.0% to 10.0% escalation rate.

Prepaid rent is recognized as current or noncurrent asset depending on its expected reversal date. Security deposits will be applied against future lease payments in accordance with respective lease agreements.

Movements in right-of-use assets are presented below:

	2024	2023
Cost:		
Balance at beginning of year	P 58,510,959	P 57,048,434
Additions (see Note 36)	4,101,442	12,936,255
Derecognition	(1,336,574)	(11,473,730)
Balance at end of year	<u>61,275,827</u>	<u>58,510,959</u>
Accumulated depreciation:		
Balance at beginning of year	30,594,644	25,836,073
Depreciation of right-of-use assets (see Note 23)	16,894,635	16,232,301
Derecognition	(1,336,574)	(11,473,730)
Balance at end of year	<u>46,152,705</u>	<u>30,594,644</u>
	<u>P 15,123,122</u>	<u>P 27,916,315</u>

Movements in lease liabilities are presented below:

	2024	2023
Balance at beginning of year	P 29,512,484	P 32,915,600
Additions (see Note 36)	4,101,442	12,936,255
Accretion of interest (see Note 23)	1,055,569	1,024,527
Payments	(18,390,117)	(17,363,898)
	<u>16,279,378</u>	<u>29,512,484</u>
Less current portion	<u>12,871,909</u>	<u>15,688,143</u>
Non-current portion	<u>P 3,407,469</u>	<u>P 13,824,341</u>

Total cash outflows for the payment of lease liabilities amounted to P18.4 million and P17.4 million in 2024 and 2023, respectively (see Note 36).

The following are the amounts recognized in statements of comprehensive income:

	2024	2023
Rentals (see Notes 22, 23 and 24)	P 26,425,341	P 29,113,903
Depreciation of right-of-use assets (see Note 23)	16,894,635	16,232,301
Interest on lease liabilities (see Note 23)	1,055,569	1,024,527
	<u>P 44,375,545</u>	<u>P 46,370,731</u>

During the year, rentals account pertains to payments classified as short-term leases and leases of low-value assets.

Rental expenses are charged to the following:

	2024	2023
Cost of goods manufactured and sold (see Note 22)	P 4,628,429	P 4,508,745
Selling and distribution expenses (see Note 23)	1,117,329	3,925,575
General and administrative expenses (see Note 24)	20,679,583	20,679,583
	<u>P 26,426,341</u>	<u>P 29,113,903</u>

At year end, the Parent Company has outstanding commitments under noncancellable operating leases that fall due as follows:

	2024	2023
Within 1 year	P 42,663,840	P 45,825,364
Later than 1 year but within 5 years	3,407,469	13,824,341
	<u>P 46,071,309</u>	<u>P 59,649,705</u>

33. INCOME TAXES

The components of tax expense as reported in the profit or loss section of statements of comprehensive income are as follows:

	2024	2023
Current	P 105,772,042	P 109,560,688
Deferred	(7,188,058)	(7,217,409)
	<u>P 98,583,984</u>	<u>P 102,343,279</u>

The current provision for income tax in 2024 and 2023 represents the RCIT.

In 2024 and 2023, the Company opted to claim itemized deductions in computing for its income tax due.

The reconciliation of the tax computed at statutory tax rate to provision for income tax follow:

	2024	2023
Profit at statutory income tax rate	P 108,361,346	P 98,120,780
Profit tax effects of:		
Nondeductible representation and entertainment	2,793,597	5,378,247
Nondeductible interest expense	150,642	44,203
Nondeductible miscellaneous expense	2,599,268	2,283,442
Interest income subjected to final tax	(602,568)	(176,810)
Unrealized gain on financial assets at FVTPL	(5,616,742)	(3,306,583)
Gain on sale of land	(9,101,559)	-
	<u>P 98,583,984</u>	<u>P 102,343,279</u>

Change in tax rates

The President of the Republic of the Philippines signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems.

The implementation of CREATE act have reduced the MCIT rate from 2% to 1% of gross income effective July 1, 2020 until June 30, 2023. Starting July 1, 2023, MCIT rate returned to its original rate of 2%. Based on the provision of Revenue Memorandum Circular (RMC) No. 36-2024 dated March 11, 2024 issued by the BIR, the prorated MCIT rate for calendar year 2023 is 1.5%. The change in tax rate did not affect the Parent Company's tax expense as the Parent Company is subjected to RCIT.

The components of the Parent Company's net deferred tax assets account consist of tax consequences on the following:

	2024	2023
Allowance for expected credit losses	P 35,596,686	P 31,393,543
Retirement liability - retirement benefit obligation on P/L	51,228,230	46,776,369
Retirement liability - retirement benefit obligation on OCI	8,612,892	9,957,146
Net unrealized foreign exchange gain-net	(2,398,113)	(1,041,145)
Difference in taxation and PFRS for lease	<u>289,064</u>	<u>399,043</u>
	<u>P 93,328,759</u>	<u>P 87,484,956</u>

34. EARNINGS PER SHARE

Basic and diluted EPS based on net income are as follows:

	2024	2023
Net profit	P 334,861,399	P 290,139,840
Divided by weighted average number of issued and outstanding common shares	<u>4,112,140,540</u>	<u>4,112,140,540</u>
	<u>P 0.08</u>	<u>P 0.07</u>

Basic and diluted EPS based on total comprehensive income are as follows:

	2024	2023
Total comprehensive income	P 338,894,159	P 281,908,799
Divided by weighted average number of issued and outstanding common shares	<u>4,112,140,540</u>	<u>4,112,140,540</u>
	<u>P 0.08</u>	<u>P 0.07</u>

Diluted EPS is equal to the basic EPS since the Parent Company does not have potential dilutive shares.

35. OTHER COMPONENT OF EQUITY

This account pertains to cumulative comprehensive income (loss) recognized in the statements of comprehensive income. Comprehensive income (loss) consists of net income or loss for the year, together with other gains and losses that are not recognized in profit or loss for the year as required or permitted by PFRS Accounting Standards collectively described as Other comprehensive income (loss).

The cumulative remeasurement gains on net retirement benefit liability recognized in the statements of changes in equity are as follows:

	2024		
	Cumulative Remeasurement Gain on Retirement Benefit Liability	Deferred Tax Benefit (Expense) (Note 33)	Net
Balance at beginning of year	(P 39,828,585)	P 9,957,146	(P 29,871,439)
Remeasurement loss (Note 31)	<u>5,377,014</u>	<u>(1,344,254)</u>	<u>4,032,760</u>
Balance at end of year	<u>(P 34,451,571)</u>	<u>P 8,612,892</u>	<u>(P 25,838,679)</u>

	2023			
	Cumulative Remeasurement Gain on Retirement Benefit Liability		Deferred Tax Benefit (Expense) (Note 33)	
				Net
Balance at beginning of year	(P	28,853,864)	P	7,213,466 (P 21,640,398)
Remeasurement gain (Note 31)	(	10,974,721)		2,743,680 (8,231,041)
Balance at end of year	(P	39,828,585)	P	9,957,146 (P 29,871,439)

36. NOTES TO STATEMENTS OF CASH FLOWS

Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities:

	December 31, 2023	Cash flows	Adjustment	December 31, 2024
Trust receipts payable	P 407,707,584	P 91,026,780	P -	P 498,734,364
Notes payable	2,335,000,000	(29,000,000)	-	2,306,000,000
Loans payable	876,658,333	133,427,084	-	1,010,085,417
Lease liabilities	29,512,484	(18,390,117)	5,157,011	16,279,378
	<u>P3,648,878,401</u>	<u>P 177,063,747</u>	<u>P 5,157,011</u>	<u>P3,831,099,159</u>
	December 31, 2022	Cash flows	Adjustment	December 31, 2023
Trust receipts payable	P 213,294,729	P 194,412,855	P -	P 407,707,584
Notes payable	2,196,202,691	138,797,309	-	2,335,000,000
Loans payable	752,293,407	124,364,926	-	876,658,333
Lease liabilities	32,915,600	(17,363,898)	13,960,782	29,512,484
	<u>P3,194,706,427</u>	<u>P 440,211,192</u>	<u>P 13,960,782</u>	<u>P3,648,878,401</u>

Noncash Investing Activities

As at December 31, 2024 and 2023, the following are noncash transactions related to PRFS 16:

- Right-of-use assets of P4.1 million and P12.9 million were recognized in 2024 and 2023, respectively (see Note 32).
- Lease liabilities of P4.1 million and P12.9 million were recognized in 2024 and 2023, respectively (see Note 32).

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

No events occurred between the statements of financial position date and the date on which these financial statements were approved by the Company's Board of Directors that would require adjustments to or disclosure in the financial statements.

38. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 issued on November 25, 2010 are as follows:

a. Output Value-Added Tax (VAT)

Output VAT declared in the Parent Company's VAT returns are as follows:

	Net Sales/Receipts	Output VAT
Taxable Sales:		
Sale of goods	P 3,993,781,748	P 479,253,810
Zero-rated sales	336,510,320	-
Exempt Sales	53,833,716	-
	<u>P 4,384,125,784</u>	<u>P 479,253,810</u>

The Company declared output VAT amounting to P479,253,810 related to receipts from rendering of services amounting to P4,384,125,784 in 2024. The tax base is based on the Parent Company's gross receipts for the year, hence, may not be the same as the amounts of revenues reported in the 2024 statement of income.

The outstanding output VAT payable amounting to P26,573,789 as at December 31, 2024 and is presented as part of Trade and other payable accounts (see Note 14).

Zero-rated sales of goods consist of sales outside the country while exempt sales pertain to sales to Philippine Economic Zone Authority (PEZA) registered companies.



b. Input Value-Added Tax (VAT)

The amount of VAT input claimed follows:

Balance at beginning of year	P 143,536,990
Current year's domestic purchases/ payments or importation for:	
Goods for resale/ manufacture or further processing	229,963,323
Capital goods not subject to amortization	19,931,106
Services	73,379,338
Total	466,810,757
Deduction against output VAT	457,428,071
Total input VAT carryover	9,382,686
Less: current input VAT	-
Deferred input VAT carryover (<i>see Notes 7 and 13</i>)	P 9,382,686

The landed cost of importations of goods amounted to P916.8 million in 2024.

c. Documentary Stamp Tax (DST)

The Parent Company paid documentary stamp tax amounting to P22.3 million on loans and other agreements, and is presented under administrative expenses in the statements of comprehensive income.

d. Taxes and Licenses

The details of taxes and licenses for the year ended December 31, 2024 are as follows:

Business permits and licenses	P 22,348,554
Documentary stamp tax	18,587,646
Real property tax	5,408,134
Others	2,704,757
	<u>P 49,049,091</u>

The amount of Taxes and licenses is presented as part of Operating Expenses in the 2024 statements of comprehensive income.

e. Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2024 are shown below:

Compensation and benefits	P 17,041,931
Expanded	29,806,280
Final tax on dividends	661,606
	<u>P 47,509,817</u>

EURO-MED Laboratories Phil., Inc.

2024 SUSTAINABILITY REPORT

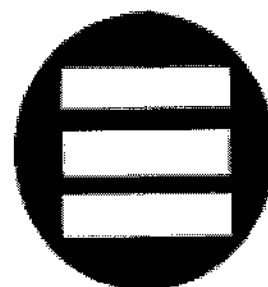


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Our Organization

Euro-Med Laboratories Phil., Inc. ('Euro-Med' or the 'Company') was registered with the Philippine Securities and Exchange Commission on January 29, 1988 to engage in the manufacture of pharmaceutical products such as large and small volume parenterals, intravenous fluids, specialty fluids and irrigation solutions which are used for various medical purposes. The Company also manufactures intravenous fluids in glass bottles, haemodialysis concentrates, ophthalmic products and disinfectants. It is also the maker and seller of bottled water under Bevida brand.

Euro-Med is also the exclusive distributor of ICU (formerly Hospira) Venisystem products such as Venipuncture sets, IV Administration sets, and IV Equipment in the Philippines. Euro-Med also pioneered the Limulus Amebocyte Lysate (LAL) Test, a sensitive and fast method for detection, used primarily to determine if the intravenous solutions are free from pyrogens. Since 1991, the Company has been the exclusive distributor of the LAL test in the Philippines for Associates of Cape Cod Incorporated of Massachusetts, U.S.A.

As the leading manufacturer of high-quality intravenous fluids in the Philippines and one of the largest fluids manufacturers in Asia, Euro-Med continues in its pursuit to provide high quality and affordable healthcare products. It is the first in the Philippines to utilize the modern European blow-fill seal technology of aseptically producing sterile and pyrogen-free parenteral solutions in plastic containers.

Mission and Vision

Euro-Med is committed to serve the Filipino people and the medical community in its pursuit for high quality healthcare products and services. Providing high quality products at affordable prices is Euro-Med's corporate philosophy.

As of December 31, 2024, Euro-Med is 58.41% owned by U.S. Automotive Inc. Its principal office is located at 2nd Floor, PPL Bldg., UN Avenue corner San Marcelino St., Manila, Philippines.

Corporate Structure

Euro-Med is the parent company of two subsidiaries: (1) Hemotek Renal Center, Inc. - a 100% owned company which was incorporated in June 2008 and is engaged in operating dialysis centers and (2) CafeFrance Corp. - a 100% owned subsidiary incorporated in August 2010 and is engaged to operate restaurants, bakeries, food services, catering, food production and other related services.

Governance

Euro-Med's Board of Directors is composed of ten members, including three independent directors. To assist the BOD in its oversight functions, the Company has organized two committees – the *Corporate Governance and Nomination Committee* which is tasked to assist the BOD in the performance of its corporate governance responsibilities; and *Audit and Risk Oversight Committee* which is tasked to oversee the financial reporting, internal control system and compliance with the applicable laws and regulations. The Company's *Corporate Governance and Nomination Committee* is composed of five (5) directors with Dr. William G. Padolina as Chairman, and Mr. Edwin D. Feist, Dr. Ezperanza Cabral, Dr. Johnny Yap and Mrs. Georgiana S. Evidente as its members. On the other hand, the Company's *Audit and Risk Oversight Committee* is composed of three (3) directors with Mr. Edwin D. Feist as Chairman, and Dr. William G. Padolina and Mr. Anthony Joseph Gaw as its members.

About this Report

Report Boundary

This Sustainability Report covers the sustainability performance of Euro-Med as the parent company for the calendar year ended December 31, 2024. The financial information presented is based on the parent company financial statements as of and for the year ended December 31, 2024. The financial and other information for 2023 are also presented for comparison.

Reference Guidelines

This Sustainability Report was prepared based on the Global Reporting Initiative (GRI) Standards and the Securities and Exchange Commission's sustainability reporting guide provided under SEC Memorandum Circular No. 4, series of 2019. This report is also aligned with the United Nations (UN) Sustainable Development Goals (SDGs).

Responsibility for the Report

The Board of Directors (BOD) has the primary responsibility in promoting sustainability within the Company. Together with the Senior Vice President Mr. Jose A. Emiterio, the Company's *Corporate Governance and Nomination Committee* (the "Committee") sets the overall direction and sustainability approach which aims at addressing the focus programs for the year. It is also the Committee's responsibility to continuously evaluate the sustainability approach and re-align them in accordance with the focus programs.

Our Sustainability Approach

Since we started our sustainability journey in 2019, we became more aware of our impact on the economy, environment and the society (EES). By identifying, evaluating and managing our material EES risks and opportunities, we increased our consciousness and strive to improve our sustainability performance towards achieving the universal targets of sustainability and amplifying our SDG contributions.

Materiality Assessment

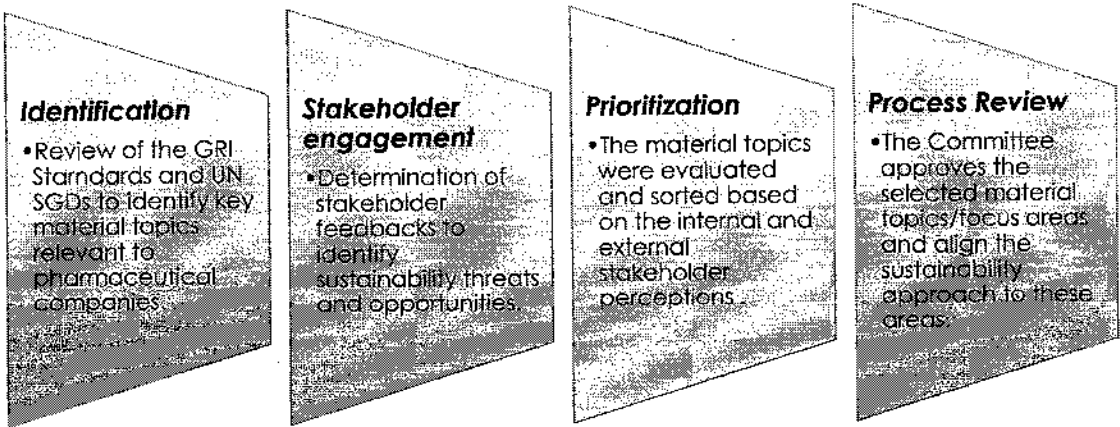
To instill a sustainability-focused approach into our business, we conducted a materiality assessment in line with the GRI standards. The material topics were selected by identifying our focus areas from internal and external sources, and set our priorities according to the inputs from the management and stakeholders.

Stakeholder Inclusiveness

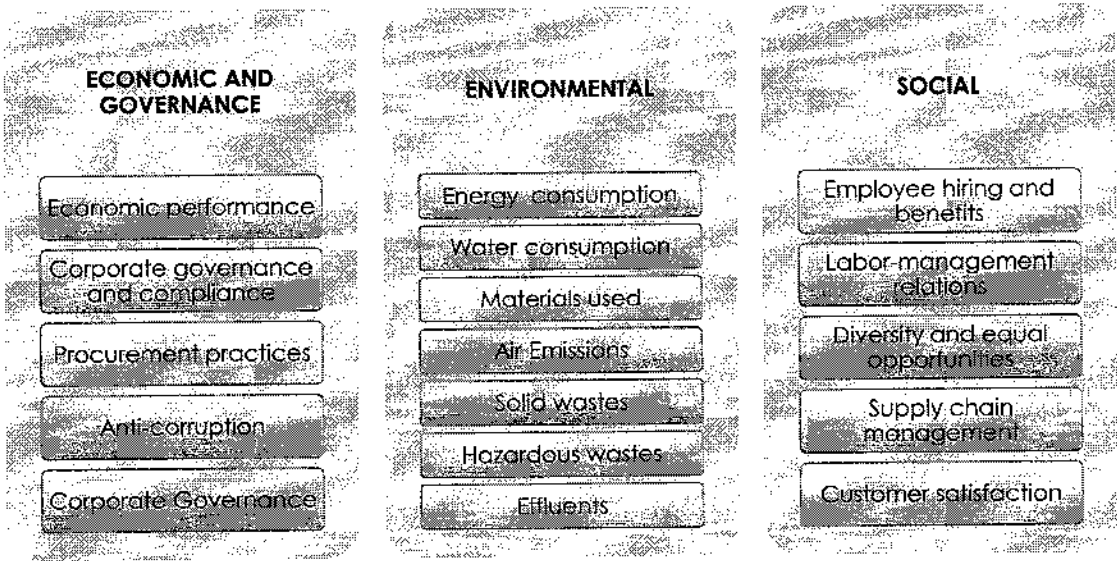
At Euro-Med, we consistently focus on building strong and meaningful relationships with our stakeholders. We engage with our investors, shareholders and customers through annual shareholders' meetings, press briefings, conferences and events per any specific business needs. We maintain open communications with our stakeholders by timely submitting our reports to PSE and SEC which are also available for downloading in the Company's website. We also designated an Investor Relations Officer (Mr. Jose A. Emiterio) who may be reached through email and telephone numbers posted in the Company's [website](#).

Prioritizing our EES Focus Areas

The material sustainability topics were selected through the following process:



From the material topics identified, Euro-Med, through the Committee, selected 16 priority topics (EES focus areas) which are determined as the most important to the Company and its stakeholders.



Economics and Governance



Economic Performance

At Euro-Med, we continue to augment the generation and distribution of economic values through the strategic restructuring of sales force and parallel distribution of our products. Euro-Med continues to sustain the upward trajectory with a 27% growth in its direct economic value generated.

In 2024, we reported total economic value generated at Php 4.48 billion and total economic value distributed at Php 3.81 billion. Out of this figure, 85.17 % were distributed among the following: Php 1.89 billion went to operating costs, Php 685.95 million were paid as salaries and wages to the employees, Php 549.73 million were paid as salaries and wages to the employees, Php 521.54 million were distributed as dividend and interest to providers of capital and Php 166.40 million was given to the government in the form of taxes. Total economic value retained in 2024 is Php 664.11 million.

	2024 (in Php)	2023 (in Php)
Direct economic value distributed:		
a. Operating costs	1,890,467,936	1,745,594,520
b. Employee wages and benefits	549,732,999	472,508,749
c. Payments to suppliers, other operating costs	685,952,120	840,001,868
d. Dividends given to stockholders and interest payments to loan providers	521,535,609	382,961,168
e. Taxes given to government	166,404,695	222,903,792
Total direct economic value distributed	3,814,093,359	3,663,970,097

	2024 (in Php)	2023 (in Php)
Total direct economic value distributed	3,814,093,359	3,663,970,097
Total direct economic value generated	4,478,204,649	4,032,190,049
Economic value retained	664,111,290	379,313,508



Corporate Governance and Socioeconomic Compliance

Euro-Med always strives to cultivate the culture of integrity, accountability and transparency by continuously improving the corporate governance framework and ensuring its effective implementation within the organization. Euro-Med believes that

good corporate governance is a necessary component of what constitutes as a sound strategic business management.

In 2020, the BOD approved Euro-Med's New Manual on Corporate Governance¹ (CG Manual) which is the institutionalization of the principles of good corporate governance provided under SEC Memorandum Circular No. 24 series of 2019. This Manual provides for the system of direction and ethical guidelines to hold the responsible officers and directors accountable for ensuring ethical behavior and reconciling long-term customer satisfaction for the benefit of the stakeholders. The manual is made available for inspection at reasonable hours on business days and is also posted on the Company's [website](#).

As part of its commitment to the principles and best practices contained in the Manual on Corporate Governance, an annual self-assessment is conducted by the members of the BOD to evaluate the performance of its highest governance body. Using the self-assessment form, each member reviews their roles and responsibilities as outlined in the CG Manual and assess their performance accordingly. Both individual and collective performance are comprehensively assessed in the form.

Euro-Med is also aware of the importance of compliance with the law and the rules set by the regulatory bodies. The Company's Audit and Risk Oversight Committee is primarily responsible for all compliance matters. We strictly comply with the regulatory submission requirements of the SEC, Philippines Stock Exchange (PSE) and the Bureau of Internal Revenue (BIR) to avoid penalties and sanctions. We also take immediate action to effect corrective measures from the regulators and strive to develop solutions to improve our weak areas.

Risk Management

Risk management is an important aspect of every business. By identifying potential events or risks, the Company will be able to sustainably minimize the negative consequences of these risks not only on the Company's business but for the benefit of other stakeholders as well.

At Euro-Med, we understand the importance of risk management. For this reason, we strictly implement within the Company our Enterprise Risk Management (ERM) Policy. This policy was designed to identify and address risks that may significantly affect the Company's ability to achieve its strategic goals, maintain its operations and assess the level of risk tolerance.

The BOD and the Audit and Risk Oversight Committee are responsible for oversight of risks and for monitoring of compliance with the ERM policy. The BOD also acknowledges its responsibility for the Company's system of internal control and reviewing its adequacy and effectiveness.

As part of our risk management, we have in place an internal audit system that will help to ensure that the Corporation's resources are used efficiently and effectively. The Internal Audit Division, reporting directly to the BOD, is authorized to conduct a comprehensive risk-based audit and is responsible for keeping the BOD informed of unusual transactions of other matters of significance. The Internal Auditor shall recommend cost-effective courses of action for the BOD to consider in addressing the control weaknesses that have been

identified during the audit. The internal audit system is constantly being updated to address the emerging risks from changes in the company's business.



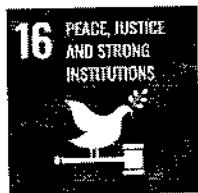
Procurement Practices

The Company relies on various suppliers of materials, both local and international, to provide high quality materials for production. Our procurement policies are aligned with the principles of fairness, integrity and transparency.

Euro-Med purchases locally wherever possible in order to respond promptly to the production requirements and effectively strengthen the economy. Locally sourced products also provide flexibility in contractual terms and agreements, reduction in logistical costs and creating goodwill with customers. The reduced logistical cost also helps the environment in terms of reduction of carbon footprints. In 2024 and 2023, we spent 30% of our procurement budget on local suppliers.

	2024	2023
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	30%	30%

All supplier procurement is coursed through the procurement department which oversees the function according to the established policyⁱⁱ. The prequalification process of the suppliers involves a thorough review of the suppliers' qualification and accreditation to ensure that quality standards are met. Our procurement policy is supplemented by our Vendors' Code of Conduct Policyⁱⁱⁱ which requires the suppliers to conduct the business activities with integrity and in full compliance with the laws and regulations.



Anti Corruption

Euro-Med recognizes the importance of preventing any forms of corruption in maintaining the highest standards of integrity and ethics within the organization. Thus, we have in place an Anti-Corruption Policy^{iv} and Code of Conduct which serves as guides to matters involving work conduct, dealing with employees, customers and suppliers in terms of avoiding conflict of interest situations and corrupt practices. These policies were approved by the Board of Directors and are being strictly implemented within the Company. As a policy, we maintain that any attempt to seek for undue financial and material advantage from transactions will be considered a breach of trust between the stakeholder and the Company.

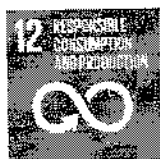
To bolster our efforts in preventing corruption, we established a Company-wide Whistle-Blower Policy^v which authorizes the management to impose sanctions to employees who will be proved to have participated in any dishonest act or corrupt practices in the course of his/her employment. Any suspected employees may be suspended without pay during the course of the investigation. Employees found to have participated in fraudulent activities will be terminated and may be subject to criminal prosecution or civil action.

To ensure that all employees are aware of the Company's policies against corruption and misconduct, we regularly disseminate, by electronic or other means, instructional manuals. Moving forward, the Company continues to prevent corrupt practices in any of its transactions.

Training on Anti-corruption Policies and Procedures	2024	2023
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	100%
Percentage of management that have received anti-corruption training	100%	100%
Percentage of employees that have received anti-corruption training	100%	100%

Incidents of Corruption	2024	2023
Number of incidents in which directors were removed or disciplined for corruption	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	0	1
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	0

Environmental



Energy Consumption

The nature of the Company's business entails high consumption of energy. The production activities including the use of massive equipment are the most energy-intensive. As a manufacturing company, we are cognizant of our contribution to the carbon footprints which leads to higher greenhouse gas emissions. For this reason, we take serious actions to reduce energy usage through the following steps:

- 1. Monitoring energy use** – by collecting and utilizing energy consumption data, we can effectively plan our actions, assess our options and take advantage of energy-saving opportunities.
- 2. Reducing energy consumption** - by taking advantage of more efficient equipment and systematic scheduling of production, we are able to minimize consumption in a particular area or department. In 2024, the increase in our energy consumption is directly proportional to the increase in production. This means that the company is consistent in ensuring that the business consumes only the energy needed. We are also continuously identifying energy saving opportunities to minimize our carbon footprint and at the same time lower our energy expenses.
- 3. Institutionalizing energy efficiency strategies** – we constantly update our policies promoting energy efficiency and sustainable practices in energy use within the company.

Energy Consumption	2024	2023
Liquefied Petroleum Gas (LPG)	50 GJ	0 GJ
Diesel	123,586 GJ	111,990 GJ
Electricity	21,519,640 KWH	21,037,991 KWH

Energy Reduction	2024	2023
Liquefied Petroleum Gas (LPG)	0 GJ	0 GJ
Diesel	0 GJ	0 GJ
Electricity	0 KWH	0 KWH



Water Consumption



Water is the main ingredient for IV Fluids. Thus, our water consumption is proportional to the products produced. At Euro-Med, we are conscious of the volume of water we consume and discharge. For this reason, we are currently working on a water resource management plan and water recycling facility which aims to increase water storage capacity and recycle used water for cleaning and other use.

In 2024, water consumed decreased by 0.2%. We continue our efforts to reduce water consumption by regular maintenance inspections of water supply equipment and maintaining optimal water usage ratio by monitoring water usage.

	2024	2023
Water consumption		
Water withdrawal	346,147 cu. meters	346,892 cu. meters
Water consumption	346,147 cu. meters	346,892 cu. meters
Water recycled and reused	0 cu. meters	0 cu. meters



Materials Used

Euro-Med makes use of both renewable and non-renewable materials for its main products and packaging. Renewable materials consist of active pharmaceutical ingredients, carton boxes (paper) and water which are all derived from natural and renewable sources. Non-renewable materials include plastic containers used for storage of IV fluids and other products.

Single-use plastic is the most preferred packaging for our products due to hygiene and safety considerations. Plastic is a material made from oil found in fossil fuels, a non-renewable source. The continuous use of single-use plastics results to increase in landfill wastes. As Euro-Med strives to seek for a more sustainable packaging for its products, we continue to consciously reduce the environmental impact of production by using low-density polyethylene (LDPE), a recyclable type of plastic. In the production of IV fluids packaging, Euro-Med uses recycled LDPE regrinds and pellets as input materials. These materials undergo further processing such as densifying, washing (to remove impurities) and melting to produce high-grade and environmentally-friendly materials. By this mechanism, Euro-Med is able to reduce its carbon footprint while effectively reducing its cost.

Materials used by weight or volume	2024	2023
Renewable		
Cartons	8,572,892 pcs.	7,557,276 pcs.
Active Pharmaceutical Ingredients	4,188,707 kg	3,461,391 kg
Non-renewable		
A. LDPE Regrinds	786,720 kg.	734,700 kg.
B. LDPE Repelletized	323,655 kg.	304,110 kg.
Total non-renewable source	3,729,640 kg.	3,469,802 kg.
Percentage of recycled input materials used to manufacture the organization's products and services	21.09% of non-renewable materials	21.17% of non-renewable materials



Air Emissions

Euro-Med uses massive boilers (steam generators) in manufacturing its products. The air emissions from fuel combustion, water waste from cooling and cleaning and solid wastes in the form of ash disposals are some of the environmental impacts of boiler usage.

Air emissions such as water vapour, smog-producing compounds, carbon dioxide, carbon monoxide and sulfur dioxide increase greenhouse gas levels in the earth's atmosphere which absorbs solar energy and traps the heat close to the earth's surface. This phenomenon is also called "the greenhouse effect" which contributes to global warming and climate change.

While the use of the boilers cannot be entirely eliminated considering that it is one of the indispensable machineries used in the production of its products, the Company proactively evaluates and assesses mechanisms to address the reduction of air emissions brought by its industrial activities.

The Company's course of action is to conduct periodic cleaning of smoke stack and to perform annual de-sooting of the boiler tubes including the ash pits. Overtime, boilers build up ash that forms slag deposits on the boiler. Cleaning slag deposits inside a boiler can increase boiler efficiency by 1%-4%. Clean boilers also reduce emissions produced by the power plant because lesser fuel is required to produce the same amount of power. For this reason, the Company is committed in maintaining and cleaning its boilers. Most importantly, the Company ensures that its emissions are maintained at the levels required by the standards set by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB).

The maintenance of the power plant's boilers not only reduces air emissions but also saves the Company thousands of pesos for the repair and efficiency improvement of these essential machineries.

GHG	2024	2023
Direct (Scope 1) GHG Emissions	8,692,100 kg/8,692.1 MT CO2e	7,803,600 kg/7,803.6 MT CO2e
Energy indirect (Scope 2) GHG Emissions	12,866,590 kg/12,866.59 MT CO2e	12,578,610 kg/12,578.61 MT CO2e

****For direct emission sources (Scope 1) which include boilers, LPG, generator sets and vehicles, the emission factor (EF) is 2.68 kg CO2/L of Diesel. b. For scope 2 emissions, which are indirect emissions from the use of electricity, emission factor is 0.5979 tons of CO2e/KWH. Indirect emission of the organization's activities are from sources owned or controlled by others.**

Air pollutants	2024	2023
CO	0.2135	10.5865
NO _x	2.569	4.1185
SO _x	0.078	0.4915
Particulate Matter (PM)	3.536	1.484



Solid Wastes

In the regular course of its manufacturing activities, the Company generates solid wastes (primarily plastics) which are discarded through a third-party waste management agent.

Poorly managed wastes serve as breeding ground for disease vectors which can affect the health and safety of the communities living near the landfills. In addition, improper solid waste management disposal contributes to global greenhouse gas emissions through methane generation.

To address this, the Company implements an effective solid waste management by enforcing strict segregation of solid wastes. Recyclable materials are segregated and sold to third parties while non-recyclable materials are properly identified, segregated and disposed through a third-party waste management agent which handles the collection and transfer of wastes to the nearest landfills.

The third-party waste management agents undergo screening before given accreditation by the Company's management. The management annually reviews the qualification of the third-party agent and whether it complies with the rules and regulations set by DENR-EMB.

Solid wastes	2024	2023
Reusable	Not yet quantified	Not yet quantified
Recyclable	45.35 tons	52.48 tons
Composted	9.07 tons	10.49 tons
Incinerated	N/A	N/A
Residuals	35.74 tons	41.99 tons



Hazardous Wastes

Hazardous pharmaceutical wastes include products that are expired, unused, contaminated or damaged. In the course of its operations, the Company generates a certain volume of hazardous pharmaceutical wastes.

Improper management of hazardous wastes can lead to water contamination and public safety concerns. Employees may also be exposed to harmful chemical which could lead to death or permanent damages.

The Company has in place a system for the proper disposal of hazardous wastes. This system starts with the segregation of hazardous wastes from bio hazardous ones to prevent them from ending up in landfills. Hazardous wastes are stored in specially labelled containers and are immediately transferred to an enclosed room to prevent contamination and contact. Employees who will handle the transfer of hazardous wastes are required to wear protective equipment such as goggles, gloves and footwear.

The hazardous wastes are then transported by a DENR accredited transporters to a treatment, storage, disposal (TSD) Facility.

Hazardous Waste	2024	2023
Total hazardous waste generated	7,295.23kg	11,112.5kg
Total hazardous waste transported	8,288.96 kg	8,775.39 kg



Effluents

The Company consumes water in manufacturing its products. As a result, industrial waste water effluents are discharged to bodies of water located near the power plants.

Harmful chemical effluents contaminate and damage bodies of water that support wildlife. Untreated waste water also causes adverse health risks to the users of surface water resources.

The Company strictly complies with the Effluent Disposal System established by the DENR-EMB. The system in place requires effluents to undergo proper treatment before being discharged to the water bodies. The Company constantly monitors the levels of and quantity of pollutants or contaminants discharged and ensures that the same falls within the level allowed by DENR-EMB.

Effluents	2024	2023
Total volume of water discharges	29,442 cu. meters	30,600 cu. meters
Percent of waste water recycled	Not yet quantified	Not yet quantified

Social

Employee Management



Employee Hiring and Benefits

Euro-Med recognizes that its people are its most important assets. Satisfied, highly motivated and loyal employees lead to excellent production and brand loyalty from customers. As the employer, our goal is to create a value-oriented work environment based on mutual trust and respect for equal opportunity.

The Company adopts a 'Recognition and Rewards-Based Policy' where employees with value-added contributions to the Company are given verbal recognition and monetary incentives to boost their productivity and quality of work. Incentives include career advancement opportunities, cash bonuses, gift certificates and additional service incentive leaves.

High employee turnover is prevented by offering competitive pay and benefits and flexible working schedules. Employees with high potential for managerial positions are provided training opportunities and are given a clear career path.

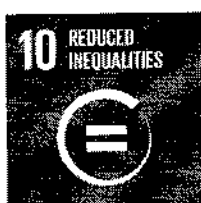
The Company also ensures compliance with the existing labor laws, rules and regulations by regular review of employee compensation and benefits.

Employee Data	2024	2023
Total number of employees	1,188	1,083
a. Number of female employees	712	650
b. Number of male employees	476	433
Attrition rate	5.00%	5.00%

Employee Benefits	Percentage of employees who availed			
	2024		2023	
List of Benefits	Female	Male	Female	Male
SSS	2.11%	1.05%	1.66%	0.83%
PhilHealth	14.75%	5.46%	1.02%	0.46%
Pag-ibig	12.78%	17.02%	8.40%	3.69%
Parental leaves	1.26%	0.42%	0.92%	0.18%
Vacation leaves	58.29%	57.35%	43.12%	28.25%

Employee Benefits	Percentage of employees who availed			
	2024		2023	
List of Benefits	Female	Male	Female	Male
Sick leaves	44.80%	37.18%	34.44%	19.48%
Medical benefits (aside from PhilHealth)	0.42%	0.42%	23.55%	8.31%
Housing assistance (aside from Pag-ibig)	0.56%	0.21%	0.18%	0.74%
Retirement fund (aside from SSS)	0.98%	0.84%	0.46%	0.37%
Further education support	0	0	0	0
Company stock options	N/A	N/A	N/A	N/A
Telecommuting	N/A	N/A	N/A	N/A
Flexible-working Hours	N/A	N/A	N/A	N/A

Employee Training and Development	2024		2023	
Total training hours provided	679 hours		208 hours	
a. Female employees	339.5 hours		104 hours	
b. Male employees	339.5 hours		104 hours	
Average training hours provided to employees				
a. Female employees	4 hour/employee		1 hour/employee	
b. Male employees	4 hour/employee		1 hour/employee	



Labor -Management Relations

Euro-Med recognizes that creating a peaceful workplace can be obtained through effective communication and transparency with the employees.

The Company upholds the employees' freedom of association and recognizes the right to collective bargaining. To this end, the Company participates in labor-management cooperation activities to settle compensation, hours of work and other labor-related issues and to complement the mandates of the Labor Code of the Philippines.

The Human Resources (HR) Department, headed by the HR Chief has the general responsibility for the lawful implementation of this policy. Euro-Med commits to the maintenance of peace and cooperation between labor and management, ensuring that both parties are represented in the labor-management discussions.

	2024	2023
% of employees covered with Collective Bargaining Agreements	43%	48%
Number of consultations conducted with employees concerning employee-related policies	0	0



Occupational Health and Safety

The Company has in place a 'Health, Safety and Wealth Policy' wherein it recognizes that workplace health and safety procedures are necessary for the well-being of both employers and employees. This starts with the proper education of the employees as to the potential hazards to which they may be exposed in the course of their employment with the Company.

The Company, through the safety compliance officers, monitors and ensures compliance with the health and safety standards within the workplace. Standard operating procedures (SOP) on hazardous activities are also in place to minimize risks and exposures of the Company's employees.

Under the 'Policy on Injuries While on Duty', the Company enumerates the procedures in administering first aid treatment and transferring of the injured employee to the nearest hospital.

The Company has health benefits through insurance, where medical expenses are paid for. The Company shoulders all the medical expenses needed for work-related injuries, and provides leave with pay through the Employees' Compensation Commission (ECC).

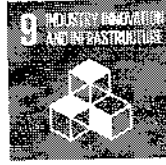
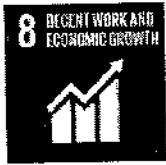
	2024	2023
Safe Man-Hours	347,160 man hours	311,504 man hours
No. of work-related injuries	97	97
No. of work-related fatalities	0	0
No. of work-related ill-health	0	0
No. of safety drills*	2	2



Diversity and Equal Opportunity

Diversity in workplace fosters creativity, perspective and ideas which enables an organization to meet its objectives, achieve sustainable business results and success. For this reason, Euro-Med encourages and supports a culture of equality and diversity where employees and management can realize their potential and share their opinions and viewpoint regardless of their age, colour, nationality, ethnic origin, disability, sexual orientation, gender identity, marital or civil partnership status, religion, belief, social or economic class.^{vi}

	2024	2023
% in the workforce:		
a. Female workers	60%	60%
b. Male Workers	40%	40%
No. of employees from indigenous communities or vulnerable sector	12	14



Supply Chain Management

Euro-Med recognizes the role of its suppliers and business partners in the production and delivery of its products. Supplier diversity creates more economic opportunity among local and emerging businesses.

Thus, it is Euro-Med's policy that the procurement of materials, supplies, services and equipment shall be competitive and transparent. Under our procurement policy, the following procedures must be followed before procurement is approved:

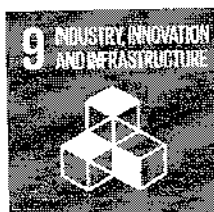
1. Requisition slip must be obtained and signed by the procurement head;
2. All procurement within the levels set by the management shall undergo bidding process. This means that quotation requests are obtained from atleast three vendors/suppliers;
3. The supplier that offers the best products for the lowest price shall be issued a purchase order or contract.
4. All purchase orders and contracts must be approved by the procurement head and must be signed and approved by the executive Vice President.

In dealing with suppliers and contractors, the Company's core principle is to handle all affairs in a manner that is honest, fair and in good faith. Dishonest and fraudulent activities such as embezzlement, misappropriation, falsification and bribery are highly regulated through the establishment of grievance machinery designed to require the stakeholders to report to the BOD, or immediate superior any suspected dishonest and fraudulent acts. The Company also established a program to protect whistle blowers to encourage reporting of illicit acts.

To bolster its policies in preventing fraud, the Company strictly implements its 'Conflict of Interest policy'^{vii}. Under this policy, employees and officers are encouraged to divulge conflict of interests or potential cases of conflict of interest to the Human Resources (HR) Office. The HR Office shall take appropriate actions on the information. The director, officer or employee involved in such conflict shall not be allowed to influence the investigation and the execution of the subject transaction.

Employees who are found to have participated or have knowledge of fraudulent acts after the conduct of investigation will be subjected to disciplinary action, including termination from employment.

Customer Management



Customer Satisfaction

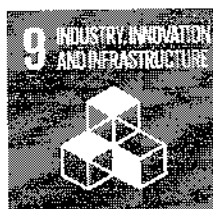
Euro-Med is the leading manufacturer of parenterals in the Philippines with about 80% market share in the country (based on company data). The Company has a customer base composed of more than 8,000 institutions nationwide. Among the Company's customers are hospitals, clinics, drugstores, medical distributors and traders as well as corporate/industrial accounts.

Considering its huge impact in the Philippine fluids market, Euro-Med acknowledges the importance of keeping the customers satisfied. Through our years of experience in manufacturing pharmaceutical products, we have determined that our high-quality products, wide range of product lines, competitive price, availability, efficient delivery and dedicated sales team are among the significant factors to our success.

The Company believes that proper medical education is the key to make our products stand out from the rest. For this reason, we participate in trade shows, trade fairs and medical conventions and educate physicians and medical personnel about the effectiveness and value of our products. In these events, we also gather information on customer's experiences and feedback and use these to further improve our products and services.

Efficient and timely distribution of the products is also one of the most important factors in overall customer satisfaction. Over the years, we have established our own nationwide distribution network providing prompt and efficient delivery service to customers. We maintain fourteen (14) depots strategically located in key cities all over the country. There are currently six (6) depots in Luzon including the Central Warehouse in Cavite, four (4) in Visayas and four (4) in Mindanao. For nationwide distribution, we hire local trucking for deliveries by land and shipping companies for inter-island distribution.

To satisfy the customers' needs for new formulations and product lines, Euro-Med is continuously developing additional pharmaceutical products for ophthalmic, inhalation, irrigation and other health care purposes. In 2024 and 2023, we allotted Php 1.8 million and Php 2.3 million, respectively for research and development of new pharmaceutical products.



Health and Safety

Parenteral products are solutions which are administered by injection through the skin or mucous membrane into internal body compartments. Given their unique purpose and characteristics, the preparation of these products is considered as a highly specialized area in pharmaceutical manufacturing. Hence, the safety of these products is of utmost priority to the Company.

Euro-Med's parenteral solutions in plastic containers are all in parenteral-grade low-density polyethylene (LDPE) containers. These plastic containers are unbreakable and lightweight. The packaging of the IV fluids is designed in such a way that air introduction will no longer be necessary to dispense the products. This type of packaging prevents contamination of the solution.

Euro-Med was the first in the Philippines to utilize the modern European blow-fill seal technology of septically producing sterile and pyrogen-free parenteral solutions in plastic containers. In a single process, this special machine forms the plastic container, fills it with the desired solution and seals it thereby reducing the risk of contamination.

Euro-Med also manufactures parenteral solutions in glass packaging. The glass container enables the solution to be seen at its clearest, facilitating inspection of content. Graduations can be read quite easily because of its rigidity.

All the Company's products are approved by the Philippine Food and Drug Administration (FDA) prior to their release in the market. For export products, the Company likewise secures license from similar foreign counterparts.



Marketing and Labelling

The Company recognizes that good manufacturing practices, specifically proper product labelling, is an essential element of quality assurance.

The Company strictly complies with the labelling requirements of the FDA on drug products. Specifically, the product labels of Euro-Meds products are designed to remain in place throughout their lifespan. The product names, active ingredients, purpose, warnings, directions and other informational contents are clearly indicated on the label and comply with the format requirements of the FDA.



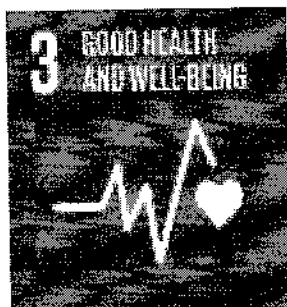
Data Security

As part of our social responsibility, Euro-Med is committed to ensure that stakeholders' information remains private and the Company's data protection policy is compliant with the Data Privacy Act of 2012.

We strictly implement our data privacy policy^{viii} in all our transactions with customers and stakeholders. Under our policy, the data obtained from customers and stakeholders shall be used and processed only for the specific purpose for which they were obtained and in a legal and fair manner. The Company prohibits the use of the data without the prior written consent of the owner of such data. Employees are prohibited to use and disclose to unauthorized persons, customer data for personal, private or commercial purposes.

To ensure our effective implementation of this policy, the BOD appoints a Data Protection Officer (DPO) who is responsible in assessing the overall compliance with the Data Privacy Act.

UN Sustainable Development Goals



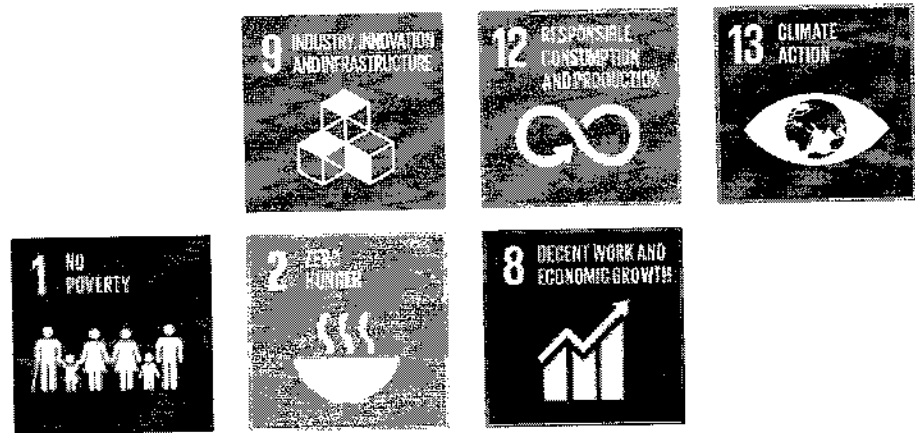
Euro-Med believes that its strongest contribution to our society lies within SGD3 – Good Health and Well Being. As one of the leading manufacturers of intravenous fluids in the Philippines, Euro-Med recognizes its responsibility in providing better access to medicine and healthcare. For this reason, we aspire to conduct our business with SGD3 as our motivation and purpose.

Our main products, large and small volume parenterals, are usually given to hospital patients shortly after they have been admitted to provide them the necessary fluids and caloric or electrolyte requirements. Our Peritoneal and Haemodialysis solutions such as *Solucid* and *Solucarb* are used for dialysis patients being treated of renal failure – a disease which still stands among the leading causes of death in the Philippines. Our specialty fluids used for surgical and non-surgical procedures, irrigation solutions, injections and other concentrates are developed to aid in the immediate treatment of patients in the hospitals.

Given the impact of our products to Filipino patients, we strive to place our expertise, knowledge and efforts to improve our existing products and develop new ones. We constantly expand our marketing and distribution network in the country so we could provide better access to medicine and healthcare not only to major hospitals in cities but to those hospital and clinics located in remote areas as well. Our affordable products help maintain our competitive advantage and thus, help keep the prices low. We work hard to ensure safe and stable supply of our products to the market to contribute to the good health and well-being of people.

At Euro-Med, we focus not only on our financial and business goals, but most importantly; we thrive to become an institution that cares for the Filipino people, especially the sick. Our constant focus on providing better access to medicine and healthcare is what drives our operations every day.

While our biggest impact is on SGD 3, we also recognize our indirect impact to other SGDs. By creating a positive impact on people's health, we improve their productivity because of lower absenteeism. We believe that a better health for all produces higher labor input and reduces poverty, which in turn creates positive contribution to our economic growth. Our business creates decent work to a number of employees which contributes to the achievement of zero hunger goal and promotion of sustainable cities and communities.



Sources:

i <http://euromedlab.net/neo/wp-content/uploads/2020/09/New-Manual-on-Corporate-Governance-29Sept2020.pdf>

ii <http://euromedlab.net/neo/wp-content/uploads/2018/04/Procurement.pdf>

iii <http://euromedlab.net/neo/wp-content/uploads/2018/04/Vendors-Code-of-Conduct.pdf>

iv <http://euromedlab.net/neo/wp-content/uploads/2018/04/Anti-Corruption.pdf>

v <http://euromedlab.net/neo/wp-content/uploads/2018/04/Compensation.pdf>

vi <http://euromedlab.net/neo/wp-content/uploads/2018/04/Diversity-of-Board.pdf>

vii <http://euromedlab.net/neo/wp-content/uploads/2018/04/Conflict-of-Interest.pdf>

viii <http://euromedlab.net/neo/wp-content/uploads/2018/04/Data-Privacy.pdf>