



SECURITIES AND EXCHANGE COMMISSION

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Company Type: Stock Corporation

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S.E.C. Registration Number

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

(Company's Full Name)

P P L B U I L D I N G U N I T E D N A T I O N A V E

C O R S A N M A R C E L I N O S T . M A N I L A

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

J O S E A . E M I T E R I O

Contact Person

0 2 8 5 2 6 4 1 5 3

Company Telephone Number

0 3 3 1

Month Day

Fiscal Year

2 0 2 6

1 7 Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2026
2. SEC Identification Number 148022 3. BIR Tax 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. 1000 United Nations Avenue cor. San Marcelino St., Manila
Address of principal office 1000
postal code
8. (632) 524-0091 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 [x] 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 [x] No []

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

Yes [x] No []

EURO-MED LABORATORIES PHIL., INC.
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Part I – Financial Information

Item 1. Financial Statements

See accompanying Interim Financial Statements.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

A.) Financial Performance

A.)The company's strategies are

a.)The Company boost its Business Development Unit by placing it under the Office of the Executive Vice President, thereby intensifying the development of new products and acquiring distribution contracts of multinational products.

b.)On Operations, the Sales team were given a reasonable quota as a motivation for them to exert more effort in pushing their sales. Personnel training were given to the staff of Customer Care Unit to equip them in handling customer concerns and developing more solid customer relations.

c.)The Logistics Department plantilla were given extra Relievers/Roving Pharmacists to make the preparations and delivery of products to customers more efficient and on time.

d.)On the Manufacturing side, advance production planning in coordination with the Head of Marketing Department is being done for more efficient utilization of all machines.

B.)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.

b.1)In view of the current global financial condition, the company hereby assesses its financial risk exposures on its financial instruments as of date of these financial statements.

The company, being primarily engaged in a manufacturing business, have few financial instruments, such as accounts receivable, accounts payable and notes payable, as distinguished from a financial institution whose assets and liabilities are mostly financial instruments. The company has no complex securities particularly on derivatives.

The financial risk exposures of the company are as follows:

1. Currency or Foreign Exchange risk.

This risk arises on the financial instruments that are denominated in foreign currency other than the functional currency (the Philippine peso) in which they are measured. Such exposure arises from the sales of goods to export markets, importation of raw materials from foreign countries and from differences in exchange rates between assets, liabilities and equities, which are denominated in foreign currencies.

The Peso/Dollar exchange rate depreciated from about ₱ 58.79/US\$ 1 in January 2026 to about ₱ 60.69/US\$ 1 in March 2026. The company's export sales for the periods ended January to March 2026 and 2025 are 1.8% and 1.9% respectively of total sales, which are denominated in foreign currency.

The raw materials being imported are initial inputs for producing parenteral solutions and LDPE bottles. A Peso/Dollar exchange rate depreciation will result in an increase in the company's production cost. The company manages this risk by maintaining 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.

The company's overall risk management program focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance by obtaining loans that are peso denominated only and maintaining US\$ accounts whose export proceeds are maintained from which payments for imports are made.

2. Interest rate risk.

This risk arises on interest-bearing financial instruments recognized in the statement of financial position, such as notes payable and acceptances payable. The company's exposure relates primarily to the company's short-term and long-term debt obligations with banks.

The company's loans as of March 31, 2026 that is exposed to interest rate risks are as follows:

Maturing within one (1) year			
Notes payable	P	2,806,429,177	
Acceptances payable		<u>335,754,415</u>	3,142,183,592
Maturing over one (1) year			
Notes payable		857,303,449	<u>857,303,449</u>
Total			<u><u>3,999,487,041</u></u>

The company manages its exposure in interest rate risk by closely monitoring these loans with various banks and maximizing borrowing period based on market volatility of interest rates.

3. Credit risk.

This risk arises when one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The company's exposure to this risk relates to its deposits with banks and trade and non-trade receivables.

The maximum credit exposure of the company as of March 31, 2026 follows:

Cash in banks	P	1,374,815,704
Trade receivables-net		1,838,461,539
Non-trade receivables		<u>232,828,822</u>
		<u><u>3,446,106,065</u></u>

To manage credit risk, the company maintains its bank deposits with reputable banks and trades only with recognized and credit-worthy customers. It is the Company's policy that all customers who wish to trade on credit terms are subjected to credit verification process with emphasis on their capacity, character and willingness to pay. Each customer, whether corporate or otherwise, has an approved credit limit. These limits are reviewed regularly by the Treasury Department, and customer balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. Euro-Med's customers are hospitals, clinics, drugstores, medical distributors and traders as well as corporate/industrial accounts. The company's customer base is composed of more than 8000 institutions nationwide. Hence, the company is not dependent on one or a few major customers and no customer accounts for more than ten percent (10%) of the company's sales and receivables.

4. Market risk.

This risk arises from fluctuations in the market prices of the company's products. The company is exposed to price risk because of the nature of its business. Euro-Med is the leading manufacturer of intravenous fluids in the Philippines and competes with other IVF manufacturers and importers. The risk is managed by maintaining good business relations with customers, producing a wide-range of products and providing prompt, courteous and efficient marketing and delivery service. Likewise, for valued customers, prices are contracted for a long-term period.

In February 28, 2026, the Middle East conflict started when USA /Israel bombed Iran, resulting to the closure of the Strait of Hormuz. Hence, an energy crisis was declared in many countries, including the Philippines. Thus, increasing the prices of fuel shipping and raw materials of the Company. The Company decided to increase its product prices at an average of 20% effective May 2026.

5. Liquidity risk.

This risk arises when the company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's exposure relates to the Company's debt obligations to banks, to suppliers of raw materials and services and to government regulating and taxing authorities.

The Company's financial liabilities as of March 31, 2026 that are exposed to liquidity risk are as follows:

Bank Loans:			
Maturing within one (1) year	P	2,564,137,640	
Maturing over one (1) year		242,291,537	
Trade accounts payable		341,251,718	
Acceptances payable		335,754,415	
Income tax payable		73,719,329	
	P	<u>3,557,154,639</u>	

The company manages this risk (a) by maintaining sufficient cash and cash equivalents with banks to fund the payments of currently maturing liabilities, (b) by securing credit lines from various reputable banks and (c) by maintaining good credit standing with banks and trade suppliers. The Company has Omnibus Credit Lines in the aggregate amount of about P 4.2 Billion on a clean basis from various commercial banks which provided for cash borrowings (Peso or Dollar), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). These credit lines are obtained and regularly renewed. Liquidity requirements and positions are monitored daily and monthly reports are reviewed by the management

C. Euro-Med's financial instrument profile as of March 31, 2026 follows:

c.1) Classification, description and measurements applied for each:

	Classification	Description	Measurement
I.1)	A financial asset or financial liability at fair value through profit or loss (FVPL)	Marketable securities	a.) At initial recognition at fair value b)Subsequent Valuation –

measured at fair value

1.2)	Held to maturity Investments (HTM)	None	Not Applicable
1.3)	Loans and Receivables	3.1) Trade and other receivables 3.2) Bank loans (Notes payable & Acceptances payable) 3.3) Trade accounts payable	a) At initial recognition – measured at fair value b) Subsequent Valuation – at amortized cost, less impairment loss if any. a) At initial recognition – measured at fair value
1.4)	Available-for-sale Financial assets (AFS)	4.2) Proprietary Shares in Casino Español de Manila	b) Subsequent valuation – at cost

The investment in the proprietary shares in Casino Español de Manila is only minimal at ₱ 200,000 and is obtained for entertaining Company Clients in its restaurant.

The Company has no complex securities particularly on derivatives.

c.2) The risks that are incorporated in the valuation of financial assets or liabilities are:

2.1) On Trade receivables –

In subsequent valuation of this account, the credit risk is considered by providing for an estimate of probable losses on doubtful accounts when collection of the full amount is no longer probable. The Company has provided an Allowance for doubtful accounts that reduces the carrying value of this asset.

2.2) Bank loans (Notes payable and Acceptances payable)

Since this liability is recognized initially at an amount equal to the principal payable at maturity and some are short-term, the interest rate risk has no significant effect on the carrying amount of this liability.

2.3) Trade accounts payable

Due to the short-term nature of this liability and is non-interest bearing, the interest rate risk has no effect on its carrying amount.

c.3) Comparison of fair values (in 000)

	As of March 31, 2026		As of December 31, 2025	
	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial assets	P			P
Cash	1,385,206	1,385,206	1,205,750	1,205,750
Financial Assets at FVPL	312,654	312,654	312,654	312,654
Trade & other receivables-net	2,071,290	2,071,290	2,153,335	2,153,335
Available for sale securities				
Unquoted	200	200	200	200
TOTAL	<u>3,769,350</u>	<u>3,769,350</u>	<u>3,671,939</u>	<u>3,671,939</u>
B. Financial liabilities				
Trade accounts payable	446,002	446,002	482,885	482,885
Notes payable - current	2,806,428	2,806,428	2,921,634	2,921,634
Notes payable - non-current	857,303	857,303	857,303	857,303
Acceptances payable	335,754	335,754	371,534	371,534
TOTAL	P <u>4,445,487</u>	<u>4,445,487</u>	P <u>4,633,356</u>	<u>4,633,356</u>

D.) The Company's top five (5) key performance indicators are:

1.) The Company's net sales decreased by 1.7% from P 1,629.9 million for the first quarter of 2025 to P1,602.8 million for the first quarter of 2026. The decrease in sales was attributed to the decrease in local sales which decreased by 1.6% from P 1,607.4 million for the first quarter of 2025 to P 1,582.2 million for the first quarter of 2026. Export sales decreased by 8.2% from P22.5 million for the first quarter of 2025 to P 20.7 million for the first quarter of 2026. The increase (decrease) in sales indicator was chosen by management as it discloses the level of performance the Company has attained against the forecast. 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.) Gross profit from sales increased by 5.6% from P 556.4 million for the first quarter of 2025 to P587.8 million for the first quarter of 2026. Cost of goods manufactured and sold decreased by 5.4% from P 1,073.5 million for the first quarter of 2025 to P1,015.1 million for the first quarter of 2026. As a percentage of net sales, cost of goods manufactured and sold decreased from 65.8% for the first quarter of 2025 to 63.3% for the first quarter of 2026. 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 and distribution expenses) increased by 7.3% from P 385.1 million for the first quarter of 2025 to P 413.2 million for the first quarter of 2026. The increase was due to the increased of operating expenses i.e. gasoline expense, logistic expenses, taxes and licenses and other expenses. As a percentage of net sales, operating expenses increased from 23.6% for the first quarter of 2025 to 25.8% for the first quarter of 2026. Income from operations increased by 1.9% from P 171.3 million for the first quarter of 2025 to P 174.6 million for the first quarter of 2026. Changes in income from operations and 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 21.9% from P 82.4 million for the first quarter of 2025 to P 64.3million for the first quarter of 2026. 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 20.7% from P 22.9 million for the first quarter of 2025 to P 27.6 million for the first quarter of 2026. Net income increased by 25.1% from P 66.0 million for the first quarter of 2025 to P 82.6 million for the first quarter of 2026. Changes in net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of- return expectations. The percentage change in net income is calculated by dividing the peso increase/decrease in net income by the peso net income during the comparable period of previous year.

The company's total assets decreased by 0.3% from P 11,144.6 million in 2025 to P 11,110.3 million in 2026. Current ratio is increased by 3.2% from 1.47:1 in 2025 to 1.51:1 in 2026 while Equity ratio increased from 1.54:1 in 2025 to 1.55:1 in 2026.

The increase in cash and cash equivalent was due to strategic and intensive approach in collecting the receivables. The decrease in inventory was due to strategy of the company to reduce carrying costs and improve cash flow by keeping inventory levels lean. The increase in other non-current assets was due the advances to supplier's contract. The decrease in right-of-use assets(net) was due to amortization. The increase in trust receipts payable was due to orders of raw materials for building stocks in 1st to 2nd qtrs. in preparation for the increase in sales in the second half of 2026. The decrease in loans payable –current was due to payments made for amortization of loans. The amount of income tax payable increased since the amount as of 31 Dec. 2025 represents the audited final and adjusted income tax payable as of the end of year 2025, while the amount as of 31 March 2026 includes the balance as of 31 December 2025 and the unaudited estimated tax on income for the first quarter of 2026. The net decrease of lease liabilities was due to the recording of amortization of lease contracts. The amount of income tax payable as of 31 December 2025 was paid on April 14, 2026. The increase in Retained Earnings was due to the net income for the first quarter of 2026.

Projection.

The Company has implemented in 2021- 2026 a reorganization of our nationwide sales field personnel to reduce their areas of coverage which would result to better coverage and higher sales.

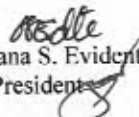
The consolidated sales forecast for 2026 would be an increase in sales of about 10%, totaling to about P7.5 billion. The expected net income for 2026 is about P 503.0 million which is about 6.5% of sales.


SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EURO-MED LABORATORIES PHILS., INC.

By:


Georgiana S. Evidente
President
May 14, 2026


Sandra N. Pineda
Chief Accountant
May 14, 2026

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2026 AND 2025
(Amounts in Philippine Pesos)

	2026	2025
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash and cash equivalents (Note 5)	P 1,385,206,540	P 1,205,749,548
Financial assets at fair value through profit or loss (Note 6)	312,654,685	312,654,685
Trade and other receivables - net (Note 7)	2,071,290,361	2,153,335,223
Inventories (Note 8)	1,456,176,426	1,582,437,443
Other current assets (Note 9)	354,346,762	368,886,932
Total Current Assets	5,579,674,773	5,623,063,831
NON-CURRENT ASSETS		
Property, plant and equipment - net (Note 10)	4,662,816,719	4,700,912,320
Intangible assets (Note 11)	270,132,852	270,132,852
Right-of-use assets - net (Note 30)	136,965,685	145,624,405
Deferred tax assets - net (Note 31)	118,463,821	115,316,099
Other non-current assets (Note 12)	342,285,846	289,560,970
Total Non-current Assets	5,530,664,923	5,521,546,646
TOTAL ASSETS	P 11,110,339,696	P 11,144,610,477
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables (Note 13)	P 446,002,372	P 432,885,129
Trust receipts payable (Note 16)	335,754,415	371,534,185
Notes payable (Note 14)	2,564,137,640	2,626,720,923
Current portion of loans payable (Note 15)	242,291,537	294,914,454
Current portion of lease liabilities (Note 30)	92,445,939	56,546,030
Income tax payable	73,719,329	50,020,250
Total Current Liabilities	3,754,351,232	3,832,620,971
NON-CURRENT LIABILITIES		
Loans payable, net of current portion (Note 15)	857,303,449	857,303,449
Lease liabilities, net of current portion (Note 30)	63,216,499	105,377,048
Retirement benefit obligation (Note 29)	282,221,943	281,154,409
Total Noncurrent Liabilities	1,202,741,891	1,243,834,906
Total Liabilities	4,957,093,123	5,076,455,877
EQUITY		
Share capital (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)	(16,754,355)	(16,754,355)
Retained earnings (Note 17)	1,991,251,161	1,906,159,188
Total Equity	6,153,246,572	6,068,154,600
TOTAL LIABILITIES AND EQUITY	P 11,110,339,696	P 11,144,610,477

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED MARCH 31, 2026 AND 2025
(Amounts in Philippine Pesos)

	2026	2025
NET SALES <i>(Note 19)</i>	P 1,602,884,843	P 1,629,912,712
COST OF GOODS MANUFACTURED AND SOLD <i>(Note 20)</i>	(1,015,061,796)	(1,073,532,195)
GROSS PROFIT	587,823,046	556,380,517
Selling and distribution expenses <i>(Note 22)</i>	(318,531,915.90)	(295,047,985.10)
General administrative expenses <i>(Note 23)</i>	(94,719,124.39)	(90,017,465.82)
Other expenses (net) <i>(Note 24, 25)</i>	(64,295,489.54)	(82,373,962.07)
PROFIT BEFORE TAX	110,276,517	88,941,104
PROVISION FOR INCOME TAX <i>(Note 31)</i>	(27,664,501)	(22,914,498)
NET PROFIT	82,612,016	66,026,607
TOTAL COMPREHENSIVE INCOME	P 82,612,016	P P 66,026,607
BASIC/DILUTED INCOME PER SHARE <i>(Note 32)</i>		
Computed based on Net Profit	P 0.02	P 0.02
Computed based on Total Comprehensive Income	P 0.02	P 0.02

See Notes to Consolidated Financial Statements

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2026 AND MARCH 31, 2025
(Amounts in Philippine Pesos)

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 110,276,517	P 88,941,104
Adjustments for:		
Depreciation (Notes 10 and 30)	56,468,749	76,263,815
Interest expense (Note 25)	73,552,304	75,008,540
Interest income (Note 24)	(2,738,615)	(383,966)
Unrealized gain on foreign exchange (Note 24)	(938,379)	(88,064)
Operating profit before working capital changes	<u>236,620,577</u>	<u>239,741,429</u>
Decrease (increase) in:		
Trade and other receivables	82,044,862	31,601,924
Inventories	126,261,017	28,825,221
Other current assets	14,540,170	27,336,575
Other non-current assets	(52,724,876)	1,905,634
Increase (decrease) in trade and other payables	<u>13,117,243</u>	<u>8,736,982</u>
Net cash generated from operations	419,858,993	338,147,765
Interest received (Note 24)	2,738,615	383,966
Income tax paid	(23,699,079)	(48,054,086)
Interest paid	<u>(73,552,304)</u>	<u>(75,008,540)</u>
 Net Cash Provided by Operating Activities	 <u>325,346,224</u>	 <u>215,469,105</u>
CASH FLOWS INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 10)	(27,916,530)	(52,176,843)
Net Cash Used in Investing Activities	<u>(27,916,530)</u>	<u>(52,176,843)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of notes payable (Notes 14 and 34)	405,000,000	892,700,000
Net proceeds (repayments) of trust receipts payable (Notes 16 and 34)	(35,779,770)	46,244,758
Repayments of lease liabilities (Note 30)	(63,431,565)	(6,067,930)
Repayments of loans (Notes 15 and 34)	(371,138,450)	(1,090,489,016)
Availment/(payments) of notes payable (Notes 14 and 34)	(52,622,917)	46,927,225
Net Cash Provided by (Used in) Financing Activities	<u>(117,972,702)</u>	<u>(110,684,963)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 P 179,456,992	 P 52,607,299
CASH AND CASH EQUIVALENTS		
AT END OF YEAR CONSIST OF:		
Cash on hand	P 10,390,836	P 9,441,213
Cash in banks	<u>1,374,815,704</u>	<u>920,789,045</u>
	P 1,385,206,540	P 930,230,258

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2026 and MARCH 31, 2025
(Amounts in Philippine Pesos)

	2026	2025
SHARE STOCK <i>(Note 17)</i>	P 4,112,140,540	P 4,112,140,540
ADDITIONAL PAID-IN CAPITAL <i>(Note 17)</i>	66,609,227	66,609,227
OTHER COMPONENT OF EQUITY <i>(Note 29 and 33)</i>		
Balance at beginning of year	(16,754,355)	(19,767,297)
Actuarial gain - net tax	-	-
Balance at end of year	(16,754,355)	(19,767,297)
RETAINED EARNINGS <i>(Note 17)</i>		
Balance at beginning of year	1,908,639,143	1,723,917,468
Prior period adjustment	-	-
Net profit for the year	82,612,016	66,026,607
Balance at end of year	1,991,251,159	1,789,944,075
 TOTAL EQUITY	 P 6,153,246,572	 P 5,948,926,545

See Notes to Consolidated Financial Statements

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025
(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 with registration number 148022. 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)

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 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 (FRSC).

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss (FVPL) 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 of December 31, 2025 and 2024 and for each of the three (3) years in the period ended December 31, 2025, represent the consolidation of the financial statements of Euro-Med and the following subsidiaries owned by the Parent Company:

	Effective Percentage of Ownership			
	2025		2024	
	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, 2025 and 2024. 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.

Noncontrolling Interests

Noncontrolling 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, 2025. Except as otherwise indicated, the new standards and amendments have no significant impact on the consolidated financial statements of the Group.

- *Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

The amendments clarify the accounting guidance when a currency cannot be exchanged into another currency and introduce additional disclosure requirements in such circumstances. The adoption of the amendments has no impact on 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 2025 but not Adopted Early

- *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, 2025. 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 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 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 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:

Judgments

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 noncancellable 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.

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 2026 and 2025. The carrying amounts of other financial assets at amortized cost are as follows:

	<u>2026</u>	<u>2025</u>
Cash in banks and short-term placements	1,385,206,540	P 1,195,835,711
Financial asset at FVPL	312,654,685	312,654,685
Other receivables:		
Advances to officers and employees	43,954,360	69,183,256
Others*	124,474,550	108,609,562
Other current assets:		
Bidders and performance bonds	8,071,067	8,049,400
Rental and security deposits	164,692,633	169,473,393
Bidders and performance bonds	12,106,600	12,074,099
Advances to officers and employees	38,554,361	36,600,754
	<u>P 2,087,714,796</u>	<u>P 1,912,480,860</u>

*Excluding receivable from SSS amounting to P5.1 million and P5.2 million as at March 31, 2026 and 2025, 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 March 31, 2026 and 2025, the cost of inventories is lower than its NRV. The carrying amount of inventories is P1,456.2 million and P1,582.4 million as at March 31, 2026 and 2025, 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 P4,700.9 million and P4,700.9 million as at March 31, 2026 and 2025, 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 March 31, 2026 and 2025(*see Note 11*).

Impairment of Nonfinancial Assets

PFRS 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 2026 and 2025.

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 of March 31, 2026 and 2025, net deferred tax assets amounted to P118.5 million and P115.3 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 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 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 bad debts is not significant. The maximum exposure of trade receivables is equal to its carrying amount.

At March 31, 2026 and 2025, the exposure to credit risk for trade receivables are as follows:

	Neither past due nor impaired	Past due but not impaired	Total
2026	1,409,235,440	429,226,099	1,838,461,539
2025	1,532,658,586	466,818,423	1,999,477,009

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

	2026	2025
1-30 days	P 750,132,176	P 815,009,792
31-90 days	500,946,713	544,272,716
91-120 days	85,262,145	93,120,320
Over 120 days	502,120,505	547,074,181
	<u>1,838,461,539</u>	<u>1,999,477,009</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.

		2026			
		Financial assets at amortized cost			
		12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Cash in banks and short-term placements	P	1,385,206,540	P -	P -	P 1,385,206,540
Trade and other receivables					
Trade		-	1,838,461,539	-	1,838,461,539
Advances to officers and employees - current		43,954,360	-	-	43,954,360
Others*		124,474,550	-	-	124,474,550
Other current assets					
Bidders and performance bonds		8,071,067	-	-	8,071,067
Other non-current assets:					
Rental and security deposits		164,692,633	-	-	164,692,633
Bidders and performance bonds, net of current portion		12,106,600	-	-	12,106,600
Advances to officers and employees		38,554,361	-	-	38,554,361
	P	1,777,060,111	P1,838,461,539	P -	3,615,521,650

* Excluding receivable from SSS amounting to P5.1 million as at March 31, 2026.

	2025			
	Financial assets at amortized cost			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Cash in banks and short-term placements	P 1,195,835,711	P -	P -	P 1,195,835,711
Trade and other receivables				
Trade	-	1,997,477,009	-	1,997,477,009
Advances to officers and employees - current	69,183,256	-	-	69,183,256
Others*	108,609,562	-	-	108,609,562
Other current assets				
Bidders and performance bonds	8,049,400	-	-	8,049,400
Other non-current assets:				
Rental and security deposits	173,374,225	-	-	173,374,225
Bidders and performance bonds, net of current portion	12,074,099	-	-	12,074,099
Advances to officers and employees	36,600,754	-	-	36,600,754
	<u>P 1,599,826,175</u>	<u>P1,997,477,009</u>	<u>P -</u>	<u>P 3,599,303,184</u>

* Excluding receivable from SSS amounting to P5.2 million as at December 31, 2025.

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:

	2026		2025	
	Foreign Currency	Peso equivalent	Foreign currency	Peso equivalent
US Dollar (USD)	5,756,273	P 349,348,180	5,729,940	P 336,863,194
Euro (EUR)	12,818	892.366	12,818	887,624

With the translation of this foreign currency denominated asset, the Group reported net unrealized foreign exchange gain of P 0.9 million in 2026 and P0.09 million in 2025 (see Note 24). These resulted from the movements of the Philippine peso against the following foreign currency exchange rates:

	2026		2025	
USD	P	60.690	P	58.790
EUR		69.620		69.250

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	
		2026	2025
USD	+0.75%	P 1,852,078	P 9,260,389
USD	-0.75%	975,954	5,004,897
EUR	+3.00%	(758)	(758)
EUR	-3.00%	(47,264)	(47,264)

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 March 31, 2026	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash in banks and short-term placements	1,385,206,540	P -	P -	P -	P -	1,385,206,540
Financial assets at FVPL	312,654,685	-	-	-	-	312,654,685
Trade and other receivables						
Trade	1,838,461,540	-	-	-	-	1,838,461,540
Advances to suppliers and contractors	64,399,911	-	-	-	-	64,399,911
Advances to officers and employees current	43,954,360	-	-	-	-	43,954,360
Others*	124,474,550	-	-	-	-	124,474,550
Other current assets						
Bidders and performance bonds	8,071,067	-	-	-	-	8,071,067
Other noncurrent assets						
Rental and security deposits	-	-	164,692,633	-	-	164,692,633
Bidders and performance bonds net of current portion	-	12,106,600	-	-	-	12,106,600
Advances to officers and employees net of current portion	-	38,554,361	-	-	-	38,554,361
Investment in club shares	-	-	-	-	200,000	200,000
	P3,777,222,653	P 50,660,961	P 164,692,633	P -	P 200,000	P3,992,776,247

*Excluding receivable from SSS amounting to P5.1 million as at March 31, 2026.

As at March 31, 2026	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial liabilities:						
Trade and other payables						
Trade	1,341,251,718	P -	P -	P -	P -	P 341,251,718
Accrued expenses	48,459,316	-	-	-	-	48,459,316
Advances from officers and employees	-	-	-	-	-	-
Trust receipts payable	335,754,415	-	-	-	-	335,754,415
Notes payable	2,564,137,640	-	-	-	-	2,564,137,640
Loans payable	242,291,537	573,859,005	283,444,444	-	-	1,099,594,986
Lease liabilities	92,445,939	63,216,499	-	-	-	155,662,439
	P3,624,340,565	P 637,075,504	P 283,444,444	P -	P -	P4,544,860,513

As at December 31, 2025	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash in banks and short-term placements	P1,195,835,711	P -	P -	P -	P -	P1,195,835,711
Financial assets at FVPL	312,654,685	-	-	-	-	312,654,685
Trade and other receivables						
Trade	1,841,044,954	-	-	-	-	1,841,044,954
Advances to suppliers and contractors	129,167,190	-	-	-	-	104,401,544
Advances to officers and employees current	69,183,256	-	-	-	-	69,183,256
Others*	108,609,562	-	-	-	-	108,609,562
Other current assets						
Bidders and performance bonds	8,049,400	-	-	-	-	8,049,400
Other noncurrent assets						
Rental and security deposits	-	-	169,473,393	-	-	169,473,393
Bidders and performance bonds net of current portion	-	12,074,099	-	-	-	12,074,099
Advances to officers and employees net of current portion	-	36,600,754	-	-	-	36,600,754
Investment in club shares	-	-	-	-	200,000	200,000
	P3,664,644,758	P 48,674,853	P 169,473,393	P -	P 200,000	P3,882,993,004

*Excluding receivable from SSS amounting to P5.2 million as at December 31, 2025.

As at December 31, 2025	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial liabilities:						
Trade and other payables						
Trade	P 316,697,703	P -	P -	P -	P -	P 316,697,703
Accrued expenses	58,598,625	-	-	-	-	58,598,625
Advances from officers and employees	423,744	-	-	-	-	423,744
Trust receipts payable	371,534,185	-	-	-	-	371,534,185
Notes payable	2,626,720,923	-	-	-	-	2,626,720,923
Loans payable	294,914,454	573,859,005	283,444,444	-	-	1,152,217,903
Lease liabilities	56,546,030	105,377,048	-	-	-	161,923,078
	P3,725,435,664	P 679,236,053	P 283,444,444	P -	P -	P4,688,116,161

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:

	2026			
	Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash in banks and short-term placements	1,385,206,540	P -	1,385,206,540	P -
Financial assets at FVPL	312,654,685	312,654,685	-	-
Trade and other receivables				
Trade	1,838,461,540	-	-	1,838,461,540
Advances to officers and employees current	43,954,360	-	-	43,954,360
Others*	124,474,550	-	-	124,474,550
Other current assets				
Bidders and performance bonds	8,071,067	-	-	8,071,067
Other noncurrent assets				
Rental and security deposits	169,473,393	-	-	169,473,393
Bidders and performance bonds net of current portion	12,106,600	-	-	12,106,600
Advances to officers and employee net of current portion	38,554,361	-	-	38,554,361
Investment in club shares	200,000	-	-	200,000
	<u>P 3,933,157,096</u>	<u>P 312,654,685</u>	<u>P 1,385,206,540</u>	<u>P 2,235,295,871</u>

*Excluding receivable from SSS amounting to P5.1million as at March 31, 2026.

	2026			
	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 341,251,718	P -	P -	P 341,251,718
Accrued expenses	48,459,316	-	-	48,459,316
Advances from officers and employees	-	-	-	-
Trust receipts payable	335,754,415	-	-	335,754,415
Notes payable	2,564,137,640	-	-	2,564,137,640
Loans payable	1,099,594,986	-	-	1,099,594,986
Lease liabilities	155,662,439	-	-	155,662,439
	<u>P 4,544,860,514</u>	<u>P -</u>	<u>P -</u>	<u>P 4,544,860,514</u>

2025

	Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash in banks and short-term placements	P 1,195,835,711	P -	P 1,195,835,711	P -
Financial assets at FVPL	312,654,685	312,654,685	-	-
Trade and other receivables				
Trade	1,997,466,853	-	-	1,997,466,853
Advances to officers and employees current	69,183,256	-	-	69,183,256
Others*	108,609,562	-	-	108,609,562
Other current assets				
Bidders and performance bonds	8,049,400	-	-	8,049,400
Other noncurrent assets				
Rental and security deposits	169,473,393	-	-	169,473,393
Bidders and performance bonds net of current portion	12,074,099	-	-	12,074,099
Advances to officers and employee net of current portion	36,600,754	-	-	36,600,754
Investment in club shares	200,000	-	-	200,000
	<u>P 3,912,157,869</u>	<u>P 312,654,685</u>	<u>P 1,195,835,711</u>	<u>P 2,403,667,473</u>

*Excluding receivable from SSS amounting to P5.2million as at December 31, 2025.

	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 316,697,703	P -	P -	P 316,697,703
Accrued expenses	58,598,625	-	-	58,598,625
Advances from officers and employees	423,744	-	-	423,744
Trust receipts payable	371,534,185	-	-	371,534,185
Notes payable	2,626,720,923	-	-	2,626,720,923
Loans payable	1,152,217,903	-	-	1,152,217,903
Lease liabilities	161,923,078	-	-	161,923,078
	<u>P 4,688,116,161</u>	<u>P -</u>	<u>P -</u>	<u>P 4,688,116,161</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 2025 and 2024.

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 P6,153.2 million and P6,068.2 million as at March 31, 2026 and 2025, 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 2026 and 2025.

5. CASH

This account consists of:

	<u>2026</u>	<u>2025</u>
Cash on hand	P 10,390,836	P 9,913,837
Cash in banks	1,374,815,704	1,040,160,214
Short-term placements	<u>-</u>	<u>155,675,497</u>
	<u>P 1,385,206,540</u>	<u>P 1,205,749,548</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 P2.7 million and P0.4 million, in 2026 and 2025, respectively (*see Note 24*).

6. FINANCIAL ASSETS AT FAIRVALUE THROUGH PROFIT OR LOSS (FVPL)

Financial assets at FVPL represent investment portfolio consisting of bonds and equity instruments held by the Group for trading purposes. As at March 31, 2026 and 2025, financial assets at FVPL is the same amounting to P312.7 million.

The following are the movements of financial assets at FVPL:

	<u>2026</u>	<u>2025</u>
Balance at beginning of year	P 312,654,685	P 233,556,613
Additions	-	28,664,262
Change in fair value (see Note 24)	-	45,637,677
Unrealized foreign gain	-	4,796,133
	<u>P 312,654,685</u>	<u>P 312,654,685</u>

The Group's financial assets at FVPL as at March 31, 2026 and 2025 are carried at fair values based on sources classified under the Level 1 category. The fair values of financial assets at FVPL 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:

	<u>2026</u>	<u>2025</u>
Trade:		
Third-party	P 1,996,793,595	P 1,999,477,009
Less: allowance for bad debts	<u>158,332,055</u>	<u>158,332,055</u>
Net	1,838,461,540	1,841,144,954
Advances to suppliers and contractors - current (see Note 12)	64,399,911	129,167,190
Advances to officers and employees - current (see Notes 12 and 18)	43,954,360	69,183,256
Others	<u>124,474,55</u>	<u>113,839,823</u>
	<u>2,071,290,361</u>	<u>P 2,153,335,223</u>

Trade receivables are unsecured and noninterest-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 noncurrent 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 2026 to 2028. Interest income earned in cash from these advances amounted to P0.5 million and P0.4 million in 2026 and, 2025. (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 bad debts:

	<u>2026</u>	<u>2025</u>
Balance at beginning of year	P 158,332,055	P 150,230,131
Provision (see Note 23)	<u>-</u>	<u>8,101,924</u>
Balance at end of year	<u>P 158,332,055</u>	<u>P 158,332,055</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 2026 and 2025.

8. INVENTORIES

This account consists of:

	<u>2026</u>	<u>2025</u>
Raw materials	514,913,403	P 577,277,501
Finished goods	592,361,364	581,065,058
Merchandise inventory	195,055,643	245,505,643
Supplies	<u>153,846,015</u>	<u>178,589,241</u>
Balance at end of year	<u>P 1,456,176,426</u>	<u>P 1,582,437,443</u>

Cost of inventories as at March 31, 2026 and 2025 is lower than its NRV. Accordingly, no write-down of inventories was recognized for the years then ended. Cost of inventories sold amounted to P1,015.1 million and P 1,073.5 million in 2026 and 2025, respectively (see Note 20).

No inventories were pledged to any of the Group's liabilities as at March 31, 2026 and 2025.

9. OTHER CURRENT ASSETS

This account consists of:

	<u>2026</u>		<u>2025</u>
Prepayments	P 307,127,894	P	317,797,692
Creditable withholding tax	27,035,109		21,408,617
Creditable withholding VAT	9,584,539		9,584,539
Current portion of prepaid marketing and development expense (see Note 12)	-		8,433,637
Current portion of bidders and performance bonds (see Note 12)	8,071,067		8,049,400
Current portion of deferred input VAT (see Note 12)	<u>2,507,794</u>		3,613,047
	P <u>354,346,762</u>	P	<u>368,886,932</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.

Prepaid marketing and development expenses 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).

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).

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.

Based on Management's assessment, no impairment were recognized on the current assets for both years.

10. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

	2025	Additions	Disposals/ Reclassification	2026
Cost:				
Machineries and equipment	P 5,811,702,037	P 23,116,111	P-	P 5,834,818,148
Building and leasehold improvements	3,152,939,121		1,916,991	3,151,022,130
Land and improvements	166,771,796		-	166,771,796
Laboratory and office equipment and improvements	793,888,866	6,717,411	-	800,606,277
Transportation equipment	51,015,045		-	51,015,045
	<u>9,976,316,865</u>	P 29,833,522	P 1,916,991	<u>10,004,233,396</u>
Less: accumulated depreciation				
Machineries and equipment	3,503,630,284	31,078,007	P -	3,534,708,291
Building and leasehold improvements	1,258,743,192	27,146,010	-	1,258,889,202
Land and improvements	23,528,226	40,765	-	23,568,991
Laboratory and office equipment and improvements	448,139,962	7,409,418	-	455,549,380
Transportation equipment	41,362,882	337,931	-	41,700,813
	<u>5,275,404,545</u>	P 66,012,131	P -	<u>5,341,416,674</u>
	<u>P 4,700,912,320</u>			<u>P 4,662,816,719</u>
	2024	Additions	Disposals/ Reclassification	2025
Cost:				
Machineries and equipment	P 5,698,250,978	P 113,451,059	P-	P 5,811,702,037
Building and leasehold improvements	3,043,052,771	109,886,350	-	3,152,939,121
Land and improvements	166,771,796	-	-	166,771,796
Laboratory and office equipment and improvements	749,354,277	44,534,589	-	793,888,866
Transportation equipment	50,952,894	62,151	-	51,015,045
	<u>9,708,382,716</u>	P 267,934,149	P-	<u>9,976,316,865</u>
Less: accumulated depreciation				
Machineries and equipment	3,351,940,522	P 151,689,762	P -	3,503,630,284
Building and leasehold improvements	1,116,683,174	142,060,018	-	1,258,743,192
Land and improvements	23,365,165	163,061	-	23,528,226
Laboratory and office equipment and improvements	418,023,333	30,116,629	-	448,139,962
Transportation equipment	40,070,005	1,292,877	-	41,362,882
	<u>4,950,082,199</u>	P 325,322,347	P -	<u>5,275,404,545</u>
	<u>P 4,758,300,517</u>			<u>P 4,700,912,320</u>

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

	<u>March 2026</u>		<u>December 2025</u>
Cost of goods manufactured and sold (see Notes 20 and 21)	30,397,171	P	188,590,958
Selling and distribution expenses (see Note 22)	8,61,746		33,033,334
General and administrative expenses (see Note 23)	<u>17,809,832</u>		<u>103,698,055</u>
	<u>P 56,468,749</u>		<u>P 325,322,347</u>

There were no capitalizable interest for the years ended March 31, 2026 and 2025.

The property, plant and equipment pledged as security for liabilities in 2026 and 2025 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.

In 2025, the Parent Company acquired from Hatsumei Pharmaceutical Corporation the exclusive rights to manufacture and sell certain products, including the related manufacturing process and registered trademarks, and the corresponding permits and licenses issued by the Food and Drug Administration (FDA). These products include: (a) Perfect Defense Ethyl Alcohol and (b) Perfect Defense Isopropyl Alcohol.

The movement of trademarks and licenses account as at March 31 are as follows:

	<u>2026</u>	<u>2025</u>
Balance at beginning of year	P 270,132,852	P 268,132,852
Additions	<u>-</u>	<u>2,000,000</u>
Balance at end of year	<u>P 270,132,852</u>	<u>P 270,132,852</u>

Parents 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 (BPTI).

Movement of patents and rights account as at March 31, 2026 and 2025 are as follows:

	<u>2026</u>	<u>2025</u>
Cost	-	P 3,605,080
Less: Accumulated amortization	<u>-</u>	<u>3,605,080</u>
Balance at end of year	<u>P -</u>	<u>P -</u>

12. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>2026</u>	<u>2025</u>
Rental and security deposits (<i>see Note 30</i>)	P 164,692,633	P 169,473,393
Advances to suppliers and contractors net of current portion (<i>see Note 7</i>)	112,572,001	55,111,959
Advances to officers and employees, net of current portion (<i>see Notes 7 and 18</i>)	38,554,361	36,600,754
Prepaid marketing and development expense net of current portion (<i>see Note 9</i>)	10,709,940	12,650,455
Bidders and performance bonds, net of current portion (<i>see Note 9</i>)	12,106,600	12,074,099
Deferred input VAT, net of current portion (<i>see Note 9</i>)	-	-
Investment in club shares	200,000	200,000
Others	<u>3,450,310</u>	<u>3,450,310</u>
	<u>P 342,285,846</u>	<u>P 289,560,970</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 March 31, 2026 and 2025.

Based on Management's assessment, no impairment loss was recognized in 2026 and 2025.

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

13. TRADE AND OTHER PAYABLES

This account consists of:

	<u>2026</u>	<u>2025</u>
Trade		
Third party	P 341,251,718	P 316,697,703
Accrued expenses	48,459,315	58,598,625
Payable to government agencies	56,291,339	55,042,269
Deferred revenue	-	2,122,788
Advances from officers and employees	-	423,744
	<u>P 446,002,372</u>	<u>P 432,885,129</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 March 31, 2026 and 2025.

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>2026</u>	<u>2025</u>
Balance at beginning of the year	P 2,626,720,923	P 2,541,683,889
Availments	405,000,000	3,139,204,066
Payments	<u>(342,416,717)</u>	<u>(3,054,167,032)</u>
Balance at end of the year	<u>P 2,564,137,640</u>	<u>P 2,626,720,923</u>

Notes payables are unsecured and peso-denominated bank loans that bear interest rates ranging from 6.0% to 8.7% and 5.0% to 8.5% per annum in 2026 and 2025, respectively.

Interest expenses incurred in 2026 and 2025 amounted to P 56.3 million and P55.4 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.

The movements in this account are as follows:

	<u>2025</u>	<u>2025</u>
Balance at beginning of year	P1,152,217,903	P 1,059,901,801
Availments	-	330,000,000
Payments	<u>(52,622,917)</u>	<u>(237,683,898)</u>
Balance at end of year	<u>P 1,099,594,986</u>	<u>P 1,152,217,903</u>

The loans are secured by a mortgage on certain property, plant and equipment, including a parcel of land in Cavite with an area of 36,314 sqm., building improvements and machineries consisting of three production lines. The carrying amount of property, plant and equipment pledged as collateral are as follows:

	<u>2026</u>	<u>2025</u>
Land and improvements	P 4,199,938	P 4,199,938
Building and improvements	217,610,021	217,610,021
Machineries and equipment	<u>1,465,043,365</u>	<u>1,465,043,365</u>
	<u>P 1,686,853,324</u>	<u>P 1,686,853,324</u>

For additional information, the estimated fair values of these assets, based on an appraisal performed by an independent accredited appraiser, are as follows:

	<u>2026</u>	<u>2025</u>
Land and improvements	P 472,082,000	P 472,082,000
Building and improvements	144,091,000	144,091,000
Machineries and equipment	<u>1,857,917,300</u>	<u>1,857,917,300</u>
	<u>P 2,474,090,300</u>	<u>P 2,474,090,300</u>

The above assets are measured at cost less accumulated depreciation and impairment losses.

Long-term loans bear interest rates ranging from 6.0% to 8.5% in 2026 and 6.0% to 8.5% in 2025 that will mature on various dates starting in 2026 through 2035. 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
2026	Term loans	6.0% to 8.5%	P 242,291,537	P 573,859,005	P 283,444,444	P1,099,594,986
2025	Term loans	6.0% to 8.5%	P 294,914,454	P 573,859,005	P 283,444,444	P1,152,217,903

Interest expense incurred in 2026 and 2025 amounted to P12.2 million and P9.8million, 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 6.5% to 7.0% and 5.8% to 7.0% per annum in 2026 and 2025, 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 March 31, 2026 and 2025, outstanding trust receipts payable amounted to P335.7 million and P371.5million, respectively.

Interest expense incurred in 2026 and 2025 amounted to P7.8 million and P9.8million, respectively (see Note 25).

17. EQUITY

Share Capital

Share capital consists of:

	<u>Number of shares</u>	<u>Amount</u>
Share capital - P1 par value		
Authorized	<u>5,000,000,000</u>	<u>P 5,000,000,000</u>
Issued and outstanding	<u>4,112,140,540</u>	<u>P 4,112,140,540</u>

Total shares registered and outstanding as at March 31, 2026 and 2025 is 4,112.1 million. These shares are held by 538 and 539 stockholders as at March 31, 2026 and 2025, 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 28, 2025, the Parent Company's BOD approved the declaration of cash dividends of P0.07 per share equivalent to P287.8 million from unrestricted retained earnings as of December 31, 2024 to all shareholders of record as of November 14, 2025, payable on December 1, 2025.

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.

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 bad debts/bad debts for the year	Amount of the transaction (in millions)	Outstanding Balance	
(a) Parent Company US Automotive Co., Inc.	2026	Rental and light and water administrative and expenses (Note 30)	Lease term is for year period renewable annually upon mutual agreement	P -	P 7.0	P -	
	2025			-	35.6	-	
	2026	Dividends paid (Note 17)	Paid in cash noninterest-bearing	-	-	-	
	2025			-	168.1	-	
(b) Other Related Parties Phil. Trust Company	2026	Cash in bank (Note 5)	Earn interest at the prevailing bank deposits rates, unimpaired	-	514.4	514.4	
	2025			-	465.4	465.4	
	Manila Bulletin Publishing Corporation	2026	Trade payables and marketing & development expense (Note 13 and 22)	Unsecured non-interest bearing no term payable in cash no guarantees	-	.6	-
		2025			-	.8	-
	Advance Solutions, Inc.	2026	Property, plant and equipment (Note 10)	Unsecured non-interest bearing, 30 days terms, payable in cash, no guarantees	-	.01	-
		2025			-	.07	-
	Manila Hotel Corporation	2026	Miscellaneous expense under selling and distribution expense (Notes 13 and 22)	Unsecured non-interest bearing 30 days term, payable in cash no guarantees	-	0.1	-
		2025			-	1.6	-
	Manila Prime Land Holdings Inc.	2026	Lease (Note 30)	Unsecured non-interest bearing, 30 days term, payable in cash, no guarantee	-	3.0	-
		2025			-	3.0	-
(c) Key Management Personnel Director and officer	2026	Advances to officers and employees (Notes 7 and 12)	Unsecured Interest bearing, receivable through salary deduction	-	(3.5)	30.7	
	2025			-	(17.2)	34.2	

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 Dividends paid	Lease contract (Note 30) 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 (Note 30)
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.

19. REVENUES

This account consists of:

		2026		2025
Sale of goods	P	1,124,376,608	P	1,145,461,491
Sale of services		478,508,235		484,451,221
Net Sales(net of Discount	P	1,602,884,843	P	1,629,912,712

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

	<u>2026</u>		<u>2025</u>
Local sales	P 1,582,209,877	P	1,607,388,741
Export sales			
ASEAN	16,868,071		13,514,383
Other Asian Countries	1,743,504		179,544
Others	<u>2,063,390</u>		<u>8,830,044</u>
	P <u>1,602,884,843</u>	P	<u>1,629,912,712</u>

20. COST OF GOODS MANUFACTURED AND SOLD

This account consists of:

	<u>2026</u>		<u>2025</u>
Cost of goods manufactured:			
Direct materials	P 317,049,518	P	313,059,639
Direct labor (see Note 28)	60,328,525		56,024,595
Manufacturing overhead (see Note 21)	<u>266,03,641</u>		<u>259,016,332</u>
Total manufacturing cost	<u>643,441,685</u>		<u>628,100,566</u>
Add finished goods, beginning (see Note 8)	<u>581,065,058</u>		<u>553,316,516</u>
Good available for sale	<u>1,24,506,743</u>		<u>1,181,417,083</u>
Less finished goods, ending (see Note 8)	<u>592,361,364</u>		<u>582,626,185</u>
	P <u>632,145,379</u>	P	<u>598,790,897</u>

	<u>2026</u>	<u>2025</u>
Merchandise inventory:		
Merchandise inventory, beginning (<i>see Note 8</i>)	P 245,405,643	P 254,356,117
Add purchases	<u>54,455,970</u>	<u>139,234,663</u>
Goods available for sale	299,961,613	393,590,781
Less merchandise inventory, ending (<i>see Note 8</i>)	<u>195,055,643</u>	<u>214,900,566</u>
	<u>104,905,970</u>	<u>178,690,214</u>
Cost of services:		
Supplies used	141,955,345	106,141,837
Depreciation (<i>see Notes 10 and 30</i>)	27,448,227	33,903,764
Personnel expenses (<i>see Note 28</i>)	23,976,318	15,271,679
Outside services	6,849,972	23,781,111
Communication, light and water	20,837,691	19,279,998
Rentals (<i>see Note 30</i>)	34,536,325	60,171,973
Professional fees	15,058,910	27,629,387
Laboratory fees	681,522	2,307,424
Others	<u>6,666,137</u>	<u>7,563,910</u>
	P <u>1,015,061,796</u>	P <u>1,073,532,195</u>

The details of direct materials are presented below:

	<u>2026</u>	<u>2025</u>
Raw materials, beginning	p 577,277,501	P 693,100,473
Add purchases	<u>254,685,420</u>	<u>279,933,855</u>
Raw materials available for use	831,962,921	973,586,236
Less raw materials, ending (<i>see Note 10</i>)	<u>514,913,403</u>	<u>659,974,690</u>
Direct materials used	p <u>317,049,518</u>	P <u>313,159,639</u>

21. MANUFACTURING OVERHEAD

This account consists of:

	<u>2026</u>		<u>2025</u>
Repair and maintenance	p 75,346,021	p	69,223,301
Gas and oil	56,694,296		59,138,501
Light and water	46,993,951		35,063,650
Personnel expenses (see Note 28)	22,486,613		21,338,183
Depreciation (see Note 10)	18,601,404		23,413,011
Laboratory supplies	9,775,915		10,060,031
Production supplies	6,830,978		8,395,139
Transportation and travel	4,405,043		6,241,935
Representation and entertainment	1,619,288		2,022,297
Rental (see Note 30)	1,590,000		1,384,143
Insurance	346,8947		2,023,327
Research and development	734,951		1,240,893
Security services	1,221,160		1,137,776
Taxes and licenses	949,365		2,570,199
Office and warehouse supplies	368,235		587,518
Security agency fee	121,216		112,877
Professional fees	54,000		81,000
Postage, telephone and telegram	95,365		82,639
Miscellaneous	12,401,317		14,899,912
	p <u>266,063,641</u>	p	<u>259,016,632</u>

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 EXPENSES

This account consists of:

	<u>2026</u>		<u>2025</u>
Delivery expense	P 85,270,278	p	89,147,945
Personnel expenses (see Note 28)	67,770,921		41,327,657
Senior citizen and person with disability (PWD) discount	36,096,549		34,354,792
Marketing and development expense (see Notes 9 and 12)	36,660,582		30,083,021
Transportation and travel	22,699,471		24,581,974
Depreciation (see Notes 10 and 30)	11,894,301		13,003,247
Taxes and licenses	14,334,335		11,936,436
Representation and entertainment	3,522,143		2,355,514
Training and seminars	8,231,635		16,811,796
Repairs and maintenance	5,006,295		4,322,598
Rentals (see Note 30)	8,225,362		7,563,235
Light and water	4,561,972		4,310,571
Insurance	2,276,300		1,835,365
Office and warehouse supplies	1,887,334		559,712
Postage and telephone	454,558		1,059,276
Miscellaneous	8,369,566		11,794,842
	<u>P 318,531,916</u>	p	<u>295,047,985</u>

23. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	<u>2026</u>		<u>2025</u>
Personnel expenses (see Note 28)	p 21,845,440	p	18,880,802
Depreciation and amortization (see Note 10 and 11)	14,177,289		12,145,343
Taxes and licenses	13,504,433		13,580,882
Transportation and travel	3,715,079		2,869,863
Allocable input VAT	6,366,653		8,502,904
Rentals (see Note 30)	6,672,608		5,517,699
Outside services	6,176,470		6,000,574
Professional fees	7,273,555		5,276,867
Communication, light and water	2,258,485		2,953,423
Representation and entertainment	3,397,959		3,135,022
Repair and maintenance	1,193,015		613,727
Office supplies	1,050,180		2,332,972
Insurance	398,488		292,303
Training and seminars	498,896		104,253
Miscellaneous	6,190,585		7,810,832
	<u>P 94,719,124</u>	P	<u>90,017,466</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>2026</u>		<u>2025</u>
Interest income (see Note 5)	p 2,738,614	p	383,966
Realized gain (loss) on foreign exchange - net	938,378		88,064
Unrealized gain on foreign exchange - net			
Interest expense (see Note 25)	(73,552,304)	(	75,008,540
Miscellaneous income (see Note 26)	5,579,821		4,230,179)
Miscellaneous expense (see Note 27)	-	(	12,067,632
	<u> </u>		<u> </u>
	P(<u>64,295,489</u>)	P(	<u>82,373,962</u>)

25. INTEREST EXPENSE

This account consists of:

	<u>2026</u>		<u>2025</u>
Trust receipts payable (see Note 16) P	7,880,661	P	9,758,178
Notes and loan payable (see Notes 14 and 15)			
Lease liability (see Note 30)	<u>65,671,643</u>		<u>65,250,362</u>
	<u> </u>		<u> </u>
	P <u>73,552,304</u>	P	<u>75,008,540</u>

26. MISCELLANEOUS INCOME

This account consists of:

	<u>2026</u>		<u>2025</u>
Scrap sales and other income	P 5,064,927	P	3,874,278
Interest on employees' advances For car/housing loan (see Note 7)	514,894		355,901
	<u>P 5,579,821</u>	P	<u>4,230,179</u>

27. MISCELLANEOUS EXPENSE

This account consists of penalties on deficiency tax assessments made by the BIR for taxable years 2026 and 2025.

	<u>2026</u>		<u>2025</u>
Basic tax	P -	P	10,572,603
Interest and surcharges	-		1,495,029
Total	<u>P -</u>	P	<u>12,067,632</u>

28. PERSONNEL EXPENSES

Personnel expenses consist of:

Cost of Sales (see Note 20 and 21)

	<u>2026</u>		<u>2025</u>
Salaries and wages	P 91,656,166	P	94,678,056
Retirement benefit costs (see Note 29)	-		895,058
Other employee benefits	7,731,568		9,645,081
	<u>P 99,387,734</u>	P	<u>105,218,195</u>

Selling and Distribution, General and
Administrative Expenses (see Note 22 and 23)

	<u>2026</u>		<u>2025</u>
Salaries and wages	P 76,534,056	P	55,104,734
Retirement benefit costs (see Note 29)	1,067,533		
Other employee benefits	4,055,395		5,103,725
	<u>P 81,656,984</u>	P	<u>60,208,458</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, 2025.

Retirement benefit obligation is distributed as follows:

		<u>2026</u>		<u>Dec. 2025</u>
Cost of sales (see Note 28)	P	-	P	15,073,051
Selling and distribution expenses, General and administrative expenses (see Note 28)		1,067,533		20,000,939
	P	<u>1,067,533</u>	P	<u>35,073,990</u>

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

		<u>2025</u>		<u>2024</u>
Balance at beginning of year	P	257,959,193	P	244,236,531
Amount recognized in profit or loss		35,073,990		28,703,025
Amount recognized in OCI	(	4,017,257)	(	7,178,240)
Benefit paid	(	7,861,517)	(	7,802,123)
	P	<u>281,154,409</u>	P	<u>257,959,193</u>

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

		<u>2025</u>		<u>2024</u>
Balance at beginning of year	P	257,959,193	P	244,236,531
Current service cost		19,529,278		18,014,450
Interest cost		15,544,712		10,688,575
Remeasurement losses (gains) recognized in OCI:				
Experience adjustments	(	2,791,316)	(	9,837,312)
Changes in financial assumptions	(	1,112,726)		2,659,072
Changes in demographic assumptions	(	113,215)		-
Benefit paid	(	7,861,517)	(	7,802,123)
	P	<u>281,154,409</u>	P	<u>257,959,193</u>

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

	<u>2025</u>	<u>2024</u>
Discount rate	6.27% to 6.35%	6.09% to 6.11%
Future salary increase	1.00% to 5.00%	1.00% to 5.00%

Sensitivity analysis on net retirement liability as at December 31, 2025 and 2024 are as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Changes in rate</u>	<u>Effect on net retirement benefit liability</u>	<u>Changes in rate</u>	<u>Effect on net retirement benefit liability</u>
Discount rate	+1.00%	P 271,319,474	+1.00%	P 247,613,906
	-1.00%	292,114,717	-1.00%	269,598,352
Future salary increase	+1.00%	283,387,109	+1.00%	259,943,892
	-1.00%	279,172,653	-1.00%	256,204,450

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:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Actuarial gain (loss)	P 4,017,256	P 7,178,240	(P 11,512,919)
Deferred tax for the period	(1,004,314)	(1,794,560)	2,878,230
	<u>P 3,012,942</u>	<u>P 5,383,680</u>	<u>(P 8,634,689)</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	<u>2025</u>	<u>2024</u>
Less than one year	P 148,760,090	P 136,975,202
More than one year to five years	71,972,960	55,559,307
More than five years to ten years	126,383,630	104,450,241
More than ten years to fifteen years	123,930,555	138,379,330
More than fifteen years to twenty years	111,106,085	149,878,687
More than 20 years	116,370,981	144,410,720
	<u>P 698,524,301</u>	<u>P 729,653,487</u>

The average duration of the retirement benefit liability at the end of the reporting period is 5.87 to 12.33years in 2025 and 6.91 to 12.42 years in 2024.

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.

Movements in ROU assets are presented below:

	<u>2025</u>	<u>2024</u>
Cost:		
Balance at beginning of year	P 382,076,929	P 263,253,365
Adjustment (see Note 17)	10,371,934	19,027,564
Additions	36,525,863	104,851,609
Derecognition	(55,151,507)	(5,055,609)
Balance at end of year	<u>373,823,219</u>	<u>382,076,929</u>
Accumulated depreciation:		
Balance at beginning of year	207,185,434	130,360,302
Adjustment (see Note 17)	2,592,984	10,782,286
Depreciation of right-of-use assets (see Note 23)	73,571,903	70,206,269
Derecognition	(55,151,507)	(4,163,423)
Balance at end of year	<u>228,198,814</u>	<u>207,185,434</u>
	<u>P 145,624,405</u>	<u>P 174,891,495</u>

In 2025 and 2024, 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 P0.7 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:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	P 192,517,082	P 148,080,009
Adjustment (see Note 17)	8,051,105	9,240,464
Additions	36,525,863	104,851,609
Lease modification	-	(1,047,149)
Accretion of interest (see Note 25)	11,139,054	12,212,289
Payments	(86,310,026)	(80,820,140)
	161,923,078	192,517,082
Less current portion	<u>56,546,030</u>	<u>66,983,492</u>
Non-current portion	<u>P 105,377,048</u>	<u>P 125,533,590</u>

31. INCOME TAXES

Under the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act, the regular corporate income tax (RCIT) of domestic corporations are taxed at 25% or 20% depending on the amount of total assets and total amount of taxable income.

32. EARNINGS PER SHARE

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

	<u>2026</u>		<u>2025</u>
Net profit	P 82,612,016	P	66,026,607
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 0.02</u>	P	<u>0.02</u>

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

	<u>2026</u>		<u>2025</u>
Total comprehensive income	P 82,612,016	P	66,026,607
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 0.02</u>	P	<u>0.02</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 profit 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 collectively described as Other comprehensive income (loss).

The cumulative remeasurement gains on net retirement benefit liability recognized in the consolidated statements of comprehensive income.

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	December 31, 2025	Cash Flows	Adjustment	March 31, 2026
Trust receipts payable P	371,534,185	(35,779,770)	P -	335,754,415
Notes payable	2,626,720,923	(65,583,283)	-	2,561,137,640
Loans payable	1,152,217,903	(52,622,917)	-	1,099,594,986
Lease liabilities	161,923,078	(6,260,639)	-	155,662,439
	<u>P 4,312,396,089</u>	<u>(160,246,609)</u>	<u>-</u>	<u>4,152,149,480</u>

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. 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.

Geographic Information

	<u>2026</u>	<u>2025</u>
Revenues from external customers		
Local sales	P 1,582,206,877	P 1,607,388,741
Export sales	<u>20,674,966</u>	<u>22,523,971</u>
	<u>P 1,602,884,843</u>	<u>P 1,629,912,712</u>

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.