

COVER SHEET

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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 .

(Company's Full Name)

1 0 0 0 U N I T E D N A T I O N A V E . C O R N E 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)

S a n d r a P I n e d a

Contact Person

5 2 4 0 0 9 1 - 9 8

Company Telephone Number

1 1 1 4

Month Day

1 7 - Q

FORM TYPE

Month Day

Fiscal Year

2 0 0 8

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU _____

Document I.D.

Cashier _____

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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 September 30, 2008

2. SEC Identification Number 148022 3. BIR Tax Identification 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 1000
Address of principal office 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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock	3,221,020,000 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.
TABLE OF CONTENTS
SEC FORM 17-Q

	<u>Page</u>
Part I FINANCIAL INFORMATION	
Item 1. Financial Statements	8-40
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	1-7
SIGNATURES	7

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. In view of the current global financial condition, Euro-Med Laboratories Phil., Inc. (the company) hereby assess 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 financial 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 depreciates from about ₱ 40.65/US\$ 1 in January 2008 to about ₱ 46.60/US\$ 1 in September 2008. These depreciation results to a peso increase in export sales. The company's export sales for the periods ended September 2008 and December 2007 are the same at about 17% of total sales, which are denominated, in foreign currency.

The raw materials being imported are initial inputs for producing parenteral solutions and LDPE bottles. The 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 provided 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 balance sheet, 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 September 30, 2008 that is exposed to interest rate risks are as follows (in 000):

Maturing within one (1) year:			
Notes payable	₱	1,155,567	
Acceptances payable		<u>182,764</u>	1,338,331
Maturing over one (1) year:			
Notes payable			<u>636,050</u>
TOTAL	₱		<u><u>1,974,381</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 September 30, 2008 follows (in 000):

Cash in banks	₱		148,327
Trade receivables:			
Private	₱	578,582	
Government		<u>251,363</u>	829,945
Non-trade receivables			<u>2,139</u>
TOTAL	₱		<u><u>980,411</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 7,000 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.

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

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 September 30, 2008 that are exposed to liquidity risk are as follows (in 000):

Bank loans:	
Maturing within one (1) year	P 1,338,331
Maturing over one (1) year	636,050
Trade accounts payable	191,145
Income tax payable	27,299
Agency payable/accrued expenses	28,066
	<u>P 2,220,891</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 2.0 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.

B. Euro-Med's financial instrument profile as of September 30, 2008 follows:

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

Classification	Description	Measurement
1.1) A financial asset or financial liability at fair value through profit or loss (FVPL)	None	Not Applicable
1.2) Held to maturity Investments (HTM)	None	Not Applicable
1.3) Loans and Receivables	3.1) Trade and other receivables	a) At initial recognition –measured at fair value
	3.2) Bank loans (Notes payable & Acceptances payable)	b) Subsequent Valuation – at amortized cost, less impairment loss if any.
	3.3) Trade accounts payable	

1.4) Available-for-sale Financial assets (AFS)	4.1) PLDT Shares	a) At initial recognition – measured at fair value
	4.2) Proprietary Shares in Casino Español de Manila	b) Subsequent valuation – at cost.

Investment in PLDT shares is a minimal amount of only ₱ 144,000 and is obtained only in connection with the various telephone lines required by the company. Likewise, 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.

B.2) Euro-Med has no investment in foreign securities.

B.3) Euro-Med has no financial instrument in the fair value hierarchy (FVPL financial securities).

B.4) The risks that are incorporated in the valuation of financial assets or liabilities are:

4.1) 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 of doubtful accounts that reduces the carrying value of this asset.

4.2) 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.

4.3) 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.

B.5) Comparison of fair values (in 000):

	As of Sept. 30, 2008		As of June 30, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
a) Financial assets				
Cash	₱ 150,414	₱ 150,414	₱ 174,491	₱ 174,491
Trade & other receivables - net	807,631	807,631	756,270	756,270
Available for sale securities				
Quoted	144	144	144	144
Unquoted	200	200	200	200
Total	₱ 958,389	₱ 958,389	₱ 931,105	₱ 931,105
b) Financial liabilities				
Trade accounts payable	₱ 191,145	₱ 191,145	₱ 67,111	₱ 67,111
Notes payable	1,791,617	1,791,617	1,865,967	1,865,967
Acceptances payable	182,764	182,764	173,994	173,994
Other current liabilities	28,066	28,066	10,482	10,482

B.6) Euro-Med is primarily a manufacturing company and not a financial institution. The Company has a very minimal investment in PLDT shares, which was obtained only for its telephone line requirements. Hence, the Company has not established any criteria to determine whether the market for a financial instrument is active or inactive.

The Company's operations have no seasonal aspects that had a material effect on the financial condition or results of operations. The Company operates regularly for twelve (12) months during the year and does its maintenance jobs during Sundays and holiday breaks. There are no known trends, demands, material commitments for capital expenditures, events, or uncertainties that will have a material impact on the Company's liquidity or have a material favorable or unfavorable impact on net sales/revenue/income from continuing operations. 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.

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

1.) The Company's net sales increased by 4.7% from P1,631.9 million for the three quarters of 2007 to P1,709.2 million for the three quarters of 2008. The increase in sales was attributed to the increase in domestic sales and export sales. Domestic sales increased by 5.6% from P1,337.1 million for the three quarters of 2007 to P1,412.0 million for the three quarters of 2008, while export sales increased by 1.0% from P294.8 million for the three quarters of 2007 to P 297.2 million for the three quarters of 2008 . The increase in sales indicator was chosen by management as it discloses the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase in sales by the peso sales during the comparable period of previous year.

2.) Gross profit from sales increased by 1% from P 707.2 million for the three quarters of 2007 to P 713.8 million for the three quarters of 2008. Cost of goods

manufactured and sold increased by 7.6% from P 924.7 million for the three quarters of 2007 to P 995.5 million for the three quarters of 2008. As a percentage of net sales, cost of goods manufactured and sold increased from 56.7% for the three quarters of 2007 to 58.2% for the three quarters of 2008. 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.) Income from operations (income before finance income/cost and miscellaneous income) decreased by 12.6% from P398.6 million for the three quarters of 2007 to P348.4 million for the three quarters of 2008. Operating expenses (administration, selling and distribution) increased by 18.4% from P308.7 million for the three quarters of 2007 to P365.4 million for the three quarters of 2008. The increase was due to increased variable operating expenses, i.e. delivery expenses, marketing development and entertainment expenses, commission and transportation expenses. Operating expenses as a percentage of the Company's net sales increased from 18.9% for the three quarters of 2007 to 21.4% for the three quarters of 2008. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on selling, distribution and administrative expenses. The percentage change in income from operations is calculated by dividing the peso increase (decrease) in operating income by the peso operating income during the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance income/cost and miscellaneous income decreased by 15.6% from P159.2 million for the three quarters of 2007 to P134.4 million for the three quarters of 2008 due to the decrease in notes payable. Changes in Net finance income/cost and miscellaneous income 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 income/cost and miscellaneous income by the net finance income/cost and miscellaneous income during the comparable period of previous year.

5.) Provision for income tax decreased by 10.6% from P83.8 million for the three quarters of 2007 to P74.9 million for the three quarters of 2008. Net income decreased by 10.6% from P155.6 million for the three quarters of 2007 to P139.1 million for the three quarters of 2008. 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 increased by 2.2% from P5.572 billion in 2007 to P5.694 billion in 2008. Current ratio increased by 15% from 1.00:1 in 2007 to 1.15:1 in 2008, while Equity ratio increased by 1.7% from 0.60:1 in 2007 to 0.61:1 in 2008.

The decrease in cash and cash equivalents was due to the payment of 2007 year end income tax in April 2008, payment of short term notes payable and other current liabilities. The increase in inventory was attributed to the purchases of new products to be distributed by the company. The increase in other current assets was due to the increase of advances to suppliers and marketing development expense. The increase in Investment in Subsidiary was due to capital investment in newly incorporated

subsidiary, Hemotek Renal Center, Inc. The increase in Accounts payable was due to the purchases of new products to be distributed by the company. The increase in acceptances payable was due to the trust receipts on letters of credit for the importation of raw materials. The increase in other current liabilities was due to increase in advances and deposits. The increase in non-current Notes Payable was due to availment of a long-term loans to partially pay off- short term notes payable. The estimated income tax payable decreased since the amount as of 31 December 2007 represents the audited final and adjusted income tax payable as of the end of year 2007 which was paid in April 2008 while the amount as of 30 September 2008 includes the unaudited estimated tax on income for the third quarter of 2008. The decrease in Deferred credits was due to the amortization of deferred amount to rental income. The dividends represent the stock dividends declared by the Board of Directors on 19 December 2007, which was already reflected in the Balance sheet.

Projection

The Company expected to increase its sales in 2008 by about 10% from its local and export sales. The Company is continuously expanding its present product line to include specialty products for inhalation, ophthalmic, irrigation and other health care purposes. The Company expects to open new export markets in other countries and increase the number of products being exported.

The gross profit ratio is expected to decrease from 45% of sales in 2007 to about 44% of sales in 2008 due to higher cost of sales caused by the increase in imported materials, fuels and the higher cost of sales on products which are being distributed by the Company. The expected gross profit in 2008 is about P1,148 million.



The net income for 2008 is expected to increase by about 5%. As a percentage of sales, the net income ratio is expected to be the same at 11% of sales in 2007 and 2008. The expected net income in 2008 is about P285 million.

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 

November 07, 2008


Sandra N. Pineda
Chief Accountant

November 07, 2008

EURO-MED LABORATORIES PHIL., INC.

BALANCE SHEETS

	Notes	30 September 2008 (Unaudited)	31 December 2007 (Audited)
ASSETS			
Current			
Cash and cash equivalents	2.7, 4 P	150,414,621 P	301,106,150
Trade and other receivables, net	2.9, 5	807,631,444	792,133,157
Inventories	2.10, 6	756,440,144	471,179,050
Others	2.14, 7	102,101,314	87,095,906
		1,816,587,523	1,651,514,263
Non-current			
Investment in subsidiary	2.11, 8	107,356,940	82,356,940
Property, plant and equipment	2.12, 2.13, 9	3,624,364,114	3,689,238,291
Others	2.14-15, 10, 35	145,963,841	148,987,091
		3,877,684,895	3,920,582,322
TOTAL ASSETS	P	5,694,272,419 P	5,572,096,585

LIABILITIES AND EQUITY

Current			
Trade accounts payable	2.16, 11	191,145,268	67,111,043
Notes payable	2.18, 12	1,155,566,666	1,407,266,667
Acceptances payable	13	182,763,762	95,207,403
Income tax payable	2.21, 3.3, 29	27,299,019	55,554,215
Others	14	28,066,327	23,980,237
		1,584,841,042	1,649,119,565
Non-current			
Notes payable	2.18, 12	636,049,999	585,999,999
Deferred credits	15	2,700,000	5,400,000
		638,749,999	591,399,999
Equity		3,470,681,376	3,331,577,021
TOTAL LIABILITIES AND EQUITY	P	5,694,272,418 P	5,572,096,585

The notes on pages 12-40 are an integral part of these financial statements.

EURO-MED LABORATORIES PHIL., INC.**STATEMENTS OF INCOME AND EXPENSES**

UNAUDITED

	Notes	2008		2007	
		July - September	Jan. - September	July - September	Jan. - September
NET SALES	2.17, 3, 20	P618,418,768	P1,709,231,798	P598,087,371	P1,631,914,381
COST OF GOODS					
MANUFACTURED AND SOLD	2.10, 23	383,837,960	995,454,412	386,918,023	924,670,021
GROSS PROFIT		234,580,808	713,777,386	211,169,348	707,244,360
Administrative and selling expenses	24	(61,882,577)	(223,756,676)	(54,772,853)	(185,081,473)
Distribution expenses	25	(54,053,148)	(141,650,242)	(39,965,332)	(123,590,532)
Finance income	2.17, 21	382,289	1,264,368	598,797	979,209
Finance cost	26, 27	(44,906,890)	(139,939,483)	(43,226,316)	(156,991,396)
Foreign exchange gain (loss)	2.20, 33	3,265,355	3,495,780	(2,256,796)	(6,099,154)
Miscellaneous income	22	150,510	815,567	(2,536,315)	2,951,024
INCOME BEFORE INCOME TAX		77,536,347	214,006,700	69,010,533	239,412,038
PROVISION FOR INCOME TAX	2.21, 3.3, 29	27,299,039	74,902,345	25,305,173	83,794,214
NET INCOME		P50,237,308	P139,104,355	P43,705,360	P155,617,824
EARNINGS PER SHARE					
Basic and diluted	2.22, 30	P0.02	P0.05	P0.02	P0.06

The notes on pages 12-40 are an integral part of these financial statements.

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF CHANGES IN EQUITY

	Share capital (Notes 17, 18)	Share premium reserve	Retained earnings (Notes 17, 19)	Total equity September 30, 2008	Total equity September 30, 2007
Balances, 31 December 2007 and 30 September 2008 and 2007	P3,221,020,000	P66,609,227	P43,947,794	P3,331,577,021	3,066,692,882
10% Stock dividend	-	-	-	-	-
Balances, 30 September 2008 and 2007	3,221,020,000	66,609,227	43,947,794	3,331,577,021	3,066,692,882
Net income for the period Jan. - September 2008, and 2007	-	-	139,104,355	139,104,355	155,617,825
Balances, 30 September 2008 and 2007	3,221,020,000	66,609,227	183,052,149	3,470,681,376	3,222,310,707

The notes on pages 12- 40 are an integral part of these financial statements.

EURO-MED LABORATORIES PHIL., INC.

STATEMENTS OF CASH FLOWS

		For The Nine Months Ended Sept.	
	Notes	2008	2007
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P214,006,700	P239,412,038
Adjustment for:			
Depreciation and amortization	9	126,481,696	124,722,078
Finance cost	26	139,939,483	156,991,396
Foreign exchange loss (gain)	2.20, 33	(3,495,780)	6,099,154
Finance income	2.17, 21	(1,264,368)	(979,209)
Miscellaneous income	22	(815,567)	(2,951,024)
Operating income before working capital changes		476,932,099	527,224,666
Changes in assets and liabilities:			
(Increase) decrease in:			
Trade and other receivables	2.9, 5	(15,498,287)	(92,860,889)
Inventories	2.10, 6	(285,261,094)	(48,515,135)
Other current assets	2.14, 7	(15,005,408)	(20,918,796)
Increase (decrease) in:			
Trade accounts payable	2.16, 11	124,034,225	660,759
Acceptances payable	13	87,556,359	(17,220,177)
Other current liabilities	14	(4,086,090)	(13,134,820)
Cash generated from operations		368,671,804	335,235,608
Interest paid	26	139,939,483	156,991,396
Income tax paid	2.21, 3.2, 29	74,902,345	83,794,214
Interest received	21	1,261,018	976,459
Net cash provided by operating activities		584,774,650	576,997,677
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for the acquisition of			
property, plant and equipment	9	(61,524,316)	(63,545,251)
Dividend received	21	3,350	2,750
Decrease (increase) in other non-current assets	10	3,023,250	(2,370,725)
Net cash used for investing activities		(58,497,716)	(65,913,226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of notes payable	2.18, 12	(201,650,001)	(449,999)
Increase (decrease) in deferred credits	15	(2,700,000)	-
Net cash provided by financing activities		(204,350,001)	(449,999)
NET DECREASE IN CASH		(150,691,529)	(3,629,969)
Cash and Cash Equivalents, Beginning of the Year	2.7, 4	301,106,150	276,976,598
Cash and Cash Equivalents, End of Period	2.7, 4	P150,414,621	P273,346,629

The notes on pages 12- 40 are an integral part of these financial statements.

