

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 P .

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

0 8 1 4

Month
Fiscal Year

2 0 0 8

1 7 - Q

FORM TYPE

Month
Annual Meeting

Day

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

LCU

Document I.D.

Cashier

STAMPS

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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 June 30, 2008
2. SEC Identification Number 148022 3. BIR Tax Identification No. 000-288-655V
4. Exact name of registrant as specified in its charter **EURO-MED LABORATORIES PHIL., INC.**
5. Philippines
(Province, country or other jurisdiction of
incorporation or organization)
6. (SEC Use Only)
Industry Classification Code:
7. 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

<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.
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Part I – Financial Information

Item 1. Financial Statements

See accompanying Interim Financial Statements.

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

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 5.5% from P1033.8 million for the first half of 2007 to P1,090.8 million for the first half of 2008. The increase in sales was attributed to the increase in local sales. Domestic sales increased by 8.5% from P841.1 million for the first half of 2007 to P912.4 million in first half 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 decreased by 3.4% from P496.1 million for the first half of 2007 to P479.2 million for the first half of 2008. Cost of goods manufactured and sold increased by 13.7% from P537.8 million for the first half of 2007 to P611.6 million for the first half of 2008. As a percentage of net sales, cost of goods manufactured and sold increased from 52% for the first half of 2007 to 56% for the first half 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 18.6% from P282.1 million for the first half of 2007 to P229.7 million for the first half of 2008. Operating expenses (administration, selling and distribution) increased by 16.6% from P213.9 million for the first half of 2007 to

P249.5 million for the first half of 2008. The increase was due to increased variable operating expenses, i.e. delivery expenses, marketing development and entertainment expenses, office supplies, commission and transportation expenses. Operating expenses as a percentage of the Company's net sales increased from 20.7% for the first half of 2007 to 22.9% for the first half 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 18.5% from P115.0 million for the first half of 2007 to P93.7 million for the first half 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 during the comparable period of previous year.

5.) Provision for income tax decreased by 18.6% from P58.5 million for the first half of 2007 to P47.6 million for the first half of 2008. Net income decreased by 18.6% from P108.6 million for the first half of 2007 to P88.4 million for the first half 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 decreased by 0.04% from P5.572 billion in 2007 to P5.570 billion in 2008. Current ratio increased by 13.6% from 1.00:1 in 2007 to 1.14:1 in 2008, while Equity ratio increased by 2.7% 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 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 management decision to increase inventory stocking level. 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 acceptances payable was due to the trust receipts on letters of credit for the importation of raw materials. The increase in non-current Notes Payable was due to availment of a long-term loans to 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 while the amount as of 30 June 2008 includes the unaudited estimated tax on income for the second 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 healthcare 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.

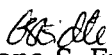
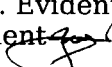
The net income for 2008 is expected to increase by about 5%. As a percentage of sales, the net income ratio is expected to be the same at 11% of sales in 2007 and 2008. The expected net income in 2008 is about P285 million.

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 

August 08, 2008


Sandra N. Pineda
Chief Accountant

August 08, 2008

EURO-MED LABORATORIES PHIL., INC.

BALANCE SHEETS

	Notes	30 June 2008 (Unaudited)	31 December 2007 (Audited)
ASSETS			
Current			
Cash and cash equivalents	2.7, 4	P 174,490,982	P 301,106,150
Trade and other receivables, net	2.9, 5	756,269,767	792,133,157
Inventories	2.10, 6	636,355,661	471,179,050
Others	2.14, 7	101,855,834	87,095,906
		1,668,972,245	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	3,645,637,659	3,689,238,291
Others	2.14-15, 10, 35	148,039,897	148,987,091
		3,901,034,496	3,920,582,322
TOTAL ASSETS		P 5,570,006,741	P 5,572,096,585
LIABILITIES AND EQUITY			
Current			
Trade accounts payable	2.16, 11	67,111,348	67,111,043
Notes payable	2.18, 12	1,185,966,666	1,407,266,667
Acceptances payable	13	173,993,771	95,207,403
Income tax payable	2.21, 3.3, 29	29,770,139	55,554,215
Others	14	10,481,619	23,980,237
		1,467,323,543	1,649,119,565
Non-current			
Notes payable	2.18, 12	679,999,999	585,999,999
Deferred credits	15	2,700,000	5,400,000
		682,699,999	591,399,999
Equity		3,419,983,198	3,331,577,021
TOTAL LIABILITIES AND EQUITY		P 5,570,006,741	P 5,572,096,585

The notes on pages 8- 36 are an integral part of these financial statements.

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

	Notes	2008		2007	
		April-June	Jan. - June	April-June	Jan. - June
NET SALES	2.17, 3, 20	P592,027,187	P1,090,813,030	P531,707,213	P1,033,827,010
COST OF GOODS					
MANUFACTURED AND SOLD	2.10, 23	330,288,478	611,616,452	279,375,197	537,751,998
GROSS PROFIT		261,738,709	479,196,578	252,332,016	496,075,012
Administrative and selling expenses	24	(82,761,871)	(161,874,099)	(59,443,317)	(130,308,620)
Distribution expenses	25	(43,839,303)	(87,597,094)	(40,721,949)	(83,625,200)
Finance income	2.17, 21	371,142	882,079	156,133	380,412
Finance cost	26, 27	(47,047,993)	(95,032,593)	(61,020,251)	(113,765,080)
Foreign exchange gain (loss)	2.20, 33	792,838	(230,425)	(3,019,366)	(3,842,358)
Miscellaneous income	22	529,009	665,057	1,101,238	2,197,375
INCOME BEFORE INCOME TAX		89,782,531	136,009,503	89,384,504	167,111,541
PROVISION FOR INCOME TAX	2.21, 3.3, 29	31,423,886	47,603,326	31,284,576	58,489,039
NET INCOME		P58,358,645	P88,406,177	P58,099,928	P108,622,502
EARNINGS PER SHARE					
Basic and diluted	2.22, 30	P0.02	P0.03	P0.02	P0.04

The notes on pages 8-36 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 June 30, 2008	June 30, 2007
Balances, 31 December 2007 and 30 June 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 June 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.- June 2008, and 2007	-	-	88,406,177	88,406,177	108,622,502
Balances, 30 June 2008 and 2007	3,221,020,000	66,609,227	132,353,971	3,419,983,198	3,175,315,384

The notes on pages 8- 36 are an integral part of these financial statements.

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF CASH FLOWS

	Notes	For The Six Months Ended June	
		2008	2007
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P136,009,503	P167,111,541
Adjustment for:			
Depreciation and amortization	9	84,321,129	83,153,327
Finance cost	26	95,032,593	113,765,080
Foreign exchange loss	2.20, 33	230,425	3,842,358
Finance income	2.17, 21	(882,079)	(380,412)
Miscellaneous income	22	(665,057)	(2,197,375)
Operating income before working capital changes		315,593,650	367,872,306
Changes in assets and liabilities:			
(Increase) decrease in:			
Trade and other receivables	2.9, 5	35,863,390	(37,044,039)
Inventories	2.10, 6	(165,176,611)	(78,760,808)
Other current assets	2.14, 7	(14,759,928)	5,057,044
Increase (decrease) in:			
Trade accounts payable	2.16, 11	305	7,693,459
Acceptances payable	13	78,786,368	13,280,477
Other current liabilities	14	(13,498,618)	8,476,163
Cash generated from operations		236,808,556	286,574,602
Interest paid	26	(95,032,593)	(113,765,080)
Income tax paid	2.21, 3.2, 29	(47,603,326)	(58,489,039)
Interest received	21	882,079	380,412
Net cash provided by operating activities		95,054,716	114,700,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for the acquisition of property, plant and equipment	9	(40,665,029)	(84,685,428)
Dividend received	21	3,350	2,750
Decrease (increase) in other non-current assets	10	947,194	(43,983,028)
Net cash used for investing activities		(39,714,485)	(128,665,706)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from avilment of notes payable	2.18, 12	(127,300,001)	33,866,668
Increase (decrease) in deferred credits	15	(2,700,000)	(2,700,000)
Net cash provided by financing activities		(130,000,001)	31,166,668
NET DECREASE IN CASH		(126,615,168)	(23,583,689)
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	P174,490,982	P253,392,909

The notes on pages 8- 36 are an integral part of these financial statements.

EURO-MED LABORATORIES PHIL., INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Euro-Med Laboratories Phil., Inc. (Euro-Med/the Company) began its commercial production in 1991 after it has been registered with the Bureau of Food and Drugs (BFAD) to manufacture pharmaceutical products of large and small volume parenterals and other solutions such as ophthalmic, inhalation, irrigation and dialysis. The Company is currently the largest manufacturer of high quality intravenous fluids in the Philippines.

Euro-Med is the Parent Company of its subsidiaries, (1) 102 E. De Los Santos Realty Co., Inc. (102 EDSA/the Subsidiary), a 100% owned firm acquired in May 2000 which is involved in leasing out investment property, and (2) Hemotek Renal Center, Inc. (Hemotek/ the Subsidiary) a 100% owned firm which was newly incorporated in June 2008 and is engaged as a dialysis center.

Euro-Med is a publicly listed corporation incorporated and domiciled in the Philippines. The Company was registered with the Securities and Exchange Commission (SEC) on January 29, 1988. Its registered office address is at PPL Building, United Nations Avenue corner San Marcelino St., Manila.

Euro-Med had its first listing on the Philippine Stock Exchange (PSE) on July 2, 1998.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis.

2.1 Statement of Compliance

These financial statements were prepared in accordance with the Philippine Financial Reporting Standards (PFRS). The term PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations which have been approved by the Accounting Standards Council (now called, Financial Reporting Standards Council or FRSC) and adopted by the SEC, including SEC pronouncements.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

2.3 Functional and Presentation Currency

The financial statements of the Company are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso except when otherwise indicated.

2.4 Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2.5 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except that the Company has adopted the following new and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC) during the year. Adoption of these revised standards and interpretations did not have any effect on the Company's financial statements. These, however, required additional disclosures on the financial statements.

- PFRS 7, *Financial Instruments - Disclosures*. PFRS 7 includes all of the disclosure requirements relating to financial instruments and will replace the disclosure section of PAS 32 Financial Instruments: Disclosure and Presentation and all of PAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions. PAS 32 will then contain only presentation requirements for financial instruments. The most significant additional disclosure requirements of PFRS 7 (compared to PAS 32 and PAS 30) are as follows: (a) qualitative risk disclosures are to include information on the processes that an entity uses to manage and measure its risks, (b) quantitative data about the exposure to each type of risk (including credit risk, liquidity risk and market risk) arising from financial instruments, (c) information about the credit quality of financial assets that are neither past due nor impaired, (d) an analysis of financial assets that are past due or impaired, including a description of collateral held as security and its fair value, (e) a market risk sensitivity analysis which includes the effect of a reasonably possible change in the risk variables, along with the methods and assumptions used in preparing the analysis. The adoption of the Standard did not have a direct impact on the amounts included in the Company's financial statements. However, the new Standard resulted to changes in the financial instrument disclosures included in the Company's financial statements.
- *Amendments to PAS 1, Presentation of Financial Statements - Capital Disclosure*. This amendment, which is effective for annual periods beginning on or after January 1, 2007, requires entities to disclose information that enables readers to evaluate the entity's objectives, policies and processes for managing capital. The disclosures are based on information provided internally to key management personnel, and will include: (a) the objectives, procedures and policies used to manage capital (b) a description of what the entity manages as capital, the nature of any externally imposed capital requirements (if any) and how it meets objectives for managing capital, (c) quantitative information about what the entity manages as capital and any changes from the prior period, (d) whether the entity complied with externally imposed capital requirements and the consequences of any non-compliance, (if applicable). Additional disclosures required were included in the financial statements, where applicable.
- *Philippine Interpretation IFRIC 7, "Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies"* – the Company adopted the interpretation in 2007 which requires that when a country becomes hyperinflationary, PAS 29 must be applied as if the country had always been hyperinflationary and it provides guidance on calculating deferred taxes and comparatives.
- *Philippine Interpretation IFRIC 8, - "Scope of PFRS 2"* – This interpretation requires PFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value.
- IFRIC 9, *Reassessment of Embedded Derivatives*. The Interpretation clarifies whether an entity should reassess whether an embedded derivative needs to be separated from the host contract after the initial hybrid contract is recognized. It concludes that reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Company has no such transactions, this interpretation did not have any effect on the financial statements.
- IFRIC 10, *Interim Financial Reporting and Impairment*. IFRIC 10 addresses an inconsistency between PAS 34, Interim Financial Reporting and the impairment requirements relating to goodwill in PAS 36, Impairment of Assets and equity instruments classified as available for sale in PAS 39 Financial Instruments: Recognition and Measurement. The Interpretation states that the specific requirements of PAS 36 and PAS 39 take precedence over the general requirements of PAS 34 and, therefore, any impairment loss recognized for these assets in an interim period may not be reversed in subsequent interim periods. The adoption of this interpretation did not have any effect on the financial statements of the Company.

2.6 Future Changes in Accounting Policies

