

**IONICS EMS, INC.
MANAGEMENT REPORT**

ITEM 1. BUSINESS

Ionics EMS, Inc. (the “Company”)

Ionics EMS, Inc. was incorporated in the Philippines on September 21, 1999 to engage in the electronic manufacturing services (“EMS”) business. It is a subsidiary of Ionics, Inc., a company incorporated in the Philippines and listed in the Philippine Stock Exchange.

On February 25, 2000, the Company offered its shares of stock to the public and became publicly listed in the Singapore Exchange Securities Trading Limited (“Singapore Exchange”). Low daily turnover and low daily market capitalization prompted the Company to reconsider its continued listing in the Singapore Exchange. Consequently, on March 2, 2010, the Company and its Parent Company jointly announced the proposed voluntary delisting of the Company from the Singapore Exchange. In compliance with the delisting proposal, the Parent Company made a tender offer to purchase common shares issued to the minority stockholders. Subsequently, the Parent Company acquired an additional 104,801,455 shares or 6.72% ownership of the Company. After the required tender offer, the Company had more than two hundred (200) shareholders each holding at least one hundred (100) shares. Thus, the Company is considered a public company as defined under the Securities Regulation Code of the Philippines (“SRC”).

The Parent Company is financially committed to support the Company’s operations.

Ionics-EMS (USA), Inc. (“EMS-USA”)

EMS-USA, a wholly owned subsidiary incorporated in the United States of America and primarily engaged in designing and new product introduction, was organized and duly approved by the Board of Directors (BOD) on August 12, 2010. The Parent Company invested US\$0.01 million for the initial subscription to the equity shares of EMS-USA.

The Company anticipates that concentration of business in major customers will continue in the foreseeable future.

Line of Business

The Company and its subsidiary (the “Group”) is a total one-stop shop EMS provider. It has been the EMS solutions provider to some of the world’s biggest original equipment manufacturers for over 35 years.

There are basically two (2) general categories of electronics manufacturers or assemblers in the region: the original equipment manufacturers (“OEM”) and the contract electronics manufacturers (“CEM”). OEMs are companies which are leaders in the manufacturing of personal computers, computer peripherals, telecommunications, consumer electronics and automotive equipment.

On the other hand, CEMs are firms involved in the production of electronic items similar to those produced by OEMs. These firms are basically independent third-party manufacturers or assemblers which do not have any corporate affiliations with their respective customers. CEMs therefore undertake subcontracting work only, and generally provide labor and manufacturing overhead as their basic inputs in the assembly of electronic products.

The Group is classified as a CEM. Most of its end-products, therefore, are components and sub-assemblies which are eventually used as input for the finished products of its customers. The Group

accommodates most types of electronic manufacturing and assembly projects. Customers provide the specifications and blueprint or prototype of a component or product that they want to be manufactured or assembled and the Group delivers the finished item.

The Group provides “on-consignment” or “turnkey” manufacturing arrangements to its clients. Under an on-consignment arrangement, the Group furnishes labor and manufacturing overhead input, while the product design and raw or input materials are provided by the customer. Under the turnkey arrangement, on the other hand, the Company provides all production input for its clients. The product design, however, is still provided and owned by the client.

In 2002, the Group successfully offered design services to its customer and added an original design manufacturer (“ODM”) component to its business line.

ITEM 2. DIRECTORS AND OFFICERS

Please refer to Item 5 of the Information Statement.

ITEM 3. MARKET FOR THE COMPANY’S SHARES

Market Information

The Company’s shares are not publicly traded. The Company voluntarily delisted from the Singapore Stock Exchange on 23 June 2010.

Holders

The Company has approximately 7,208 stockholders as of 30 April 2026, and the total outstanding common shares as of the same date is 1,560,000,000. The top twenty (20) stockholders as of 30 April 2026 are as follows:

Name of Stockholder	Number of Shares	Percentage to Total
1. Ionics, Inc.	1,508,801,438	96.71804096%
2. Uob Kay Hian Pte. Ltd.	996,040	0.063848718%
3. HSBC (Singapore) Noms Pte. Ltd.	660,000	0.042307692%
4. Joshua Foo Soo Teck	650,000	0.041666667%
5. Furong Zhu	625,000	0.040064103%
6. Loh Kok Weng	500,000	0.032051282%
7. Wong Cheong Shek	460,000	0.029487179%
8. Kor Yeong Chin	410,000	0.026282051%
9. Clarence Pong Khai Yun	387,000	0.024807692%
10. Guy Josef Eduard Sterkens	367,000	0.023525641%
11. Tan Kok Keong	365,000	0.023397436%
12. Tan Siew Sim	361,000	0.023141026%
13. Chong Ah Kau	299,000	0.019166667%
14. Tan Heng Weng	296,000	0.018974359%
15. Tjong Lie Ha	290,000	0.018589744%
16. Neo Chwee Goh	280,000	0.017948718%
17. Tan Sil Lin	268,000	0.017179487%
18. Loh Hean Ho	261,000	0.016730769%

19. OCBC Securities Pte. Ltd.	256,000	0.016410256%
20. Goh Seow Kng	253,000	0.016217949%
TOTAL	1,516,785,479	97.2298384%

The Company has not entered into any acquisition, business combination or other reorganization that would affect the amount and percentage of the present holding of the Company's equity owned beneficially by: (i) more than five percent (5%) beneficial owner of Company's common equity; (ii) each director and nominee; and (iii) all directors and officers as a group, and the Company's present commitments to such persons with respect to the issuance of shares.

Dividends

Dividend payment depends upon the earnings, cash flow and financial condition of the Company. All dividends are subject to the approval of the Company's Board of Directors and in the case of stock dividend, by the Stockholders. In addition, stock or property dividends are subject to the approval of the Securities and Exchange Commission.

The Company has not distributed dividends for the past two (2) years.

Recent Sales of Unregistered or Exempt Securities

For the past three (3) years, the Company has not sold any unregistered or exempt securities, nor were there any recent issuances of securities constituting an exempt transaction.

ITEM 4. MANAGEMENT DISCUSSION AND ANALYSIS

Management's Plan for the Year 2026

The Company enters 2026 focused on reinforcing its market position through operational agility and strategic expansion. As global markets continue to evolve, the Company remains committed to leveraging the Philippines' strategic advantages to deepen its partnerships with international technology leaders and capture emerging opportunities in high-growth industries.

In 2026, the Company will continue to diversify its portfolio by targeting high-complexity, high-value sectors. Its strategy involves strengthening its presence in industries that require sophisticated manufacturing solutions and technical expertise. By enhancing its global commercial engagements and fostering collaborative design-for-manufacturing partnerships, the Company aims to drive sustainable revenue growth and expand its footprint in key international markets.

The cornerstone of its 2026 strategy is the continued transformation of our production capabilities through advanced technological integration. The Company is prioritizing:

- **Operational Agility:** Accelerating the deployment of automated systems and digital workflows to improve consistency, quality, and overall efficiency.
- **Comprehensive Automation:** Integrating physical robotics for high-precision assembly alongside software automation (RPA) to streamline administrative and operational processes, reducing manual friction across the organization.

- Artificial Intelligence (AI): Leveraging AI-driven analytics to transition toward a "Smart Factory" model, utilizing predictive maintenance and intelligent quality control to optimize real-time decision-making.
- Resource Optimization: Implementing data-driven processes to enhance yield and maintain competitiveness in a dynamic global landscape.
- Workforce Development: Investing in the continuous upskilling of our technical teams to ensure they are equipped to manage an increasingly sophisticated and tech-driven manufacturing environment.

The Company remains dedicated to Environmental, Social, and Governance (ESG) principles as a core component of our long-term resilience. Its 2026 focus includes:

- Climate Resilience: Executing resource efficiency programs and expanding the Company's use of renewable energy to support sustainable growth.
- Industry Advocacy: Maintaining an active role in national industry organizations to help shape the future of the electronics manufacturing sector and promote the Philippines as a premier destination for high-tech investment.

Through a disciplined focus on technological advancement, operational efficiency, and sustainable practices, Ionics EMS, Inc. is positioned to deliver long-term value to its stakeholders. By remaining adaptable and forward-thinking, the Company is charting a path for continued excellence throughout 2026 and beyond.

Below are the consolidated key financial ratios for the years ended December 31, 2025 and 2024, and for the quarter ended March 31, 2026.

	March 31, 2026	December 31, 2025	December 31, 2024
Revenue Growth	17.44%	13.09%	12.00%
Gross Profit Margins	7.18%	7.80%	7.66%
Net Income Margins	2.59%	2.47%	2.09%
Return on Equity	2.74%	10.31%	8.59%
Current Ratio	1.30:1	1.31:1	1.19:1
Leverage Ratio	0.65:1	0.62:1	0.65:1
Debt-to-Equity Ratio	2.34:1	2.22:1	2.43:1
Asset-to-Equity Ratio	3.34:1	3.22:1	3.43:1
Interest Coverage Ratio	7.21:1	5.29:1	3.05:1

1. Revenue Growth

Revenue growth is computed from current revenue less the revenue of the prior year divided by the revenue of the prior year. The result is expressed in percentage.

2. Gross Profit Margin

Gross profit margin reflects Management's policies related to pricing and production efficiency. This is computed by dividing gross profit by net sales. The result is expressed in percentage.

3. Net Income Margin

Net income margin is the ratio of the Group's net income after tax for a given period. This is computed by dividing net income by net sales. The result is expressed in percentage.

4. Return on Equity

Return on equity ratio is the ratio of the Group's net income to equity. This measures Management's ability to generate returns on its investments. This is computed by dividing net income by total equity.

5. Current Ratio

Current ratio is the ratio of the Group's current assets to its current obligations. This is computed by dividing current assets by current liabilities.

6. Leverage Ratio

Leverage ratio shows the balance that the Group's Management has struck between forces of risk versus cost. This is computed by dividing net debt by the sum of total equity and net debt.

7. Debt-to-Equity Ratio

The debt-to-equity ratio indicates the relative proportion of equity and debt used to finance the Group's assets. This is computed by dividing total liabilities by equity.

8. Asset-to-Equity Ratio

The asset-to-equity ratio shows the relationship of the total assets of the Group to the portion owned by shareholders. This indicates the Group's leverage (debt) used to finance the Group. This is computed by dividing total assets by total equity.

9. Interest Coverage Ratio

Interest rate coverage ratio is the ratio of the Group's ability to meet its interest payments. This is computed by dividing the sum of income before income taxes and finance costs by the finance costs.

As of 31 March 2026, the Management of the Company is not aware of:

- a) any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity;
- b) any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;
- c) all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
- d) any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures, except for the solar panel installation for the Company's Plant 2, Plant 5 and Plant 6. Capital expenditures will be partly funded by bank borrowings.

- e) any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/ income from continuing operations;
- f) any significant elements of income or loss that did not arise from the issuer’s continuing operations; and
- g) any seasonal aspects that had a material effect on the financial condition or results of operations.

The causes for any material change from period to period which shall include vertical and horizontal analysis of any material item were disclosed in pages 17 to 18 of this report.

FINANCIAL PERFORMANCE

QUARTER 1 2026

Consolidated Results of Operations

The summarized sales and net income (loss) of the Company and its subsidiary (collectively, the “Group”) for the three-month period ended March 31, 2026 and 2025 are presented as follows:

	March 31, 2026 (3 months) ('000)		March 31, 2025 (3 months) ('000)	
	NET INCOME		NET INCOME	
COMPANY	SALES	(LOSS)	SALES	(LOSS)
EMS Parent	US\$30,494	US\$811	US\$25,966	US\$500
EMS-USA	–	(20)	–	(21)
Consolidated	US\$30,494	US\$791	US\$25,966	US\$479

Revenue increased by 17% or US\$4.528 million from US\$25.966 million for the three months ended March 31, 2025 to US\$30.494 million in the same period of 2026 due to higher demand from turnkey customers. With the increase in sales, gross profit increased by 7% or US\$0.136 million from US\$2.052 million for the three months ended March 31, 2025 to US\$2.188 million in the same period of 2026.

Operating expenses increased by US\$0.227 million from US\$1.086 million for the three-month period ended March 31, 2025 to US\$1.313 million for the same period in 2026 primarily due to the increase in commission as a result of higher sales subject to commission. Interest expense decreased to US\$0.131 million for the three-month period ended March 31, 2026 from US\$0.282 million for the same period of 2025 due to lower bank loan and lease liabilities balances and lower interest rate. The Company reported net foreign exchange gain of US\$0.208 million in the same period of 2026 from net foreign exchange loss US\$0.080 million for the three months ended March 31, 2025 due to the depreciation of Philippine peso against US dollar.

With the foregoing, the Group reported an increase in net income of 65% or US\$0.313 million from US\$0.479 million for the three months ended March 31, 2025 to US\$0.791 million for the three months as of March 31, 2026.

Consolidated Financial Position

As of March 31, 2026, the assets of the Group amounted to US\$96.326 million which is US\$5.901 million higher than the US\$90.425 million as of December 31, 2025. The increase in the Group’s total assets was due to the increase in receivables, contract assets, inventories, advances to suppliers and prepayment and other current assets.

Current ratio slightly decreased from 1.31:1 as of December 31, 2025 to 1.30:1 as of March 31, 2026. The Group's liability-to-equity (leverage) ratio increased from 0.62:1 as of December 31, 2025 to 0.65:1 as of March 31, 2026.

Below is the summary of Statements of Financial Position accounts with 5% or more increase (decrease):

	Percentage increase (decrease)	
	March 31, 2026	December 31, 2025
	vs	vs
	December 31, 2025	December 31, 2024
	%	%
ASSETS		
Cash	(35)	(5)
Receivables	12	30
Contract assets	17	42
Inventories	11	(6)
Advances to suppliers	32	N/A
Prepayments and other current assets	8	43
Financial asset at fair value through other comprehensive income (FVOCI)	N/A	46
Property and equipment	N/A	(15)
Right-of-use assets	(11)	23
Refundable deposits	N/A	N/A
LIABILITIES		
Accounts payable and accrued expenses	28	40
Related parties	N/A	(8)
Contract liabilities	(8)	10
Lease liabilities	(13)	13
Bank loans and long-term debt	N/A	(34)
Income tax payable	143	(39)
Net pension liability	N/A	12
Deferred tax liability – net	N/A	130

FULL YEAR 2025

Consolidated Results of Operations

The Group's revenue increased by 13% from US\$103.683 million in 2024 to US\$117.251 million in 2025 due to higher demand from turnkey customers net of decrease in sales in the consignment business. Sales from consignment business decreased due to soft market demand. With the increase in sales, the gross profit increased by 15% or US\$1.208 million from US\$7.941 million in 2024 to US\$9.149 million in 2025.

Operating expenses increased by US\$0.697 million from US\$4.208 million in 2024 to US\$4.905 million in 2025 primarily due to increase in commission expense resulting from increase in sales subject to commission. Interest expense decreased to US\$0.520 million in 2025 from US\$0.807 million in 2024 due to lower loan balance. Net foreign exchange gain decreased from US\$0.207 million in 2024 to US\$0.012 million in 2025 as Philippine peso depreciated against US dollar.

With the foregoing, the Group reported an increase in net income of 34% or US\$0.729 million from US\$2.165 million in 2024 to US\$2.894 million in 2025.

The summarized revenues and net income of the Group for the year ended December 31, 2025 are presented as follows:

(In US Dollars)

COMPANY	REVENUE	NET INCOME(LOSS)
EMS	117,251,345	2,972,736
EMS-USA	–	(78,299)
Consolidated	117,251,345	2,894,437

Consolidated Financial Position

As of December 31, 2025, the assets of the Group amounted to US\$90.425 million which is US\$3.951 million higher than the US\$86.474 million as of December 31, 2024. The increase in the Group's total assets was mainly due to the increase in receivables, contract assets, prepayments and other current assets, financial asset at fair value through other comprehensive income and right-of-use assets.

Current ratio increased to 1.31 for the year ended December 31, 2025, from 1.19 for the period ended December 31, 2024. The Group's liability-to-equity (leverage) ratio decreased to 0.62 for the year ended December 31, 2025, from 0.65 for the period ended December 31, 2024.

Below is the summary of Statement of Financial Position accounts with more than 5% increase (decrease):

	December 31, 2025	December 31, 2024
	%	%
ASSETS		
Cash	(5)	49
Receivables	30	N/A
Contract assets	42	13
Inventories	(6)	(7)
Advances to suppliers	N/A	106
Prepayment and other current assets	43	(50)
Financial asset at fair value through other comprehensive income (FVOCI)	46	N/A
Property and equipment	(15)	(18)
Right-of-use assets	23	(57)
Refundable deposits	N/A	(6)
Deferred tax assets – net	N/A	(100)
LIABILITIES		
Accounts payable and accrued expenses	40	(12)
Related parties	(8)	N/A
Contract liabilities	10	(19)
Lease liabilities	13	(58)
Bank loans and long-term debt	(34)	(9)
Income tax payable	(39)	56
Net retirement liability	12	5

FULL YEAR 2024**Consolidated Results of Operations**

The Group's revenue increased by 12% from US\$92.577 million in 2023 to US\$103.683 million in 2024, due to the ramp up of sales from turnkey customers net of decrease in sales from consignment business. Sales from consignment business decreased due to soft market demand. Despite the increase in sales, the gross profit decreased by 12% or US\$1.060 million from US\$9.001 million in 2023 to US\$7.941 million in 2024 resulting from the decrease in contribution margin from consignment business. Also, the Company has not yet optimized its sales because of the underutilization of the additional capacity installed in 2023.

Operating expenses decreased by US\$0.202 million from US\$4.410 million in 2023 to US\$4.208 million in 2024 primarily due to the decrease in commission expense. Interest expense decreased to US\$1.327 million in 2024 from US\$1.492 million in 2023 due to lower loan balance. The Company reported a net foreign exchange gain of US\$0.207 million in 2024 from a net foreign exchange loss of US\$0.143 million due to the impact of the depreciation of Peso against US dollar.

With the foregoing, the Group reported a decrease in net income of US\$2.165 million in 2024 from US\$2.482 million in 2023.

The summarized revenues and net income of the Group for the year ended December 31, 2024 are presented as follows:

(In US Dollars)

COMPANY	REVENUE	NET INCOME(LOSS)
EMS	103,683,543	2,248,926
EMS-USA	–	(83,642)
Eliminating	–	–
Consolidated	103,683,543	2,165,284

Consolidated Financial Position

As of December 31, 2024, the assets of the Group amounted to US\$86.474 million which is US\$3.960 million lower than US\$90.434 million as of December 31, 2023. The decrease in the Group's total assets was mainly due to the decrease in inventory, prepayments and other current assets, property, plant and equipment, right-of-use assets and refundable deposits.

Current ratio increased to 1.19 for the year ended December 31, 2024 from 1.09 for the period ended December 31, 2023. The Group's liability-to-equity (leverage) ratio decreased to 0.65 for the year ended December 31, 2024, from 0.72 for the period ended December 31, 2023.

Below is the summary of Statement of Financial Position accounts with more than 5% increase (decrease):

	December31, 2024	December31, 2023
	%	%
ASSETS		
Cash	49	(13)

Receivables	N/A	17
Contract assets	13	46
Inventories	(7)	N/A
Advances to suppliers	106	(52)
Prepayment and other current assets	(50)	17
Financial asset at fair value through other comprehensive income (FVOCI)	N/A	35
Property and equipment	(18)	23
Right-of-use assets	(57)	(54)
Refundable deposits	(6)	N/A
Deferred tax assets – net	(100)	(25)
LIABILITIES		
Accounts payable and accrued expenses	(12)	(22)
Related parties	N/A	31
Contract liabilities	(19)	302
Lease liabilities	(58)	(35)
Bank loans and long-term debt	(9)	(9)
Income tax payable	56	(34)
Net retirement liability	5	27

FULL YEAR 2023

Consolidated Results of Operations

Revenue increased by 27% from US\$72.686 million in 2022 to US\$92.577 million in 2023 due to increasing customer demands. With the increase in sales, gross profit increased by 47% or US\$2.858 million from US\$6.143 million in 2022 to US\$9.001 million in 2023.

Operating expenses increased by US\$0.979 million from US\$3.431 million in 2022 to US\$4.410 million in 2023 primarily due to the increase in commission expenses resulting from higher sales subject to commission. Interest expense increased to US\$1.492 million in 2023 from US\$0.774 million in 2022 due to higher bank loans to finance the working capital and capital expenditures, and increase in interest rates. From a net foreign exchange gain of US\$0.709 million in 2022, the Company reported a net foreign exchange loss of US\$0.143 million in 2023 due to the impact of depreciation of Peso against US dollar.

With the foregoing, the net income was US\$2.482 million in 2023, from US\$2.149 million in 2022.

The summarized revenues and net income for the year ended December 31, 2023 are presented as follows:

(In US Dollars)		
COMPANY	REVENUE	NET INCOME(LOSS)
EMS	92,493,694	2,552,615
EMS-USA	83,281	(70,875)
Eliminating	–	–
Consolidated	92,576,975	2,481,740

Consolidated Financial Position

As of December 31, 2023, the assets of the Group amounted to US\$90.434 million which is US\$3.947 million higher than US\$86.487 million as of December 31, 2022. The increase in the Group's total assets was mainly due to the increase in receivables, contract assets, prepayments and other current assets, financial asset at fair value through other comprehensive income and property and equipment.

Current ratio increased to 1.09 for the year ended December 31, 2023 from 1.07 for the period ended December 31, 2022. The Group's liability-to-equity (leverage) ratio decreased to 0.72 for the year ended December 31, 2023 from 0.73 for the period ended December 31, 2022.

Below is the summary of Statement of Financial Position accounts with more than 5% increase (decrease):

	December31, 2023	December31, 2022
	%	%
ASSETS		
Cash and cash equivalents	(13)	90
Receivables	17	8
Contract assets	46	66
Inventories	N/A	72
Advances to suppliers	(52)	(35)
Prepayment and other current assets	17	101
Financial asset at fair value through other comprehensive income (FVOCI)	35	42
Property and equipment	23	N/A
Right-of-use assets	(54)	(5)
Refundable deposits	N/A	14
Deferred tax assets – net	(25)	(69)
LIABILITIES		
Accounts payable and accrued expenses	(22)	68
Related parties	31	5
Contract liabilities	302	42
Lease liabilities	(35)	(30)
Bank loans and long-term debt	(9)	22
Income tax payable	(34)	58
Net pension liability	27	(18)

CAUSES OF ANY MATERIAL CHANGE FROM PERIOD TO PERIOD

QUARTER 1 2026

Cash decreased due to payment of bank loan amortization for the quarter, partial payment of intercompany advances and increase in working capital. Receivables increased due to extension of payment terms to an existing customer and receivables for buyback materials. Contract assets increased due to higher level of work-in-process and finished goods. Inventory increased due to inventory build-up due to the increase in demand from an existing customer and increase in materials for a new customer. The increase in advances to suppliers was due to advance payment made to suppliers for material ordering. The increase in prepayments and other current assets was due to renewal of IT-related licenses. Right-of-use assets (ROU) decreased due to amortization for the quarter. The increase in accounts payable

and accrued expenses is attributable to the increase in purchases of raw materials. Contract liabilities decreased due to the application of said liabilities against receivables. Lease liabilities decreased due to payment of amortization for the quarter. Income tax increased due to income tax accrual during the quarter.

2025

Cash slightly decreased due to the partial payment of working capital loans and advances from an affiliated company. Receivables increased due to higher sales. Contract assets increased due to higher level of work-in-process and finished goods. Inventory decreased due to consumption and customer buyback of the aging inventories. The increase in prepayments and other current assets was due to the renewal of fire insurance and employees' healthcare. Financial assets at FVOCI increased due to the recognized gain on the fair value changes in the Company's club share. Property and equipment decreased due to depreciation during the period. The increase in accounts payable and accrued expenses is attributable to the purchase of raw materials used and to be used in production. Amounts due to related parties decreased due to payment of company advances from an affiliated company. Contract liabilities increased due to additional advance payment for aging materials and advance payment by customers for material ordering. Lease liabilities increased due to renewal of contract for with a third-party lessor. Bank loans and long-term debt decreased due to payments of working capital loans. Income tax payable decreased due to payment of income tax during the period. Net pension liability increased due to accrual of pension expense for the period. Deferred tax liability net increased due to the increase in contract asset.

2024

Cash increased due to cash flows generated from operations. Contract assets increased due to higher level of work in process and finished goods. Inventory decreased due to increase in consumption due to higher turnkey sales. The decrease in prepayments and other current assets was due to the amortization of prepayments during the year. Property and equipment decreased due to depreciation during the period. Right-of-use assets (ROU) decreased due to amortization for the period. Refundable deposits decreased due to lease refund resulting from contract termination. The decrease in accounts payable and accrued expenses is attributable to the payment made to suppliers and controlled material ordering. Contract liabilities decreased due to the return of customers' advance payments, and the application of the said advance payments against receivables. Lease liabilities decreased due to rental payments made during the year. Bank loans and long-term debt decreased due to payments made during the year. Income taxes increased due to the provision of income tax during the year. Net pension liability increased due to the accrual of pension expenses for the year.

2023

Cash decreased due to net cash used in payment of bank loans. Receivables increased due to higher sales. Contract assets increased due to higher level of work-in-process and finished goods. The decrease in advances to suppliers was attributable to the delivery of materials covered by advance payments and controlled material ordering for the year. The increase in prepayments and other current assets was due to the payment of VAT input tax to the BOC and prepayment of health insurance of employees. Financial assets at FVOCI increased due to the recognized gain on fair value changes in the Company's club share. Property and equipment increased due to acquisitions made during the year. Right-of-use assets (ROU) decreased due to amortization for the period. Deferred tax assets - net decreased mainly due to the amortization of deferred taxes related to right-of-use assets and lease liabilities in accordance with PFRS 16. The decrease in accounts payable and accrued expenses is attributable to the payment made to suppliers and controlled material ordering. Amounts due

to related parties increased due to advances made for the payment of working capital loans. Contract liabilities increased due to advances from customers for aging inventories related to push out orders. Lease liabilities decreased due to payment of lease amortization for the period. Bank loans and long-term debt decreased due to payments made during the period. Income taxes decreased due to payment of income tax during the period. Net pension liability increased due to the accrual of pension expense during the period.

ITEM 5. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Please refer to Item 7 of the Information Statement. There have been no unresolved disagreements with the independent accountant.

ITEM 6. CORPORATE GOVERNANCE

(a) Evaluation, Appraisal and Performance Report System

The Compliance Officer is in charge of evaluating the level of compliance of the Board of Directors and top-level management of the Corporation. Leading practices on good corporate governance serve as criteria to properly appraise the performance of the members of the Board of Directors and evaluate the Company's compliance with the Code of Corporate Governance for Public Companies and Registered Issuers.

(b) Compliance Report

Measures, such as periodic review and evaluation of internal guidelines and practices, are undertaken by the Company to fully comply with the adopted leading practices on good corporate governance. The directors and key officers of the Company also participate in corporate governance seminars.

The Company will submit its Annual Corporate Governance Report pursuant to Memorandum Circular No. 13 series of 2021 in June 2026.

(c) Deviations

There were no material deviations from the Company's Amended Manual of Corporate Governance which would necessitate the imposition of sanctions.

(d) Plan to improve

The Company continues to improve its Corporate Governance when appropriate and warranted, in its best judgment. On 02 July 2020, the Board of the Directors approved the amendments to the Manual of Corporate Governance of the Company. The Amended Manual was submitted to the SEC on 09 July 2020.

As part of continuing education in corporate governance, the directors and key management officials attended corporate governance seminars conducted in 2025.

With the exception of Mr. Guillermo D. Luchangco, Mr. Alfredo R. de Borja, Mr. Medel T. Nera and Ms. Lilia B. de Lima, the members of the Board of Directors and key officers of the Company attended an online Corporate Governance Seminar conducted by SGV & Co. on 12 December 2025. Mr. Nera attended the online

Corporate Governance Seminar of the Yuchengco Group of Companies on 27 September 2025 with the topic “Strategy in Motion: The Evolving Role of Governance.” Ms. De Lima attended an online Corporate Governance Seminar conducted by SGV & Co. on 7 October 2025, while Mr. Luchangco and Mr. de Borja participated in the online Corporate Governance Seminar conducted by SGV & Co. on 18 November 2025.

(e) *Attendance Record of Directors in Board Meetings*

In 2025, the Board of Directors held a total of five (5) meetings: four (4) regular meetings, and one (1) organizational Meeting. These meetings were religiously attended by the directors as shown in the table below:

NAME	NUMBER OF BOARD MEETINGS ATTENDED		%
	Regular	Organizational	
de Borja, Alfredo R.	4	1	100%
Chua, Cecilia Q.	4	1	100%
de Lima, Lilia B.	4	1	100%
Luchangco, Guillermo D.	4	1	100%
Nera, Medel T.	4	1	100%
Qua, Earl Lawrence S.	4	1	100%
Qua, Meliton C.	4	1	100%
Qua, Raymond C.	4	1	100%
Villonco, Monica S.	4	1	100%

ITEM 7. UNDERTAKING TO PROVIDE ANNUAL REPORT

Ionics EMS, Inc. undertakes to provide without charge to each stockholder, upon written request by the shareholder, a copy of the Company’s Annual Report (SEC Form 17-A), which may also be viewed at the Company’s official website. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, 19th Floor BDO Plaza, 8737 Paseo de Roxas, Makati City.