



Integrated Micro-Electronics, Inc.

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August 1, 2019

Securities and Exchange Commission

SEC Building, EDSA, Mandaluyong City

Attention: Ms. Justina F. Callangan
Director, Corporation & Finance Department

Philippine Stock Exchange

Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: IMI posts US\$636 Million of Revenues in First Half of 2019

Integrated Micro-Electronics, Inc. (IMI) closed the first six months of 2019 with consolidated revenues of US\$636 million, a 5% decline vs last year. IMI was able to maintain its first quarter gross margins of 9.0% with a gross profit of US\$57.0M, down 21% from the same period in 2018. The company ended the first half with US\$5.8M net income, a steep decline compared to last year's first half earnings of US\$31.6M.

Please refer to the attached press release. Thank you!

Very truly yours,

JEROME S. TAN
Chief Finance Officer



IMI posts US\$636 Million of Revenues in First Half of 2019

August 1, 2019, Laguna, Philippines — Integrated Micro-Electronics, Inc. (IMI) closed the first six months of 2019 with consolidated revenues of US\$636 million, a 5% decline vs last year. Sales were impacted by the slowdown of the global economy, a downturn in the automotive market, and geo-political issues in our key markets in China and the UK. Profitability remains challenged by a lower volume demand on our new programs where we have invested additional fixed overhead, the persistent component shortages which drove higher material prices, and the delays of new generation chipsets affecting Via Optronics revenues. IMI was able to maintain its first quarter gross margins of 9.0% with a gross profit of US\$57.0M, down 21% from the same period in 2018. The company ended the first half with US\$5.8M net income, a steep decline compared to last year's first half earnings of US\$31.6M.

IMI's core businesses ended the first half with revenues at US\$506M, US\$9M lower against the same period in 2018. This segment was adversely affected by the slowdown of the Chinese automotive market as the region reduced its electronic vehicle incentive program. A significant portion of our core revenues through our Bulgaria and Czech Republic operating sites were also held back by the depreciation of the Euro against the US Dollar.

Our subsidiaries Via Optronics and STI, Ltd. posted revenues of US\$130M, a 16% decline compared to the first half 2018's US\$154M. The demand for Via's optical bonding services suffered a temporary slowdown as the release of new computer products were stalled by delays in the rollout of next generation computer chips. Brexit uncertainty continues to push back the STI, Ltd. business as the region evaluates the effects on tariff structures between the UK and the rest of Europe.

Gilles Bernard, IMI President and Chief Operating Officer, said "With significant investments for new technology projects made in the past years, IMI remains ready to serve the upcoming surge in the global electronics market. Unfortunately, political and economic market factors are currently holding back the revenue growth, while also affecting the profitability of the company." With the negative developments in the past several months, IMI has taken steps to mitigate these financial headwinds. "We shall continue to ensure efficiency as we progress through the extended ramp-up cycles of these high complexity electronic segments," Bernard added.

Arthur Tan, IMI Chief Executive Officer, stated "Despite the challenges we've faced these recent months, we remain confident that we have positioned ourselves as a key player in the electronics supercycle. Several electronics segments are undergoing major overhauls as they shift to next generation platforms. From autonomous and electric vehicle technologies, to 5G infrastructure in telecom, and to power module applications required across all segments, IMI is entrenched and ready to serve all these emerging technologies."

About IMI

Integrated Micro-Electronics Inc. (IMI), the manufacturing arm of AC Industrial Technology Holdings, Inc., a wholly-owned subsidiary of Ayala Corporation, is among the leading global manufacturing solutions expert in the world. IMI now ranks 17th in the list of top 50 EMS providers in the world by the Manufacturing Market Insider (March 2019 edition), based on 2018 revenues. In the automotive market, it is the 5th largest EMS provider in the world per New Venture Research.

IMI specializes in highly reliable and quality electronics for long product life cycle segments such as automotive, industrial electronics and more recently, the aerospace market.

From its 21 manufacturing plants across ten different countries, IMI provides engineering, manufacturing, and support and fulfillment capabilities to diverse industries globally.

For more information, visit www.global-imi.com.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET****AS OF JUNE 30, 2019****(With Comparative Audited Figures as of December 31, 2018)****(In thousands)**

	(Unaudited) Jun 30, 2019	(As Restated - Note 2) Dec 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$142,516	\$108,534
Receivables - net	302,500	311,904
Contract assets	65,241	63,484
Inventories	173,802	192,663
Other current assets	25,800	20,824
Total Current Assets	709,859	697,409
Noncurrent Assets		
Property, plant and equipment - net	201,189	196,828
Goodwill	141,718	140,451
Intangible assets - net	29,352	29,821
Right-of-use assets	30,254	—
Deferred tax assets	5,097	3,156
Financial assets at FVOCI	1,148	1,076
Other noncurrent assets	8,820	8,456
Total Noncurrent Assets	417,578	379,788
	\$1,127,437	\$1,077,197
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$272,426	\$291,175
Contract liabilities	1,234	1,831
Loans and trust receipts payable	110,912	136,339
Other financial liabilities	23,785	29,805
Current portion of long-term debt	61,357	63,432
Current portion of lease liabilities	5,991	—
Income tax payable	2,221	3,531
Total Current Liabilities	477,926	526,113
Noncurrent Liabilities		
Noncurrent portion of long-term debt	140,795	124,543
Net retirement liabilities	4,152	4,233
Deferred tax liabilities	5,845	6,356
Lease liabilities	24,919	67
Other noncurrent liabilities	4,921	5,250
Total Noncurrent Liabilities	180,632	140,449
Total Liabilities	658,558	666,562

(Forward)

	(Unaudited) Jun 30, 2019	(As Restated - Note 2) Dec 31, 2018
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	\$42,659	\$42,648
Subscribed capital stock	769	815
Additional paid-in capital	146,212	146,513
Subscriptions receivable	(3,021)	(3,403)
Unappropriated retained earnings	239,317	237,970
Treasury stock	(1,013)	(1,013)
Other components of equity	(1,067)	(1,096)
Cumulative translation adjustment	(15,271)	(13,156)
Remeasurement losses on defined benefit plans	(6,236)	(6,236)
	402,349	403,042
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries		
	6,530	7,593
Deposit for future subscription	60,000	—
Total Equity	468,879	410,635
	\$1,127,437	\$1,077,197

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(In thousands, except Earnings per Share)

	Unaudited 2019		Unaudited 2018	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
REVENUES FROM CONTRACTS WITH CUSTOMERS	\$312,649	\$635,698	\$342,998	668,788
COST OF SALES	284,824	578,738	305,727	596,924
GROSS PROFIT	27,825	56,960	37,271	71,864
OPERATING EXPENSES	(26,099)	(51,560)	(30,995)	(56,602)
OTHERS - Net				
Interest and bank charges	(3,830)	(7,102)	(3,125)	(6,430)
Foreign exchange losses	(1,002)	(1,742)	(4,831)	(2,404)
Interest income	370	462	398	481
Miscellaneous income – net	7,359	8,884	30,283	30,167
INCOME BEFORE INCOME TAX	4,623	5,902	29,001	37,076
PROVISION FOR INCOME TAX	390	(1,181)	(2,581)	(4,838)
NET INCOME	\$5,013	\$4,721	\$26,420	32,238
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	\$5,449	\$5,784	\$26,018	31,575
Non-controlling interests	(436)	(1,063)	402	663
	\$5,013	\$4,721	\$26,420	32,238
Earnings Per Share:				
Basic and diluted		\$0.0003		\$0.015

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(In thousands)

	Unaudited 2019		Unaudited 2018	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
NET INCOME FOR THE PERIOD	\$5,013	\$4,721	\$5,818	32,238
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translation of foreign operations	3,497	(2,063)	4,565	(5,358)
<i>Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:</i>				
Fair value changes on financial assets at FVOCI – net of tax	(21)	29	111	199
	3,476	(2,034)	4,676	(5,159)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$8,489	\$2,687	\$10,494	\$27,079
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	\$8,925	\$3,750	\$10,233	\$26,416
Non-controlling interests	(436)	(1,063)	261	663
	\$8,489	\$2,687	\$10,494	\$27,079

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2019, AND 2018

(In thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Comprehensive Income (Loss)				Deposit for Future subscription	Total
							Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests		
Balances at January 1, 2019	\$42,648	\$815	\$146,513	(3,403)	\$236,290	(\$1,013)	(\$1,096)	(\$12,894)	(\$6,236)	\$4,812	\$—	\$406,436
Effect of finalization of business combination	—	—	—	—	1,680	—	—	(314)	—	2,781	—	4,147
Balances at January 1, 2019, as restated	42,648	815	146,513	(3,403)	237,970	(1,013)	(1,096)	(13,208)	(6,236)	7,593	—	410,583
Issued shares during the period	11	(11)	—	—	—	—	—	—	—	—	—	—
Deposit for future subscription	—	—	—	—	—	—	—	—	—	—	60,000	60,000
Collections on subscriptions	—	—	—	46	—	—	—	—	—	—	—	46
Forfeitures during the period	—	(35)	(301)	336	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	(4,437)	—	—	—	—	—	—	(4,437)
	42,659	769	146,212	(3,021)	233,533	(1,013)	(1,096)	(13,208)	(6,236)	7,593	60,000	466,192
Net income	—	—	—	—	5,784	—	—	—	—	(1,063)	—	4,721
Other comprehensive income (loss)	—	—	—	—	—	—	29	(2,063)	—	—	—	(2,034)
Total comprehensive income (loss)	—	—	—	—	5,784	—	29	(2,063)	—	(1,063)	—	2,687
Balances at June 30, 2019	\$42,659	\$769	\$146,212	(\$3,021)	\$239,317	(\$1,013)	(\$1,067)	(\$15,271)	(\$6,236)	\$6,530	\$60,000	\$468,879

	Attributable to Equity Holders of the Parent Company										
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Comprehensive Income (Loss)				Total
							Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests	
Balances at January 1, 2018	\$35,710	\$1,058	\$58,121	(\$5,352)	\$194,500	(\$1,013)	\$454	(\$2,302)	(\$7,437)	\$3,091	\$276,594
Cumulative catch-up adjustment due to adoption of PFRS 9 and 15	-	-	-	-	6,413	-	(1,753)	-	-	296	4,956
Balances at January 1, 2018, adjusted	35,710	1,058	58,121	(5,352)	200,913	(1,013)	(1,299)	(2,302)	(7,437)	3,387	281,550
Issued shares during the period	199	(199)	-	-	-	-	-	-	-	-	-
Issued shares from stock rights offer	6,718	-	89,213	-	-	-	-	-	-	-	95,931
Transaction costs on shares issuance	-	-	(661)	-	-	-	-	-	-	-	(661)
Cost of share-based payments	-	-	20	-	-	-	-	-	-	-	20
Collections on subscriptions	-	-	-	1,566	-	-	-	-	-	-	1,566
Forfeitures during the period	-	(17)	(175)	192	-	-	-	-	-	-	-
Increase in non-controlling interest due to acquisition of subsidiary during the period	-	-	-	-	-	-	-	-	-	535	535
Effect of finalization of business combination	-	-	-	-	(10,130)	-	-	-	-	(51)	(51)
Cash dividends	-	-	-	-	-	-	-	-	-	-	(10,130)
	42,627	842	146,518	(3,594)	190,783	(1,013)	(1,299)	(2,302)	(7,437)	3,871	368,760
Net income	-	-	-	-	31,575	-	-	-	-	663	32,238
Other comprehensive income	-	-	-	-	-	-	199	(5,358)	-	-	(5,159)
Total comprehensive income	-	-	-	-	31,575	-	199	(5,358)	-	663	27,079
Balances at June 30, 2018	\$42,627	\$842	\$146,518	(\$3,594)	\$222,358	(\$1,013)	(\$1,100)	(\$7,660)	(\$7,437)	\$4,534	\$395,839

	Attributable to Equity Holders of the Parent Company										
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Comprehensive Income (Loss)			Attributable to Non-controlling Interests	Total
							Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans		
Balances at January 1, 2018	\$35,710	\$1,058	\$58,121	(\$5,352)	\$194,500	(\$1,013)	\$454	(\$2,538)	(\$7,437)	\$3,091	\$276,594
Cumulative catch-up adjustment due to adoption of PFRS 9 and 15	—	—	—	—	6,413	—	(1,753)	—	—	296	4,956
Balances at January 1, 2018, adjusted	35,710	1,058	58,121	(5,352)	200,913	(1,013)	(1,299)	(2,538)	(7,437)	3,387	281,550
Issued shares during the year	220	(220)	—	—	—	—	—	—	—	—	—
Issued shares from stock rights offer	6,718	—	89,213	—	—	—	—	—	—	—	95,931
Transaction costs on shares issuance	—	—	(661)	—	—	—	—	—	—	—	(661)
Cost of share-based payments	—	—	29	—	—	—	—	—	—	—	29
Collections on subscriptions	—	—	—	1,737	—	—	—	—	—	—	1,737
Forfeitures during the year	—	(23)	(189)	212	—	—	—	—	—	—	—
Increase in non-controlling interest due to acquisition of a subsidiary during the year	—	—	—	—	—	—	—	—	—	535	535
Effect of finalization of business combination	—	—	—	—	—	—	—	—	—	(51)	(51)
Cash dividends	—	—	—	—	(10,130)	—	—	—	—	—	(10,130)
	42,648	815	146,513	(3,403)	190,783	(1,013)	(1,299)	(2,538)	(7,437)	3,872	368,940
Net income	—	—	—	—	45,507	—	—	—	—	2,344	47,851
Other comprehensive income (loss)	—	—	—	—	—	—	203	(10,356)	1,201	(1,403)	(10,355)
Total comprehensive income (loss)	—	—	—	—	45,507	—	203	(10,356)	1,201	941	37,496
Balances at December 31, 2018	\$42,648	\$815	\$146,513	(3,403)	\$236,290	(\$1,013)	\$(1,096)	(12,894)	(6,236)	\$4,813	\$406,436

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH
FLows FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(In thousands)

	Unaudited 2019 Jan to Jun	Unaudited 2018 Jan to Jun
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$5,902	\$37,076
Adjustments for:		
Depreciation of property, plant and equipment	17,523	15,759
Interest expense	6,718	6,430
Reversal of contingent liability	(3,729)	—
Amortization of intangible assets	3,412	2,687
Depreciation of right-of-use assets	3,096	—
Mark-to-market gains on put options	(2,425)	(807)
Unrealized foreign exchange losses	783	5,648
Interest income	(462)	(481)
Gains on sale of property, plant and equipment	(46)	(65)
Cost of share-based payments	—	20
Net gain on disposal of a subsidiary	—	(19,062)
Operating income before working capital changes	30,772	47,205
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	6,292	(32,686)
Contract asset	(1,757)	(610)
Inventories	17,498	(32,770)
Other current assets	(5,118)	(5,871)
Increase (decrease) in:		
Accounts payable and accrued expenses	(13,096)	9,680
Contract liabilities	(597)	—
Retirement liabilities	(80)	424
Net cash provided by (used in) operations	33,914	(14,628)
Income tax paid	(3,036)	(4,410)
Interest paid	(6,080)	(4,851)
Interest received	462	481
Net cash provided by (used) in operating activities	25,260	(23,408)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment	(21,810)	(34,723)
Intangible assets	(246)	(258)
Advances from third party	(11,541)	—
Capitalized development costs	(1,818)	(2,671)
Proceeds from sale of property, plant and equipment	246	4,221
Acquisition through business combination	—	(1,966)
Decrease (increase) in other noncurrent assets	(363)	132
Net cash used in investing activities	(35,532)	(35,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits for future subscriptions	60,000	—
Payment of loans	(14,569)	(3,487)
Availment of loans	3,558	17,901
Dividends paid to equity holders of the Parent Company	(4,437)	(10,130)
Settlement of derivatives	143	(30)
Collections on subscriptions	45	1,566
Proceeds from stock rights offering	—	95,931
Decrease in other noncurrent liabilities	(330)	(71)
Net cash provided by financing activities	44,410	101,680
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	(156)	(1,772)
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,982	41,235
CASH AND CASH EQUIVALENTS AT JANUARY 1	108,534	90,627
CASH AND CASH EQUIVALENTS AT JUNE 30	\$142,516	\$131,862