SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended**: June 30, 2020**

2. Commission Identification No.: **94419**

3. BIR Tax Identification No.: **000-409-747-000**

4. Exact name of issuer as specified in its charter: **INTEGRATED MICRO-ELECTRONICS, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office: **North Science Avenue, Laguna Technopark-Special Processing Zone (LT-SEZ), Bo. Biñan, Biñan, Laguna**
Postal Code: **4024**

8. Issuer's telephone number, including area code: **(632) 756-6840**

9. Former name, former address and former fiscal year: **Not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares Issued and Outstanding
Common *	2,217,293,215

* Net of 15,892,224 treasury shares;

11. Are any or all of the securities listed on a Stock Exchange? Yes [**x**] No [ ]

2,217,293,215 common shares are listed with the Philippine Stock Exchange, including 15,892,224 treasury shares as of June 30, 2020.

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 [ ]

Item 1. Financial Statements

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2020
(With Comparative Audited Figures as of December 31, 2019)
(In thousands)

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$165,459**	$152,660
Receivables - net (Note 5)	**211,627**	290,643
Contract assets (Note 6)	**50,864**	58,908
Inventories (Note 7)	**157,693**	152,629
Other current assets (Note 8)	**18,784**	19,107
Total Current Assets	**604,427**	673,947
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**180,942**	194,294
Goodwill (Note 18)	**137,794**	140,781
Intangible assets - net (Note 10)	**23,327**	28,577
Right-of-use assets (Note 19)	**34,114**	32,028
Deferred tax assets	**5,140**	3,611
Financial assets at FVOCI	**1,180**	1,200
Other noncurrent assets (Note 11)	**19,614**	21,898
Total Noncurrent Assets	**402,111**	422,389
	$1,006,538	$1,096,336
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**$231,514**	$267,072
Contract liabilities (Note 6)	**1,881**	4,742
Loans payable (Note 13)	**198,520**	126,052
Other financial liabilities (Notes 15 and 21)	**16,629**	22,370
Current portion of long-term debt (Note 14)	**21,755**	28,038
Current portion of lease liabilities (Note 19)	**5,720**	4,075
Income tax payable	**1,319**	1,441
Total Current Liabilities	**477,338**	453,790
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 14 and 21)	**33,505**	114,386
Lease liabilities (Note 19)	**30,344**	29,723
Net retirement liabilities	**8,759**	9,165
Deferred tax liabilities	**4,714**	1,870
Other noncurrent liabilities (Note 21)	**3,084**	3,623
Total Noncurrent Liabilities	**80,406**	158,767
Total Liabilities	**557,744**	612,557

(Forward)

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**$42,674**	$42,674
Subscribed capital stock	**753**	753
Additional paid-in capital	**146,208**	146,208
Subscriptions receivable	**(2,955)**	(2,955)
Retained earnings (Note 16)	**200,752**	225,753
Treasury stock	**(1,013)**	(1,013)
Other components of equity	**(775)**	(736)
Cumulative translation adjustment	**(26,114)**	(17,683)
Remeasurement losses on defined benefit plans	**(10,451)**	(10,451)
	349,079	382,550
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries (Note 16)	**99,715**	101,229
Total Equity	**448,794**	483,779
	$1,006,538	$1,096,336

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In thousands, except Earnings per Share)

	2020 (Unaudited)		2019 (Unaudited)	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
REVENUES FROM CONTRACTS WITH CUSTOMERS (Note 18)	**$220,364**	**$476,179**	$312,649	$635,698
COST OF SALES	**209,339**	**445,688**	284,824	578,738
GROSS PROFIT	**11,025**	**30,491**	27,825	56,960
OPERATING EXPENSES	**(25,737)**	**(47,785)**	(26,099)	(51,560)
OTHERS - Net				
Interest and bank charges	**(2,784)**	**(5,409)**	(3,830)	(7,102)
Foreign exchange gains/(losses)	**355**	**(178)**	(1,002)	(1,742)
Interest income	**99**	**204**	370	462
Miscellaneous income – net	**461**	**1,057**	7,359	8,884
INCOME (LOSS) BEFORE INCOME TAX	**(16,581)**	**(21,620)**	4,623	5,902
(PROVISION FOR) BENEFIT FROM INCOME TAX	**(895)**	**(1,424)**	390	(1,181)
NET INCOME	**($17,476)**	**($23,044)**	$5,013	$4,721
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**($16,913)**	**($21,530)**	$5,449	$5,784
Non-controlling interests	**(563)**	**(1,514)**	(436)	(1,063)
	($17,476)	**($23,044)**	$5,013	$4,721
Earnings Per Share:				
Basic and diluted (Note 16)		**($0.010)**		$0.003

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In thousands)

	2020 (Unaudited)		2019 (Unaudited)	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
NET INCOME (LOSS) FOR THE PERIOD	**($17,476)**	**($23,044)**	$5,013	$4,721
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translation of foreign operations	**3,829**	**(8,431)**	3,446	(2,114)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:				
Fair value changes on financial assets at FVOCI – net of tax	**(60)**	**(39)**	(21)	29
	3,769	**(8,470)**	3,425	(2,085)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**($13,707)**	**($31,514)**	$8,438	$2,636
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**($13,144)**	**($30,000)**	$8,874	$3,699
Non-controlling interests	**(563)**	**(1,514)**	(436)	(1,063)
	($13,707)	**($31,514)**	$8,438	$2,636

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In thousands)

	Attributable to Equity Holders of the Parent Company										
							Other Comprehensive Income (Loss)				
.	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests	Total
Balances at January 1, 2020	**$42,674**	**$753**	**$146,208**	**($2,955)**	**$225,753**	**($1,013)**	**($736)**	**($17,683)**	**($10,451)**	**$101,229**	**$483,779**
Cash dividends on preferred shares (Note 16)	**–**	**–**	**–**	**–**	**(3,471)**	**–**	**–**	**–**	**–**	**–**	**(3,471)**
	42,674	**753**	**146,208**	**(2,955)**	**222,282**	**(1,013)**	**(736)**	**(17,683)**	**(10,451)**	**101,229**	**480,308**
Net loss	**–**	**–**	**–**	**–**	**(21,530)**	**–**	**–**	**–**	**–**	**(1,514)**	**(23,044)**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**(8,431)**	**–**	**–**	**(8,470)**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**(21,530)**	**–**	**(39)**	**(8,431)**	**–**	**(1,514)**	**(31,514)**
Balances at June 30, 2020	**$42,674**	**$753**	**$146,208**	**($2,955)**	**$200,752**	**($1,013)**	**($775)**	**(26,114)**	**($10,451)**	**$99,715**	**$448,794**

	Attributable to Equity Holders of the Parent Company										
							Other Comprehensive Income (Loss)				
.	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests	Total
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 (Note 2)	–	–	–	–	1,680	–	–	(263)	–	2,781	4,199
Balances at January 1, 2019, as restated	42,648	815	146,513	(3,403)	237,970	(1,013)	(1,096)	(13,157)	(6,236)	7,593	410,635
Issued shares during the year	11	(11)	–	–	–	–	–	–	–	–	–
Issuance of preferred shares (Note 16)	–	–	–	–	–	–	–	–	–	60,000	60,000
Collections on subscriptions	–	–	–	46	–	–	–	–	–	–	46
Forfeitures during the year	–	(35)	(301)	336	–	–	–	–	–	–	–
Cash dividends on common shares (Note 16)	–	–	–	–	(4,437)	–	–	–	–	–	(4,437)
	42,659	769	146,212	(3,021)	233,533	(1,013)	(1,096)	(13,157)	(6,236)	67,593	466,244
Net income (loss)	–	–	–	–	5,784	–	–	–	–	(1,063)	4,721
Other comprehensive income (loss)	–	–	–	–	–	–	29	(2,114)	–	–	(2,085)
Total comprehensive income (loss)	–	–	–	–	5,784	–	29	(2,114)	–	(1,063)	2,636
Balances at June 30, 2019	$42,659	$769	$146,212	($3,021)	$239,317	($1,013)	($1,067)	($15,271)	($6,236)	$66,530	$468,880

	Attributable to Equity Holders of the Parent Company										
							Other Comprehensive Income (Loss)				
.	**Capital Stock - Common**	**Subscribed Capital Stock**	**Additional Paid-in Capital**	**Subscriptions Receivable**	**Retained Earnings** (Notes 2 and 16)	**Treasury Stock**	**Other Components of Equity**	**Cumulative Translation Adjustment**	**Remeasurement losses on defined benefit plans**	**Attributable to Non-controlling Interests**	**Total**
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 (Note 2)	–	–	–	–	1,680	–	–	(263)	–	2,781	4,199
Balances at January 1, 2019, as restated	42,648	815	146,513	(3,403)	237,970	(1,013)	(1,096)	(13,157)	(6,236)	7,593	410,635
Issued shares during the year	26	(26)	–	–	–	–	–	–	–	–	–
Issuance of preferred shares (Note 16)	–	–	–	–	–	–	–	–	–	100,000	100,000
Collections on subscriptions	–	–	–	106	–	–	–	–	–	–	106
Forfeitures during the year	–	(37)	(305)	342	–	–	–	–	–	–	–
Cash dividends (Note 16)	–	–	–	–	(4,437)	–	–	–	–	–	(4,437)
	42,674	753	146,208	(2,955)	233,533	(1,013)	(1,096)	(13,157)	(6,236)	107,593	506,304
Net loss	–	–	–	–	(7,780)	–	–	–	–	(5,415)	(13,195)
Other comprehensive income (loss)	–	–	–	–	–	–	360	(4,526)	(4,215)	(949)	(9,330)
Total comprehensive income (loss)	–	–	–	–	(7,780)	–	360	(4,526)	(4,215)	(6,364)	(22,525)
Balances at December 31, 2019	$42,674	$753	$146,208	($2,955)	$225,753	($1,013)	($736)	($17,683)	($10,451)	$101,229	$483,779

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six months ended June 30	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**($21,620)**	$5,901
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	**19,570**	17,523
Impairment losses on noncurrent assets (Notes 9, 10 and 11)	**5,878**	–
Mark-to-market gains on put options (Note 15)	**(5,565)**	(2,497)
Interest expense	**5,114**	7,331
Amortization of right-of-use assets (Note 19)	**4,514**	3,087
Amortization of intangible assets (Note 10)	**3,735**	3,412
Unrealized foreign exchange (gains)/losses	**(256)**	783
Interest income	**(204)**	(462)
Gains on sale of property, plant and equipment (Note 9)	**(67)**	(46)
Reversal of contingent liability (Note 15)	**–**	(3,729)
Operating income before working capital changes	**11,099**	31,303
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**77,241**	6,292
Contract asset	**8,044**	(1,757)
Inventories	**(6,013)**	17,498
Other current assets	**309**	(5,118)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(36,152)**	(10,516)
Contract liabilities	**(2,861)**	(598)
Retirement liabilities	**(406)**	(80)
Net cash provided by operations	**51,261**	37,024
Income tax paid	**(1,105)**	(3,036)
Interest paid	**(4,555)**	(6,080)
Interest received	**204**	462
Net cash provided by operating activities	**45,805**	28,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment (Note 9)	**(9,317)**	(21,810)
Intangible assets (Note 10)	**(65)**	(246)
Proceeds from sale of property, plant and equipment	**823**	246
Increase in other noncurrent assets	**(648)**	(363)
Decrease in deposits from a third party	**–**	(11,541)
Capitalized development costs, excluding depreciation (Note 10)	**–**	(1,818)
Net cash used in investing activities	**(9,207)**	(35,532)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans	**(90,301)**	(14,569)
Availment of loans	**75,420**	3,558
Payments of lease liabilities (Note 19)	**(4,866)**	(3,110)
Dividends paid to preference shareholders of a subsidiary (Note 16)	**(3,471)**	–
Dividends paid to equity holders of the Parent Company (Note 16)	**–**	(4,437)
Settlement of derivatives	**14**	143
Proceeds from subscription on a subsidiary's preferred shares (Note 16)	**–**	60,000
Collections on subscriptions	**–**	45
Decrease in other noncurrent liabilities	**(539)**	(330)
Net cash provided by (used in) financing activities	**(23,743)**	41,300
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**(56)**	(156)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**12,799**	33,982
CASH AND CASH EQUIVALENTS AT JANUARY 1	**152,660**	108,534
CASH AND CASH EQUIVALENTS AT JUNE 30	**$165,459**	$142,516

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. **Corporate Information and Basis of Financial Statement Preparation**

Integrated Micro-Electronics, Inc. (IMI or the Parent Company), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the Group). The Parent Company is 52.03% owned by AC Industrial Technology Holdings, Inc. (AC Industrials), a wholly-owned subsidiary of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 47.28% owned by Mermac, Inc. (Ultimate Parent Company) and the rest by the public.

The registered office address of the Parent Company is at North Science Avenue, Laguna Technopark- Special Economic Zone (LT-SEZ), Bo. Biñan, Biñan, Laguna.

The Parent Company was listed by way of introduction in the PSE on January 21, 2010. It has completed its follow-on offering and listing of 215,000,000 common shares on December 5, 2014. On March 2, 2018, the Parent Company completed the stock rights offer and listing of 350,000,000 common shares to all eligible stockholders.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of printed circuit board assemblies (PCBA), flip chip assemblies, electronic sub-assemblies, box build products and enclosure systems. It also provides the following solutions: product design and development, test and systems development, automation, advanced manufacturing engineering, and power module assembly, among others. It serves diversified markets that include those in the automotive, industrial, medical, storage device, and consumer electronics industries, and non-electronic products (including among others, automobiles, motorcycles, solar panels) or parts, components or materials of non-electronic products, as well as to perform and provide information technology services such as but not limited to data labeling/encoding or image annotation services.

The accompanying unaudited interim condensed consolidated financial statements were approved and authorized for release by the Audit Committee on July 30, 2020.

2. **Group Information**

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Subsidiary	Percentage of Ownership 2020	2019	Country of Incorporation	Functional Currency
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	**100.00%**	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	**100.00%**	100.00%	China	Renminbi (RMB)
Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE) [a]	**–**	–	China	USD
IMI Technology (Shenzhen) Co. Ltd. (IMI SZ) [a]	**100.00%**	100.00%	China	USD
IMI Smart Technology (Shenzhen) Co. Ltd. [h]	**100.00%**	100.00%	China	RMB
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	USD
Speedy-Tech (Philippines), Inc. (STPH) [b]	**100.00%**	100.00%	Philippines	USD

Subsidiary	Percentage of Ownership 2020	2019	Country of Incorporation	Functional Currency
Cooperatief IMI Europe U.A. [c]	**100.00%**	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD	**100.00%**	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	**100.00%**	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš (IMI Serbia)	**100.00%**	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	**100.00%**	100.00%	Czech Republic	EUR
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V.	**100.00%**	100.00%	Mexico	USD
Integrated Micro-Electronics Manufactura S.A.P.I. de C.V. [f]	**–**	–	Mexico	Mexican Peso (MXP)
IMI France SAS (IMI France)	**100.00%**	100.00%	France	EUR
VIA Optronics AG (VIA) [g]	**76.01%**	76.01%	Germany	EUR
VIA Optronics GmbH (VIA)	**100.00%**	100.00%	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**100.00%**	100.00%	China	RMB
VIA Optronics LLC (VIA LLC)	**100.00%**	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd [g]	**100.00%**	100.00%	Taiwan	Taiwan Dollar
VTS-Touchsensor Co., Ltd. (VTS)	**65.00%**	65.00%	Japan	Japanese Yen (JPY)
Integrated Micro-Electronics UK Limited (IMI UK)	**100.00%**	100.00%	United Kingdom	British Pounds (GBP)
Surface Technology International Enterprises Ltd (STI)	**80.00%**	80.00%	United Kingdom	GBP
STI Limited	**100.00%**	100.00%	United Kingdom	GBP
STI Philippines Inc. (STIPH)	**100.00%**	100.00%	Philippines	USD
STI Asia Ltd [d]	**100.00%**	100.00%	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd [d]	**100.00%**	100.00%	United Kingdom	GBP
ST Intercept Limited [e]	**100.00%**	100.00%	United Kingdom	GBP
IMI USA	**100.00%**	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	Japan	USD
PSi	**100.00%**	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [d]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [d]	**64.00%**	64.00%	Philippines	USD

[a] New entity incorporated in Shenzhen which now runs the manufacturing operations of Pingshan and Kuichong. The sale of SZSTE was completed on June 30, 2018
[b] STPH is a dormant company
[c] Previously under Monarch Elite Ltd. In June 2017, Monarch agreed to sell its net assets and transfer its membership rights to IMI Singapore. Monarch was deregistered in 2018.
[d] In the process of liquidation
[e] Newly incorporated company in 2018 intended for new business contracts of start-up companies
[f] Legally merged with IMI Mexico in July 2019
[g] New entities of VIA in 2019
[h] New subsidiary under IMI SZ incorporated in 2019 as a spin-off of the Kuichong operations.

3. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets and liabilities at fair value through profit or loss (FVPL) and financial assets through other comprehensive income (FVOCI). The unaudited interim condensed consolidated financial statements are presented in United States (U.S.) Dollar ($), and all values are rounded to the nearest thousands except when otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements as of and for the six months periods ended June 30, 2020 and 2019 have been prepared in accordance with the Philippine Accounting Standard (PAS) 34 (Amended), *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2019, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The preparation of the financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited interim condensed consolidated financial statements. Actual results could differ from such estimates.

Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2019.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of June 30, 2020 and December 31, 2019 and for each of the two years in the period ended June 30, 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
b. Exposure, or rights, to variable returns from its involvement with the investee, and
c. The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. The contractual arrangement with the other vote holders of the investee
b. Rights arising from other contractual arrangements
c. The Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

In accounting for call and put options over non-controlling interests, management determines whether it has present access to the returns associated with the non-controlling interests. If the options give the Group access to the returns over the non-controlling interests, the Group consolidates the acquiree as if it acquired a 100% interest.

If the options do not give the Group present access to the returns over the non-controlling interests, the Group takes the view that the non-controlling interests should be accounted for in accordance with PFRS 10, Consolidated Financial Statements, and must be presented within equity separate from the equity of the Parent Company, until the option is exercised.

The call option is accounted for under PAS 39, *Financial Instruments: Recognition and Measurement*, as a derivative asset carried at fair value through profit or loss.

The financial liability for the put option is accounted for under PAS 39 like any other written put option on equity instruments. On initial recognition, the corresponding debit is made to a component of equity attributable to the parent, not to the non-controlling interest. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value payable on exercise are recognized in profit or loss also attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and reverses the component of equity that was reduced on initial recognition. If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company. The difference is included as part of additional paid-in capital.

If the Group losses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while the resulting gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.
  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments were consistently applied on the disclosures of the Group.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)

  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  PFRS 17 is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2017, the Financial Reporting Standards Council deferred the original effective date of January 1, 2017 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. **Cash and Cash Equivalents**

This account consists of:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Cash on hand	**$76**	$81
Cash in banks	**147,336**	127,289
Short-term investments	**18,047**	25,290
	$165,459	$152,660

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to ten months and earn interest at the respective short-term investment rates.

5. **Receivables - net**

This account consists of:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Trade	**$208,469**	$284,594
Nontrade	**3,682**	6,080
Receivable from insurance	**1,089**	1,087
Receivable from employees	**402**	643
Due from related parties (Note 20)	**373**	440
Others	**166**	95
	214,181	292,939
Less allowance for ECLs	**2,554**	2,296
	$211,627	$290,643

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 80 days from invoice date.

Nontrade
Nontrade receivables represent billings to customers for production and test equipment and all other charges agreed with the customers in carrying out business operations. These receivables have credit terms averaging 45 days from invoice date.

Receivable from insurance
Claims to damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to $1.09 million and which was fully impaired as of June 30, 2020 and December 31, 2019.

Receivable from employees
Receivable from employees mostly pertain to non-interest bearing short-term loans granted to the Group's employees which are collectible through salary deduction.

Allowance for ECLs
Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of $2.55 million and $2.30 million as of June 30, 2020 and December 31, 2019, respectively, were individually assessed to be impaired and fully provided with allowance for ECL.

Provisions for ECL recognized for the six-month period ended June 20, 2020 and 2019 amounted to $0.40 million and $0.22 million, respectively. Provisions during the period form part of "Operating Expenses" account.

6. Contract Balances

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Contract assets	**$50,864**	$58,908
Contract liabilities	**1,881**	4,742

Contract assets are initially recognized for revenue earned from manufacturing of goods as receipt of consideration is conditional on successful completion of the services. When goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customers, the amounts recognized as contract assets are reclassified to trade receivables. Payments are received from customers depending on the credit terms.

For the periods ended June 30, 2020 and 2019, the Group did not recognize a provision for expected credit losses on contract assets.

Contract liabilities includes short-term advances received to render manufacturing services.

The Group applied the practical expedient in PFRS 15 on the disclosure of information about the transaction price allocated to remaining performance obligations given the customer contracts have original expected duration of one year or less.

7. Inventories

Increase in inventories mainly pertains to delays in production due to effect of shutdowns in various manufacturing sites.

Provisions and (reversals) for inventory obsolescence and allowance for decline in inventories, recognized for the six-month period ended June 30, 2020 and 2019 amounted to $2.64 million and ($0.15) million, respectively.

8. Other Current Assets

This account consists of:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Prepayments and deferred charges	**$11,679**	$11,113
Advances to suppliers	**2,614**	2,893
Tax credits	**2,681**	4,528
Input taxes	**1,694**	558
Derivative assets	**60**	5
Others	**56**	10
	$18,784	$19,107

<u>Prepayments and Deferred Charges</u>
Prepayments include prepayments for rent, life and fire insurance and prepaid insurance for product liability and recall which covers product recall expenses and potential liability to third

parties seeking damage if the Group recalls any of its products. This also includes prepaid intellectual property rights and financing transaction costs and deferred charges related to capital raising activity.

Advances to suppliers
Advances to suppliers represent advance payments made to suppliers for direct materials.

Tax Credits
Tax credits represent recoverable taxes of IMI MX and BG such as VAT refundable and business tax and amounts withheld from income tax payments of the Parent Company and PSi.

Input Taxes
This account includes input tax expected to be applied against output tax within 12 months from the balance sheet date. Input tax is recognized when an entity in the Group purchases goods or services from a suppler or vendor.

9. Property, Plant and Equipment - net

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Property, Plant and Equipment	**$361,478**	$355,717
Less: Accumulated Depreciation	**176,855**	159,691
Accumulated Impairment losses	**3,681**	1,732
Property, Plant and Equipment (Net)	**$180,942**	$194,294

Additions to property, plant and equipment for the six-month period ended June 30, 2020 amounted to $9.32 million comprise mainly of purchases of machinery and equipment for new programs and capacity expansion.

Depreciation expense amounted to $19.57 million and $17.52 million for the six-month period ended June 30, 2020 and 2019, respectively. Due to declining demand brought by the global automotive downturn, the Group recognized impairment losses on certain machineries amounting to $1.95 million.

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments for the six-month period ended June 30, 2020 and 2019 amounting to $0.07 million and $0.05 million, respectively.

10. Intangible Assets - net

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Intangible Assets	**$70,512**	$71,126
Less: Accumulated Amortization	**45,663**	42,024
Accumulated Impairment losses	**1,522**	525
Intangible Assets (Net)	**$23,327**	$28,577

Intangible assets consist of product development costs, intellectual properties, customer relationships, and software licenses.

Product development costs with a net book value of $11.96 million and $14.85 million as of June 30, 2020 and December 31, 2019, respectively, include capitalized costs during the development phase of certain projects and amortized upon mass production. No additional costs were capitalized during the six-month period ended June 30, 2020. Capitalized costs in the six-month period ended June 30, 2019 amounted to $1.82 million.

The Group's intellectual properties relate to the acquisition of VIA and VTS. Net book value as of June 30, 2020 and December 31, 2019 amounted to $6.70 million and $8.36 million, respectively.

In 2018, the acquisition of VTS gave rise to identification and valuation of customer relationships that were not recognized as internally-developed intangible assets. The net book value of the customer relationships amounted to $1.19 million and $1.45 million as of June 30, 2020 and December 31, 2019, respectively.

Software licenses which include acquisitions of computer software, applications and modules has net book value of $3.47 million and $3.92 million as of June 30, 2020 and December 31, 2019, respectively. Additions during the six-month period ended June 30, 2020 amounted to $0.07 million.

Amortization for all intangibles amounted to $3.74 million and $3.41 million for the six-month period ended June 30, 2020 and 2019, respectively. Due to declining demand brought by the global automotive downturn, the Group recognized impairment losses on the product development costs amounting to $1.0 million.

11. Other Noncurrent Assets

This account consists of:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Deferred charges	**$17,654**	$20,080
Miscellaneous deposits	**1,685**	1,558
Others	**275**	260
	$19,614	$21,898

Deferred charges represent tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items. Due to declining demand brought by the global automotive downturn, the Group recognized impairment losses amounting to $2.93 million.

Miscellaneous deposits comprise utilities and rent deposits.

12. **Accounts Payable and Accrued Expenses**

This account consists of:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Trade payables	**$147,397**	$188,023
Nontrade payables	**33,700**	30,289
Accrued compensation and benefits	**21,824**	20,768
Accrued expenses	**16,046**	14,887
Taxes payable	**6,643**	7,779
Accrued interest payable	**2,054**	2,365
Customers' deposits	**1,596**	878
Advances from customers	**1,358**	935
Employee-related contributions	**512**	676
Due to related parties (Note 20)	**7**	2
Others	**377**	470
	$231,514	$267,072

<u>Trade Payables</u>
Trade payables are noninterest-bearing and are normally settled on 30 to 90-day average terms.

<u>Nontrade Payables</u>
This account consists of obligations related to outsourced manpower, logistics and freight forwarders, professional and service fees and other nontrade related payables. These payables are normally settled on 30 to 60-day terms.

<u>Accrued Compensation and Benefits</u>
Accrued compensation and benefits include accrued salaries, leave credits and other employee benefits.

<u>Accrued Expenses</u>
Accrued expenses consist mainly of accruals for taxes, supplies, professional fees, utilities, insurance, and freight and brokerage.

<u>Taxes Payable</u>
Taxes payable pertain to taxes due other than corporate income tax.

<u>Advances from Customers</u>
Advances from customers include financial liabilities pertaining to commercial agreements with certain customers of VIA with interest ranging from 2.91% to 5.00%.

<u>Employee-related Contributions</u>
This account consists mainly of remittances related to government agencies such as social security and insurance, housing fund and health insurance.

<u>Others</u>
This account consists of unreleased checks and consignment payables of the Parent Company for the materials received from its customers.

13. **Loans Payable**

This account consists of borrowings of the following entities:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Parent Company	**$137,200**	$72,000
STEL	**31,393**	25,901
VIA	**29,324**	26,387
STI	**603**	1,764
	$198,520	$126,052

Parent Company
As of June 30, 2020 and December 31, 2019, the Parent Company has unsecured short-term loans aggregating to $137.20 million and $72.00 million, respectively, with maturities ranging from 30 to 90 days, and annual interest rates ranging from 1.44% to 3.20% in 2020 and 2.45% to 2.95% in 2019.

STEL
The loans of STEL are from existing revolving credit facilities with Singapore-based banks and bear annual interest rate ranging from 3.00% to 4.00% in 2020 and 3.46% to 4.64% in 2019.

VIA
The loans of VIA consists of factoring loan from China-based banks denominated in USD and RMB aggregating $21.58 million as of June 30, 2020 and $17.58 million as of December 31, 2019 with terms ranging from 90 to 365 days and annual interest rate from 2.32% to 4.70% in 2020 and from 2.91% to 5.00% in 2019 and loan from a German-based bank amounting to €6.90 million ($7.74 million) as of June 30, 2020 and €7.91 million ($8.81 million) as of December 31, 2019 with term of 90 and bears interest rate of 1.95% per annum.

STI
STI has unsecured short-term loans from a UK-based bank of £0.49 million ($0.60 million) as of June 30, 2020 and £1.35 million ($1.76 million) as of December 31, 2020 with maturities ranging from 90 to 240 days and annual interest rates of 4%.

14. **Long-Term Debt**

This account consists of borrowings of the following entities:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Parent Company	**$50,000**	$135,835
VIA	**3,689**	4,436
IMI CZ	**1,571**	2,153
	55,260	142,424
Less current portion:		
Parent Company	**20,000**	25,830
VIA	**932**	1,169
IMI CZ	**823**	1,039
	21,755	28,038
Noncurrent portion	**$33,505**	$114,386

Parent Company
The long-term debts of the Parent Company aggregating to $50.00 million as of June 30, 2020 from local banks, and $135.84 million as of December 31, 2019 from Singapore-based and local

banks have terms of three to five years and subject to fixed annual interest rates ranging from 2.80% to 3.80% in 2020 and 2.70% to 3.41% in 2019.

Loan covenants related to the Parent Company's loans as of June 30, 2020 are as follows:

- Net debt to equity ratio not to exceed 1:75:1
- Maintenance of the Group's debt service coverage ratio of at least 1.25:1; and
- Maintenance of the Group's current ratio of at least 1:1;

As of June 30, 2020 and December 31, 2019, the Parent Company has complied with all of the above-mentioned loan covenants.

<u>VIA</u>
VIA also has a long-term loan with a Japanese bank with a face amount of JPY600,000,000. Outstanding balance as of June 30, 2020 and December 31, 2019 amounted to $3.98 million and $4.44 million, respectively. The loan is payable monthly and bears interest rate ranging from 0.975% to 1.28% and will mature in 2023.

<u>IMI CZ</u>
IMI CZ has unsecured term loan facility from Czech-based bank payable in 60 regular monthly installments and bears interest of 1-month EURIBOR plus spread ranging from 0.9% to 2.70% but is not to exceed 15% per annum. Outstanding balance as of June 30, 2020 and December 31, 2019 amounted to €1.40 million ($1.57 million) and €1.93 million ($2.15 million), respectively.

15. **Other Financial Liabilities**

The account consists of financial liabilities arising from the acquisition of VIA and STI as follows:

	June 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Put options over non-controlling interests		
VIA	**$16,629**	$16,893
STI (Note 2)	**–**	5,477
Contingent consideration	**–**	–
Current	**$16,629**	$22,370

Put options over non-controlling interests
The put options of VIA pertain to the right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options).

The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all non-controlling interests held upon the happening of certain trigger events as specified in the shareholders agreement.

Mark-to-market gains on put options included under "Miscellaneous income (expense) – net" account for the six-month period ended June 30, 2020 and 2019 amounted to $5.57 million gain and $2.50 million, respectively.

Contingent consideration
The contingent consideration is part of the cost of acquisition of STI and is valued based on the actual normalized EBITDA performance less adjustments in 2018 and 2019.

The Group reversed the remaining balance of $3.73 million in the first half of 2019 and the gain from the reversal was included under "Miscellaneous income (expense) - net" account.

16. Equity

Retained Earnings

Retained earnings as of January 1, 2019 was adjusted for the effect of the finalization of purchase price allocation of VTS in the first quarter of 2019 with a net increase of $1.68 million. The net increase is due to the gain on a bargain purchase of $2.41 million, net of the increase in depreciation and amortization, deferred taxes and corresponding share of non-controlling interest totaling to $0.73 million.

Non-controlling interest

Issuance of capital stock - preferred by IMI Singapore

In 2019, IMI Singapore, a wholly-owned subsidiary of the Parent Company, issued redeemable cumulative preferred stocks (RCPS), which were subscribed by AC Industrials (Singapore) Pte, Ltd. (ACI Singapore), an entity under common control of AC Industrials. The preferred shares have certain features, rights and privileges, which include redemption at the option of the issuer and cumulative, non-participating dividend rights at rates to be determined by the Board of Directors. There is no conversion option to the shareholders to convert the RCPS into ordinary shares of IMI Singapore and the shareholders have no voting rights unless the resolution in question varies the rights attached to the RCPS or is for the winding-up of the IMI Singapore. Total shares issued aggregated to $100 million, $60 million of which was allotted and issued in July 2019 and $40 million in November 2019.

Dividends

In March 2020, IMI Singapore declared dividend on the RCPS to ACI Singapore amounting to $3.47 million.

On April 8, 2019, the BOD of the Parent Company approved the declaration of cash dividend of $0.00201 or ₱0.10542 per share to all outstanding common shares aggregating to $4.44 million as of record date of April 25, 2019 paid on May 7, 2019.

No dividends were paid to the common equity holders of the parent company for the six-month period ended June 30, 2020.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

No changes were made in the objectives, policies and processes during the period ended June 30, 2020 and December 31, 2019.

The Group monitors capital using a gearing ratio of debt-to-equity and net debt-to-equity. The Group considers bank borrowings in the determination of debt, which consist of loans payable and long-term bank debt. Net debt is equivalent to the total bank borrowings, less cash and cash equivalents.

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
Loans payable	**$198,520**	$126,052
Long-term bank borrowings	**55,260**	142,424
Total bank debt	**253,780**	268,476
Less cash and cash equivalents	**165,459**	152,660

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
Net bank debt	**$88,321**	$115,816
Total Equity	**448,794**	483,779
Debt-to-equity ratio	**0.57:1**	0.55:1
Net debt-to-equity ratio	**0.20:1**	0.24:1

The Group is not subject to externally imposed capital requirements.

17. Earnings per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

	Jun 30, 2020 (Unaudited)	Jun 30, 2019 (Unaudited)
	(In thousands)	
Net income (loss)	**($21,530)**	**$5,784**
Weighted average number of common shares outstanding	**2,208,690**	**2,209,242**
Basic and diluted	**($0.010)**	**$0.003**

As of June 30, 2020 and 2019, the Parent Company has no dilutive potential common shares.

18. Segment Information

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and expense and net income before and after tax of its major manufacturing sites. The Parent Company and PSi are combined under Philippine segment, STEL Group is categorized under China segment, IMI BG, IMI CZ and IMI Serbia are combined under Europe based on the industry segment and customers served, IMI Mexico is presented under Mexico segment, VIA and STI are combined under Germany/UK segment representing non-wholly owned subsidiaries, IMI USA, IMI Japan, IMI UK and IMI Singapore/ROHQ are combined being the holding and support facilities for strategic management, research and development, engineering development and sales and marketing.

Prior period information is consistent with the current year basis of segmentation.

The Parent Company and its subsidiaries generally account for inter-segment revenue and transfers as if the revenue and transfers were to third parties at current market prices. These transactions are accounted for in accordance with PFRS.

Intersegment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's parent or main business location for the six-month period ended June 30, 2020 and 2019:

	Philippines							Consolidation	
June 30, 2020 (Unaudited)	**Parent Company**	**PSi**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**and Eliminations**	**Total**
Revenue:									
Third party	$85,073	$5,250	$109,722	$108,903	$47,486	$109,395	$10,316	$34	$476,179
Intersegment	14,383	–	10,503	1,007	48	–	2,927	(28,868)	–
Total revenue	$99,456	$5,250	$120,225	$109,910	$47,534	$109,395	$13,243	($28,834)	$476,179
Segment interest income	$641	$1	$690	$218	$–	$–	$2,951	($4,297)	$204
Segment interest expense and bank charges	($3,226)	($383)	($1,497)	($616)	($1,559)	($1,653)	($107)	$3,632	($5,409)
Segment profit (loss) before income tax	($9,051)	($1,759)	$2,420	$1,850	($8,033)	($5,827)	($1,943)	$723	($21,620)
Segment provision for income tax	(534)	(60)	107	(194)	81	(796)	(5)	(23)	(1,424)
Segment profit (loss) after income tax	($9,585)	($1,819)	$2,527	$1,656	($7,952)	($6,623)	($1,948)	$700	($23,044)
Net income (loss) attributable to the equity holders of the Parent Company	($9,585)	($1,819)	$2,527	$1,656	($7,952)	($5,255)	($1,948)	$846	($21,530)

	Philippines							Consolidation	
June 30, 2019 (Unaudited)	**Parent Company**	**PSi**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**and Eliminations**	**Total**
Revenue:									
Third party	$121,259	$10,371	$121,676	$167,238	$85,128	$129,704	$322	$–	$635,698
Intersegment	4,378	–	8,347	1,819	650	–	2,840	(18,034)	–
Total revenue	$125,637	$10,371	$130,023	$169,057	$85,778	$129,704	$3,162	($18,034)	$635,698
Segment interest income	$1,726	$2	$501	$154	$–	$–	$1,781	($3,702)	$462
Segment interest expense and bank charges	($3,959)	($515)	($1,510)	($564)	($1,635)	($1,804)	($108)	$2,993	($7,102)
Segment profit (loss) before income tax	$4,396	($1,329)	($3,104)	$10,788	($5,116)	($2,617)	($2,555)	$5,439	$5,902
Segment provision for income tax	(985)	18	31	(1,186)	(280)	789	364	68	(1,181)
Segment profit (loss) after income tax	$3,411	($1,311)	($3,073)	$9,602	($5,396)	($1,828)	($2,191)	$5,507	$4,721
Net income (loss) attributable to the equity holders of the Parent Company	$3,411	($1,311)	($3,073)	$9,602	($5,396)	($910)	($2,191)	$5,652	$5,784

Intersegment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The following table presents segment assets of the Group's geographical segments as of June 30, 2020 and December 31, 2019:

	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan/ Singapore	Consoli-dation and Eliminations	Total
	Parent Company	PSi							
June 30, 2020 (Unaudited)	**$488,427**	**$9,982**	**$243,119**	**$264,236**	**$113,364**	**$202,432**	**$422,719**	**($737,741)**	**$1,006,538**
December 31, 2019 (Audited)	$515,513	$11,743	$272,002	$289,407	$123,661	$219,971	$418,137	($754,098)	$1,096,336

Investments in subsidiaries and intersegment receivables amounting to $200.08 million and $170.17 million as of December 31, 2019, respectively, and $195.39 million and $156.92 million as of December 31, 2018, respectively are eliminated in consolidation.

Goodwill acquired through business combinations recognized at consolidated level had been allocated to the following CGUs:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
STI	**$53,302**	$56,627
VIA	**44,659**	44,325
STEL	**38,225**	38,225
Parent Company	**1,098**	1,098
IMI CZ	**510**	506
	$137,794	$140,781

Revenue from Contracts with Customers

Revenues from contracts with customers are further disaggregated by type, customer's nationality, market segment and timing of revenue recognition, as management believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table presents revenue by type:

	Jun 30, 2020 (Unaudited)	Jun 30, 2019 (Unaudited)
	(In thousands)	
Manufacturing of goods	**$472,844**	$633,930
Non-recurring engineering services	**3,335**	1,768
Revenue from contracts with customers	**$476,179**	$635,698

The following table presents revenue from contracts with customer per timing of revenue recognition for each reportable segments:

	June 30, 2020 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
		(In thousands)	
Philippines			
Parent Company	**$85,073**	**$–**	**$85,073**
PSi	**5,250**	**–**	**5,250**
China	**107,367**	**2,355**	**109,722**
Europe	**108,813**	**124**	**108,937**
Mexico	**45,314**	**2,172**	**47,486**

(Forward)

	June 30, 2020 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
Germany	**–**	**72,238**	**72,238**
UK	**37,157**	**–**	**37,157**
USA/Japan/Singapore	**–**	**10,316**	**10,316**
Revenue from contracts with customers	**$388,974**	**$87,205**	**$476,179**

	June 30, 2019 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
		(In thousands)	
Philippines			
Parent Company	**$121,258**	**$–**	**$121,258**
PSi	**10,371**	**–**	**10,371**
China	**121,676**	**–**	**121,676**
Europe	**166,080**	**1,158**	**167,238**
Mexico	**84,819**	**309**	**85,128**
Germany	**–**	**81,270**	**81,270**
UK	**48,433**	**–**	**48,433**
USA/Japan/Singapore	**–**	**324**	**324**
Revenue from contracts with customers	**$552,637**	**$83,061**	**$635,698**

The following table presents revenues from external customers based on customer's nationality:

	Jun 30, 2020 (Unaudited)	Jun 30, 2019 (Unaudited)
	(In thousands)	
Europe	**$247,464**	310,492
America	**89,630**	120,786
Japan	**12,926**	20,570
Asia/Others	**126,159**	183,850
	$476,179	$635,698

Revenues are attributed to countries on the basis of the customer's location. Certain customers that are independent of each other but within the same group account for 7% and 11% of the Group's total revenue for the six-month period ended June 30, 2020 and 2019, respectively.

The following table presents revenues per market segment:

	Jun 30, 2020 (Unaudited)	Jun 30, 2019 (Unaudited)
	(In thousands)	
Automotive	**$197,621**	$305,467
Industrial	**139,763**	175,409
Consumer	**45,153**	38,348
Telecom	**45,445**	47,964
Aerospace	**18,353**	25,880
Medical	**14,844**	7,095
Multiple markets / Others	**15,000**	35,535
	$476,179	$635,698

19. **Lease Commitments**

Set out below are the carrying amounts of the Group's right-of-use assets presented under non-current assets, and the movements during the period:

	Jun 30, 2020 (Unaudited)	**Dec 31, 2019 (Audited)**
	(In thousands)	
At beginning of period	**$32,027**	$39,100
Additions	**7,087**	–
Amortization expense	**(4,514)**	(6,956)
Cumulative translation adjustment	**(486)**	(116)
As end of period	**$34,114**	$32,028

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the period:

	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
	(In thousands)	
At beginning of period	**$33,798**	$39,100
Additions	**7,087**	–
Interest expense on lease liabilities	**870**	1,369
Rental payments	**(4,866)**	(7,604)
Cumulative translation adjustment	**(825)**	933
At end of period	**$36,064**	$33,798
Current	**$5,720**	$4,075
Noncurrent	**$30,344**	$29,723

The following are the amounts recognized in consolidated statements of income:

	Jun 30, 2020 (Unaudited)	Jun 30, 2019 (Unaudited)
	(In thousands)	
Amortization expense of right-of-use assets	$4,514	$3,087
Interest expense on lease liabilities	870	613
Expense related to short-term leases and low-value assets (included in cost of sales)	1,757	1,778
Expense related to short-term leases and low-value assets (included in operating expenses)	2	314
	$7,141	$5,478

The Group's lease agreements have terms of fixed payments and there are no variable payment provisions.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with Group's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

20. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of business, has entered into transactions with subsidiaries, affiliate, and other related parties principally consisting of advances, loans and reimbursement of expenses. Sales and purchases of goods and services as well as other income and expenses to and from related parties are made at normal commercial prices and terms.

Terms and Conditions of Transactions with Related Parties
The Group has a Related Party Transactions (RPT) Committee that evaluates and governs related party transactions. Prior to finalization of any related party agreement, the management shall report for review and approval to the RPT Committee all new and proposed significant related party transaction above the threshold set by the RPT Committee.

Outstanding balances at year-end are unsecured and settlement occurs in cash unless otherwise stated. For the six months period ended June 30, 2020 and 2019, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Transactions with BPI, an affiliate
   As of June 30, 2020 and December 31, 2019, the Group maintains current and savings accounts with BPI amounting to $0.95 million and $1.14 million, respectively.

   Total interest income earned from investments with BPI amounted to $396.0K and $0.003K for the six-month period ended June 30, 2020 and 2019, respectively.

b. Issuance of redeemable cumulative preferred shares by IMI Singapore to AC Industrials (Singapore). Dividends paid in relation to the preferred shares amounted to $3.47 million for the six-month period ended June 30, 2020 (see Note 16).

c. Outstanding balances of the Group's related party transactions with its affiliates follow:

	Receivables/Deposits		Payables	
	Jun 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)	**Jun 30, 2020 (Unaudited)**	Dec 31, 2019 (Audited)
	(In thousands)			
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	**$135**	$136	**$–**	$–
KTM Asia Motor Manufacturing Inc. (KAMMI)	**223**	256	**–**	–
AC Industrials Technology Inc. (AC Industrials)	**15**	48	**–**	–
Globe Telecom, Inc. (GTI)	**–**	–	**1**	2
Innove Communication Inc. (ICI)	**–**	–	**6**	–
	$373	$440	**$7**	$2

   i. Transaction with MSTPI and MSTPI pertains to trade related receivables.

   ii. Payables to ACI Singapore pertains to dividend payable on the redeemable preferred shares.

iii. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

iv. Payables to ICI are nontrade in nature and pertain to leased lines, internet connections and automated teller machines connections. These are noninterest-bearing and are due every month.

d. Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income		Expenses	
	Jun 30, 2020 (Unaudited)	Jun 30, 2019 (Unaudited)	**Jun 30, 2020 (Unaudited)**	Jun 30, 2019 (Unaudited)
		(In thousands)		
BPI	**$396**	$4	**$–**	$–
MSTPI	**367**	332	**–**	–
KAMMI	**343**	762	**–**	–
ACEHI	**–**	–	**–**	464
Technopark Land, Inc (TLI)	**–**	–	**682**	542
Laguna AAAWater Corp. (LAWC)	**–**	–	**419**	286
GTI	**–**	–	**34**	68
Innove Communication, Inc. (ICI)	**–**	–	**10**	67
AC	**–**	–	**47**	34
Ayala Group Legal (AG Legal)	**–**	–	**102**	1
	$1,106	$1,098	**$1,294**	$1,462

Revenue/income from its affiliates pertains to the following transactions:

i. Interest income earned from investments and gain on foreign currency forwards with BPI.

ii. Revenues from KAMMI and MSTPI pertain to subcontracting services related to registered activities.

Expenses incurred from related party transactions include:

i. Light and power allocation charged by ACEHI to the Parent Company. The contract with ACEHI ended in January 2019.

ii. Rental expense from the lease contract between the Parent Company and TLI.

iii. Billings for cellphone charges and WiFi connections with GTI.

iv. Building rental, leased lines, internet connections and ATM connections with ICI.

v. Administrative services charged by AC related to certain transactions.

vi. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.

d. Revenue and expenses eliminated at the Group level follow:

i. Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore and the Parent Company for recovery costs related to the management salaries of key management personnel under IMI ROHQ.

ii. Expenses incurred from related party transactions include interest expense of PSi, IMI MX, STI and IMI CZ from loans granted by the Parent Company, IMI Singapore and STSN.

Guarantees and Commitments
IMI BG has agreed to provide continuing operational, investment and financial assistance to the facilities of C-Con GmbH ("C-Con"), a related party and an entity under common control of AC Industrials, for C-Con will duly and timely perform all required obligations under contracts to be entered into with a particular customer. In case of C-Con's failure to perform its contractual obligations under the contract including but not limited to failure to perform due to C-Con's insolvency ("Breach"), IMI BG will indemnify and hold harmless the customer from any and all costs, liabilities, damages, losses, and reasonable amount of actually-incurred out of pocket expenses (including court costs and legal expenses) of the customer occasioned by or arising from such Breach. As consideration for extending said guarantee, IMI BG will be charging C-Con a guarantee fee equivalent to two (2%) of the revenue for the projects won using or relying upon IMI BG's guarantee. Additionally, IMI BG's guarantee to C-Con is backstopped by AC Industrials (Singapore) Pte. Ltd., another related party of IMI BG.

21. Fair Values of Financial Instruments

Fair Values of Financial Assets and Financial Liabilities where the Carrying Amounts Approximate Fair Values
Financial assets and financial liabilities that are liquid or are short-term in nature which consist of cash, receivables, accounts payables and accrued expenses, with maturity of less than one year, are assumed to have carrying amounts approximating their fair values.

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of June 30, 2020 and December 31, 2019:

	Carrying Amounts		Fair Values	
	Jun 30, 2020	Dec 31, 2019	**Jun 30, 2020**	Dec 31, 2019
		(In thousands)		
Financial assets:				
Financial assets at FVOCI	**$1,180**	$1,200	**$1,180**	$1,200
Financial liabilities:				
Noncurrent portion of long-term debt	**$33,505**	$114,386	**$33,307**	$109,757
Financial liabilities on put options	**16,629**	22,370	**16,629**	22,370
	$50,134	$136,756	**$49,936**	$132,127

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial assets at FVOCI pertain to investments in club shares. Fair value is based on quoted prices.

Derivatives - These pertain to currency forwards hedged by the Group for risks associated with foreign currency fluctuations. The fair value of the currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturities as advised by the counterparty to the currency forwards contracts.

Financial liabilities on put options - These pertain to the liabilities of Cooperatief and IMI UK arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is 0.17% for VIA and 0.74% for STI. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put options will occur.

The current equity value of VIA is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization.

Contingent consideration - This pertains to the contingent consideration related to the acquisition of STI determined by discounting the probability weighted payout as estimated by management. The payout is estimated using the projected revenue growth rate of STI. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

Noncurrent portion of long-term debt - The fair value of long-term debt is estimated by using the discounted cash flow method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2020 and 2019 ranged from 1.67% to 3.80% and from 1.67% to 3.76% respectively.

Fair Value Hierarchy

The following tables provide the fair value hierarchy of the Group's assets and liabilities:

	June 30, 2020			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets measured at fair value:				
Financial assets at FVOCI	**$–**	**$1,180**	**$–**	**$1,180**
Liabilities measured at fair value:				
Financial liabilities on put options	**–**	**–**	**16,629**	**16,629**
Liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$33,505**	**$33,505**

	December 31, 2019			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets measured at fair value:				
Financial assets at FVOCI	$–	$1,200	$–	$1,200
Liabilities measured at fair value:				
Financial liabilities on put options	$–	$–	$22,370	$22,370
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$114,386	$114,386

The table below shows reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

2020

	Dec 31, 2019	Mark-to-market gain	Currency Translation Adjustment	Jun 30, 2020
Financial liabilities on put options	**$22,370**	**($5,565)**	**($176)**	**$16,629**
	$22,370	**($5,565)**	**($176)**	**$16,629**

2019

	Dec 31, 2018	Mark-to-market gain	Currency Translation Adjustment	Jun 30, 2019
Financial liabilities on put options	**$26,079**	**($2,497)**	**($100)**	**$23,582**
	$26,079	**($2,497)**	**($100)**	**$23,582**

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial liabilities categorized as Level 3:

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0%-2% (1%)	1% increase in growth rate would result in an increase in fair value by $1.57 million. Decrease in growth rate by 1% would result in a fair value decrease of $1.24 million.
		Discount rate	8%-10% (9%)	1% increase in discount rate would result in a decrease in fair value by $2.18 million. Decrease in discount rate by 1% would result in a fair value increase of $2.79 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $0.68 million. Decrease in the probability to 1% would result in a decrease in fair value by $1.00 million.

22. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, composed of trust receipts and loans payable, long-term debt and other financial liabilities, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash and cash equivalents, receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Group also enters into currency forwards to manage the currency risk arising from its operations and financial instruments.

The Group's risk management policies are summarized below:

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended June 30, 2020 and 2019. There is no other impact on the Group's equity other than those already affecting income.

	Effect on Net Income before Tax	
Increase/Decrease in Basis Points	**Jun 30, 2020 (Unaudited)**	Jun 30, 2019 (Unaudited)
+100	**($8)**	($18)
-100	**8**	18

The following table shows the information about the Group's debt as of June 30, 2020 and 2019 that are exposed to interest rate risk presented by maturity profile:

	Jun 30, 2020 (Unaudited)	Jun 30, 2019 (Unaudited)
Within one year	**$823**	$2,092
One to five years	**748**	1,594
	$1,571	$2,203

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

Credit Risk
Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents, and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's maximum exposure to credit risk as of June 30, 2020 and December 31, 2019 is the carrying amounts of the financial assets. The Group's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Group has 14% and 25% of trade receivables relating to three major customers as of June 30, 2020 and December 31, 2019, respectively.

As of June 30, 2020 and December 31, 2019, the aging analysis of trade receivables follows:

	Total	Neither past due nor impaired	Past due but not impaired					Specifically impaired
			<30 days	30-60 days	60-90 days	90-120 days	>120 days	
June 30, 2020 (Unaudited)	**$208,469**	**$169,375**	**$16,208**	**$9,476**	**$2,726**	**$1,476**	**$7,897**	**$1,311**
December 31, 2019 (Audited)	$284,594	$243,322	$20,071	$6,174	$4,368	$449	$9,158	$1,052

Foreign Currency Risk
The Group's foreign exchange risk results primarily from movements of the functional currency of each legal entity against other currencies. As a result of significant transactions denominated in RMB, PHP and EUR the consolidated statements of income can be affected significantly by movements in the USD versus these currencies. In 2020 and 2019, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows: (In Thousands)

Philippine Peso (₱)

	Jun 30, 2020 (Unaudited)		Dec 31, 2019 (Audited)	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$1,137**	**₱56,648**	$1,007	₱50,984
Receivables	**1,625**	**80,960**	904	45,762
Miscellaneous deposits	**692**	**34,510**	681	34,510
Accounts payable and accrued expenses	**(16,175)**	**(806,022)**	(12,508)	(633,366)
Net retirement liabilities	**(7,103)**	**(353,921)**	(7,550)	(382,284)
Net foreign currency-denominated liabilities	**($19,824)**	**(₱987,825)**	($17,466)	(₱884,394)

Euro (€)

	Jun 30, 2020 (Unaudited)		Dec 31, 2019 (Audited)	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$2,239**	**€1,996**	$2,919	€2,622
Receivables	**9,640**	**8,594**	10,342	9,289
Accounts payable and accrued expenses	**(9,050)**	**(8,069)**	(9,089)	(8,164)
Net foreign currency-denominated assets	**$2,829**	**€2,521**	$4,172	€3,747

Renminbi (RMB)

	Jun 30, 2020 (Unaudited)		Dec 31, 2019 (Audited)	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$19,746**	**RMB139,797**	$12,455	RMB87,035
Receivables	**55,471**	**392,718**	57,840	404,193
Accounts payable and accrued expenses	**(42,816)**	**(303,125)**	(44,576)	(311,500)
Net foreign currency-denominated assets	**$32,401**	**RMB229,390**	$25,719	RMB179,728

Information on the Group's USD-denominated monetary assets and liabilities of the Parent Company's subsidiaries with functional currencies other than USD and which is also affected by movements of USD compared with their respective functional currencies as at June 30, 2020 and December 31, 2019 follows:

	Jun 30, 2020 (Unaudited)			
	In USD	**In EUR***	**In RMB***	**In GBP***
Cash and cash equivalents	**$2,482**	**€1,512**	**RMB1**	**£640**
Receivables	**8,915**	**3,693**	**579**	**3,821**
Accounts payable and accrued expenses	**(22,686)**	**(10,417)**	**(20,277)**	**(6,628)**
Net foreign currency-denominated assets	**($11,289)**	**(€5,212)**	**(RMB19,698)**	**(£2,167)**

**The USD-denominated monetary assets and liabilities are translated using EUR0.8915 for $1, RMB7.7504 for $1 and GBP0.8145 for $1.*

	December 31, 2019 (Audited)			
	In USD	**In EUR***	**In RMB***	**In GBP***
Cash and cash equivalents	$2,592	€1,044	RMB1	£1,097
Receivables	13,764	3,195	360	7,786
Accounts payable and accrued expenses	(27,643)	(12,979)	(31,649)	(6,644)
Net foreign currency-denominated assets	($11,287)	(€8,740)	(RMB31,288)	£2,239

**The USD-denominated monetary assets and liabilities are translated using EUR0.8982 for $1, RMB6.9881 for $1 and GBP0.7667 for $1.*

Sensitivity Analysis

The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of June 30, 2020 and December 31, 2019. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

There is no other impact on the Group's equity other than those already affecting income. The increase in USD rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger USD value.

		Effect on Net Income before Tax	
Currency	Increase/Decrease in USD Rate	**Jun 30, 2020 (Unaudited)**	Jun 30, 2019 (Unaudited)
PHP	+1%	**$218**	$171
	-1%	**(218)**	(171)
EUR	+1%	**(35)**	22
	-1%	**35**	(22)
RMB	+1%	**(380)**	(527)
	-1%	**380**	527

23. **Contingencies**

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The outcome of these cases is not presently determinable.

The Group's expanding global activities, while continuing to present a myriad of growth opportunities, also tend to increase its exposure to potential disputes with customers and suppliers. Such exposure could, in turn, directly or indirectly, affect the Group's ability to realize its short and long-term target revenues and operating margins from its services as well as adversely impact its net assets, financial position and results of operations. In this connection, the Group is currently involved in an ongoing arbitration proceeding arising from a contractual dispute with its customer.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

24. **Notes to Consolidated Statement of Cash Flows**

The following table shows the reconciliation of liabilities arising from financing activities:

		Cash Flows		Non-cash changes					
	Dec 31, 2019 (Audited)	Availment	Settlement/ Repayment	Reclass	Addition	Declaration	Accretion of interest expense	Foreign currency translation	**Jun 30, 2020 (Unaudited)**
Loans and trust receipts payable	$126,052	$75,419	($3,097)	$–	$–	$–	$–	146	**$198,520**
Current portion of long-term debt	28,038	–	(7,199)	909	–	–	–	7	**21,755**
Long-term debt	114,386	–	(80,005)	(909)	–	–	–	33	**33,505**
Lease liabilities	33,798	–	(4,866)	–	7,087	–	870	825	**37,714**
Other noncurrent liabilities	3,623	–	(539)	–	–	–	–	–	**3,084**
	$305,897	$75,419	($95,167)	$–	$7,087	$–	$870	$1,011	**$294,578**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

	For the six months ended 30 June	
	2020	**2019**
	(in US$ thousands, except Basic EPS)	
Revenues from Sales and Services	**$476,179**	$635,698
Cost of Goods Sold and Services	**445,688**	578,738
Gross Profit	**30,491**	56,960
Net Income Attributable to Equity Holders of the Parent Company	**(21,530)**	5,784
EBITDA[i]	**10,551**	25,056
Basic Earnings per Share (EPS)	**($0.01)**	$0.003

Revenues from Sales and Services

The Company booked US$476 million of first half revenue in 2020 as plant shutdowns in various operating regions significantly affected financial results. Facilities in the Philippines, China, and Mexico all adhered to government mandated lockdowns to contain the spread of COVID-19. The global situation led to a 25% year-on-year reduction in top line sales.

IMI's wholly owned businesses declined to US$367 million of revenues, a 28% slide from last year. While some operating regions faced mandatory lockdowns, operating sites in Bulgaria and Czech Republic aligned with the demand slowdown of OEM customers by exercising voluntary reduced work schedules. As the automotive market outlook remains weak in the short term, IMI's wide product portfolio has captured the increased demand from the consumer, industrial, medical, and telecom sectors.

Via Optronics and STI, Ltd. booked combined revenues of US$109 million for the period. In time for the uptick in global laptop demand, Via's LCD supply chain issues were resolved in the second quarter, helping the subsidiary rebound with a 47% quarter-on-quarter improvement in top line sales. STI, on the other hand, faced continued demand slowdown as government pandemic response programs are prioritized over aerospace and defense projects.

Gross Profit and Gross Profit Margin

The Covid-19 situation resulting to plant shutdowns during the first half led to challenged gross profit at US$30.5 million equating to a 6.4% margin. Reduction of overhead costs by approximately US$10 million through streamlining initiatives and government incentives helped mitigate the effects of the extended market softness.

[i] EBITDA = EBITDA represents income before income tax after adding back depreciation and amortization, interest expense and other non-recurring items. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

Net Income Attributable to Parent

The company reported for the first half of 2020 a loss of (US$21.53) million versus last year's US$5.78 million net income driven by lower operating income by US$22.7 million which includes additional inventory provisions of $2.6 million. This decline in operating income was partially tempered by lower interest expense, forex losses and income taxes. Net loss is also partially mitigated by support from various governments through incentives related to Covid-19, subsidy funds on economic, technological and industrial development, and impact of US-China trade war.

EBITDA

EBITDA lower by US$14.5 million or 58% due to lower operating income before depreciation and amortization.

Financial Condition

IMI's balance sheet remains strong with current ratio of 1.27:1 and debt-to-equity ratio of 0.57:1. The Company ended with a cash balance of $165.5 million mainly from improvement in accounts receivable and reduced capital expenditures.

For the six months of 2020, the Company spent $9.3M of capital expenditures related to new programs and maintenance capex.

Key Performance Indicators of the Company

The table below sets forth the comparative performance indicators of the Company:

	As of end	
	Jun 30, 2020	**Dec 31, 2019**
Performance indicators		
Liquidity:		
Current ratio[a]	1.27x	1.49x
Solvency:		
Debt-to-equity ratio[b]	0.57x	0.55x

	For the six months ended 30 Jun	
	2020	**2019**
Operating efficiency:		
Revenue growth[c]	-25%	-5%
Profitability:		
Gross profit margin[d]	6.4%	9.0%
Net income margin[e]	-4.5%	0.9%
Return on equity[f]	-5.9%	1.4%
Return on assets[h]	-2.1%	0.5%
[ii]EBITDA margin	4.5%	3.9%

[ii] EBITDA Margin = *EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization (including amortization of right-of-use assets in accordance with PFRS 16, Leases), interest income and foreign exchange gains/losses. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of*

[a] *Current assets/current liabilities*
[b] *Bank debts/Equity attributable to equity holders of the Parent Company*
[c] *(Current year less previous year revenue)/Previous year revenue*
[d] *Gross profit/Revenues*
[e] *Net income attributable to equity holders of the Parent Company/Revenues*
[f] *Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent*
[g] *Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent*
[h] *Net income attributable to equity holders of the Parent Company/Total Assets*

In the above:

(i) The risk of effects of further and extended period of pandemic related shutdowns after the reporting period may cause uncertainties that may impact the Company's liquidity. The Company is continuously monitoring its liquidity and solvency position.

(ii) There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(iii) Likewise, there were no 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.

(iv) The effects of further and extended period of pandemic related shutdowns after the reporting period may pose risks and unfavorable impact to the Company but will not materially affect the Company's ability to continue as going concern.

(v) There were no significant elements of income or loss that did not arise from continuing operations.

(vi) There are no seasonal aspects that may have a material effect on the financial condition of the Company.

Causes for any material changes
(Increase or decrease of 5% or more in the financial statements)

Income Statement Items
(Three months ended 30 June 2020 versus 30 June 2019)

25% decrease in Revenues ($635.7M to $476.2M)
Driven by government mandated lockdowns in China, Philippines and Mexico, and voluntary suspension of regular operations in Bulgaria and Czech in line with automotive demand slowdown.

23% decrease in Cost of Goods Sold and Services ($578.7M to $445.7M)
Lower direct costs relevant to the decline in revenues coupled by various cost reduction initiatives implemented on fixed overhead mainly lower people costs and supplies and materials. Cost of sales also reduced by support from various governments mainly social insurance refund, wage support schemes, and other subsidies related to Covid-19 and US-China trade war amounting to $2.72 million.

7% decrease in Operating expenses ($51.6M to $47.8M)
Operating expenses include an additional $2.6 million inventory provisions. Excluding this provision, operating expenses improved by 13% from cost improvement initiatives across the group mainly reduction in people costs, professional fees and travel and transportation. Operating expenses also

performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

reduced by support from various governments mainly social insurance refund, wage support schemes, and other subsidies related to Covid-19 and US-China trade war amounting to $0.57 million.

24% decrease in Interest and bank charges ($7.1M to $5.4M)
Due to lower balance of loans. Total loans (ST and LT) in June 2019 was $313 million compared to $253.8 million balance as of June 2020.

90% decrease in Forex losses (-$1.7M to -$0.2M)
FX losses from RMB, PHP and EUR were offset by beneficial FX position for GBP.

88% decrease in Miscellaneous income ($8.9M to $1.1M)
Last year includes reversal of contingent liability of STI (+$3.7M) and MTM gain on put options (+$2.5M). In 2020, impairment losses of -$5.9M were offset by 5.9M were offset by +$5.6M MTM gains on put options. Other income also includes government incentives related to economic, technological and industrial development subsidies amounting to $1.07 million.

Balance Sheet items
(30 June 2020 versus 31 December 2019)

8% increase in Cash and cash equivalents ($152.7M to $165.5M)
Increase mainly from improvements in receivables and reduced capex expenditures.

27% decrease in Loans and receivables ($290.6M to $211.6M)
Decrease in receivables mainly from collections of outstanding trade receivables.

14% decrease in Contract Assets ($58.9M to $50.9M)
Recovery of backlogs reduced work-in process and finished goods inventories.

7% increase in Right-of-use assets ($32.0 to $34.1M)
Additional recognition of ROU asset under PFRS 16 mainly from rental of additional facilities and machines.

13% decrease in Accounts payable and accrued expenses ($267.0M to $231.5M)
Mainly from payment of outstanding trade payables.

60% decrease in Contract liabilities ($4.7M to $1.9M)
Decrease in advance payments received to render manufacturing services.

57% increase in Loans and trust receipts payable ($126.1M to $198.5M)
Refinancing of long-term to short term loans.

22% decrease in Current portion of long-term debt ($28.0M to $21.8M)
Repayment of $7.2 million.

71% decrease in Noncurrent portion of long-term debt ($114.3M to $33.5M)
Repayment of $80 million.

26% decrease in Other financial liabilities ($22.4M to $16.6M)
Mainly reduction in the value of STI put options resulting to MTM gains.

152% increase in Deferred tax liabilities ($1.9M to $4.7M)
Deferred tax recognized on unrealized forex gains, contract asset, and reversal of DTA.

48% increase in Negative cumulative translation adjustments (-$17.7M to -$26.1M)
Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company’s functional currency. The significant movement is due to depreciation of EUR against USD from 1.11 to 1.12, GBP against USD from 1.30 to 1.23.

EXHIBIT 1
FINANCIAL RATIOS
For the Period Ended June 30, 2020 and 2019 and December 31, 2019

Ratios	Formula	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
(i) Current ratio	Current assets / Current Liabilities	**1.27**	1.49	1.49
(ii) Quick / Acid ratio	Current assets less inventories, contract assets and other current assets/Current liabilities	**0.79**	0.92	0.98
(iii) Solvency ratio	Total Assets / Total Liabilities	**1.80**	1.71	1.79
(iv) Debt ratio	Total Debt / Total Assets	**0.25**	0.28	0.24
(v) Debt-to-Equity ratio	Bank debts (loans and trust receipts payable and long-term debt) / Total Equity	**0.57**	0.67	0.55
(vi) Assets-to-Equity ratio	Total Assets / Total Equity	**2.24**	2.40	
(vii) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**-3.04**	1.77	
(viii) Profitability ratios				
GP margin	Gross Profit / Revenues	**6.4%**	9.0%	
Net profit margin	Net Income after Tax / Revenues	**-4.52%**	0.9%	
EBITDA margin	EBITDA / Revenues	**2.2%**	3.9%	
Return on assets	Net Income after Tax / Total Asset	**-2.14%**	0.51%	
Return on equity	Net Income after Tax / Average equity attributable to parent	**-5.89%**	1.44%	

	(in US$'000)		
	Jun 30, 2020	**Jun 30, 2019**	**Dec 31, 2019**
Current Assets	604,427	709,859	673,947
Current Liabilities	477,338	477,926	453,790
Total Assets	1,006,538	1,127,437	1,096,336
Bank Debts	253,779	313,064	268,475
Total Liabilities	557,744	658,558	612,557
Total Equity	448,795	468,879	483,779
Average equity Attributable to parent	365,815	402,696	392,796
Revenues	476,179	635,698	
Gross Profit	30,491	56,960	
Net income attributable to equity holders of the parent	(21,530)	5,784	
Earnings before interest and taxes	(16,415)	12,542	
Interest expense	5,409	7,102	
EBITDA	10,551	25,056	

PART II--OTHER INFORMATION

1. At the Regular Annual Stockholders' meeting held on April 15, 2020 the stockholders considered and approved the following:

- Election of the following Board of Directors for the ensuing year:

  Jaime Augusto Zobel de Ayala
  Fernando Zobel de Ayala
  Delfin L. Lazaro
  Arthur R. Tan
  Jose Teodoro K. Limcaoco
  Gilles Bernard
  Rafael Ma. C. Romualdez
  Jose Ignacio A. Carlos
  Sherisa P. Nuesa (Independent Director)
  Diosdado P. Banatao (Independent Director)
  Edgar O. Chua (Independent Director)

- Appointment of Sycip, Gorres, Velayo & Co. as the external auditors of the Company for the ensuing year.

2. In the Organizational meeting held immediately after the Regular Annual Stockholders' meeting, the Board of Directors elected the following:

- Board Committees and Memberships:

Executive Committee
Arthur R. Tan - Chairman
Rafael Ma. C. Romualdez – Vice Chairman
Jose Teodoro K. Limcaoco – Member

Audit and Risk Committee
Edgar O. Chua – Chairman (Independent Director)
Rafael Ma. C. Romualdez - Member
Hiroshi Nishimura – Member (Independent Director)*

Corporate Governance and Nomination Committee
Sherisa P. Nuesa – Chairman (Independent Director)
Hiroshi Nishimura – Member (Independent Director)*
Edgar O. Chua – Member (Independent Director)

Compensation Committee
Sherisa P. Nuesa – Chairman (Independent Director)
Jose Teodoro K. Limcaoco – Member
Jose Ignacio A. Carlos – Member

Finance Committee
Delfin L. Lazaro – Chairman
Jose Teodoro K. Limcaoco – Member
Rafael Ma. C. Romualdez – Member

Proxy Validation Committee
Solomon M. Hermosura – Chairman
Jaime G. Sanchez – Member
Neilson C. Esguerra – Member

Related Party Transaction Committee
Sherisa P. Nuesa – Chairman (Independent Director)
Rafael Ma. C. Romualdez – Member
Edgar O. Chua – Member (Independent Director)
Jose Teodoro K. Limcaoco – Member

- Officers:

Jaime Augusto Zobel de Ayala	-	Chairman of the Board
Arthur R. Tan	-	Chief Executive Officer
Gilles Bernard	-	President and Chief Operating Officer
Jerome S. Tan	-	Global Chief Finance Officer/ICT and Treasurer
Laurice S. Dela Cruz	-	Global Head, Financial Planning and Analysis, and Compliance Officer
Solomon M. Hermosura	-	Corporate Secretary
Joanne M. Lim	-	Assistant Corporate Secretary

**Update as a result of BOD Meeting on June 17, 2020.*

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.

Registrant **INTEGRATED MICRO-ELECTRONICS, INC.**

By:

LAURICE S. DELA CRUZ
Compliance Officer

Date: August 12, 2020

ANTHONY RAYMOND P. RODRIGUEZ
Investor Relations Officer

Date: August 12, 2020