COVER SHEET

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INTEGRATED MICRO-ELECTRONICS, INC.

(Company's Full Name)

NORTH SCIENCE AVE., LAGUNA TECHNOPARK, BINAN, LAGUNA

(Business Address: No. Street City / Town / Province)

JEROME S. TAN	7756-6840
Contact Person	Company Telephone Number

1 2	3 1	**SEC Form 17-Q**	0 4	1 5
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, if Applicable

CFD	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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, 2022**

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, 2022.

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 [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2022
(With Comparative Audited Figures as of December 31, 2021)
(In thousands)

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$126,545**	$159,788
Receivables – net (Note 5)	**284,005**	279,042
Contract assets (Note 6)	**65,346**	52,481
Inventories (Note 7)	**267,113**	238,589
Other current assets (Note 8)	**22,379**	22,425
Total Current Assets	**765,388**	752,325
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**146,867**	161,967
Goodwill (Note 17)	**135,790**	145,434
Intangible assets - net (Note 10)	**9,152**	10,927
Right-of-use assets (Note 19)	**22,575**	28,458
Deferred tax assets	**2,880**	2,934
Financial assets at FVOCI	**1,546**	1,365
Other noncurrent assets (Note 11)	**18,088**	19,765
Total Noncurrent Assets	**336,898**	370,850
	$1,102,286	$1,123,175
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**$308,584**	$289,418
Contract liabilities (Note 6)	**4,171**	4,741
Loans payable (Note 13)	**182,079**	165,772
Current portion of long-term debt (Note 14)	**2,582**	1,805
Current portion of lease liabilities (Note 18)	**4,817**	8,418
Income tax payable	**1,924**	2,410
Total Current Liabilities	**504,157**	472,564
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Note 14)	**148,490**	149,679
Lease liabilities (Note 18)	**19,258**	22,802
Net retirement liabilities	**8,323**	10,311
Deferred tax liabilities	**1,243**	1,058
Other noncurrent liabilities	**4,444**	5,047
Total Noncurrent Liabilities	**181,758**	188,897
Total Liabilities	**685,915**	661,461

(Forward)

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
EQUITY (Note 15)		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**$42,710**	$42,706
Subscribed capital stock	**702**	709
Additional paid-in capital	**193,795**	193,831
Subscriptions receivable	**(2,634)**	(2,702)
Unappropriated retained earnings	**196,046**	201,560
Treasury stock	**(1,013)**	(1,013)
Other components of equity	**(263)**	(555)
Cumulative translation adjustment	**(47,033)**	(19,865)
Remeasurement losses on defined benefit plans	**(10,072)**	(10,072)
	372,238	404,599
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**44,134**	57,114
Total Equity	**416,372**	461,713
	$1,102,286	$1,123,175

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(In thousands, except Earnings per Share)

	2022 (Unaudited)		2021 (Unaudited)	
	Apr to Jun	**Jan to Jun**	Apr to Jun	Jan to Jun
REVENUES FROM CONTRACTS WITH CUSTOMERS (Note 18)	**$356,905**	**$690,856**	$319,019	$646,563
COST OF SALES	**329,945**	**642,248**	297,982	596,620
GROSS PROFIT	**26,960**	**48,608**	21,037	49,943
OPERATING EXPENSES	**(31,566)**	**(55,661)**	(24,315)	(49,721)
OTHERS - Net				
Interest and bank charges	**(3,204)**	**(6,472)**	(2,249)	(4,573)
Foreign exchange gains/(losses)	**3,636**	**4,926**	(802)	441
Interest income	**79**	**189**	29	67
Miscellaneous income – net	**(209)**	**1,141**	3,814	3,517
LOSS BEFORE INCOME TAX	**(4,304)**	**(7,269)**	(2,486)	(326)
PROVISION FOR INCOME TAX	**(1,128)**	**(2,547)**	(2,093)	(3,272)
NET LOSS	**($5,432)**	**($9,816)**	($4,579)	($3,598)
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**($3,545)**	**($5,514)**	($1,278)	$915
Non-controlling interests	**(1,887)**	**(4,302)**	(3,301)	(4,513)
	($5,432)	**($9,816)**	($4,579)	($3,598)
Earnings (Loss) Per Share:				
Basic and diluted (Note 17)		**($0.0025)**		$0.0004

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(In thousands)

	2022 (Unaudited)		2021 (Unaudited)	
	Apr to Jun	**Jan to Jun**	Apr to Jun	Jan to Jun
NET LOSS FOR THE PERIOD	**($5,432)**	**($9,816)**	($4,579)	($3,598)
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	**(29,237)**	**(35,846)**	5,318	(6,833)
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	**99**	**292**	216	319
	(29,138)	**(35,554)**	5,534	(6,514)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**($34,570)**	**($45,370)**	$955	($10,112)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**($22,286)**	**($32,389)**	$6,173	($4,426)
Non-controlling interests	**(12,284)**	**(12,981)**	(5,218)	(5,686)
	($34,570)	**($45,370)**	$955	($10,112)

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(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 (Note 15)	Remeasurement losses on defined benefit plans	Attributable to Equity Holders of the Parent Company	Attributable to Non-controlling Interests	Total
Balances at January 1, 2022	$42,706	$709	$193,831	($2,702)	$201,560	($1,013)	($555)	($19,865)	($10,072)	$404,599	$57,114	$461,713
Issued shares during the year	4	(4)	–	–	–	–	–	–	–	–	–	–
Collection from subscriptions	–	–	–	29	–	–	–	–	–	29	–	29
Forfeitures during the year	–	(3)	(36)	39	–	–	–	–	–	–	–	–
	42,710	702	193,795	(2,634)	201,560	(1,013)	(555)	(19,865)	(10,072)	404,628	57,114	461,742
Net loss	–	–	–	–	(5,514)	–	–	–	–	(5,514)	(4,302)	(9,816)
Other comprehensive income (loss)	–	–	–	–	–	–	292	(27,168)	–	(26,876)	(8,678)	(35,554)
Total comprehensive income (loss)	–	–	–	–	(5,514)	–	292	(27,168)	–	(32,390)	(12,980)	(45,370)
Balances at June 30, 2022	$42,710	$702	$193,795	($2,634)	$196,046	($1,013)	($263)	($47,033)	($10,072)	$372,238	$44,134	$416,372

	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 Equity Holders of the Parent Company	Attributable to Non-controlling Interests	Total
Balances at January 1, 2021	$42,675	$745	$193,870	($2,889)	$215,794	($1,013)	($875)	$9,138	($9,750)	$447,695	$133,168	$580,863
Issued shares during the year	27	(27)	–	–	–	–	–	–	–	–	–	–
Refund on subscriptions	–	–	–	18	–	–	–	–	–	18	–	–
Forfeitures during the year	–	(6)	(39)	44	–	–	–	–	–	–	–	–
Cash dividends (Note 16)	–	–	–	–	(1,520)	–	–	–	–	(1,520)	–	(1,520)
	42,702	712	193,831	(2,827)	214,274	(1,013)	(875)	9,138	(9,750)	446,193	133,168	569,231
Net income (loss)	–	–	–	–	915	–	–	–	–	915	(4,513)	(3,598)
Other comprehensive income (loss)	–	–	–	–	–	–	319	(5,660)	–	(5,341)	(1,173)	(6,514)
Total comprehensive income (loss)	–	–	–	–	915	–	319	(5,660)	–	(4,426)	(5,686)	(10,112)
Balances at June 30, 2021	$42,702	$712	$193,831	($2,827)	$215,189	($1,013)	($556)	$3,478	($9,750)	$441,766	$127,482	$569,248

	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 Equity Holders of the Parent Company	Attributable to Non-controlling Interests (Note 15)	Total
Balances at January 1, 2021	**$42,675**	**$745**	**$193,870**	**($2,889)**	**$215,794**	**($1,013)**	**($875)**	**$9,138**	**($9,750)**	**$447,695**	**$133,168**	**$580,863**
Issued shares during the year	**31**	**(31)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Redemption of preferred shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(70,000)**	**(70,000)**
Collection from subscriptions	**–**	**–**	**–**	**143**	**–**	**–**	**–**	**–**	**–**	**143**	**–**	**143**
Forfeitures during the year	**–**	**(5)**	**(39)**	**44**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**–**	**–**	**(3,669)**	**–**	**–**	**–**	**–**	**(3,669)**	**–**	**(3,669)**
	42,706	**709**	**193,831**	**(2,702)**	**212,125**	**(1,013)**	**(875)**	**9,138**	**(9,750)**	**444,169**	**63,168**	**507,337**
Net loss	**–**	**–**	**–**	**–**	**(10,565)**	**–**	**–**	**–**	**–**	**(10,565)**	**(9,141)**	**(19,706)**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**320**	**(29,003)**	**(322)**	**(29,005)**	**3,087**	**(25,918)**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**(10,565)**	**–**	**320**	**(29,003)**	**(322)**	**(39,570)**	**(6,054)**	**(45,624)**
Balances at December 31, 2021	**$42,706**	**$709**	**$193,831**	**($2,702)**	**$201,560**	**($1,013)**	**($555)**	**($19,865)**	**($10,072)**	**$404,599**	**$57,114**	**$461,713**

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six months ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**($7,269)**	($326)
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	**18,769**	20,124
Interest expense	**6,119**	4,289
Amortization of right-of-use assets (Note 19)	**4,689**	5,342
Amortization of intangible assets (Note 10)	**2,443**	3,698
Interest income	**(189)**	(67)
Unrealized foreign exchange gains	**(8,084)**	(1,383)
Gains on sale of property, plant and equipment (Note 9)	**(194)**	(159)
Mark-to-market losses (gains) on put options (Note 15)	**–**	144
Mark-to-market gain on derivatives	**43**	(164)
(Reversal of impairment) impairment losses on noncurrent assets	**–**	(2,303)
Gain on insurance claims	**(408)**	–
Operating income before working capital changes	**15,919**	29,195
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**(15,150)**	13,255
Contract asset	**(15,525)**	934
Inventories	**(33,178)**	(57,173)
Other current assets	**(2,552)**	(3,779)
Increase (decrease) in:		
Accounts payable and accrued expenses	**15,811**	22,817
Contract liabilities	**(408)**	4,079
Retirement liabilities	**(1,847)**	(882)
Net cash provided by (used in) operations	**(36,930)**	8,446
Income tax paid	**(3,069)**	(3,957)
Interest paid	**(5,392)**	(3,570)
Interest received	**189**	67
Net cash provided by (used in) operating activities	**(45,202)**	986
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment (Note 9)	**(10,348)**	(16,530)
Intangible assets (Note 10)	**(442)**	(331)
Proceeds from sale of property, plant and equipment	**446**	1,361
Acquisition by a subsidiary through business combination, net of cash acquired	**–**	(3,018)
Decrease (increase) in other noncurrent assets	**(565)**	581
Net cash used in investing activities	**(10,909)**	(17,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans	**(1,341)**	(3,188)
Availment of loans	**21,306**	5,250
Payments of lease liabilities	**(5,735)**	(6,051)
Dividends paid to preference shareholders of a subsidiary (Note 16)	–	(1,520)
Collection on subscriptions	**29**	17
Increase (decrease) in other noncurrent liabilities	**2,210**	(315)
Net cash provided by (used in) financing activities	**16,469**	(5,807)
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**6,399**	1,636
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(33,243)**	(21,122)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**159,788**	244,356
CASH AND CASH EQUIVALENTS AT JUNE 30	**$126,545**	$223,234

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
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 47.87% 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 August 3, 2022.

2. Group Information

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

Subsidiary	Percentage of Ownership 2022	2021	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)
IMI Technology (Shenzhen) Co. Ltd. (IMI SZ)	**100.00%**	100.00%	China	USD
IMI Smart Technology (Shenzhen) Co. Ltd. [a]	**100.00%**	100.00%	China	RMB
Speedy-Tech Electronics (HK) Limited (STHK) [c]	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	RMB
Speedy-Tech (Philippines), Inc. (STPH)	**100.00%**	100.00%	Philippines	USD

(Forward)

Subsidiary	Percentage of Ownership 2022	2021	Country of Incorporation	Functional Currency
Cooperatief IMI Europe U.A.	**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
IMI France SAS (IMI France)	**100.00%**	100.00%	France	EUR
VIA Optronics AG (VIA) [a]	**50.32%**	50.32%	Germany	EUR
Germaneers GmbH [b]	**100.00%**	100.00%	Germany	EUR
VIA Optronics (Philippines), Inc. [b]	**100.00%**	100.00%	Philippines	PHP
VIA Optronics GmbH (VIA)	**100.00%**	100.00%	Germany	USD
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**100.00%**	100.00%	China	USD
VIA Optronics LLC (VIA LLC)	**100.00%**	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd	**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 [c]	**100.00%**	100.00%	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd [d]	**–**	–	United Kingdom	GBP
ST Intercept Limited [c]	**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) [c]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [c]	**64.00%**	64.00%	Philippines	USD

[a] In 2020, IMI's ownership in VIA was diluted to 50.32% as a result of the initial public offering of VIA in the New York Stock Exchange (NYSE)
[b] New entities of VIA in 2021
[c] In the process of liquidation / Dormant
[d] Dissolved in May 2021

Business Combinations

Acquisition of Germaneers GmbH ("Germaneers")

On May 21, 2021, VIA Optronics GmbH ("VIA") announced the acquisition of Germaneers GmbH ("Germaneers), a high-tech engineering company focusing on automotive system integration and user interfaces. Germaneers has provided solutions for a range of well-known high-end original equipment manufacturers (OEMs).

Germaneers is known for creating innovative and state-of-the-art digital car interiors to achieve the next level of customer experience through human machine interfaces (HMI), sensor and camera solutions.

The control concept according to PFRS 10, *Consolidated Financial Statements*, sets out three elements of control consisting of power over investee, exposure or rights to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of these returns. Based on assessment, VIA has control over VTS and needs to consolidate VTS in its consolidated financial statements.

The purchase price allocation for the acquisition of Germaneers has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair valuation computation, and reasonable changes are expected as additional information becomes available. The provisional goodwill recognized on the acquisition can be attributed to its years of knowledge and experience of market requirements, system-level design, and innovative technologies in the automotive sector.

Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date; and from the acquisition date (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.

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, 2022 and 2021 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, 2021, 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, 2020.

Basis of Consolidation

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 PFRS 9, *Financial Instruments,* as a derivative instrument carried at fair value through profit or loss.

The financial liability for the put option is accounted for under PFRS 9 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.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the 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, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations,* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or Philippine-IFRIC 21, *Levies,* if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the ’10 per cent’ test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  The amendments are expected to have no impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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, 2023, with comparative figures required. Early application is permitted.

  The amendments are expected to have no impact on the Group.

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, 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. 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, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 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, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Cash on hand	**$73**	$56
Cash in banks	**113,472**	154,232
Cash equivalents	**13,000**	5,500
	$126,545	$159,788

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, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Trade	**$279,854**	$273,946
Nontrade	**5,832**	6,883
Receivable from insurance	**1,056**	1,079
Receivable from employees	**412**	472
Due from related parties (Note 20)	**472**	449
Others	**719**	957
	288,345	283,786
Less allowance for ECLs	**4,340**	4,744
	$284,005	$279,042

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 70 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 $1.06 million and which was fully impaired as of June 30, 2022 and December 31, 2021.

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 $4.34 million and $4.74 million as of June 30, 2022 and December 31, 2021, respectively, were individually assessed to be impaired and fully provided with allowance for ECL.

Provisions (reversals) for ECL recognized for the six-month period ended June 30, 2022 and 2021 amounted to $0.03 million and ($0.04) million, respectively. Reversals and provisions during the period form part of "Operating Expenses" account.

6. Contract Balances

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Contract assets	**$65,346**	$52,481
Contract liabilities	**4,171**	4,741

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, 2022 and 2021, 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 increase in contract liabilities was mainly due to increase in advance payments received from new and existing customers during the quarter.

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 due to backlogs linked to global component shortage.

Provisions (reversals) for inventory obsolescence and allowance for decline in inventories, recognized for the six-month period ended June 30, 2022 and 2021 amounted to $1.01 million and ($2.83) million, respectively.

8. Other Current Assets

This account consists of:

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Prepayments and deferred charges	**$7,433**	$9,447
Input taxes	**7,580**	4,765
Advances to suppliers	**5,138**	6,329
Tax credits	**1,696**	1,669
Derivative assets	**–**	46
Others	**532**	169
	$22,379	$22,425

Prepayments and Deferred Charges
Prepayments include prepayments for rent, life and fire insurance and prepaid insurance for product liability and recall and directors and officers (D&O) liability insurance.

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.

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.

9. Property, Plant and Equipment - net

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Property, Plant and Equipment	**$337,430**	$370,796
Less: Accumulated Depreciation	**188,105**	206,371
Accumulated Impairment losses	**2,458**	2,458
Property, Plant and Equipment (Net)	**$146,867**	$161,967

Additions to property, plant and equipment for the six-month period ended June 30, 2022 amounted to $10.35 million comprise mainly of purchases of machinery and equipment for new programs and constructions-in-progress for capacity expansion.

Depreciation expense amounted to $18.77 million and $20.12 million for the six-month period ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021 amounting to $0.19 million and $0.16 million, respectively.

10. **Intangible Assets - net**

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Intangible Assets	**$72,565**	$72,643
Less: Accumulated Amortization	**58,831**	57,134
Accumulated Impairment losses	**4,582**	4,582
Intangible Assets (Net)	**$9,152**	$10,927

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

Product development costs with a net book value of $3.05 million and $4.22 million as of June 30, 2022 and December 31, 2021, respectively, include capitalized costs arising from the development phase of certain projects which are still undergoing qualification. No additional costs were capitalized during the six-month period ended June 30, 2022.

The Group's intellectual properties relate to the acquisition of VIA and VTS. Net book value as of June 30, 2022 and December 31, 2021 amounted to $2.07 million and $2.58 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 $0.25 million and $0.13 million as of June 30, 2022 and December 31, 2021, respectively.

Software licenses which include computer software, applications and modules has net book value of $3.78 million and $3.93 million as of June 30, 2022 and December 31, 2021, respectively. Additional licenses acquired for the year amounted to $0.33 million.

Amortization for all intangibles amounted to $2.44 million and $3.70 million for the six-month period ended June 30, 2022 and 2021, respectively. No impairment loss were recognized for these intangible assets.

11. **Other Noncurrent Assets**

This account consists of:

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Deferred charges	**$14,268**	$15,722
Miscellaneous deposits	**3,453**	3,565
Pension asset – net	**241**	255
Others	**126**	223
	$18,088	$19,765

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.

Miscellaneous deposits comprise utilities and rent deposits.

12. **Accounts Payable and Accrued Expenses**

This account consists of:

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Trade payables	**$221,368**	$205,359
Accrued expenses	**29,589**	33,377
Employee-related accruals	**25,335**	26,818
Nontrade payables	**25,465**	17,979
Taxes and government-related payable	**4,000**	3,621
Accrued interest payable	**1,704**	1,531
Advances from customers	**822**	411
Customers' deposits	**255**	273
Due to related parties (Note 20)	**46**	49
	$308,584	$289,418

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

Employee-related Accruals
This account consists mainly accrued compensation and benefits including accrued salaries, leave credits and other employee benefits.

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

Nontrade Payables
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.

Taxes and government-related payable
Taxes payable pertain to taxes due other than corporate income tax and remittances related to government agencies such as social security and insurance, housing fund and health insurance.

Advances from Customers
Advances from customers include financial liabilities pertaining to commercial agreements with certain customers of VIA.

Customers deposits
Customer deposits pertain to advance payment from customers as manufacturing bond.

Others
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, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Parent Company	**$101,500**	$96,700
VIA and STI	**45,956**	43,550
STEL	**30,500**	22,100
CZ	**4,123**	3,422
	$182,079	$165,772

Parent Company
As of June 30, 2022 and December 31, 2021, the Parent Company has unsecured short-term loans aggregating to $101.50 million and $96.70 million, respectively, with maturities ranging from 30 to 94 days, and annual interest rates ranging from 1.98% to 2.70% in 2022 and 1.44% to 2.00% in 2021.

VIA and STI
The loans of VIA and STI were obtained from China, Germany and UK-based banks with terms ranging from 90 to 365 days and interest rates ranging from 1.77% to 4.0% in 2022 and 2021.

STEL
The loans of STEL are from existing revolving credit facilities with Singapore-based banks and bear annual interest rate ranging from 3.30% to 4.90% in 2022 and 3.02% to 3.10% in 2021.

CZ
The loans of IMI CZ are clean loans from existing revolving credit facilities with Czech-based bank which bear annual interest based on 1-month EURIBOR plus 1.2% to 1-month PRIBOR plus 1.65%.

14. **Long-Term Debt**

This account consists of borrowings of the following entities:

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Parent Company	**$148,431**	$148,716
VTS and IMI CZ	**2,641**	2,768
	151,072	151,484
Less current portion:		
Parent Company	**1,500**	300
VTS and IMI CZ	**1,082**	1,505
	2,582	1,805
Noncurrent portion	**$148,490**	$149,679

Parent Company
The long-term debt of the Parent Company aggregating to $149.40 million and $149.70 million as of June 30, 2022 and December 31, 2021, respectively, were obtained from Singapore-based and Philippine banks with terms of five years, with principal defined principal payments payable annually, and remaining balance payable in full at maturity. These are subject to annual interest rate ranging from 3.45% to 3.8%.

Loan covenants related to the Parent Company’s loans as of June 30, 2022 are as follows:

- The ratio of net debt to equity shall not exceed 1.75:1 with reference to the borrower’s consolidated financial statements;

- Maintenance of debt service coverage ratio of at least 1.25:1 on the consolidated financial statements;
- Maintenance at all times of a current ratio of at least 1:1 on the parent financial statements;

As of June 30, 2022 and December 31, 2021, the Parent Company has complied with all of the above-mentioned loan covenants.

VTS and IMI CZ

VTS and IMI CZ have unsecured long-term loans with Japanese and Czech-based banks that are payable in regular monthly installments both with terms of five years. The VTS loan has interest rate of 1.67% while the CZ loan has annual interest rate ranging from 1.05% to 2.31%.

15. Equity

Dividends

2021

IMI Singapore paid dividends on the redeemable cumulative preferred stocks (RCPS) to AC Industrials (Singapore) Pte, Ltd. (ACI Singapore) amounting to $1.52 million on March 2021. In August 2021, IMI SG redeemed in full the remaining RCPS from ACI SG and paid the accrued dividends amounting to $2.15 million as of redemption date. No dividend payment was declared to common shareholders.

Cumulative Translation Adjustments

This account pertains to cumulative translation adjustments of subsidiaries with functional currency other than the Group's presentation currency (see Note 2). Exchange differences arising from translation of foreign operations for the period June 30, 2022 arose mainly from depreciation of the Euro, GBP and RMB against the USD.

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, 2022 and December 31, 2021.

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 trust receipts and loans payable and long-term bank debt. Net debt is equivalent to the total bank borrowings, less cash and cash equivalents.

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
Trust receipts and loans payable	**$182,079**	$165,772
Long-term bank borrowings	**151,072**	151,484
Total bank debt	**333,151**	317,256
Less cash and cash equivalents	**126,545**	159,788
Net bank debt	**$206,606**	$157,468
Total Equity	**416,372**	461,713
Debt-to-equity ratio	**0.80:1**	0.69:1
Net debt-to-equity ratio	**0.50:1**	0.34:1

The Group is not subject to externally imposed capital requirements.

16. **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, 2022 (Unaudited)	Jun 30, 2021 (Unaudited)
	(In thousands)	
Net income (loss)	**($5,514)**	**$915**
Weighted average number of common shares outstanding	**2,208,007**	**2,208,168**
Basic and diluted	**($0.0025)**	**$0.0004**

As of June 30, 2022 and 2021, the Parent Company has no dilutive potential common shares.

17. **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, 2022 and 2021:

	Philippines							Consolidation	
June 30, 2022 (Unaudited)	**Parent Company**	**PSi**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**and Eliminations**	**Total**
Revenue:									
Third party	$135,088	$2,694	$140,260	$171,078	$71,854	$142,650	$27,232	$–	$690,856
Intersegment	25,304	–	12,947	2,017	176	–	2,833	(43,277)	–
Total revenue	$160,392	$2,694	$153,207	$173,095	$72,030	$142,650	$30,065	($43,277)	$690,856
Segment interest income	$481	$1	$640	$263	$–	$46	$2,182	($3,424)	$189
Segment interest expense and bank charges	($4,047)	($372)	($923)	($620)	($713)	($2,119)	($486)	2,808	($6,472)
Segment profit (loss) before income tax	3,386	($567)	$2,402	$1,353	($1,899)	($12,337)	$823	($430)	($7,269)
Segment provision for income tax	(1,133)	(17)	(679)	(391)	(42)	(197)	(14)	(74)	(2,547)
Segment profit (loss) after income tax	$2,253	($584)	$1,723	$962	($1,941)	($12,534)	$809	($505)	($9,816)
Net income (loss) attributable to the equity holders of the Parent Company	$2,253	($584)	$1,723	$962	($1,941)	($8,231)	$809	($505)	($5,514)

	Philippines							Consolidation	
June 30, 2021 (Unaudited)	**Parent Company**	**PSi**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**and Eliminations**	**Total**
Revenue:									
Third party	$109,416	$8,403	$115,639	$164,368	$71,571	$144,882	$32,284	$–	$646,563
Intersegment	28,957	–	17,627	2,936	460	–	3,472	(53,452)	–
Total revenue	$138,373	$8,403	$133,266	$167,304	$72,031	$144,882	$35,756	($53,452)	$646,563
Segment interest income	$469	$1	$537	$272	$–	$2	$2,539	($3,753)	$67
Segment interest expense and bank charges	($2,530)	($374)	($1,237)	($553)	($868)	($1,700)	($488)	$3,177	($4,573)
Segment profit (loss) before income tax	($2,183)	($322)	$963	$11,115	($568)	($10,641)	$1,053	$257	($326)
Segment provision for income tax	(737)	(55)	(988)	(859)	19	(677)	(17)	42	(3,272)
Segment profit (loss) after income tax	($2,920)	($377)	($25)	$10,256	($549)	($11,318)	$1,036	($299)	($3,598)
Net income (loss) attributable to the equity holders of the Parent Company	($2,920)	($377)	($25)	$10,256	($549)	($7,108)	1,036	$602	$915

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, 2022 and December 31, 2021:

	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan/ Singapore	Consoli-dation and Eliminations	Total
	Parent Company	PSi							
June 30, 2022 (Unaudited)	**$571,320**	**$5,667**	**$233,071**	**$278,831**	**$92,429**	**$273,816**	**$396,296**	**($749,144)**	**$1,102,286**
December 31, 2021 (Audited)	$557,687	$7,454	$235,415	$279,321	$88,313	$302,454	$396,993	($744,462)	$1,123,175

Investments in subsidiaries and intersegment receivables amounting to $462.90 million and $319.54 million as of June 30, 2022, respectively, and $462.90 million and $314.81 million as of December 31, 2021, respectively are eliminated in consolidation.

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

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
STI	**$52,677**	$58,642
VIA	**43,316**	46,955
STEL	**38,225**	38,225
Parent Company	**1,098**	1,098
IMI CZ	**474**	514
	$135,790	$145,434

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, 2022 (Unaudited)	Jun 30, 2021 (Unaudited)
	(In thousands)	
Manufacturing of goods	**$688,837**	$643,982
Non-recurring engineering services	**2,019**	2,581
Revenue from contracts with customers	**$690,856**	$646,563

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

	June 30, 2022 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
		(In thousands)	
Philippines			
Parent Company	**$135,088**	**$–**	**135,088**
PSi	**2,694**	**–**	**2,694**
China	**140,260**	**–**	**140,260**
Europe	**170,221**	**857**	**171,078**
Mexico	**70,692**	**1,162**	**71,854**

(Forward)

	June 30, 2022 (Unaudited)		
	Revenue recognized over time	**Revenue recognized at point in time**	**Total**
Germany/UK	**31,828**	**110,822**	**142,650**
USA/Japan/Singapore	**26,538**	**694**	**27,232**
Revenue from contracts with customers	**$577,321**	**$113,535**	**$690,856**

	June 30, 2021 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
		(In thousands)	
Philippines			
Parent Company	$109,416	$–	$109,416
PSi	8,403	–	8,403
China	115,639	–	115,639
Europe	164,224	144	164,368
Mexico	69,269	2,302	71,571
Germany/UK	42,377	102,505	144,882
USA/Japan/Singapore	–	32,284	32,284
Revenue from contracts with customers	$509,328	$137,235	$646,563

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

	Jun 30, 2022 (Unaudited)	Jun 30, 2021 (Unaudited)
	(In thousands)	
Europe	**$467,216**	$398,306
America	**87,895**	92,806
Japan	**36,584**	39,017
Asia/Others	**99,161**	116,434
	$690,856	$646,563

Revenues are attributed to countries on the basis of the customer's location. The current top customer accounts for 9% of the Group's total revenue for the six-month period ended June 30, 2022 and 2021.

The following table presents revenues per market segment:

	Jun 30, 2022 (Unaudited)	Jun 30, 2021 (Unaudited)
	(In thousands)	
Automotive	**$364,834**	$334,588
Industrial	**228,522**	193,351
Consumer	**35,989**	38,788
Aerospace	**20,774**	28,351
Telecom	**20,906**	22,675
Medical	**11,603**	15,470
Multiple markets / Others	**8,228**	13,340
	$690,856	$646,563

18. **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, 2022 (Unaudited)	**Dec 31, 2021 (Audited)**
	(In thousands)	
At beginning of period	**$28,458**	$32,661
Additions	**32**	8,682
Amortization expense	**(4,689)**	(10,876)
Loss on lease modifications	**–**	(358)
Cumulative translation adjustment	**(1,226)**	(1,651)
As end of period	**$22,575**	$28,458

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

	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)
	(In thousands)	
At beginning of period	**$31,221**	$35,413
Additions	**–**	8,151
Interest expense on lease liabilities	**554**	1,350
Rental payments	**(5,792)**	(11,901)
Waived rentals	**–**	(350)
Gain on lease modifications	**–**	(199)
Cumulative translation adjustment	**(1,908)**	(1,243)
At end of period	**$24,075**	$31,221
Current	**$4,817**	$8,418
Noncurrent	**$19,258**	$22,802

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

	Jun 30, 2022 (Unaudited)	Jun 30, 2021 (Unaudited)
	(In thousands)	
Amortization expense of right-of-use assets	**$4,689**	$5,342
Interest expense on lease liabilities	**554**	678
Expense related to short-term leases and low-value assets	**700**	1,550
	$5,943	$7,570

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.

19. **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, 2022 and 2021, 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, 2022 and December 31, 2021, the Group maintains current and savings accounts with BPI amounting to $1.66 million and $1.42 million, respectively.

   Total interest income earned from investments with BPI amounted to $3.0K and $0.8K for the six-month period ended June 30, 2022 and 2021, respectively.

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

	Receivables/Deposits		Payables	
	Jun 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)	**Jun 30, 2022 (Unaudited)**	Dec 31, 2021 (Audited)
	(In thousands)			
KTM Asia Motorcycle Manufacturing Inc. (KAMMI)	**$450**	$414	**$–**	$–
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	**16**	23	**–**	–
AC Industrials Technology Inc. (AC Industrials)	**6**	12	**–**	–
Innove Communication Inc. (ICI)	**–**	–	**29**	6
BPI	**–**	–	**13**	21
GTI	**–**	–	**4**	2
Ayala Legal (AG Legal)	**–**	–	**–**	20
	$472	$449	**$46**	$49

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

   ii. Transaction with AC Industrials pertains to management fee on corporate and support services.

   iii. Payables to BPI pertains to employee related transactions.

iv. Payables to ICI pertain to billings for software and WiFi connections. These are due and demandable.

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

	Revenue/Income		Expenses	
	Jun 30, 2022 (Unaudited)	Jun 30, 2021 (Unaudited)	**Jun 30, 2022 (Unaudited)**	Jun 30, 2021 (Unaudited)
		(In thousands)		
KAMMI	**$1,991**	$741	**$–**	$–
MSTPI	**67**	337	**–**	–
AC Industrials	**6**	38		
BPI	**3**	1	**–**	–
Technopark Land, Inc (TLI)	**–**	–	**755**	770
Laguna AAAWater Corp. (LAWC)	**–**	–	**551**	498
GTI	**–**	–	**69**	82
Innove Communication, Inc. (ICI)	**–**	–	**164**	96
AC	**–**	–	**19**	45
Ayala Group Legal (AG Legal)	**–**	–	**43**	56
BPI Asset Management and Trust Corporation	**–**	–	**20**	20
	$2,067	$1,117	**$1,601**	$1,567

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

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

ii. Revenues from AC Industrials represents recoveries for the provision of corporate and support services.

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

Expenses incurred from related party transactions include:

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

ii. Water allocation charged by LAWC

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.

vii. Lease rental for staff house with BPI Asset Management and Trust Corporation.

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

i. Intercompany revenues mainly pertain to billings of IMI USA, IMI Japan and Parent Company to IMI Singapore for recovery costs related to salaries and revenue from contracts with customers.

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.

20. 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, 2022 and December 31, 2021:

	Carrying Amounts		Fair Values	
	Jun 30, 2022	Dec 31, 2021	**Jun 30, 2022**	Dec 31, 2021
	(In thousands)			
Financial assets:				
Financial assets at FVOCI	**$1,546**	$1,365	**$1,546**	$1,365
Financial liabilities:				
Noncurrent portion of long-term debt	**$148,490**	$149,679	**$148,460**	$149,794

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.

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 2022 and 2021 ranged from 1.67% to 2.33%.

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

	Jun 30, 2022			
	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	**$–**	**$1,546**	**$–**	**$1,546**
Liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$148,490**	**$148,490**

	December 31, 2021			
	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	$–	$1,365	$–	$1,365
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$149,679	$149,679

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.

21. **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, 2022 and 2021. There is no other impact on the Group's equity other than those already affecting income.

Increase/Decrease in Basis Points	Effect on Net Income before Tax **Jun 30, 2022 (Unaudited)**	 Jun 30, 2021 (Unaudited)
+100	**($780)**	($202)
-100	**780**	202

The following table shows the information about the Group's debt as of June 30, 2022 and 2021 that are exposed to interest rate risk presented by maturity profile:

	Jun 30, 2022 (Unaudited)	Jun 30, 2021 (Unaudited)
Within one year	**$5,348**	$10,793
One to five years	**150,716**	29,700
	$156,064	$40,493

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, 2022 and December 31, 2021 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 16% and 15% of trade receivables relating to three major customers as of June 30, 2022 and December 31, 2021, respectively.

As of June 30, 2022 and December 31, 2021, the aging analysis of trade receivables follows:

			Past due but not impaired					
	Total	**Neither past due nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**	**Specifically impaired**
June 30, 2022 (Unaudited)	**$279,854**	**$221,687**	**$28,580**	**$12,494**	**$5,712**	**$1,339**	**$6,862**	**$3,180**
December 31, 2022 (Audited)	$273,946	$226,548	$20,981	$9,811	$3,968	$3,094	$6,084	$3,460

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 2021 and 2020, 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, 2022 (Unaudited)		Dec 31, 2021 (Audited)	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$1,921**	**₱105,602**	$2,181	₱111,226
Receivables	**2,151**	**118,238**	1,090	55,568
Miscellaneous deposits	**690**	**37,947**	743	37,885
Accounts payable and accrued expenses	**(12,906)**	**(709,534)**	(14,358)	(732,233)
Net retirement liabilities	**(5,978)**	**(328,646)**	(7,849)	(400,286)
Net foreign currency-denominated liabilities	**($14,122)**	**(₱776,393)**	($18,193)	(₱927,840)

Euro (€)

	Jun 30, 2022 (Unaudited)		Dec 31, 2021 (Audited)	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$4,762**	**€4,566**	$3,112	€2,753
Receivables	**13,948**	**13,374**	11,283	9,980
Accounts payable and accrued expenses	**(15,502)**	**(14,864)**	(16,689)	(14,762)
Net foreign currency-denominated assets	**$3,208**	**€3,076**	($2,294)	(€2,029)

Renminbi (RMB)

	Jun 30, 2022 (Unaudited)		Dec 31, 2021 (Audited)	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$1,766**	**RMB11,854**	$1,431	RMB 9,123
Receivables	**19,661**	**131,952**	26,591	169,529
Accounts payable and accrued expenses	**(31,434)**	**(210,969)**	(22,222)	(141,677)
Net foreign currency-denominated assets	**($10,007)**	**(RMB67,163)**	$5,800	RMB 36,975

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, 2022 and December 31, 2021 follows:

	Jun 30, 2022 (Unaudited)			
	In USD	**In EUR***	**In RMB***	**In GBP***
Cash and cash equivalents	**$53,283**	**€49,340**	**RMB572**	**£1,435**
Receivables	**32,529**	**23,043**	**35,831**	**2,602**
Accounts payable and accrued expenses	**(48,982)**	**(18,290)**	**(139,537)**	**(7,514)**
Net foreign currency-denominated assets	**$36,830**	**€54,093**	**(RMB103,134)**	**(£3,477)**

**The USD-denominated monetary assets and liabilities are translated using EUR0.95886 for $1, RMB6.7114 for $1 and GBP0.8242 for $1.*

	December 31, 2021 (Audited)			
	In USD	**In EUR***	**In RMB***	**In GBP***
Cash and cash equivalents	$55,571	€47,860	RMB 2,183	£832
Receivables	32,140	16,215	40,804	5,485
Accounts payable and accrued expenses	(52,861)	(16,776)	(169,237)	(5,442)

Net foreign currency-denominated assets	$34,850	€47,299	(RMB 126,250)	£875

**The USD-denominated monetary assets and liabilities are translated using EUR0.88456 for $1, RMB6.3757 for $1 and GBP0.74036 for $1.*

<u>*Sensitivity Analysis*</u>
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, 2021 and December 31, 2020. 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, 2022 (Unaudited)**	Jun 30, 2021 (Unaudited)
PHP	+1%	**$109**	$225
	-1%	**(109)**	(225)
EUR	+1%	**(33)**	(17)
	-1%	**33**	17
RMB	+1%	**(37)**	(40)
	1%	**37**	40

22. 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 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.

23. 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, 2021 (Audited)	Availment	Settlement/ Repayment	Reclass	Addition	Declaration	Accretion of interest expense	Waved Rentals	Foreign currency translation	**Jun 30, 2021 (Unaudited)**
Loans and trust receipts payable	$165,772	$20,080	$–	$–	$–	$–	$–	$–	($3,773)	**$182,079**
Current portion of long-term debt	1,805	–	(1,356)	2,342	–	–	–	–	(209)	**2,582**
Long-term debt	149,679	1,241	–	(2,342)	–	–	–	–	(88)	**148,490**
Lease liabilities	31,221	–	(5,792)	–	–	–	554	–	(1,908)	**24,075**
Other noncurrent liabilities	5,047	2,211	–	–	–	–	–	–	(2,814)	**4,444**
	$353,524	$23,532	($7,148)	$–	$–	$–	$554	$–	($8,792)	**$361,670**

Most of the loans are from existing revolving credit lines.

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	
	2022	**2021**
	(in US$ thousands, except Basic EPS)	
Revenues from Sales and Services	**$690,856**	$646,563
Cost of Goods Sold and Services	**642,248**	596,620
Gross Profit	**48,608**	49,943
Net Income (Loss) Attributable to Equity Holders of the Parent Company	**(5,514)**	915
EBITDA[i]	**23,963**	29,895
Basic Earnings per Share (EPS)	**($0.0025)**	$0.0004

Revenues from Sales and Services

The Company generated revenues of US$691 million for the first half of 2022, 7% better than last year. Second quarter revenues is at US$357 million, a sequential 7% growth compared to the first quarter of 2022 and 12% better than the same period last year.

The strength of the US dollar in the second quarter has affected financial results in IMI’s European and Chinese sites that primarily book contracts in Euro, British Pound, and Chinese Renminbi. Despite these challenges, wholly-owned subsidiaries managed to remain profitable and sustained their quarter-on-quarter sales recovery with US$ 290 million being a 12% growth against the first quarter of the year.

VIA and STI on the other hand, continue to be more significantly affected by component shortage issues. Non-wholly owned subsidiaries declined 11% quarter-on-quarter to US$ 67 million in revenues.

Gross Profit and Gross Profit Margin

The slow recovery of the industry-wide component shortage situation was aggravated by the continued rise of inflation, shortage of skilled labor, and foreign currency depreciation against the US dollar as well as the recent lockdowns in China and intense geopolitical tension in Europe have created a new set of uncertainties in the global market. Along with the extended recovery of the electronics supply chain, IMI is still being challenged by multiple macroeconomic headwinds.

These headwinds have impacted IMI gross margins as of June 30, 2022 which is at 7.0% versus last year’s 7.7%.

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[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 2022 a net loss of (US$5.5) million versus last year's income of US$0.9 million as Various macro-economic headwinds continue to affect the entire electronics manufacturing industry. Despite industry-wide macro-economic issues, IMI wholly-owned subsidiaries achieved a positive net income of US$3.6 million.

EBITDA

EBITDA lower by US$5.9 million or 20% versus last year due to operating losses.

Financial Condition

We remain resolutely committed to our disciplined approach to capital allocation and to maintaining a robust balance sheet. As of Q2 2022, current ratio stood at 1.52:1 and debt-to-equity ratio was 0.80:1.

Despite the current market situation, we continued investing on capital expenditure for further space utilization and line upgrades to ensure readiness for capacity expansion when the supply issues begin to resolve. Capital expenditures amounted to $10.8 million in the first half of 2022 versus $16.9 million in the same period last year. For the full year of 2022, the Company expects to spend $20 to 30 million on capital expenditures for existing operations and new expansion projects for next year.

Key Performance Indicators of the Company

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

	As of end	
	Jun 30, 2022	**Dec 31, 2021**
Performance indicators		
Liquidity:		
Current ratio[a]	1.52x	1.59x
Solvency:		
Debt-to-equity ratio[b]	0.80x	0.69x

	For the six months ended 30 Jun	
	2022	**2021**
Operating efficiency:		
Revenue growth[c]	7%	28%
Profitability:		
Gross profit margin[d]	7.0%	7.7%
Net income margin[e]	-1.0%	0.1%
Return on equity[f]	-1.3%	0.2%
Return on assets[h]	-1.0%	0.1%
[ii]EBITDA margin	3.5%	4.6%

[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 and impact of component shortage and geopolitical issues 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 and impact of component shortage and geopolitical issues 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
(Six months ended 30 June 2022 versus 30 June 2021)

8% increase in Cost of Goods Sold and Services ($596.6M to $642.2M)
Relevant to the increase in revenues and increase in cost of direct materials and logistics due to material component shortage, increasing labor costs and continued rise of inflation.

12% increase in Operating Expenses ($49.7M to $55.7M)
Mainly due to increase in people related expenses, utilities and provisions on inventory allowances.

42% increase in Interest and bank charges ($4.6M to $6.5M)
Due to higher balance of loans and interest rates during the year compared to last year.

1017% increase in Foreign exchange gains ($0.4M to $4.9M)
Driven by appreciation of USD against EUR and GBP on USD net asset position for EUR and GBP functional currency entities.

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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.

68% decrease in Miscellaneous income ($3.5M to $1.1M)
Mainly due to reversal of asset impairment last year.

22% decrease in Provision for Tax ($3.3M to $2.5M)
Decrease was due to lower taxable income from Europe sites.

Balance Sheet items
(30 June 2022 versus 31 December 2021)

14% increase in Inventories and Contract Assets ($291.1M to $332.5M)
Inventory buildup due to accumulation of customer backlog and component issues.

9% decrease in Property, plant and equipment ($162.0M to $146.9M)
Decrease mainly due to depreciation.

7% decrease in Goodwill ($145.4M to $135.8M)
Decrease mainly due to depreciation of Euro and GBP currency.

16% decrease in Intangible assets ($10.9M to $9.2M)
Decrease mainly due to amortization.

21% decrease in Right-of-use assets ($28.5 to $22.6M)
Decrease mainly due to amortization.

8% decrease in Other non-current assets ($19.8 to $18.1M)
Decrease mainly due to amortization of customer deferred charges.

7% increase in Payables and Accrued expenses ($289.4 to $308.6M)
Increase mainly due to increase in material purchases.

12% decrease in Contract liabilities ($4.7M to $4.2M)
Decrease in advance payments received to render manufacturing services.

10% increase in Trust receipts and loans payable ($165.8M to $182.1M)
Re-availment of short-term loans for working capital purposes.

43% decrease in Current portion of Lease liabilities ($8.4M to $4.8M)
Payments of lease liabilities.

43% increase in Current portion of Long-term debt ($1.8M to $2.6M)
Reclass from long-term.

16% decrease in Noncurrent portion of Lease liabilities ($22.8M to $19.3M)
Payments of lease liabilities.

137% decrease in cumulative translation adjustments (-$19.9M to -$47.0M)
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 1.13 to 1.04.

EXHIBIT 1
FINANCIAL RATIOS
For the Period Ended June 30, 2022 and 2021 and December 31, 2021

Ratios	Formula	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
(i) Current ratio	Current assets / Current Liabilities	**1.52**	**1.49**	1.59
(ii) Quick / Acid ratio	Current assets less inventories, contract assets and other current assets/Current liabilities	**0.81**	**0.95**	0.93
(iii) Solvency ratio	Total Assets / Total Liabilities	**1.61**	**1.98**	1.70
(iv) Debt ratio	Total Debt / Total Assets	**0.30**	**0.21**	0.28
(v) Debt-to-Equity ratio	Bank debts (loans and trust receipts payable and long-term debt) / Total Equity	**0.80**	**0.43**	0.69
(vi) Assets-to-Equity ratio	Total Assets / Total Equity	**2.65**	**2.02**	2.43
(vii) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**-0.15**	**0.91**	
(viii) Profitability ratios				
GP margin	Gross Profit / Revenues	**7.0%**	**7.7%**	
Net profit margin	Net Income after Tax / Revenues	**-0.8%**	**0.1%**	
EBITDA margin	EBITDA / Revenues	**3.5%**	**4.6%**	
Return on assets	Net Income after Tax / Total Asset	**-0.5%**	**0.1%**	
Return on equity	Net Income after Tax / Average equity attributable to parent	**-1.4%**	**0.2%**	

	(in US$'000)		
	Jun 30, 2022	**Jun 30, 2021**	**Dec 31, 2021**
Current Assets	765,388	758,417	752,325
Current Liabilities	504,158	508,089	472,564
Total Assets	1,102,286	1,147,799	1,123,175
Bank Debts	333,151	242,154	317,256
Total Liabilities	685,915	578,550	661,461
Total Equity	416,371	569,248	461,713
Average equity Attributable to parent	388,418	444,730	415,122
Revenues	690,856	646,563	
Gross Profit	48,608	49,943	
Net income attributable to equity holders of the parent	(5,514)	915	
Earnings before interest and taxes	(985)	4,180	
Interest expense	6,472	4,573	
EBITDA	23,963	29,895	

PART II--OTHER INFORMATION

1. At the Regular Annual Stockholders' meeting held on April 22, 2022 the stockholders considered and approved the following:

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

      Jaime Augusto Zobel de Ayala (Chairman of the Board)
      Fernando Zobel de Ayala
      Delfin L. Lazaro
      Arthur R. Tan (Vice Chairman of the Board)
      Jerome S. Tan
      Alberto M. de Larrazabal
      Rafael C. Romualdez
      Jose Ignacio A. Carlos
      Sherisa P. Nuesa (Independent Director)
      Edgar O. Chua (Independent Director)
      Hiroshi Nishimura (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:

    - Chairpersons and the Member of the Board Committees:

Executive Committee
Arthur R. Tan - Chairman
Rafael Ma. C. Romualdez – Member
Alberto M. de Larrazabal – Member

Audit and Risk Committee
Edgar O. Chua – Chairman (Independent Director)
Rafael 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)

Personnel and Compensation Committee
Sherisa P. Nuesa – Chairman (Independent Director)
Alberto M. de Larrazabal – Member
Jose Ignacio A. Carlos – Member

Finance Committee
Delfin L. Lazaro – Chairman
Alberto M. de Larrazabal – Member
Rafael C. Romualdez – Member

Proxy Validation Committee
Solomon M. Hermosura – Chairman
Laurice S. Dela Cruz – Member
Neilson C. Esguerra – Member

Related Party Transaction Committee
Hiroshi Nishimura – Chairman (Independent Director)
Rafael C. Romualdez – Member
Edgar O. Chua – Member (Independent Director)
Alberto M. de Larrazabal – Member

- Mr. Edgar O. Chua as our lead independent director;

- Mr. Jamie Augusto Zobel de Ayala as Chairman of the Board; and

- The officers under our By-Laws and Manual of Corporate Governance:

Arthur R. Tan	-	Chief Executive Officer
Jerome S. Tan	-	President
Laurice S. Dela Cruz	-	Chief Finance Officer (OIC) and Compliance Officer
Eric De Candido	-	Chief Operations Officer
Mary Ann S. Natividad	-	Chief Commercial Officer
Anthony Raymond P. Rodriguez	-	Treasurer, Head of Treasury and Credit
Rosalyn O. Tesoro	-	Chief Information Officer and Data Protection Officer
Solomon M. Hermosura	-	Corporate Secretary
Rosario Carmela G. Austria	-	Assistant Corporate Secretary

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
Chief Finance Officer (OIC)
and Compliance Officer

Date: August 10, 2022

ANTHONY RAYMOND P. RODRIGUEZ
Treasurer, Head of Treasury and Credit

Date: August 10, 2022

Integrated Micro-Electronics, Inc.
North Science Avenue,
Special Export Processing Zone
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Philippines

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A member of AC Industrials

CERTIFICATION

We, LAURICE S. DELA CRUZ and ANTHONY RAYMOND P. RODRIGUEZ, Chief Finance Officer (OIC) & Compliance Officer and Treasurer, Head of Treasury and Credit, respectively, of Integrated Micro-Electronics, Inc. (the "Corporation"), with SEC Registration Number 94419 and with principal office at North Science Avenue, Laguna Technopark-Special Processing Zone, Binan, Laguna, state under oath that:

1) On behalf of the Corporation, we have caused the SEC Form 17-Q (Quarterly Report) to be prepared;
2) We have read and understood its contents which are true and correct of my own personal knowledge and/or based on true records; and
3) The Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for the complete and official submission of reports and/or documents through electronic mail.

IN WITNESS WHEREOF, we have hereunto set our hands this AUG 10 2022 in Makati City.

LAURICE S. DELA CRUZ
Chief Finance Officer (OIC)
& Compliance Officer

ANTHONY RAYMOND P. RODRIGUEZ
Treasurer, Head of Treasury and Credit

SUBSCRIBED AND SWORN to before me this AUG 10 2022 in Makati City, affiants exhibited to me, as competent evidence of their identities, to wit:

Name	Competent Evidence of Identity	Date /Place of issue
LAURICE S. DELA CRUZ	Passport Number P7177471B	July 12, 2021/DFA Manila
ANTHONY RAYMOND P. RODRIGUEZ	Passport Number P3386828A	June 13, 2017/DFA Manila

ROBERTO T. ONGSIAKO
NOTARY PUBLIC
ROLL NO. 37041
MAKATI CITY, PHILIPPINES

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. M-149 until December 31, 2022
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 – RSM Chapter
PTR No. 8852355MJ – 01/03/2022 - Makati City
MCLE Compliance No. VII – 0000267 – 07/30/2019
4th Floor Tower One and Exchange Plaza
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Makati City, Philippines

Doc. No. 460;
Page No. 93;
Book No. XLV;
Series of 2022.

Notarial DST pursuant to Sec.188 of the Tax Code affixed on Notary Public's copy