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

C F D

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

S T A M P S

Remarks = pls. Use black ink for scanning purposes

A member of AC Industrials

Integrated Micro-Electronics, Inc.
North Science Avenue,
Special Export Processing Zone
Laguna Technopark
Binan Laguna 4024
Philippines

Tel +63 2 7756 6840; +63 2 7756 6940
Tel +63 49 544 0312
www.global-imi.com

CERTIFICATION

We, LAURICE S. DELA CRUZ and ANTHONY RAYMOND P. RODRIGUEZ, Chief Finance Officer & 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 2023 in Makati City.

LAURICE S. DELA CRUZ Chief Finance Officer & Compliance Officer	**ANTHONY RAYMOND P. RODRIGUEZ** Treasurer, Head of Treasury and Credit

SUBSCRIBED AND SWORN to before me this AUG 10 2023 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 P9350433B	March 25, 2022/DFA Manila

Doc. No. 122;
Page No. 26;
Book No. LII;
Series of 2023.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

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

ROBERTO T. ONGSIAKO
Notary Public - Makati City
Appt. No. M-056 until December 31, 2024
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 - RSM Chapter
PTR No. 9566339MM - 01/03/2023 - Makati City
MCLE Compliance No. VIII-0000591 - 09/30/2022
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

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, 2023**

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, 2023.

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, 2023

(With Comparative Audited Figures as of December 31, 2022)
(In thousands)

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$98,823**	$115,825
Short-term investments (Note 4)	**11,110**	8,500
Receivables – net (Note 5)	**326,244**	291,640
Contract assets (Note 6)	**65,671**	67,138
Inventories (Note 7)	**276,437**	268,497
Other current assets (Note 8)	**22,845**	25,246
Total Current Assets	**801,130**	776,846
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**138,846**	146,109
Goodwill (Note 17)	**84,848**	136,248
Intangible assets - net (Note 10)	**4,540**	5,125
Right-of-use assets (Note 18)	**21,652**	19,266
Deferred tax assets	**2,171**	2,149
Financial assets at FVOCI	**2,053**	1,829
Other noncurrent assets (Note 11)	**16,496**	16,312
Total Noncurrent Assets	**270,606**	327,038
	$1,071,736	$1,103,884

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**$321,012**	$301,774
Contract liabilities (Note 6)	**5,857**	7,407
Loans payable (Note 13)	**215,508**	192,660
Current portion of long-term debt (Note 14)	**6,343**	3,048
Current portion of lease liabilities (Note 18)	**7,519**	7,068
Income tax payable	**2,444**	1,781
Other current liabilities	**1,036**	1,035
Total Current Liabilities	**559,719**	514,773
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Note 14)	**140,674**	147,365
Lease liabilities (Note 18)	**14,641**	12,870
Net retirement liabilities	**6,194**	7,013
Deferred tax liabilities	**1,044**	1,106
Other noncurrent liabilities	**5,759**	5,474
Total Noncurrent Liabilities	**168,312**	173,828
Total Liabilities	**728,031**	688,601

(Forward)

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
EQUITY (Note 15)		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**$42,720**	$42,719
Subscribed capital stock	**690**	692
Additional paid-in capital	**193,778**	193,797
Subscriptions receivable	**(2,594)**	(2,620)
Unappropriated retained earnings	**111,140**	194,803
Treasury stock	**(1,013)**	(1,013)
Other components of equity	**236**	33
Cumulative translation adjustment	**(34,253)**	(43,668)
Remeasurement losses on defined benefit plans	**(7,434)**	(7,434)
	303,270	377,309
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**40,435**	37,974
Total Equity	**343,705**	415,283
	$1,071,736	$1,103,884

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(In thousands, except Earnings per Share)

	2023 (Unaudited)		2022 (Unaudited)	
	Apr to Jun	**Jan to Jun**	Apr to Jun	Jan to Jun
REVENUES FROM CONTRACTS WITH CUSTOMERS (Note 17)	**$345,066**	**$691,893**	$356,905	$690,856
COST OF SALES	**312,030**	**629,481**	329,945	642,248
GROSS PROFIT	**33,036**	**62,412**	26,960	48,608
OPERATING EXPENSES	**(25,862)**	**(51,421)**	(31,566)	(55,661)
OTHERS - Net				
Interest and bank charges	**(4,964)**	**(9,902)**	(3,204)	(6,472)
Foreign exchange gains/(losses)	**(1,691)**	**(1,773)**	3,636	4,926
Interest income	**135**	**267**	79	189
Miscellaneous income (losses) – net (Note 24)	**(83,679)**	**(82,937)**	(209)	1,141
LOSS BEFORE INCOME TAX	**(83,025)**	**(83,354)**	(4,304)	(7,269)
PROVISION FOR INCOME TAX	**(1,209)**	**(2,828)**	(1,128)	(2,547)
NET LOSS	**(84,234)**	**($86,182)**	($5,432)	($9,816)
Net Loss Attributable to:				
Equity holders of the Parent Company	**($82,914)**	**($83,663)**	($3,545)	($5,514)
Non-controlling interests	**(1,320)**	**(2,519)**	(1,887)	(4,302)
	($84,234)	**($86,182)**	($5,432)	($9,816)
Loss Per Share:				
Basic and diluted (Note 17)		**($0.0379)**		($0.0025)

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(In thousands)

	2023 (Unaudited)		2022 (Unaudited)	
	Apr to Jun	Apr to Jun	Apr to Jun	Jan to Jun
NET LOSS FOR THE PERIOD	**($84,234)**	**($86,182)**	($5,432)	($9,816)
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	**(186)**	**14,396**	(29,237)	(35,846)
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	**109**	**203**	99	292
	(77)	**14,599**	(29,138)	(35,554)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**($84,311)**	**($71,583)**	($34,570)	($45,370)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**($84,103)**	**($74,044)**	($22,286)	($32,389)
Non-controlling interests	**(208)**	**2,461**	(12,284)	(12,981)
	($84,311)	**($71,583)**	($34,570)	($45,370)

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(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 (Note 15)	Total
Balances at January 1, 2023	$42,719	$692	$193,797	($2,620)	$194,803	($1,013)	$33	($43,668)	($7,434)	$377,309	$37,974	$415,283
Issued shares during the year	1	(1)	–	–	–	–	–	–	–	–	–	–
Collection from subscriptions	–	–	–	6	–	–	–	–	–	6	–	6
Forfeitures during the year	–	(1)	(19)	20	–	–	–	–	–	–	–	–
	42,720	690	193,778	(2,594)	194,803	(1,013)	33	(43,668)	(7,434)	377,315	37,974	415,289
Net loss	–	–	–	–	(83,663)	–	–	–	–	(83,663)	(2,519)	(86,182)
Other comprehensive income	–	–	–	–	–	–	203	9,415	–	9,618	4,980	14,598
Total comprehensive income (loss)	–	–	–	–	(83,663)	–	203	9,415	–	(74,045)	2,461	(71,584)
Balances at June 30, 2023	$42,720	$690	$193,778	($2,594)	$111,140	($1,013)	$236	($34,253)	($7,434)	$303,270	$40,435	$343,705

	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 (Note 15)	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, 2022	$42,705	$709	$193,831	($2,702)	$201,560	($1,013)	($555)	($19,865)	($10,072)	$404,598	$57,114	$461,712
Issued shares during the year	14	(14)	–	–	–	–	–	–	–	–	–	–
Collection from subscriptions	–	–	–	45	–	–	–	–	–	45	–	45
Forfeitures during the year	–	(3)	(34)	37	–	–	–	–	–	–	–	–
	42,719	$692	193,797	(2,620)	201,560	(1,013)	(555)	(19,865)	(10,072)	404,643	57,114	461,757
Net loss	–	–	–	–	(6,757)	–	–	–	–	(6,757)	(8,605)	(15,362)
Other comprehensive income (loss)	–	–	–	–	–	–	588	(23,803)	2,638	(20,577)	(10,535)	(31,112)
Total comprehensive income (loss)	–	–	–	–	(6,757)	–	588	(23,803)	2,638	(27,334)	(19,140)	(46,474)
Balances at December 31, 2022	$42,719	$692	$193,797	($2,620)	$194,803	($1,013)	$33	($43,668)	($7,434)	$377,309	$37,974	$415,283

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**($83,354)**	($7,269)
Adjustments for:		
Impairment loss on:		
Goodwill (Notes 17 and 24)	**54,791**	–
Inventories (Notes 7 and 24)	**14,211**	–
Accounts receivable (Notes 5 and 24)	**8,765**	–
Property, plant and equipment (Notes 9 and 24)	**5,521**	–
Depreciation of property, plant and equipment (Note 9)	**12,619**	18,769
Interest expense	**9,701**	6,119
Amortization of right-of-use assets (Note 18)	**4,162**	4,689
Unrealized foreign exchange losses (gains)	**2,763**	(8,084)
Amortization of intangible assets (Note 10)	**1,357**	2,443
(Gains)/loss on sale of property, plant and equipment (Note 9)	**31**	(194)
Loss on lease modifications	**14**	–
Interest income	**(267)**	(189)
Gain on insurance claims	**(11)**	(408)
Mark-to-market gain on derivatives	**–**	43
Operating income before working capital changes	**30,303**	15,919
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**(39,577)**	(15,150)
Inventories	**(20,448)**	(33,178)
Other current assets	**3,007**	(2,552)
Contract asset	**2,278**	(15,525)
Increase (decrease) in:		
Accounts payable and accrued expenses	**22,517**	15,811
Contract liabilities	**(1,725)**	(408)
Retirement liabilities	**(857)**	(1,847)
Net cash used in operations	**(4,502)**	(36,930)
Income tax paid	**(2,424)**	(3,069)
Interest paid	**(9,036)**	(5,392)
Interest received	**267**	189
Net cash used in operating activities	**(15,695)**	(45,202)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment (Note 9)	**(10,938)**	(10,348)
Intangible assets (Note 10)	**(192)**	(442)
Proceeds from sale of property, plant and equipment	**737**	446
Decrease in other noncurrent assets	**(111)**	(565)
Net cash used in investing activities	**(10,504)**	(10,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans	**(3,544)**	(1,341)
Availment of loans	**22,334**	21,306
Payments of lease liabilities	**(5,093)**	(5,735)
Refund on subscriptions	**6**	29
Increase (decrease) in other noncurrent liabilities	**(160)**	2,210
Net cash provided by financing activities	**13,543**	16,469
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**(1,735)**	6,399
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(14,391)**	(33,243)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**124,324**	159,788
CASH AND CASH EQUIVALENTS AT JUNE 30	**$109,933**	$126,545

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 47.91% 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 4, 2023.

2. Group Information

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

Subsidiary	Percentage of Ownership 2023	2022	Country of Incorporation	Functional Currency
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ [c]	**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.	**100.00%**	100.00%	China	RMB
IMI Innovative Technology (Shenzhen) Co., Ltd. [a]	**100.00%**	100.00%	China	RMB
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	RMB
Speedy-Tech (Philippines), Inc. (STPH) [c]	**100.00%**	100.00%	Philippines	USD
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)

(Forward)

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)	**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 GmbH)	**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)
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	JPY
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] *New entity of IMI SZ incorporated in November 2022*
[b] *New entities of VIA in 2021*
[c] *In the process of liquidation / dormant*

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, 2023 and 2022 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, 2022, 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, 2022.

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.

<u>Changes in Accounting Policies and Disclosures</u>
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, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- 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.

Effective beginning on or after January 1, 2024

- 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted, and that fact must be disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Cash on hand	**$67**	$74
Cash in banks	**98,756**	115,751
	$98,823	$115,825

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents have maturities of varying periods of up to three months and earn interest at the respective cash equivalents rates.

Short-term Investments
Short-term investments amounting to $11.1 million and $8.5 million as of June 30, 2023 and December 31, 2022, respectively, pertain to money market placements made for varying periods of more than three months but less than one year and earn interest ranging from 2.0% to 5.4% per annum.

5. Receivables – net

This account consists of:

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Trade	**$323,617**	$283,795
Nontrade	**9,699**	7,529
Due from related parties (Note 20)	**2,105**	2,530
Receivable from insurance	**1,524**	–
Receivable from employees	**506**	310
Others	**914**	823
	338,365	294,987
Less:		
Allowance for ECLs	**3,356**	3,347
Impairment loss	**8,765**	–
	$326,244	$291,640

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
Receivable from insurance pertains to claims for damages to inventories caused by a flood incident in the plant in Czech in March 2023.

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.

<u>Allowance for ECLs</u>
Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of $12.12 million and $3.35 million as of June 30, 2023 and December 31, 2022, 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, 2023 and 2022 amounted to ($0.01) million and $0.03 million, respectively. Provisions during the period form part of “Operating Expenses” and “Miscellaneous income (losses) account.

In relation to the sale of STI, the Company recognized impairment loss amounting to $8.8 million for the period ended June 30, 2023 (see note 24).

6. Contract Balances

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Contract assets	**$65,671**	$67,138
Contract liabilities	**5,857**	7,407

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, 2023 and 2022, 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 and build up of inventories in preparation of ramp up of new businesses.

Provisions for inventory obsolescence and allowance for decline in inventories, recognized for the six-month period ended June 30, 2023 and 2022 amounted to $0.91 million and $1.01 million, respectively.

In relation to the sale of STI, the Company recognized impairment loss amounting to $14.2 million for the period ended June 30, 2023 (see Note 24).

8. Other Current Assets

This account consists of:

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Input taxes	**$7,842**	$7,650
Prepayments and deferred charges	**6,884**	8,341
Advances to suppliers	**4,808**	4,911
Tax credits	**3,311**	3,974
Others	**–**	370
	$22,845	$25,246

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.

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.

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, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Property, Plant and Equipment	**$351,564**	$341,804
Less: Accumulated Depreciation	**204,378**	192,876
Accumulated Impairment losses	**8,340**	2,819
Property, Plant and Equipment (Net)	**$138,846**	$146,109

Additions to property, plant and equipment for the six-month period ended June 30, 2023 amounted to $10.94 million comprise mainly of purchases of machinery and equipment for further space utilization, line upgrades and expansion.

Depreciation expense amounted to $12.62 million and $18.77 million for the six-month period ended June 30, 2023 and 2022, respectively.

The Group recognized gains/(losses) 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, 2023 and 2022 amounting to ($0.03) million and $0.19 million, respectively.

In relation to the sale of STI, the Group recognized impairment losses on certain property, plant and equipment amounting to $5.52 million for the period ended June 30, 2023 (see Note 24).

10. **Intangible Assets – net**

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Intangible Assets	**$73,306**	$72,277
Less: Accumulated Amortization	**62,579**	60,965
Accumulated Impairment losses	**6,187**	6,187
Intangible Assets (Net)	**$4,540**	$5,125

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

Product development costs with a net book value of nil and $0.33 million as of June 30, 2023 and December 31, 2022, 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, 2023.

Capitalized development costs amounting to $1.60 million were impaired in 2022 due to end of life of business while in 2021 the Group recorded impairment reversal for certain assets amounting to $0.64 million as the related business recovered.

The Group’s intellectual properties relate to the acquisition of VIA and VTS. Net book value as of June 30, 2023 and December 31, 2022 amounted to $1.29 million and $1.32 million, respectively.

Software licenses which include computer software, applications and modules has net book value of $3.25 million and $3.47 million as of June 30, 2023 and December 31, 2022, respectively. Additional licenses acquired for the year amounted to $0.19 million.

Amortization for all intangibles amounted to $1.34 million and $2.44 million for the six-month period ended June 30, 2023 and 2022, respectively. No impairment loss was recognized for these intangible assets.

11. **Other Noncurrent Assets**

This account consists of:

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Deferred charges	**$12,823**	$12,286
Miscellaneous deposits	**3,176**	3,157
Pension asset – net	**227**	225
Others	**270**	644
	$16,496	$16,312

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, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Trade payables	**$226,603**	$212,113
Accrued expenses	**38,303**	37,704
Employee-related accruals	**26,564**	22,078
Nontrade payables	**20,756**	21,215
Taxes and government-related payable	**3,385**	3,076
Accrued interest payable	**1,649**	1,647
Customers' deposits	**1,779**	1,277
Advances from customers	**1,954**	2,645
Due to related parties (Note 20)	**19**	19
	$321,012	$301,774

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

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

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

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.

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

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

13. **Loans Payable**

This account consists of borrowings of the following entities:

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Parent Company	**$151,000**	$150,100
VIA and STI	**45,143**	35,183
STEL	**16,077**	4,100
CZ	**3,288**	3,277
	$215,508	$192,660

Parent Company

As of June 30, 2023 and December 31, 2022, the Parent Company has unsecured short-term loans aggregating to $151.00 million and $150.10 million, respectively, with maturities ranging from 30 to 122 days, and fixed annual interest rates ranging from 5.47% to 6.17% in 2023 and 4.37% to 5.36% in 2022.

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 2.82% to 4.0% and 1.82% to 4.00% in 2023 and 2022, respectively.

STEL

The loans of STEL are from existing revolving credit facilities with Singapore and China based banks and bear annual interest rate ranging from 4.10% to 8.14% in 2023 and 3.96% to 7.56% in 2022.

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 or PRIBOR plus 1.20%.

14. Long-Term Debt

This account consists of borrowings of the following entities:

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Parent Company	**$143,620**	$146,182
VTS and IMI CZ	**3,397**	4,231
	147,017	150,413
Less current portion:		
Parent Company	**5,100**	1,500
VTS and IMI CZ	**1,243**	1,548
	6,343	3,048
Noncurrent portion	**$140,674**	$147,365

Parent Company

The long-term debts of the Parent Company were obtained from Philippine banks. The long-term debts have terms of three to five years, principal payments payable annually, and remaining balance payable in full at maturity. These are subject to annual interest rate of 3.45% to 3.80% in 2023 and 2022, respectively.

Loan covenants related to the Parent Company’s loans as of June 30, 2023 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 consolidated financial statements;

As of June 30, 2023 and December 31, 2022, 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 and IMI CZ loan has interest rates ranging from 0.80% to 2.31% per annum.

15. **Equity**

Dividends
No dividend payment was declared to common shareholders for the six months period ended June 30, 2023 and 2022.

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, 2023 arose mainly from appreciation of the Euro 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, 2023 and December 31, 2022.

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, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
Trust receipts and loans payable	**$215,508**	$192,660
Long-term bank borrowings	**147,017**	150,413
Total bank debt	**362,525**	343,073
Less cash and cash equivalents	**98,823**	115,825
Net bank debt	**$263,702**	$227,248
Total equity	**343,705**	415,283
Debt-to-equity ratio	**1.05:1**	0.83:1
Net debt-to-equity ratio	**0.77:1**	0.55:1

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, 2023 (Unaudited)	Jun 30, 2022 (Unaudited)
	(In thousands)	
Net income loss	**($83,663)**	($5,514)
Weighted average number of common shares outstanding	**2,207,989**	2,208,007
Basic and diluted	**($0.038)**	($0.0025)

As of June 30, 2023 and 2022, 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, 2023 and 2022:

June 30, 2023 (Unaudited)	**Philippines**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**Consolidation and Eliminations**	**Total**
Revenue:								
Third party	**$135,289**	**$125,124**	**$206,906**	**$78,963**	**$133,652**	**$11,959**	**$–**	**$691,893**
Intersegment	**9,812**	**11,961**	**7,209**	**470**	**–**	**2,261**	**(31,713)**	**–**
Total revenue	**$145,101**	**$137,085**	**$214,115**	**$79,433**	**$133,652**	**$14,220**	**($31,713)**	**$691,893**
Segment interest income	**$1,905**	**$1,311**	**$471**	**$–**	**$134**	**$3,479**	**($7,033)**	**$267**
Segment interest expense and bank charges	**($8,296)**	**($1,551)**	**($1,142)**	**($1,718)**	**($2,432)**	**($766)**	**$6,003**	**($9,902)**
Segment profit (loss) before income tax	**($1,308)**	**$5,923**	**$14,431**	**($6,334)**	**($91,678)**	**$1,587**	**($5,975)**	**($83,354)**
Segment provision for income tax	**(844)**	**(472)**	**(1,164)**	**23**	**(378)**	**30**	**(23)**	**(2,828)**
Segment profit (loss) after income tax	**($2,152)**	**$5,451**	**$13,267**	**($6,311)**	**($92,056)**	**$1,617**	**($5,998)**	**($86,182)**
Net income (loss) attributable to the equity holders of the Parent Company	**($2,152)**	**$5,451**	**$13,267**	**($6,311)**	**($89,537)**	**$1,617**	**($5,998)**	**($83,663)**

June 30, 2022 (Unaudited)	**Philippines**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**Consolidation and Eliminations**	**Total**
Revenue:								
Third party	**$137,782**	**$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	**$163,086**	**$153,207**	**$173,095**	**$72,030**	**$142,650**	**$30,065**	**($43,277)**	**$690,856**
Segment interest income	**$482**	**$640**	**$263**	**$–**	**$46**	**$2,182**	**($3,424)**	**$189**
Segment interest expense and bank charges	**($4,419)**	**($923)**	**($620)**	**($713)**	**($2,119)**	**($486)**	**2,808**	**($6,472)**
Segment profit (loss) before income tax	**2,819**	**$2,402**	**$1,353**	**($1,899)**	**($12,337)**	**$823**	**($430)**	**($7,269)**
Segment provision for income tax	**(1,150)**	**(679)**	**(391)**	**(42)**	**(197)**	**(14)**	**(74)**	**(2,547)**
Segment profit (loss) after income tax	**$1,669**	**$1,723**	**$962**	**($1,941)**	**($12,534)**	**$809**	**($505)**	**($9,816)**
Net income (loss) attributable to the equity holders of the Parent Company	**$1,669**	**$1,723**	**$962**	**($1,941)**	**($8,231)**	**$809**	**($505)**	**($5,514)**

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, 2023 and December 31, 2022:

	Philippines		**China**	**Europe**	**Mexico**	**Germany/UK**	**USA/ Japan/ Singapore**	**Consoli-dation and Eliminations**	**Total**
	Parent Company	**PSi**							
June 30, 2023 (Unaudited)	**$611,149**	**$4,300**	**$188,478**	**$330,544**	**$117,082**	**$198,013**	**$431,561**	**($809,391)**	**$1,071,736**
December 31, 2022 (Audited)	$612,149	$5,163	$228,514	$295,339	$105,924	$261,134	$433,448	($837,787)	$1,103,884

Investments in subsidiaries and intersegment receivables amounting to $451.15 million and $425.56million as of June 30, 2022, respectively, and $462.90 million and $408.22 million as of December 31, 2022, respectively are eliminated in consolidation.

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

	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
VIA	**$45,032**	$44,152
STEL	**38,225**	38,225
Parent Company	**1,098**	1,098
IMI CZ	**493**	483
STI	**$–**	52,290
	$84,848	$136,248

In relation to the potential divestment in STI, the Company recognized impairment loss of $54.8 million. (See Note 25)

<u>Revenue from Contracts with Customers</u>

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, 2023 (Unaudited)	Jun 30, 2022 (Unaudited)
	(In thousands)	
Manufacturing of goods	**$688,599**	$688,837
Non-recurring engineering services	**3,294**	2,019
Revenue from contracts with customers	**$691,893**	$690,856

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

	June 30, 2023 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
		(In thousands)	
Philippines			
Parent Company	**$132,801**	**$–**	**$132,801**
PSi	**2,488**	**–**	**2,488**
(Forward)			

	June 30, 2023 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
China	**123,115**	**2,009**	**125,124**
Europe	**206,757**	**149**	**206,906**
Mexico	**77,827**	**1,136**	**78,963**
Germany/UK	**46,982**	**86,670**	**133,652**
USA/Japan/Singapore	**–**	**11,959**	**11,959**
Revenue from contracts with customers	**$589,970**	**$101,923**	**$691,893**

	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**
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**

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

	Jun 30, 2023 (Unaudited)	Jun 30, 2022 (Unaudited)
	(In thousands)	
Europe	**$475,016**	$467,216
America	**98,012**	87,895
Japan	**29,386**	36,584
Asia/Others	**89,479**	99,161
	$691,893	$690,856

Revenues are attributed to countries on the basis of the customer's location. The current top customer accounts for 12% and 9% of the Group's total revenue for the six-month period ended June 30, 2023 and 2022, respectively.

The following table presents revenues per market segment:

	Jun 30, 2023 (Unaudited)	Jun 30, 2022 (Unaudited)
	(In thousands)	
Automotive	**$401,028**	$364,834
Industrial	**209,541**	228,522
Consumer	**19,848**	35,989
Aerospace	**23,386**	20,774
Telecom	**15,441**	20,906
Medical	**12,281**	11,603
Multiple markets / Others	**10,368**	8,228
	$691,893	$690,856

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, 2023 (Unaudited)	**Dec 31, 2022 (Audited)**
	(In thousands)	
At beginning of period	**$19,266**	$28,458
Additions	**6,442**	1,100
Amortization expense	**(4,162)**	(9,134)
Cumulative translation adjustment	**106**	(1,158)
As end of period	**$21,652**	$19,266

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

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	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
	(In thousands)	
At beginning of period	**$19,938**	$31,221
Additions	**6,442**	1,156
Interest expense on lease liabilities	**663**	932
Rental payments	**(5,093)**	(11,571)
Waived rentals	**(16)**	(57)
Cumulative translation adjustment	**226**	(1,743)
At end of period	**$22,160**	$19,938
Current	**$7,519**	$7,068
Noncurrent	**$14,641**	$12,870

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

	Jun 30, 2023 (Unaudited)	Jun 30, 2022 (Unaudited)
	(In thousands)	
Amortization expense of right-of-use assets	**$4,162**	$4,689
Interest expense on lease liabilities	**663**	554
Expense related to short-term leases and low-value assets (included in cost of sales)	**770**	700
	$5,595	$6,090

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.

<u>Terms and Conditions of Transactions with Related Parties</u>
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, 2023 and 2022, 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, 2023 and December 31, 2022, the Group maintains current and savings accounts with BPI amounting to $0.67 million and $2.17 million, respectively.

   Total interest income earned from investments with BPI amounted to $0.5K and $3.0K for the six-month period ended June 30, 2023 and 2022, respectively.

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

	Receivables/Deposits		Payables	
	Jun 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)	**Jun 30, 2023 (Unaudited)**	Dec 31, 2022 (Audited)
	(In thousands)			
KTM Asia Motorcycle Manufacturing Inc. (KAMMI)	**$1,952**	$2,444	**$–**	$–
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	**153**	86	**–**	–
Innove Communication Inc. (ICI)	**–**	–	**9**	7
BPI	**–**	–	**5**	11
GTI	**–**	–	**1**	1
Ayala Corporation (AC)	**–**	–	**4**	–
	$2,105	$2,530	**$ 19**	$19

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

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

iii. Payables to BPI pertains to employee related transactions.

iv. Payable to GTI pertains to billings for cellphone charges and WiFi connections.

v. Payable to Ayala Corporation relates to administrative services for certain transactions.

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

	Revenue/Income		Expenses	
	Jun 30, 2023 (Unaudited)	Jun 30, 2022 (Unaudited)	**Jun 30, 2023 (Unaudited)**	Jun 30, 2022 (Unaudited)
	(In thousands)			
KAMMI	**$1,326**	$1,991	**$–**	$–
MSTPI	**65**	67	**–**	–
BPI	**–**	3	**–**	–
AREIT, Inc. (AREIT)	**–**	–	**741**	755
Laguna AAAWater Corp. (LAWC)	**–**	–	**607**	551
Innove Communication, Inc. (ICI)	**–**	–	**75**	164
GTI	**–**	–	**47**	69
AC	**–**	–	**21**	19
Ayala Group Legal (AG Legal)	**–**	–	**4**	43
BPI Asset Management and Trust Corporation	**–**	–	**21**	20
	$1,391	$2,061	**$1,516**	$1,621

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. 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 AREIT (Formerly TLI).

ii. Water allocation charged by LAWC

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

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

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

vi. 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 and IMI Japan to IMI Singapore and the Parent Company for recovery costs related to the management salaries of key management personnel under IMI ROHQ.

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

iii. Dividend income of the Parent Company was declared by IMI Singapore amounting to $4.6 million as of June 2023.

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, 2023 and December 31, 2022:

	Carrying Amounts		Fair Values	
	Jun 30, 2023	Dec 31, 2022	**Jun 30, 2023**	Dec 31, 2022
	(In thousands)			
Financial assets:				
Financial assets at FVOCI	**$2,053**	$1,829	**$2,053**	$1,829
Financial liabilities:				
Noncurrent portion of long-term debt	**$140,674**	$147,365	**$133,666**	$136,210

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 2023 and 2022 ranged from 1.67% to 3.80%.

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

	June 30, 2023			
	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	**$–**	**$2,053**	**$–**	**$2,053**
Liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$133,666**	**$133,666**

	December 31, 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	$–	$1,829	$–	$1,829
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$136,210	$136,210

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, 2023 and 2022. 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, 2023 (Unaudited)**	 Jun 30, 2022 (Unaudited)
+100	**($872)**	($780)
-100	**872**	780

The following table shows the information about the Group's debt as of June 30, 2023 and 2022 that are exposed to interest rate risk presented by maturity profile:

	Jun 30, 2023 (Unaudited)	Jun 30, 2022 (Unaudited)
Within one year	**$28,688**	$5,348
One to five years	**145,807**	150,716
	$174,495	$156,064

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, 2023 and December 31, 2022 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 19% of trade receivables relating to three major customers as of June 30, 2023 and December 31, 2022, respectively.

As of June 30, 2023 and December 31, 2022, the aging analysis of trade receivables follows:

			Past due but not impaired					
	Total	**Current**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**	**Specifically Impaired**
June 30, 2023 (Unaudited)	**$323,617**	**$249,043**	**$29,998**	**$15,206**	**$7,684**	**$4,325**	**$5,283**	**$12,078**
December 31, 2022 (Audited)	$283,795	$212,103	$39,345	$11,432	$8,588	$2,102	$6,922	$3,303

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 2023 and 2022, 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, 2023 (Unaudited)		Dec 31, 2022 (Audited)	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$1,258**	**₱69,463**	$1,044	₱58,213
Receivables	**2,507**	**138,394**	1,249	69,661
Miscellaneous deposits	**658**	**36,312**	650	36,237
Accounts payable and accrued expenses	**(10,280)**	**(567,469)**	(10,349)	(576,995)
Net retirement liabilities	**(8,441)**	**(465,936)**	(4,313)	(240,486)
Net foreign currency-denominated liabilities	**($14,298)**	**(₱789,236)**	($11,719)	(₱653,370)

Euro (€)

	Jun 30, 2023 (Unaudited)		Dec 31, 2022 (Audited)	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$2,675**	**€2,467**	$3,082	€2,899
Receivables	**14,805**	**13,655**	15,552	14,631
Accounts payable and accrued expenses	**(25,925)**	**(23,911)**	(17,665)	(16,618)
Net foreign currency-denominated assets	**($8,445)**	**(€7,789)**	($969)	€912

Renminbi (RMB)

	Jun 30, 2023 (Unaudited)		Dec 31, 2022 (Audited)	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$447**	**RMB3,234**	$255	RMB 1,779
Receivables	**12,751**	**92,134**	13,244	92,240
Accounts payable and accrued expenses	**(13,251)**	**(95,753)**	(14,606)	(101,728)
Net foreign currency-denominated assets	**($53)**	**(RMB385)**	($1,107)	RMB (7,709)

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, 2023 and December 31, 2022 follows:

	Jun 30, 2023 (Unaudited)			
	In USD	**In EUR***	**In RMB***	**In GBP***
Cash and cash equivalents	**$50,460**	**€44,878**	**RMB4,178**	**£971**
Receivables	**55,762**	**34,622**	**67,175**	**7,074**
Accounts payable and accrued expenses	**(68,003)**	**(24,644)**	**(129,760)**	**(18,483)**
Net foreign currency-denominated assets	**$38,219**	**€54,856**	**(RMB58,407)**	**(£10,438)**

**The USD-denominated monetary assets and liabilities are translated using EUR0.9223 for $1, RMB7.2258 for $1 and GBP0.7924 for $1.*

	December 31, 2022 (Audited)			
	In USD	**In EUR***	**In RMB***	**In GBP***
Cash and cash equivalents	$49,310	€44,058	RMB 7,834	£1,122
Receivables	27,715	15,359	23,266	6,682

Forward

Accounts payable and accrued expenses	(56,242)	(20,222)	(133,058)	(12,986)
Net foreign currency-denominated assets	$20,783	€39,195	(RMB101,958)	(£5,182)

**The USD-denominated monetary assets and liabilities are translated using EUR 0.9407 for $1, RMB6.9646 for $1 and GBP0.8303 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, 2023 and June 30, 2022. 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, 2023 (Unaudited)**	Jun 30, 2022 (Unaudited)
PHP	+1%	**$79**	$109
	-1%	**79)**	(109)
EUR	+1%	**(2)**	(9)
	-1%	**2**	9
RMB	+1%	**(1)**	(1)
	1%	**1**	1

22. **Contingencies**

The Group is a party to legal proceedings arising in the ordinary course of its operations. Certain employees have filed illegal dismissal cases before the National Labor Relations Commission against IMI when the latter terminated their services due to violation of company rules and regulations such as acts of dishonesty, and excessive unauthorized absences. These cases are at various stages including appeal.

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, 2022 (Audited)	Availment/ Collection	Settlement/ Payment	Reclass	Accretion of interest expense	Forfeitures	Waved Rentals	Foreign currency translation	**Jun 30, 2023 (Unaudited)**
Loans and trust receipts payable	$192,660	$22,135	($54)	$–	$–	$–	$–	$767	**$215,508**
Current portion of long-term debt	3,048	–	(927)	4,267	–	–	–	(45)	**6,343**
Long-term debt	147,365	199	(2,563)	(4,267)	–	–	–	(59)	**140,674**
Lease liabilities	19,938	6,442	(5,093)	–	663	–	(16)	226	**22,160**
Other noncurrent liabilities	5,474	–	(160)	–	–	–	–	443	**5,759**
Subscriptions receivable	(2,620)	6	–	–	–	20	–	–	**(2,594)**
	$365,865	$28,782	($8,797)	$–	$663	$20	($16)	$1,332	**$387,850**

Most of the loans are from existing revolving credit lines.

24. **Events after the Balance Sheet Date**

Sale of STI Enterprise Limited
The Company announced on August 3, 2023 the sale of its 80 percent stake in STI Enterprises Limited (STI) to Rcapital, a private investment firm based in London, with closing to take place after satisfaction of the condition precedent. The parties have agreed on an enterprise valuation of 7.5 million GBP.

Various geopolitical issues including Brexit, COVID-19 and supply chain issues have delayed STI's ability to achieve the targets we set during its acquisition in 2017. Realizing these targets will require more time, additional funding, and resources that an alternative partner may be able to better provide.

This divestment initiative is in line with IMI's ongoing strategy to sharpen its portfolio, focusing on its growth and profitability within its priority markets of mobility, connectivity, and smart energy. The rationalization of IMI's operations will allow for tighter management focus and capital allocation as the company navigates today's challenging macroeconomic and geopolitical environment. IMI's core wholly-owned subsidiaries have been profitable since 2021 and reported $11.5 million in net income for 2022 and $6.7 million in the first half of 2023.

Based on the preliminary indicative price discussions, the Company performed an impairment test as of June 30, 2023 and determined a one-time loss of approximately $84 million, which includes the impairment of goodwill amounting to $55 million and the remaining allocated proportionately to certain assets. IMI's equity reduced by ~22% while net debt to equity ratio increased from 0.6 to 0.7, still well within the company's target range.

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	
	2023	**2022**
	(in US$ thousands, except Basic EPS)	
Revenues from Sales and Services	**$691,893**	$690,856
Cost of Goods Sold and Services	**629,481**	642,248
Gross Profit	**62,412**	48,608
Net Income Attributable to Equity Holders of the Parent Company	**(83,663)**	(5,514)
EBITDA[i]	**27,621**	23,963
Basic Earnings per Share (EPS)	**($0.0379)**	($0.0025)

Revenues from Sales and Services

The Company achieved US$345 million of revenues in the second quarter of 2023, 3% lower than the same period of the previous year but on par when comparing first-half results.

Wholly-owned subsidiaries still lead the company's recovery with US$ 282 million of revenues, a 2.3% quarter-on-quarter growth. Meanwhile, subsidiaries VIA Optronics and STI faced reduced demand as customers deplete existing inventory and push out orders.

Gross Profit and Gross Profit Margin

Gross margin improved from 7.0% to 9.0%, with the company posting US$ 62.4 million of gross profit for the first half of 2023. This was mainly driven by improvement of gross margins, as selling prices are now better aligned with the realities of operating costs in the manufacturing environment. Overhead cost metrics are further helped by topline growth as we see better utilization of IMI manufacturing facilities.

Our management teams implemented programs that significantly reduced labor and overhead costs in our operating sites while further driving manufacturing efficiency. We continue to address the issues related to elevated raw material costs and competitive labor markets, as we remain vigilant of other uncertainties in the industry.

[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 loss Attributable to Parent

The company reported for the first six months of 2023 a net loss of US$83.7 million versus last year's loss of US$5.5 million due to the one-time loss provision recognized related to the sale of STI Enterprise Ltd.

IMI wholly-owned subsidiaries continue to lead the company's financial rebound, contributing US$6.7 million of net income in the first half of 2023. Meanwhile, VIA Optronics and STI Limited narrow their net loss from US$ 9.1 million in 2022 to US$ 6.0 million in 2023.

EBITDA

EBITDA higher by US$3.7 million or 13% due to better operating income.

Financial Condition

We remain resolutely committed to our disciplined approach to capital allocation and to maintaining a robust balance sheet. As of June 30 2023, current ratio stood at 1.43:1 and debt-to-equity ratio was 1.05:1.

On cash flows and liquidity, the extended component shortage and slowdown of global growth prompted an increase in working capital particularly on inventory levels. Because of this, we have been working to improve our loading and execution strategies as well as inventory turnover to best position the business for changing market conditions. Importantly, we continued investing on critical capital expenditure for the new programs that we have won. Capital expenditures amounted to $10.9 million in the six months of 2023 versus $10.3 million in the same period last year. For the full year of 2023, the Company expects to spend $30 to 35 million on capital expenditures for existing operations and new expansion projects.

Key Performance Indicators of the Company

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

	As of end	
	Jun 30, 2023	**Dec 31, 2022**
Performance indicators		
Liquidity:		
Current ratio[a]	1.43x	1.51x
Solvency:		
Debt-to-equity ratio[b]	1.05x	0.83x

	For the six months ended 30 Jun	
	2023	**2022**
Operating efficiency:		
Revenue growth[c]	0.2%	7%
Profitability:		
Gross profit margin[d]	9.0%	7.0%
Net income margin[e]	-12.1%	-1.0%
Return on equity[f]	-24.6%	-1.3%
Return on assets[h]	-7.8%	-1.0%

[ii]EBITDA margin	4.0%	3.5%

[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 2023 versus 30 June 2022)

8% decrease in Operating Expenses ($55.7M to $51.4M)
Mainly due to lower people cost, depreciation and amortization expenses.

53% increase in Interest and bank charges ($6.5M to $9.9M)
Due to higher balance of loans and interest rates during the year compared to last year.

7,361% increase in Miscellaneous loss ($1.4M to -$82.3M)
Due to impairment loss recognized related to the sale of STI amounting to ~$84 million, refer to Note 24.

[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 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.*

11% increase in Provision for Tax ($2.5M to $2.8M)
Increase was due to taxable income from Europe and China sites.

Balance Sheet items
(30 June 2023 versus 31 December 2022)

15% decrease in Cash and Cash Equivalents ($115.8M to $98.8M)
Decrease in cash mainly attributable to increase in working capital and capital expenditures.

12% increase in Receivables ($291.6M to $326.2M)
Mainly due to increase in revenues.

38% decrease in Goodwill ($136.2M to $84.8M)
Mainly due to impairment loss recognized related to the sale of STI.

12% increase in Right-of-use assets ($19.3 to $21.7)
Increase was mainly due additional contracted lease in 2023.

6% increase in Accounts payable and accrued expenses ($301.8 to $321.0M)
Mainly due to increase in trade payables from increasing activities.

12% increase in Trust receipts and loans payable ($192.7M to $15.5M)
Re-availment of short-term loans for working capital purposes.

6% increase in Current portion of lease liabilities ($7.1M to $7.5M)
Related to new lease liability contract.

21% decrease in Current portion of Lease liabilities ($8.4M to $6.7M)
Payments of lease liabilities.

108% increase in Current portion of Long-term debt ($3.0M to $6.3M)
Reclass from long-term.

5% decrease in Noncurrent portion of Long-term debt ($147.4M to $140.7M)
Decrease due to payment of loans.

14% increase in Noncurrent portion of Lease liabilities ($12.9M to $14.6M)
Related to new lease liability contract.

22% decrease in cumulative translation adjustments (-$43.7M to -$34.3M)
Arising from translation of management accounts in Europe and China denominated in their respective local currencies to the Parent Company’s functional currency. The significant movement is due to appreciation of EUR against USD from 1.06 to 1.08 and depreciation of RMB against USD from 6.96 to 7.23.

EXHIBIT 1
FINANCIAL RATIOS
For the Period Ended June 30, 2023 and 2022 and December 31, 2022

Ratios	Formula	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
(i) Current ratio	Current assets / Current Liabilities	**1.43**	**1.52**	1.51
(ii) Quick / Acid ratio	Current assets less inventories, contract assets and other current assets/Current liabilities	**0.78**	**0.81**	0.81
(iii) Solvency ratio	Total Assets / Total Liabilities	**1.47**	**1.61**	1.60
(iv) Debt ratio	Total Debt / Total Assets	**0.34**	**0.30**	0.31
(v) Debt-to-Equity ratio	Bank debts (loans and trust receipts payable and long-term debt) / Total Equity	**1.05**	**0.80**	0.83
(vi) Assets-to-Equity ratio	Total Assets / Total Equity	**3.12**	**2.65**	2.66
(vii) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**-7.45**	**(0.15)**	
(viii) Profitability ratios				
GP margin	Gross Profit / Revenues	**9.0%**	**7.0%**	
Net profit margin	Net Income after Tax / Revenues	**-12.1%**	**-0.8%**	
EBITDA margin	EBITDA / Revenues	**4.0%**	**3.5%**	
Return on assets	Net Income after Tax / Total Asset	**-7.8%**	**-0.5%**	
Return on equity	Net Income after Tax / Average equity attributable to parent	**-24.6%**	**-1.4%**	

	(in US$'000)		
	Jun 30, 2023	**Jun 30, 2022**	**Dec 31, 2022**
Current Assets	801,130	765,388	776,846
Current Liabilities	559,718	504,158	514,773
Total Assets	1,071,736	1,102,286	1,103,884
Bank Debts	362,526	333,151	343,073
Total Liabilities	728,030	685,915	688,601
Total Equity	343,706	416,371	415,284
Average equity Attributable to parent	340,290	388,418	415,122
Revenues	691,893	690,856	
Gross Profit	62,412	48,608	
Net income attributable to equity holders of the parent	(83,663)	(5,514)	
Earnings before interest and taxes	(73,719)	(985)	
Interest expense	9,902	6,472	
EBITDA	27,621	23,963	

PART II--OTHER INFORMATION

1. At the Regular Annual Stockholders' meeting held on April 20, 2023 the stockholders considered and approved the following:

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

  Delfin L. Lazaro (Chairman of the Board)
  Arthur R. Tan (Vice Chairman of the Board)
  Jerome S. Tan
  Alberto M. de Larrazabal
  Rafael C. Romualdez
  Jose Ignacio A. Carlos
  Jaime Z. Urquijo
  Roland Joseph L. Duchâtelet
  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:

<u>Executive Committee</u>
Arthur R. Tan - Chairman
Rafael C. Romualdez – Member
Alberto M. de Larrazabal – Member
Roland Joseph L. Duchâtelet – Member

<u>Audit and Risk Committee</u>
Edgar O. Chua – Chairman (Independent Director)
Rafael C. Romualdez - Member
Hiroshi Nishimura – Member (Independent Director)

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

<u>Personnel and Compensation Committee</u>
Sherisa P. Nuesa – Chairman (Independent Director)
Jaime Z. Urquijo – Member
Jose Ignacio A. Carlos – Member

<u>Finance Committee</u>
Jaime Z. Urquijo – Chairman
Alberto M. de Larrazabal – Member
Rafael C. Romualdez – Member

<u>Proxy Validation Committee</u>
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;

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

Arthur R. Tan	-	Chief Executive Officer
Jerome S. Tan	-	President
Eric De Candido	-	Chief Operations Officer
Ernest Ang	-	Chief Procurement Officer
Mary Ann S. Natividad	-	Chief Commercial Officer
Laurice S. Dela Cruz	-	Chief Finance Officer, Compliance Officer, Acting Chief Risk Officer and Acting Chief Sustainability Officer
Rosalyn O. Tesoro	-	Chief Information Officer and Data Protection Officer
Nick Davey	-	Chief Technology Officer
Anthony Raymond P. Rodriguez	-	Treasurer and Investor Relations 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
and Compliance Officer

Date: August 10, 2023

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

Date: August 10, 2023