**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

July 30, 2020

**Securities and Exchange Commission**
Philippine International Convention Center
Vicente Sotto St., Pasay City 1700

Attention: Atty. Rachel Esther J. Gumpang-Remalante
OIC, Corporate Governance & Finance Department

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

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

**Subject: 1st Half Hampered by Plant Shutdowns due to Pandemic**

**July 30, 2020, Laguna, Philippines —** Integrated Micro-Electronics, Inc. (IMI) booked US$476 million of first half revenue in 2020 as plant shutdowns in various operating regions significantly affected financial results. Facilities in the Philippines, China, and Mexico all adhered to government mandated lockdowns to contain the spread of COVID-19. The global situation led to a 25% year-on-year reduction in top line sales while margins are likewise challenged with gross profit at US$30.5 million equating to a 6.4% margin. Reduction of overhead costs by approximately US$10 million through streamlining initiatives and government incentives helped mitigate the effects of the extended market softness. The addition of one-time inventory provisions totaling around US$3 million increased the total net loss to US$21.5 million in the first half of this year.

Please refer to the attached press release. Thank you!

Very truly yours,

**JEROME S. TAN**
Chief Financial Officer

# 1st Half Hampered by Plant Shutdowns due to Pandemic

**July 30, 2020, Laguna, Philippines —** Integrated Micro-Electronics, Inc. (IMI) booked US$476 million of first half revenue in 2020 as plant shutdowns in various operating regions significantly affected financial results. Facilities in the Philippines, China, and Mexico all adhered to government mandated lockdowns to contain the spread of COVID-19. The global situation led to a 25% year-on-year reduction in top line sales while margins are likewise challenged with gross profit at US$30.5 million equating to a 6.4% margin. Reduction of overhead costs by approximately US$10 million through streamlining initiatives and government incentives helped mitigate the effects of the extended market softness. The addition of one-time inventory provisions totaling around US$3 million increased the total net loss to US$21.5 million in the first half of this year.

Arthur Tan, IMI's president and chief executive officer, said "IMI has endured through several major crises in our 40-year history. Our battle-hardened organization has built IMI for long-term success. Challenging market environments bring opportunity to those who come prepared. IMI's flexibility and expertise in providing the best quality technology solutions will allow us to emerge stronger than we were before."

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

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

"IMI expects a steady improvement in the second half of the year as revised customer forecasts indicate a better recovery than initially expected. The project pipeline continues to be active with US$175 million of new business wins despite the business constraints brought about by the pandemic," Tan added.

**About IMI**

Integrated Micro-Electronics, Inc. (IMI), the manufacturing arm of AC Industrial Technology Holdings, Inc., a wholly-owned subsidiary of Ayala Corporation, is among the leading global technology and manufacturing solutions expert in the world. IMI ranks among the top 20 in the list of top 50 EMS providers in the world by the Manufacturing Market Insider, based on 2019 revenues. In the automotive market, it is the 5th largest EMS provider in the world per New Venture Research.

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

From its 22 manufacturing plants across ten different countries, IMI provides engineering, manufacturing, and support and fulfillment capabilities to diverse industries globally.

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

# INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

## INTERIM CONSOLIDATED BALANCE SHEET

### AS OF JUNE 30, 2020

**(With Comparative Audited Figures as of December 31, 2019)**
**(In thousands)**

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

*(Forward)*

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

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**
**FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**
**(In thousands, except Earnings per Share)**

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

**INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**

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

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

# INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

# INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

## (In thousands)

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

| | Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Other Comprehensive Income (Loss) | | | | |
| . | Capital Stock - Common | Subscribed Capital Stock | Additional Paid-in Capital | Subscriptions Receivable | Retained Earnings | Treasury Stock | Other Components of Equity | Cumulative Translation Adjustment | Remeasurement losses on defined benefit plans | Attributable to Non-controlling Interests | Total |
| Balances at January 1, 2019 | $42,648 | $815 | $146,513 | (3,403) | $236,290 | ($1,013) | ($1,096) | ($12,894) | ($6,236) | $4,812 | $406,436 |
| Effect of finalization of business combination | – | – | – | – | 1,680 | – | – | (263) | – | 2,781 | 4,199 |
| Balances at January 1, 2019, as restated | 42,648 | 815 | 146,513 | (3,403) | 237,970 | (1,013) | (1,096) | (13,157) | (6,236) | 7,593 | 410,635 |
| Issued shares during the period | 11 | (11) | – | – | – | – | – | – | – | – | – |
| Deposit for future subscription | – | – | – | – | – | – | – | – | – | 60,000 | 60,000 |
| Collections on subscriptions | – | – | – | 46 | – | – | – | – | – | – | 46 |
| Forfeitures during the period | – | (35) | (301) | 336 | – | – | – | – | – | – | – |
| Cash dividends on common shares | – | – | – | – | (4,437) | – | – | – | – | – | (4,437) |
| | 42,659 | 769 | 146,212 | (3,021) | 233,533 | (1,013) | (1,096) | (13,157) | (6,236) | 67,593 | 466,244 |
| Net income | – | – | – | – | 5,784 | – | – | – | – | (1,063) | 4,721 |
| Other comprehensive income (loss) | – | – | – | – | – | – | 29 | (2,114) | – | – | (2,085) |
| Total comprehensive income (loss) | – | – | – | – | 5,784 | – | 29 | (2,114) | – | (1,063) | 2,636 |
| **Balances at June 30, 2019** | $42,659 | $769 | $146,212 | ($3,021) | $239,317 | ($1,013) | ($1,067) | ($15,271) | ($6,236) | $66,530 | $468,880 |

| | Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Other Comprehensive Income (Loss) | | | | |
| . | Capital Stock - Common | Subscribed Capital Stock | Additional Paid-in Capital | Subscriptions Receivable | Retained Earnings | Treasury Stock | Other Components of Equity | Cumulative Translation Adjustment | Remeasurement losses on defined benefit plans | Attributable to Non-controlling Interests | Total |
| Balances at January 1, 2019 | **$42,648** | **$815** | **$146,513** | **($3,403)** | **$236,290** | **($1,013)** | **($1,096)** | **($12,894)** | **($6,236)** | **$4,812** | **$406,436** |
| Effect of finalization of business combination | **–** | **–** | **–** | **–** | **1,680** | **–** | **–** | **(263)** | **–** | **2,781** | **4,199** |
| Balances at January 1, 2019, as restated | **42,648** | **815** | **146,513** | **(3,403)** | **237,970** | **(1,013)** | **(1,096)** | **(13,157)** | **(6,236)** | **7,593** | **410,635** |
| Issued shares during the year | **26** | **(26)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Issuance of preferred shares | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **100,000** | **100,000** |
| Collections on subscriptions | **–** | **–** | **–** | **106** | **–** | **–** | **–** | **–** | **–** | **–** | **106** |
| Forfeitures during the year | **–** | **(37)** | **(305)** | **342** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Cash dividends | **–** | **–** | **–** | **–** | **(4,437)** | **–** | **–** | **–** | **–** | **–** | **(4,437)** |
| | **42,674** | **753** | **146,208** | **(2,955)** | **233,533** | **(1,013)** | **(1,096)** | **(13,157)** | **(6,236)** | **107,593** | **506,304** |
| Net loss | **–** | **–** | **–** | **–** | **(7,780)** | **–** | **–** | **–** | **–** | **(5,415)** | **(13,195)** |
| Other comprehensive income (loss) | **–** | **–** | **–** | **–** | **–** | **–** | **360** | **(4,526)** | **(4,215)** | **(949)** | **(9,330)** |
| Total comprehensive income (loss) | **–** | **–** | **–** | **–** | **(7,780)** | **–** | **360** | **(4,526)** | **(4,215)** | **(6,364)** | **(22,525)** |
| **Balances at December 31, 2019** | **$42,674** | **$753** | **$146,208** | **($2,955)** | **$225,753** | **($1,013)** | **($736)** | **($17,683)** | **($10,451)** | **$101,229** | **$483,779** |

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

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