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**: September 30, 2018**

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 [ ]

1,915,636,697common shares are listed with the Philippine Stock Exchange, including 15,892,224 treasury shares as of September 30, 2018.

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

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2018
(With Comparative Audited Figures as of December 31, 2017)
(In thousands)

	(Unaudited) Sep 30, 2018	(As Restated – Note 2) Dec 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$98,864**	$90,627
Receivables - net (Note 5)	**303,661**	263,115
Contract assets (Note 6)	**63,134**	–
Inventories (Note 7)	**195,832**	199,615
Other current assets (Note 8)	**26,863**	27,055
Total Current Assets	**688,354**	580,412
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**186,082**	164,596
Goodwill (Notes 2 and 18)	**141,577**	148,040
Intangible assets - net (Note 10)	**27,055**	22,899
Available-for-sale financial assets (Note 20)	**1,027**	831
Deferred tax assets	**1,048**	3,452
Other noncurrent assets	**1,702**	1,791
Total Noncurrent Assets	**358,491**	341,609
	$1,046,845	$922,021
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**$288,870**	$284,279
Loans and trust receipts payable (Note 12)	**147,987**	135,058
Other financial liabilities (Note 20)	**30,317**	22,318
Current portion of long-term debt (Note 13)	**1,494**	6,873
Income tax payable	**4,283**	3,822
Total Current Liabilities	**472,951**	452,350
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 13 and 20)	**155,055**	158,224
Obligation under finance lease	**235**	224
Net retirement liabilities	**5,334**	5,132
Deferred tax liabilities	**4,295**	2,742
Other noncurrent liabilities (Note 20)	**4,335**	26,086
Total Noncurrent Liabilities	**169,254**	192,408
Total Liabilities	**642,205**	644,758

(Forward)

	(Unaudited) Sep 30, 2018	(As Restated – Note 2) Dec 31, 2017
EQUITY (Note 14)		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**$42,648**	$35,710
Subscribed capital stock	**816**	1,058
Additional paid-in capital	**146,543**	58,121
Subscriptions receivable	**(3,426)**	(5,352)
Unappropriated retained earnings	**230,326**	194,500
Treasury stock	**(1,013)**	(1,013)
Reserve for fluctuation on available-for-sale financial assets	**642**	454
Cumulative translation adjustment	**(10,293)**	(2,302)
Other comprehensive loss	**(7,437)**	(7,437)
	398,806	273,739
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**5,834**	3,524
Total Equity	**404,640**	277,263
	$1,046,845	$922,021

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands, except Earnings per Share)

	Unaudited 2018		Unaudited 2017	
	Jul to Sep	**Jan to Sep**	**Jul to Sep**	**Jan to Sep**
REVENUES FROM CONTRACTS WITH CUSTOMERS	**$342,707**	**$1,011,496**	$294,215	$795,224
COST OF SALES	**307,451**	**904,372**	262,705	707,651
GROSS PROFIT	**35,256**	**107,124**	31,510	87,573
OPERATING EXPENSES (Note 15)	**(23,714)**	**(80,307)**	(22,850)	(57,605)
OTHERS - Net				
Interest and bank charges	**(2,246)**	**(8,676)**	(2,038)	(4,829)
Foreign exchange gains (losses)	**(2,405)**	**(4,809)**	408	1,774
Interest income	**232**	**713**	38	136
Miscellaneous income – net (Note 16)	**6,397**	**36,563**	761	2,133
INCOME BEFORE INCOME TAX	**13,520**	**50,608**	7,829	$29,182
PROVISION FOR INCOME TAX	**(2,926)**	**(7,775)**	(1,205)	(4,954)
NET INCOME	**$10,594**	**$42,833**	$6,624	$24,228
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**$9,778**	**$41,354**	$7,058	$24,099
Non-controlling interests	**816**	**1,479**	(434)	129
	$10,594	**$42,833**	$6,624	$24,228
Earnings Per Share (Note 17)				
Basic and diluted		**$0.019**		$0.013

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands)

	Unaudited 2018		Unaudited 2017	
	Jul to Sep	**Jan to Sep**	**Jul to Sep**	**Jan to Sep**
NET INCOME FOR THE PERIOD	**$10,594**	**$42,833**	$6,624	$24,228
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	**(2,633)**	**(7,991)**	4,570	16,387
Fair value changes on available-for-sale financial assets	**(11)**	**188**	17	44
	(2,644)	**(7,803)**	4,587	16,431
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:				
Remeasurement gains on defined benefit plans	–	–	–	–
	(2,644)	**(7,803)**	4,587	16,431
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**$7,950**	**$35,030**	$11,211	$40,659
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**$7,134**	**$33,551**	$11,645	$40,530
Non-controlling interests	**816**	**1,479**	(434)	129
	$7,950	**$35,030**	$11,211	$40,659

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(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 Unappropriated	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests	Total
Balances at January 1, 2018, as previously reported	$35,710	$1,058	$58,121	($5,352)	$194,500	($1,013)	$454	($2,302)	($7,437)	$2,855	$276,594
Cumulative catch-up adjustment due to adoption of PFRS 15	–	–	–	–	4,603	–	–	–	–	296	4,899
Effect of finalization of business combination (Note 2)	–	–	–	–	–	–	–	–	–	669	669
Balances at January 1, 2018, as adjusted	35,710	1,058	58,121	(5,352)	199,103	(1,013)	454	(2,302)	(7,437)	3,820	282,162
Issued shares during the period	220	(220)	–	–	–	–	–	–	–	–	–
Issued shares from stock rights offer	6,718	–	89,213	–	–	–	–	–	–	–	95,931
Transaction costs on shares issuance	–	–	(631)	–	–	–	–	–	–	–	(631)
Cost of share-based payments	–	–	30	–	–	–	–	–	–	–	30
Collections on subscriptions	–	–	–	1,714	–	–	–	–	–	–	1,714
Forfeitures during the period	–	(22)	(190)	212	–	–	–	–	–	–	–
Increase in non-controlling interest due to the acquisition of a subsidiary during the period	–	–	–	–	–	–	–	–	–	535	535
Cash dividends	–	–	–	–	(10,130)	–	–	–	–	–	(10,130)
	42,648	816	146,543	(3,426)	188,973	(1,013)	454	(2,302)	(7,437)	4,355	369,611
Net income	–	–	–	–	41,353	–	–	–	–	1,479	42,832
Other comprehensive income (expense)	–	–	–	–	–	–	188	(7,991)	–		(7,803)
Total comprehensive income (expense)	–	–	–	–	41,353	–	188	(7,991)	–	1,479	35,029
Balances at September 30, 2018	$42,648	$816	$146,543	($3,426)	$230,326	($1,013)	$642	($10,293)	($7,437)	$5,834	$404,640

	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 Unappropriated	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interest	Total
Balances at January 1, 2017	$34,936	$1,857	$70,928	($12,335)	$168,932	($1,013)	$369	($20,640)	($6,428)	$1,261	$237,867
Issued shares during the period	534	(534)	–	–	–	–	–	–	–	–	–
Cost of share-based payments	–	–	235	–	–	–	–	–	–	–	235
Forfeitures during the period	–	(25)	(198)	223	–	–	–	–	–	–	–
Collections on subscriptions	–	–	–	1,136	–	–	–	–	–	–	1,136
Effect of recognition of financial liability arising from put options on business combination	–	–	(12,877)	–	–	–	–	–	–	–	(12,877)
Increase in non-controlling interest due to the acquisition of a subsidiary during the period	–	–	–	–	–	–	–	–	–	2,278	2,278
Cash dividends	–	–	–	–	(8,434)	–	–	–	–	–	(8,434)
	35,470	1,298	58,088	(10,976)	160,498	(1,013)	369	(20,640)	(6,428)	3,539	220,205
Net income	–	–	–	–	24,099	–	–	–	–	129	24,228
Other comprehensive income	–	–	–	–	–	–	44	16,387	–	–	16,431
Total comprehensive income	–	–	–	–	24,099	–	44	16,387	–	129	40,659
Balances at September 30, 2017	$35,470	$1,298	$58,088	($10,976)	$184,597	($1,013)	$413	($4,253)	($6,428)	$3,668	$260,864

	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	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Remeasure-ment losses on defined benefit plans	Attributable to Non-controlling Interests	Total
Balances at January 1, 2017, as previously reported	$34,936	$1,857	$70,928	($12,335)	$168,932	($1,013)	$368	($20,639)	($6,428)	$1,261	$237,867
Effect of finalization of business combination	–	–	–	–	–	–	–	–	–	1,460	1,460
Balances at January 1, 2017, as restated	34,936	1,857	70,928	(12,335)	168,932	(1,013)	368	(20,639)	(6,428)	2,721	239,327
Issued shares during the year	774	(774)	–	–	–	–	–	–	–	–	–
Cost of share-based payments	–	–	262	–	–	–	–	–	–	–	262
Reacquired shares	–	–	–	–	–	–	–	–	–	–	–
Collections on subscriptions	–	–	–	6,766	–	–	–	–	–	–	6,766
Forfeitures during the year	–	(25)	(192)	217	–	–	–	–	–	–	–
Effect of recognition of financial liability arising from put option on business combination	–	–	(12,877)	–	–	–	–	–	–	–	(12,877)
Decrease in non-controlling interest due to acquisition of a subsidiary during the year	–	–	–	–	–	–	–	–	–	362	362
Cash dividends	–	–	–	–	(8,434)	–	–	–	–	–	(8,434)
	35,710	1,058	58,121	(5,352)	160,498	(1,013)	368	(20,639)	(6,428)	3,083	225,406
Net income	–	–	–	–	34,002	–	–	–	–	441	34,443
Other comprehensive income (loss)	–	–	–	–	–	–	86	18,337	(1,009)	–	17,414
Total comprehensive income (loss)	–	–	–	–	34,002	–	86	18,337	(1,009)	441	51,857
Balances at December 31, 2017	$35,710	$1,058	$58,121	($5,352)	$194,500	($1,013)	$454	($2,302)	($7,437)	$3,524	$277,263

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands)

	Unaudited 2018 Jan to Sep	Unaudited 2017 Jan to Sep
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$50,608**	$29,182
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	**23,130**	19,015
Impairment loss on goodwill (Note 16 and 18)	**9,593**	525
Interest expense	**8,675**	4,829
Amortization of intangible assets (Note 10)	**4,604**	3,764
Unrealized foreign exchange losses (gains)	**4,436**	(323)
Mark-to-market loss on put options (Note 16 and 20)	**4,136**	(177)
Cost of share-based payments	**30**	235
Gains on sale of property, plant and equipment (Note 9)	**(107)**	(611)
Interest income	**(713)**	(136)
Net gain on disposal of a subsidiary (Notes 11, 15 and 16)	**(19,062)**	–
Reversal of contingent liability (Note 16)	**(20,706)**	–
Operating income before working capital changes	**64,624**	56,303
Changes in operating assets and liabilities:		
Increase in:		
Loans and receivables	**(44,392)**	(52,686)
Contract asset	**(1,865)**	–
Inventories	**(52,033)**	(39,396)
Other current assets	**(169)**	(5,076)
Increase (decrease) in:		
Accounts payable and accrued expenses	**23,938**	36,163
Advances from third party	**(9,231)**	6,615
Retirement liabilities	**148**	(146)
Other noncurrent liabilities	**1,384**	(143)
Net cash provided by (used in) operations	**(17,596)**	1,634
Interest received	**713**	148
Interest paid	**(8,138)**	(3,692)
Income tax paid	**(6,436)**	(3,223)
Net cash used in operating activities	**(31,457)**	(5,133)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment (Note 9)	**(46,960)**	(46,295)
Intangible assets (Note 10)	**(326)**	(2,686)
Capitalized development costs (Note 10)	**(3,226)**	(3,646)
Acquisition through business combination (Note 2)	**(1,966)**	(25,704)
Proceeds from sale of property, plant and equipment	**430**	1,602
Decrease in other noncurrent assets	**90**	506
Net cash used in investing activities	**(51,958)**	(76,223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans (Note 22)	**21,398**	87,789
Payment of loans (Note 22)	**(16,400)**	(23,608)
Dividends paid to equity holders of the Parent Company	**(10,130)**	(8,435)
Proceeds from stock rights offering (Note 14)	**95,931**	–
Settlement of derivatives	**(30)**	–
Collections of subscriptions receivable	**1,714**	1,136
Net cash provided by financing activities	**92,483**	56,882
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**(831)**	496
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**8,237**	(23,978)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**90,627**	86,549
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	**$98,864**	$62,571

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Basis of Financial Statement Preparation

Integrated Micro-Electronics, Inc. (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 52.04% 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 47.74% owned by Mermac, Inc., 10.15% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is 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.

The accompanying unaudited interim condensed consolidated financial statements as of and for the six months periods ended June 30, 2018 and 2017 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, 2017, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries collectively referred to as the "Group".

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) investments and financial liabilities arising from the put options and contingent consideration and derivative liability that have been measured at fair value. 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.

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, 2017.

The accompanying unaudited interim condensed consolidated financial statements were approved and authorized for release by the Audit Committee on October 30, 2018.

2. Group Information

<u>Information about Subsidiaries</u>

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

Subsidiary	Percentage of Ownership 2018	2017	Country of Incorporation	Functional Currency
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	**100.00%**	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	**100.00%**	100.00%	China	Renminbi (RMB)
Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE) [a]	**–**	100.00%	China	USD
IMI Technology (Shenzhen) Co. Ltd. [a]	**100.00%**	100.00%	China	USD
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	USD
Speedy-Tech (Philippines), Inc. (STPH) [b]	**100.00%**	100.00%	Philippines	USD
Cooperatief IMI Europe U.A. [c]	**100.00%**	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD	**100.00%**	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	**100.00%**	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš	**100.00%**	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	**100.00%**	100.00%	Czech Republic	EUR
IMI Display s.r.o. [d]	**100.00%**	100.00%	Czech Republic	EUR
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V.	**100.00%**	100.00%	Mexico	USD
Integrated Micro-Electronics Manufactura S.A.P.I. de C.V.	**100.00%**	100.00%	Mexico	Mexican Peso (MXP)
IMI France SAS (IMI France)	**100.00%**	100.00%	France	EUR
VIA Optronics GmbH (VIA)	**76.01%**	76.01%	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**76.01%**	76.01%	China	RMB
VIA Optronics LLC (VIA LLC)	**76.01%**	76.01%	USA	USD
VTS-Touchsensor Co., Ltd.	**49.41%**	–	Japan	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	**80.00%**	80.00%	United Kingdom	GBP
STI Philippines Inc.	**80.00%**	80.00%	Philippines	PHP
STI Asia Ltd	**80.00%**	80.00%	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd [d]	**80.00%**	80.00%	United Kingdom	GBP
IMI USA	**100.00%**	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	Japan	USD
PSi	**100.00%**	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [d]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [d]	**64.00%**	64.00%	Philippines	USD

[a] *New entity incorporated in Shenzhen which now runs the manufacturing operations of Pingshan and Kuichong. The sale of SZSTE was completed as of June 30, 2018.*

[b] *STPH's business operations were integrated as part of the Parent Company in 2013 wherein a Deed of Assignment was executed between the Parent Company and STPH. STPH is a dormant company.*

[c] *Previously under Monarch Elite Ltd. In June 2017, Monarch agreed to sell its net assets and transfer its membership rights to IMI Singapore. Monarch is in the process of liquidation.*

[d] *In the process of liquidation*

<u>Business Combinations</u>

Acquisition of VTS-Touchsensor Co., Ltd. (VTS)

On April 9, 2018, VIA Optronics GmbH ("VIA") and Toppan Printing Co., Ltd. ("Toppan") have agreed to form a new joint venture company to serve the market for copper-based metal mesh touch sensors by transferring 65% of the shares of Toppan Touch Panel Products Co., Ltd., a newly formed spin-off from Toppan, to VIA. The name of the new joint venture company is VTS-Touchsensor Co., Ltd. (“VTS”).

VTS will develop and manufacture the metal mesh touch sensors in Japan on the existing premises of Toppan. The new setup will strengthen VIA’s portfolio of differentiated and value-added sensor technology for touch panels, touch-display modules, display head assemblies, and interactive display systems across multiple markets and segments.

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

The purchase price allocation for the acquisition of VTS has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair valuation computation, and reasonable changes are expected as additional information becomes available. The provisional goodwill recognized on the acquisition can be attributed to its years of knowledge and experience of market requirements, system-level design, and production in the automotive, consumer and industrial markets to support further development of the core sensor technology.

The provisional fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows:

	Provisional Fair Values (in US$’000)
Assets	
Receivables	$185
Inventories	1,244
Property, plant and equipment	97
Intangible assets	5,258
	6,784
Liabilities	
Other noncurrent liabilities	5,254
Net Assets	**$1,530**
Non-controlling interest (35%)	(535)
Goodwill	971
Cost of Acquisition	**$1,966**

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

Acquisition-related costs, which consists of professional and legal fees, travel and recruitment services amounting to $1.07 million were recognized as expense in 2018.

From the date of acquisition, VTS contributed $18.11 million of revenue and $1.97 million profit before tax to the group.

Acquisition of STI
On April 6, 2017, IMI, through its indirect subsidiary IMI UK, has entered into an agreement with the shareholders of STI for the acquisition of an 80% stake in STI. The closing of the transaction transpired on May 16, 2017 upon completion of pre-closing conditions and regulatory approvals.

In 2017, the purchase price allocation for the acquisition of STI has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation.

The Group finalized the purchase price allocation with the following changes to the provisional values based on additional information subsequently obtained:

Assets	**Fair Values**	**Provisional Values**
Cash and cash equivalents	$4,046	$4,045
Receivables	11,196	11,605
Inventories	13,534	13,897
Other current assets	3,445	3,951
Property, plant and equipment	5,964	5,984
Intangible asset	1,438	370
	39,623	39,852
Liabilities		
Trade payable and other current liabilities	25,404	24,442
Short and long-term debt	15,108	15,108
Other noncurrent liabilities	1,484	1,838
	41,996	41,388
Net Assets	**($2,373)**	($1,536)
Non-controlling interest (20.00%)	**475**	307
Goodwill	**56,624**	55,955
Cost of acquisition	**$54,726**	$54,726

The changes in the fair value pertain to the audited balances of STI as of acquisition date. No significant changes were made to the fair value of property, plant and equipment. Management also assessed that there's no existing customer relationship or other intangible asset to be recognized for STI.

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Group as of September 30, 2018 and December 31, 2017 and for each of the two years in the period ended September 30, 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time PFRS 15, *Revenue from Contracts with Customers*, and PFRS 9, *Financial Instruments*. As required by PAS 34, the nature and effect of these changes are disclosed below.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  Based on the Group's assessment, the requirements of PFRS 15 on the following may have an impact on the Group's consolidated financial position, performance and disclosures:

  - Identification of services from assembly stage to packaging stage as one performance obligation
  - Variable considerations such as prompt payment discounts, volume discounts, rebates, and price reduction
  - Recognition of revenue over time given that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

  The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, the effect of these changes is not expected to be material for the Group.

  Rendering of services
  The Group is in the business of providing electronics manufacturing and other related services to various customers. In general, a valid and approved manufacturing sales agreement (MSA)/scheduling agreement (SA), customer accepted quote, customer forecast, or customer purchase order/delivery schedule, will be in place before the Group provides services or manufacture goods to customers. IMI is not obligated to transfer any goods or provide services until the customer submits a purchase order or firm delivery schedule under the MSA or SA, respectively. It's the customers' firm purchase order or firm delivery schedule which generally creates the enforceable rights and obligations and is therefore evaluated together with the MSA/SA for revenue recognition in accordance with PFRS 15.

  Prior to the adoption of PFRS 15, the Group recognized revenue from sale of goods when goods are shipped or goods are received by the customer (depending on the corresponding agreement with the customers), title and risk of ownership have passed, the price to the buyer is fixed or determinable, and recoverability is reasonably assured. Revenue from sale of services was recognized when the related services to complete the required units have been rendered.

  The Group's contract with customers may include the following services, which are treated as one performance obligation:

  - Issuance of materials to production
  - Assembly services
  - Testing
  - Packaging

  Under PFRS 15, the Group assessed that revenue from contracts with customers shall be recognized over time as services are rendered and when the products, including tooling, produced or repaired for the customers have no alternative use to the Group and that the Group has the right to charge the customer for the equivalent costs incurred for the units produced/repaired, including the related profit margin, in case of termination. On consignment arrangement where only assembly services are provided, revenue will be recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as IMI performs.

As provided for under PFRS 15, control is transferred, and therefore, revenue is recognized, over time if one of the following criteria is met:

a. The customer simultaneously receives and consumes the benefits as the Company perform its obligation in the contract
b. The Company's performance creates or enhances an asset (for example, work in process) that the customer controls as the asset is created or enhanced
c. The Company's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Variable considerations
Some contracts provide customers with a right of return and volume rebates. Prior to the adoption of PFRS 15, the Group recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under PFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

The Group will ensure that material variable considerations for each contract have been assessed for proper revenue recognition in accordance with IFRS 15.

The Group adopted the new standard on the required effective date using the modified retrospective method and elected to apply that method only to those contracts that were not completed at the date of initial application. The effects of the adoption of PFRS 15 on the consolidated financial statements as of September 30, 2018 and January 1, 2018 are as follows:

Consolidated Balance Sheets

Increase (decrease) in:	Sep 30, 2018 (Unaudited)	Jan 1, 2018 (Unaudited)
Contract assets	**$14,695**	48,438
Inventories	**(12,830)**	(42,683)
Deferred tax liabilities	**327**	857
Retained earnings	**1,717**	4,603
Non-controlling interests in balance sheet	**315**	295
Cumulative translation adjustment	**494**	–

Consolidated Statements of Income

	Sep 30, 2018 (Unaudited)
Sales	$15,868
Cost of sales	(13,509)
Provision for deferred tax	(327)
Share of non-controlling interest	(315)
	$1,717

There is no material impact on the consolidated statement of cash flows.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.
  The adoption of PFRS 9 will change the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

  PFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

  ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.
  For Contract assets and Trade and other receivables, the Group will apply the standard's simplified approach and will calculate ECLs based on lifetime expected credit losses. The Group will establish a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

  Based on initial assessment, the Group expects the impact of this standard to be immaterial as it does not have significant historical credit loss experience.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is currently assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not expected to have any impact on the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

4. **Cash and Cash Equivalents**

This account consists of:

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
Cash on hand	**$264**	$82
Cash in banks	**71,108**	67,581
Short-term investments	**27,492**	22,964
	$98,864	$90,627

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

Cash and cash equivalents in 2018 include proceeds from the stock rights offering amounting to $95.93 million (see Note 14). As of September 30, 2018, the remaining balance of the proceeds amounting to $27.42 million are placed in various time deposits for varying periods up to three months and earns interests at the respective short-term investment rates ranging from 1.70% to 4.00% per annum.

5. **Receivables - net**

This account consists of:

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
Trade	**$291,137**	$252,636
Nontrade	**11,386**	10,142
Due from related parties	**1,457**	794
Receivable from insurance	**1,085**	1,076
Receivable from employees	**453**	425
Others	**32**	52
	305,550	265,125
Less allowance for doubtful accounts	**1,889**	2,010
	$303,661	$263,115

Trade

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

Nontrade

Nontrade receivables represent billings to customers for production and test equipment and all other charges agreed with the customers in carrying out business operations. These receivables have credit terms averaging 45 days from invoice date. This account also includes outstanding receivables from Jinnuo related to the share sale agreement amounting to $6.2 million although actual transfer of shares was already completed as of June 30, 2018.

Receivable from insurance
Claims to damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to $1.08 million was fully provided with allowance for doubtful accounts.

Receivable from employees
Receivable from employees pertain to loans granted to the Group's officers and employees which are collectible through salary deduction.

Allowance for Doubtful Accounts
Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of $1.89 million as of September 30, 2018 and December 31, 2017, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Provision and reversals for doubtful accounts recognized for the nine-month period ended September 30, 2018 and 2017 amounted to ($0.12) million and $0.25 million, respectively. Provisions during the period form part of "Operating Expenses" account.

6. Contract Assets

Contract assets recognized upon adoption of PFRS 15 amounted to $63.13 million and $48.44 million as of September 30, 2018 and January 1, 2018, respectively. This represents entity's right to payment for services already transferred to a customer if that right to payment is conditional on something other than the passage of time. Contract assets are reclassified as a receivable when the entity's right to payment is unconditional.

The increase in contract assets is attributable to the increase in undelivered firm customer orders, which are either in-progress or completed.

7. Inventories

Increase in inventories inclusive of inventory items recognized as contract assets, was attributable to growth of turnkey businesses particularly in China, Philippines, and Mexico in anticipation for the next quarter's demand.

Provisions and reversals for inventory obsolescence and allowance for decline in inventories, recognized for the nine-month period ended September 30, 2018 and 2017 amounted to $0.87 million and ($0.18) million, respectively.

8. Other Current Assets

This account consists of:

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
Tax credits	**$7,694**	$3,687
Input taxes	**6,438**	8,505
Advances to suppliers	**6,270**	7,634
Prepayments	**6,046**	6,611
Others	**415**	618
	$26,863	$27,055

Tax Credits
Tax credits include tax incentives to be applied to future taxable profits of IMI MX and IMI BG and amounts withheld from income tax payments of the Parent Company and PSi.

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

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

Prepayments
Prepayments include prepayments for life and fire insurance, rent and product liability, and recall insurance, which cover product recall expenses and liability to third parties seeking damage in the event the Group recalls any of its products.

9. Property, Plant and Equipment - net

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
Property, Plant and Equipment	**$326,663**	$301,187
Less: Accumulated Depreciation	**138,849**	134,859
Accumulated Impairment losses	**1,732**	1,732
Property, Plant and Equipment (Net)	**$186,082**	$164,596

Additions to property, plant and equipment for the nine-month period ended September 30, 2018 amounted to $46.96 million comprise mainly of purchases of machinery and equipment and construction-in-progress related to facilitation and set up of production lines.

Depreciation expense amounted to $23.13 million and $19.0 million for the nine-month period ended September 30, 2018 and 2017, respectively.

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments for the nine-month period ended June 30, 2018 and 2017 amounting to $0.11 million and $0.61 million, respectively.

10. Intangible Assets - net

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
Intangible Assets	**$68,533**	$52,801
Less: Accumulated Amortization	**40,953**	29,377
Accumulated Impairment losses	**525**	525
Intangible Assets (Net)	**$27,055**	$22,899

Intangible assets consist of computer software, intellectual properties and product development costs with net book value of $5.41 million, $9.86 million and $11.78 million, respectively, as of September 30, 2018.

Additions amounting to $0.33 million comprise mainly of acquisitions of computer software, applications and modules.

VIA's intellectual properties pertain to display system optically bonded to a display region and enhanced liquid crystal display system and methods with a fair value amounting to $8.34 million at acquisition date.

Acquisition through business combination in connection with the establishment of VTS-Touchsensor Co., Ltd., a new joint venture company between VIA and Toppan, amounted to ¥568.68 million ($5.25 million). Toppan has agreed to transfer to VTS the Intellectual Property relevant to run the business through a shareholder loan to be paid in equal amount over 5 years, 65% of which will be through VIA which is eliminated at consolidated level, while 35% is through non-controlling interest and included under "Other noncurrent liabilities" amounting to $1.79 million.

Product development costs include capitalized costs arising from the development phase of certain projects which are still under qualification. Capitalized costs during the period amounted to $3.23 million.

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The projects to which the development costs pertain to represent the CGU of the intangible assets. The recoverable amounts of these CGUs have been determined using cash flow projections from financial budgets approved by management covering a 5-year period, which is within the expected life cycle of the projects.

Amortization for all intangibles amounted to $4.60 million and $3.76 million for the nine-month period ended September 30, 2018 and 2017, respectively.

11. Accounts Payable and Accrued Expenses

This account consists of:

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
Trade payables	**$212,107**	$185,143
Accrued compensation and benefits	**25,253**	24,234
Accrued expenses	**20,149**	25,770
Nontrade payables	**14,194**	12,785
Advances from a third party	**11,947**	20,772
Customers' deposits	**1,927**	1,352
Accrued interest payable	**1,613**	1,076
Taxes payable	**541**	3,660
Employee-related contributions	**636**	633
Current portion of obligation under finance lease	**240**	246
Due to related parties (Note 18)	**46**	10
Advances from customers	**–**	7,711
Derivative liabilities	**–**	30
Others	**217**	857
	$288,870	$284,279

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

Accrued Compensation and Benefits
Accrued compensation and benefits include 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. This also includes advances from directors of STI which are payable on demand.

Accrued Expenses
Accrued expenses consist mainly of accruals for taxes, professional fees, utilities, sub-contractual costs and supplies.

Customers' Deposits
The amount pertains to advance payments made by customers as manufacturing bond.

Taxes Payable
Taxes payable pertain to taxes withheld such as fringe benefits tax and withholding taxes on purchased goods and services. Withholding taxes payable are expected to be settled within the next financial year.

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

Advances from Customers
Advances from customers include financial liabilities pertaining to commercial agreements with certain customers of VIA with interest ranging from 3.55% to 5.00%, current portion of PSi's advances from local customers, and advance payments made by customers for goods and services of the Parent Company and STEL.

Advances from a Third Party
The amount pertains to the deposit received related to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the relocation of its manufacturing facility in Liantang, Luohu to Pingshan, in line with the urban redevelopment projects of the Shenzhen City government. Share transfer was completed as of June 30, 2018. The balance in the account is to be refunded to the buyer after final handover. The gain recognized from the transaction amounted to $27.48 million included under "Miscellaneous income" in the consolidated statements of income, less plant relocation costs amounting to $8.42 million (see Notes 15 and 16).

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

12. Loans and Trust Receipts Payable

This account consists of borrowings of the following entities:

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
Parent Company	**$89,000**	$93,000
STEL	**32,610**	24,000
VIA	**24,706**	12,462
STI	**700**	3,736
IMI CZ	**971**	1,659
PSi	**–**	201
	$147,987	$135,058

Parent Company
As of September 30, 2018 and December 31, 2017, the Parent Company has unsecured short-term loans aggregating to $89.00 million and $93.00 million, respectively, with maturities ranging from 30 to 75 days, and fixed annual interest rates ranging from 2.175% to 2.85% in 2018 and 1.82% to 2.34% in 2017.

STEL
The loans of STEL are from existing revolving credit facilities with Singapore-based banks and bear annual interest rate ranging from 3.88% to 5.05% in 2018 and 2.88% to 4.31% in 2017, and additional loan from China-based bank with a term of one year and bear annual interest rate of 4.785%.

VIA
The loans of VIA consist of factoring loan from China-based banks denominated in USD and RMB aggregating $17.04 million as of September 30, 2018 and $10.07 million as of December 31, 2017 with terms ranging from 70 to 150 days and annual interest rate from 3.16% to 3.77% and loan from a German-based bank amounting to €6.6 million ($7.67 million) in 2018 and €2.0 million ($2.39 million) in 2017 with term of 90 and bears interest rate of 1.95% per annum.

STI
STI has unsecured short-term loans from a local bank amounting to $0.70 million as of September 30, 2018 and $3.20 million as of December 31, 2017, and UK-based bank of £0.40 million ($0.54 million) as of December 31, 2017, with term of 240 days and annual interest rates ranging from 3.9% to 4.7%.

IMI CZ
The loans of IMI CZ are from existing revolving credit facilities with Czech-based bank which bear annual interest based on 1-month EURIBOR plus 1.20%.

PSI
PSI has trust receipts payable amounting to nil as of September 30, 2018 and $0.20 million as of December 31, 2017.

13. **Long-Term Debt**

This account consists of borrowings of the following entities:

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
Parent Company	**$152,500**	$154,500
Cooperatief	**–**	5,096
IMI CZ	**3,896**	5,066
VIA	**95**	196
IMI BG	**58**	239
	156,549	165,097
Less current portion:		
Parent Company	**–**	–
Cooperatief	**–**	5,096
IMI CZ	**1,341**	1,403
VIA	**95**	135
IMI BG	**58**	239
	1,494	6,873
Noncurrent portion	**$155,055**	$158,224

Parent Company
The long-term debts of the Parent Company aggregating $152.50 million were obtained from Singapore-based and local banks with terms of three to five years, subject to fixed annual interest rates ranging from 2.15% to 3.94%.

Loan covenants related to the Parent Company's loans are as follows:

- The ratio of debt to EBITDA shall not exceed 3:1 at all times, with reference to the borrower's consolidated financial statements;
- Maintenance of debt service coverage ratio of at least 1.5:1;
- Maintenance at all times of a current ratio of at least 1:1; and
- Maintenance of a debt-to-equity ratio, computed with reference to the borrower's consolidated financial statements, of not greater than 1.75:1.

As of September 30, 2018 and December 31, 2017, the Parent Company has complied with all of the above-mentioned loan covenants.

Cooperatief

The purchase consideration for the acquisition of IMI EU/MX Subsidiaries in 2011 includes the deferred payment aggregating to €14.25 million ($20.40 million) relating to the acquisition of EPIQ NV's shares and purchased receivables of EPIQ NV from IMI EU/MX Subsidiaries. Based on the payment schedule in the SPA, this long-term debt will be settled from 2013 to 2018, subject to interest rate of 1.60% plus 1.50%.

Cooperatief had already paid an aggregate amount of €14.25 million from 2013 to 2017 with an annual payment of €2.00 million every July of each year. The last instalment of €4.25 million ($4.95 million) was paid in August 6, 2018.

IMI CZ

IMI CZ has unsecured term loan facility from Czech-based bank payable in 60 regular monthly installments and bears interest of 1-month EURIBOR plus spread ranging from 0.9% to 2.70% but is not to exceed 15% per annum. Outstanding balance as of September 30, 2018 and December 31, 2017 amounted to €3.35 million ($3.90 million) and €4.23 million ($5.07 million), respectively.

IMI BG

IMI BG has a long-term debt from European-based bank that relates to the term loan facility for financing the construction of a new warehouse with a term of five years and bears interest based on 3-month EURIBOR plus 2.90%. The loan will mature on December 2018. The warehouse was completed in 2013.

The credit facility with the bank is subject to the following collateral: Security of Transfer of Ownership Title relating to office and factory equipment with a carrying value of $1.35 million.

VIA

VIA has a long-term debt from Germany-based bank amounting to €0.08 million ($0.09 million) as of September 30, 2018 and €0.16 million ($0.20 million) as of December 31, 2017. The loan is unsecured and bears annual interest of 5.35% and matures on June 30, 2019.

14. **Equity**

Authorized Capital Stock

On February 15, 2017, the Parent Company's Board of Directors approved the proposed decrease of authorized capital stock of the Parent Company to reflect the retirement of the redeemed ₱1.3 billion redeemable preferred shares and the corresponding amendment to the Articles of Incorporation.

On April 13, 2018, the stockholders, during the Parent Company's annual stockholders' meeting, approved the increase in the authorized capital stock of the corporation from ₱2,450,000,000 to ₱3,000,000,000 and the corresponding amendment of the Seventh Article of the Articles of Incorporation.

Paid-up Capital

On January 30, 2018, IMI obtained the approval of the PSE for a stock rights offer of up to 350,000,000 new common shares to eligible shareholders. Under the rights offer, each shareholder is entitled to subscribe to one rights share for every 5.3551 existing common shares held as of record date February 14, 2018. The offer price was determined to be at ₱14.28 per rights share which was based on the 30-day volume-weighted average price of IMI common shares listed at the PSE as of February 7, 2018 at a discount of 25.3%. On March 2, 2018, the Parent Company completed the offer and the listing of the shares, raising ₱5.00 billion ($95.93 million) of proceeds to fund capital expenditures and support business expansions and refinance debts. The Parent Company has 2,217,293,215 issued and outstanding shares after the offer.

Dividends

On February 20, 2018, the BOD of the Parent Company approved the declaration of cash dividend of $0.00458 or ₱0.235 per share to all outstanding common shares as of record date of March 7, 2018 paid on March 21, 2018.

Retained Earnings
Retained earnings was adjusted for the effect of the adoption of PFRS 15. This resulted to a cumulative catch-up adjustment to the opening balance of retained earnings as of January 1, 2018 with an increase amounting to $4.60 million.

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 September 30, 2018 and December 31, 2017.

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.

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
Trust receipts and loans payable	**$147,987**	$135,058
Long-term bank borrowings	**156,549**	160,001
Total bank debt	**304,536**	295,059
Less cash and cash equivalents	**98,864**	90,627
Net bank debt	**$205,672**	$204,432
Equity attributable to equity holders of the Parent Company	**$398,806**	$273,739
Debt-to-equity ratio	**0.76:1**	1.08:1
Net debt-to-equity ratio	**0.52:1**	0.75:1

The Group is not subject to externally imposed capital requirements.

15. **Operating Expenses**

	Sep 30, 2018 (Unaudited)	Sep 30, 2017 (Unaudited)
	(In thousands)	
Salaries, wages and employee benefits	**$43,316**	$29,443
Plant relocation costs	**8,417**	–
Depreciation and amortization	**5,351**	4,589
Facilities costs and others	**23,223**	23,573
	$80,307	$57,605

Facilities costs and others include utilities, outsourced activities, technology related, government related, travel and transportation, and other expenses.

The plant relocations costs represent additional employee relocation incentive during the year related to the transfer of China operations from Liantang, Luohu to Pingshan. This is in line with the urban redevelopment projects of the Shenzhen City government.

16. **Miscellaneous - net**

	Sep 30, 2018 (Unaudited)	Sep 30, 2017 (Unaudited)
	(In thousands)	
Gain on disposal of a subsidiary	**$27,479**	$–
Reversal of contingent liability	**20,706**	–
Financial subsidies	**1,120**	–
Impairment loss on goodwill	**(9,593)**	–
Mark-to-market gains (loss) on put options (Note 20)	**(4,136)**	218
Non-recurring engineering (NRE) income	**758**	1,126
Others	**229**	789
	$36,563	$2,133

The gain recognized from sale of Shenzhen entity amounted to $27.48 million. Less employee-related costs of $8.42 million, net gain amounted to $19.06 million.

The reversal of contingent liability pertains to expected earn out based on target normalized EBITDA performance in relation to the acquisition of STI which did not materialize in 2018.

Financial subsidies pertain to business technology grants provided by the government.

The annual impairment assessment of the goodwill of STEL resulted to partial impairment amounting to $9.59 million triggered by slower growth of the China operations.

NRE income pertains to services provided to customers under new product introduction which includes test services, sample runs or prototypes, and jigs and fixtures.

17. **Earnings per Share**

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

	Sep 30, 2018 (Unaudited)	Sep 30, 2017 (Unaudited)
	(In thousands)	
Net income	**$41,354**	$24,099
Weighted average number of common shares outstanding	**2,133,022**	1,861,995
Basic and diluted	**$0.019**	$0.013

As of September 30, 2018 and 2017, the Parent Company has no dilutive potential common shares.

18. **Segment Information**

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and net income before and after tax of its major manufacturing sites. Philippine operation is further subdivided into the Parent Company and PSi, IMI BG and IMI CZ are combined under Europe based on the industry segment and customers served, VIA and STI are combined under Germany/UK representing newly-acquired subsidiaries, IMI USA, IMI Japan and IMI Singapore/ROHQ are combined being the 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.
Intersegment revenue is generally recorded at values that approximate third-party selling prices.

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's location for the nine-month period ended September 30, 2018 and 2017:

	Philippines							Consolidation	
September 30, 2018 (Unaudited)	**Parent Company**	**PSi**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**and Eliminations**	**Total**
Revenue:									
Third party	**$182,162**	**$27,960**	**$250,058**	**$244,902**	**$73,508**	**$231,695**	**$1,211**	**$–**	**$1,011,496**
Intersegment	**1,655**	**–**	**25**	**–**	**138**	**–**	**3,873**	**(5,691)**	**–**
Total revenue	**$183,817**	**$27,960**	**$250,083**	**$244,902**	**$73,646**	**$231,695**	**$5,084**	**($5,691)**	**$1,011,496**
Segment interest income	**$2,302**	**$1**	**$702**	**$–**	**$–**	**$–**	**$1,694**	**($3,986)**	**$713**
Segment interest expense and bank charges	**($5,830)**	**($482)**	**($1,154)**	**($507)**	**($1,624)**	**($3,062)**	**($5)**	**$3,986**	**($8,678)**
Segment profit (loss) before income tax	**$7,346**	**$487**	**$17,364**	**$24,763**	**($9,267)**	**$9,276**	**$918**	**($280)**	**$50,607**
Segment provision for income tax	**(1,866)**	**(105)**	**1,116**	**(2,568)**	**(228)**	**(4,086)**	**(301)**	**263**	**(7,775)**
Segment profit (loss) after income tax	**$5,480**	**$382**	**$18,480**	**$22,195**	**($9,495)**	**$5,190**	**$617**	**($17)**	**$42,832**
Net income (loss) attributable to the equity holders of the Parent Company	**$5,480**	**$382**	**$18,480**	**$22,195**	**($9,495)**	**$3,930**	**$617**	**($235)**	**$41,354**

	Philippines							Consolidation	
September 30, 2017 (Unaudited)	Parent Company	PSi	China	Europe	Mexico	Germany/UK	Singapore/ USA/Japan	and Eliminations	Total
Revenue									
Third party	$169,741	$27,506	$198,167	$200,621	$62,749	$136,245	$195	$–	$795,224
Inter-segment	673	–	–	–	–	–	4,472	(5,145)	–
Total revenue	$170,414	$27,506	$198,167	$200,621	$62,749	$136,245	$4,667	($5,145)	$795,224
Segment interest income	$1,007	$2	$532	$–	$–	$2	$–	($1,407)	$136
Segment interest expense and bank charges	($3,235)	($458)	($310)	($1,261)	($205)	($788)	($11)	$1,439	($4,829)
Segment profit (loss) before income tax	$7,442	($689)	$4,872	$21,492	$1,049	$2,620	($3,975)	($3,634)	$29,177
Segment provision for income tax	(1,078)	(32)	(390)	(2,347)	(273)	(1,131)	(55)	352	(4,954)
Segment profit (loss) after income tax	$6,364	($721)	$4,482	$19,145	$776	$1,489	($4,030)	($3,282)	$24,223
Net income (loss) attributable to the equity holders of the Parent Company	$6,364	($721)	$4,482	$19,145	$776	$1,360	($4,030)	($3,282)	$24,094

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

For the nine-month period ended September 30, 2018, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to $5.69 million and intersegment cost of sales and operating expenses amounting to $1.55 million and $2.08 million, respectively.

For the nine-month period ended September 30, 2017, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to $5.14 million and intersegment cost of sales and operating expenses amounting to $1.17 million and $3.97 million, respectively.

The following table presents segment assets of the Group's geographical segments as of September 30, 2018 and December 31, 2017:

	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan/ Singapore	Consoli- dation and Eliminations	Total
	Parent Company	PSi							
September 30, 2018 (Unaudited)	**$533,945**	**$17,008**	**$270,474**	**$278,321**	**$105,191**	**$197118**	**$302,868**	**($658,080)**	**$1,046,845**
December 31, 2017 (Audited)	$443,015	$14,853	$243,686	$266,002	$96,276	$165,673	$288,064	($595,548)	$922,021

Segment assets do not include investments in subsidiaries and intersegment receivables amounting to $195.38 million and $172.19 million as of September 30, 2018, respectively, and $195.36 million and $131.84 million as of December 31, 2017, respectively. These are eliminated in consolidation.

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

	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
	(In thousands)	
STI	**$57,180**	$56,624
VIA	**46,240**	44,540
STEL	**35,535**	45,128
Parent Company	**1,098**	1,098
VTS	**931**	–
IMI CZ	**593**	650
	$141,577	$148,040

For STEL, the assessment for goodwill resulted to a partial impairment loss amounting to $9.59 million triggered by slowing growth in the region.

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

	Sep 30, 2018 (Unaudited)	Sep 30, 2017 (Unaudited)
	(In thousands)	
Europe	**$508,710**	$376,016
America	**217,291**	170,587
Japan	**34,135**	32,039
Asia/Others	**251,360**	216,582
	$1,011,496	$795,224

Revenues are attributed to countries on the basis of the customer's location. Certain customers that are independent of each other but within the same group account for 10% and 13% of the Group's total revenue for the nine-month period ended September 30, 2018 and 2017, respectively.

The following table presents revenues per product type:

	Sep 30, 2018 (Unaudited)	Sep 30, 2017 (Unaudited)
	(In thousands)	
Automotive	**$400,453**	$323,230
Industrial	**261,896**	131,526
Consumer	**134,696**	152,060
Telecom	**100,803**	108,862
Aerospace	**37,660**	12,567
Medical	**10,023**	15,454
Multiple markets / Others	**65,965**	51,525
	$1,011,496	$795,224

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.

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the nine-month period ended September 30, 2018 and 2017, 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 September 30, 2018 and December 31, 2017, the Group maintains current and savings accounts with BPI amounting to $10.08 million and $2.85 million, respectively.

Total interest income earned from investments with BPI amounted to $187.9K and $6.8K for the quarters ended September 30, 2018 and 2017, respectively.

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

	Receivables/Deposits		Payables	
	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)	**Sep 30, 2018 (Unaudited)**	Dec 31, 2017 (Audited)
KTM Asia Motorcycle Mfg. Inc. (KTM)	**$703**	$–	**$–**	$–
Merlin Solar Technologies (Merlin)	**532**	–	**–**	–
ACEHI	**147**	146	**–**	–
Isuzu Automotive Dealership, Inc. (IADI)	**43**	456	**–**	–
Honda Cars Makati, Inc. (HCMI)	**26**	274	**$41**	$–
Automotive Central Enterprise, Inc. (ACEI)	**6**	64	**–**	–
Innove Communication Inc. (ICI)	**–**	–	**1**	6
Globe Telecom, Inc. (GTI)	**–**	–	**4**	4
	$1,457	$940	**$46**	$10

i. Transaction with KTM and Merlin pertains to subcontracting services related to its registered activities

ii. Transaction with ACEHI represents deposit required by the distribution utility (DU) in a form of cash in accordance with the distribution wheeling services agreement between ACEHI and the DU, to be returned to the Parent Company at the end of the contract term.

iii. Transaction with IADI, HCMI, and ACEI pertains to management fee on corporate and support services.

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

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

c. Outstanding balances of transactions with subsidiaries from the Parent Company's point of view follow:

	Receivables		Payables	
	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)	**Sep 30, 2018 (Unaudited)**	Dec 31, 2017 (Audited)
IMI Singapore	**$146,207**	$68,563	**$–**	$–
IMI EU/MX Subsidiaries	**59,591**	42,283	**234**	27
PSi	**28,850**	26,384	**102**	102
STEL	**7,643**	252	**570**	1,701
STI	**3,307**	3,299	–	–
IMI Japan	**1,023**	1,003	**777**	502
IMI USA	**275**	265	**1,110**	320
IMI ROHQ	**51**	13	**669**	647
	$246,947	$142,062	**$3,462**	$3,299

The outstanding balances are eliminated upon consolidation.

i. Advances to PSi, IMI EU/MX Subsidiaries and STI have a 60-day to one year term subject to interest rates ranging from 2.00% to 3.49% in 2018 and 2.00% to 3.37% in 2017.

Other receivables from IMI EU/MX Subsidiaries, PSi, STI, IMI Japan, IMI Singapore, IMI USA and STEL are nontrade in nature and pertain to operating cash advances made by the Parent Company. These are noninterest-bearing and are due on demand.

ii. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as an administrative, communications and coordinating center for its affiliates. These advances are noninterest-bearing and are payable on demand.

iii. Payables to STEL pertain to non-trade related transactions which include freight and handling charges, business travel expenses and consideration for the net assets transferred by STPH to the Parent Company. These advances are noninterest-bearing and are payable on demand.

iv. Payables to IMI Japan and IMI USA are nontrade in nature and pertain to administrative expenses paid by the Parent Company on their behalf.

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

	Revenue/Income		Expenses	
	Sep 30, 2018 (Unaudited)	Sep 30, 2017 (Unaudited)	**Sep 30, 2018 (Unaudited)**	Sep 30, 2017 (Unaudited)
BPI	**$25**	$7	**$–**	$–
ACEHI	**–**	–	**3,443**	4,062
Technopark Land, Inc (TLI)	**–**	–	**779**	775
Innove Communication, Inc. (ICI)	**–**	–	**110**	41
Ayala Group Legal (AG Legal)	**–**	–	**109**	38
GTI	**–**	–	**69**	61
Direct Power Services Inc. (DPSI)	**–**	–	**–**	2,255
AC	**–**	–	**30**	77
	$25	$7	**$4,540**	$7,309

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

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

Expenses incurred from related party transactions include:

i. Light and power allocation charged by ACEHI to the Parent Company.

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

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

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

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

vi. Light and power allocation charged by DPSI to PSi.

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

e. 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 for recovery costs and billings to IMI Singapore and the Parent Company for management salaries of key management personnel under IMI ROHQ.

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

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 September 30, 2018 and December 31, 2017:

	Carrying Amounts		Fair Values	
	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)	**Sep 30, 2018 (Unaudited)**	Dec 31, 2017 (Audited)
Financial assets:				
AFS financial assets	**$1,027**	$831	**$1,027**	$831
Financial liabilities:				
Derivative liabilities	**$–**	$30	**$–**	$30
Financial liabilities	**26,048**	21,912	**26,048**	21,912
Contingent consideration	**4,269**	24,975	**4,269**	24,975
Noncurrent portion of:				
Long-term debt	**155,055**	158,224	**152,542**	155,396
Other noncurrent liabilities	**1,788**	–	**1,788**	–
	$187,160	$205,141	**$184,647**	$202,313

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:

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

AFS financial assets - These pertain to investments in club shares. Fair value is based on quoted prices.

Financial liabilities on put options - These pertain to the liabilities of the Parent Company arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is 0.24% for VIA and 1.19% for STI. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

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

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

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 2018 and 2017 ranged from 0.90% to 2.99% and from 1.00% to 2.91%, respectively.

Contingent consideration - this pertains to the contingent consideration related to the acquisition of STI determined based on probability-weighted payout discounted at 8% at the date of acquisition to determine its fair value. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

Other noncurrent liabilities - includes shareholder loan related to the acquired intellectual property of VTS from Toppan.

Fair Value Hierarchy

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

	September 30, 2018			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring assets measured at fair value:				
AFS financial assets	**$–**	**$1,027**	**$–**	**$1,027**
	$–	**$1,027**	**$–**	**$1,027**
Recurring liabilities measured at fair value:				
Derivative liabilities	**$–**	**$–**	**$–**	**$–**
Financial liabilities on put options	**–**	**–**	**26,048**	**26,048**
Contingent consideration	**–**	**–**	**4,269**	**4,269**
	$–	**$–**	**$30,317**	**$30,317**
Recurring liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$154,330**	**$154,330**

	December 31, 2017			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring assets measured at fair value:				
Derivative assets	$–	$–	$–	$–
AFS financial assets	–	831	–	831
	$–	$831	$–	$831
Recurring liabilities measured at fair value:				
Derivative liabilities	$–	$30	$–	$30
Financial liabilities on put options	–	–	21,912	21,912
Contingent consideration	–	–	24,976	24,976
	$–	$30	$46,888	$46,918
Recurring liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$155,396	$155,396

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

	Dec 31, 2017	Additions	Mark-to-market loss (gains)	Reversal	Jun 30, 2018
Financial liabilities on put options	**$21,912**	**$–**	**$4,136**	**$–**	**$26,048**
Contingent consideration	**24,975**	**–**	**–**	**(20,706)**	**4,269**
	$46,887	**$–**	**$4,136**	**($20,706)**	**$30,317**

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

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

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

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0%-2% (1%)	1% increase in growth rate would result in an increase in fair value by $0.95 million. Decrease in growth rate by 1% would result in a fair value decrease of $1.16 million.
		Discount rate	10%-12% (11%)	1% increase in discount rate would result in a decrease in fair value by $1.59 million. Decrease in discount rate by 1% would result in a fair value increase of $1.30 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $1.01 million. Decrease in the probability to 1% would result in a decrease in fair value by $0.67 million.
Other noncurrent liabilities (contingent consideration)	Discounted, probability-weighted payout	Probability of pay-out	£0 to £3.3 million ($0 to $4.7 million)	GBP0 to GBP3.3 million ($0 to $4.7 million)

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:

<u>Interest Rate Risk</u>
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 September 30, 2018 and 2017. There is no other impact on the Group's equity other than those already affecting income.

	Effect on Net Income before Tax	
Increase/Decrease in Basis Points	**Sep 30, 2018 (Unaudited)**	Sep 30, 2017 (Unaudited)
+100	**($37)**	($36)
-100	**37**	36

The following table shows the information about the Group's debt as of September 30, 2018 and 2017 that are exposed to interest rate risk presented by maturity profile:

	Sep 30, 2018 (Unaudited)	Sep 30, 2017 (Unaudited)
Within one year	**$2,370**	$2,579
One to five years	**2,555**	2,248
	$4,925	$4,827

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 September 30, 2018 and December 31, 2017 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 27% and 20% of trade receivables relating to three major customers as of September 30, 2018 and December 31, 2017, respectively.

As of September 30, 2018 and December 31, 2017, the aging analysis of trade receivables follows:

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30-60 days	60-90 days	90-120 days	>120 days	Specifically impaired
September 30, 2018 (Unaudited)	**$291,137**	**$247,177**	**$27,692**	**$6,061**	**$1,754**	**$2,845**	**$5,023**	**$585**
December 31, 2017 (Audited)	$252,636	$220,286	$20,242	$4,386	$2,071	$2,173	$2,727	$751

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 2017 and 2016, 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:

Philippine Peso (₱)

	Sep 30, 2017 (Unaudited)		Dec 31, 2017 (Audited)	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$20,711**	**₱1,118,930**	$5,504	₱274,813
Receivables	**2,590**	**139,919**	275	13,751
Miscellaneous deposits	**760**	**41,032**	691	34,525
Accounts payable and accrued expenses	**(14,313)**	**(773,255)**	(9,201)	(459,437)
Net retirement liabilities	**(4,216)**	**(227,773)**	(4,192)	(209,316)
Other noncurrent liabilities	**(316)**	**(17,066)**	(397)	(19,811)
Net foreign currency-denominated liabilities	**$5,216**	**₱281,787**	($7,320)	(₱365,475)

Euro (€)

	Sep 30, 2017 (Unaudited)		Dec 31, 2017 (Audited)	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$4,597**	**€3,958**	$2,442	€2,041
Receivables	**5,048**	**4,347**	3,891	3,252
Accounts payable and accrued expenses	**(9,548)**	**(8,221)**	(5,173)	(4,323)
Net foreign currency-denominated assets	**$97**	**€84**	$1,160	€970

Renminbi (RMB)

	Sep 30, 2017 (Unaudited)		Dec 31, 2017 (Audited)	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$13,221**	**RMB90,946**	$23,136	RMB151,170
Receivables	**74,416**	**511,911**	66,072	431,729
Accounts payable and accrued expenses	**(58,803)**	**(404,505)**	(50,345)	(328,962)
Net foreign currency-denominated assets	**$28,834**	**RMB198,352**	$38,863	RMB253,937

Sensitivity Analysis

The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of September 30, 2018 and

December 31, 2017. 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.

Currency	Increase/Decrease in USD Rate	Effect on Net Income before Tax: **Sep 30, 2018 (Unaudited)**	Effect on Net Income before Tax: Dec 31, 2017 (Audited)
PHP	+1%	**$26**	$71
	-1%	**(26)**	(71)
EUR	+1%	**(1)**	(12)
	-1%	**1**	12
RMB	+1%	**(370)**	(238)
	-1%	**370**	238

22. 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, 2017 (Audited)	Availment	Repayment	Reclass	Declaration	Foreign currency translation	**Sep 30, 2018 (Unaudited)**
Dividends payable	$–	$–	($10,130)	$–	$10,130	$–	**$–**
Loans and trust receipts payable	135,057	21,398	(8,087)	–	–	(381)	**147,987**
Current portion of long-term debt	6,873	–	(6,313)	1,116	–	(182)	**1,494**
Long-term debt	158,224	–	(2,000)	(1,116)	–	(53)	**155,055**
	$300,154	$21,398	($26,530)	$–	$10,130	($616)	**$304,536**

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 nine months ended 30 Sep	
	2018	**2017**
	(in US$ thousands, except Basic EPS)	
Revenues from Sales and Services	**$1,011,496**	$795,224
Cost of Goods Sold and Services	**904,372**	707,651
Gross Profit	**107,124**	87,573
Net Income Attributable to Equity Holders of the Parent Company	**41,354**	24,099
EBITDA[i]	**58,158***	54,346
Basic Earnings per Share (EPS)	**$0.019**	$0.013

**excludes $8.42 million one-off expenses related to SZ share sale transaction*

Revenues from Sales and Services

Revenues grew 27 percent year-on-year with corresponding gross profit increase of 22 percent.

Acquired companies, VIA and STI, reported a combined revenue of $232 million, buoyed by VIA's consumer segment growth and the VTS joint venture which contributed US$18 million since its formation in April 2018. STI posted a total 9-month revenue of US$78 million.

Revenues of core businesses stood at US$780 million, a combined 18 percent growth across all IMI manufacturing sites in Europe, Asia, and Mexico. The growth came from the industrial and automotive segments which grew 67 percent and 24 percent year-on-year, respectively.

Gross Profit and Gross Profit Margin

The Company's operations generated gross profit of US$107.1 million or ₱5.59 billion, higher year-on-year by 22% mainly from strong revenue growth of and additional contribution of newly-acquired STI Enterprises. GP margins, however, declined from last year's 11% to 10.6% due to higher material, production, and logistics costs arising from the global component shortage.

Operating Income

Operating income is at $26.8 million or ₱1.40 billion, a 10% decrease from last year mainly due to one-off employee relocation incentive amounting to $8.4 million in relation to the sale of STSZ and transfer to the Pingshan facility. The sale transaction was finalized in June 2018. Ex Shenzhen one-offs, operating income increased 25% from that of last year despite effect of electronics component shortages.

[i] EBITDA = EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments 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.

Net Income

The Company's September year-to-date net income reached $41.4 million including favorable one-off items. Income for the same period last year was US$24.1 million.

The three-quarter reporting period ended September 30, 2018 includes non-operating income from recent transactions such as the sale of a Shenzhen entity and reversal of contingent liability related to the STI acquisition. These are offset by a partial impairment of recorded goodwill on the acquisition of our China facilities triggered by slowing growth in the region. Weakness of the RMB and EUR also resulted to significant foreign exchange losses. Excluding these one-offs, forex impact and other adjustments, net income is at $28.9 million versus last year's adjusted net income of US$27.6 million.

EBITDA

Excluding SZ cost of $8.4M in GAE, EBITDA higher by US$3.3 million or 9% from higher operating income before depreciation and amortization offset by forex losses from depreciation of RMB and EUR.

Financial Condition

With the recent completion of the stock rights offering, IMI's balance sheet is stronger with a current ratio of 1.46:1 and gross debt-to-equity ratio of 0.76:1 which puts the company in a good position to capitalize on new business growth.

For 2018, the Company expects $70 million of capital expenditures, a substantial portion of which are related to expansion programs. Capital expenditures are allocated to purchase of new machineries and equipment, construction of new buildings and facilities and other building improvements, maintenance of plants and other facilities and also IT infrastructure. These are intended to expand the Company's capacity and support expected increase in demand as well as recurring maintenance expenses to sustain the Company's productivity and efficiency. These are being funded by 70% of the net proceeds from the stock rights offering.

Key Performance Indicators of the Company

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

	As of end	
	Sep 30, 2018	**Dec 31, 2017**
Performance indicators		
Liquidity:		
Current ratio[a]	1.46x	1.28x
Solvency:		
Debt-to-equity ratio[b]	0.76x	1.08x

	For the nine months ended 30 Sep	
	2018	**2017**
Operating efficiency:		
Revenue growth[c]	27%	29%
Profitability:		
Gross profit margin[d]	10.6%	11.0%
Net income margin[e]	4.1%	3.0%
Return on equity[f]	12.7%	9.7%
Return on common equity[g]	12.7%	9.7%
Return on assets[h]	4.0%	2.8%
[ii]EBITDA margin	5.7%*	6.8%

**excludes $8.42 million one-off expenses related to SZ share sale transaction*

[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) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

[ii] *EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments 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.*

(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) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's revenues from continuing operations.

(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
(Nine months ended 30 September 2018 versus 30 September 2017)

27% increase in Revenues ($795.2M to $1,011.5M)
The increase was driven by the surge in revenues of VIA plus contribution of the new VTS business, core growth in Europe, China, Philippines and Mexico, and 9 months contribution of STI versus last year's four month share.

28% increase in Cost of goods sold ($707.7M to $904.4M)
Driven by the 27% increase in revenues coupled by high DM costs due to more turnkey businesses, change in product mix and higher purchase price due to effect of global component shortage, increase in labor costs and higher overhead due to additional freight costs.

39% increase in Operating expenses ($57.6M to $80.31M)
The increase of $23M pertains to the one-off Shenzhen employee payout ($8.4M), additional GAE from STI ($3.5M), and one-off VIA costs related to acquisition transaction costs, relocation costs, and consultancy costs ($2M), operating expenses of VTS business ($1.94M). The rest pertains mainly to people cost, provision for claims, travel and transportation, rent expense and depreciation.

302% increase in Other non-operating expenses (-$0.79M to $23.8)
Increase in interest expense (-$3.8M) from additional loans to support acquisition and expansions, significant forex losses (-$6.9 million) driven by depreciation of RMB (on asset position) and Euro (on liability position); Mark-to-market gain were also recognized related to put options ($4.1M); partial impairment of recorded goodwill $9.6M; gross gain recognized from the SZ transaction amounted to $27.48 million.

1,046% increase in Noncontrolling interest ($0.13M to $1.48M)
Share of minority in the net income of VIA (23.99%),STI (20%), and recognized noncontrolling interest on acquisition of VTS.

Balance Sheet items
(30 September 2018 versus 31 December 2017)

9% increase in Cash and cash equivalents ($90.6M to $98.9M)
Cash used by operating activities -$31.5M from increase in working capital; cash used in investing -$52.0M from increased capital expenditure to support line expansion and new programs; cash provided by financing $92.5M mainly due proceeds from stock rights offering ($95.9M), $42.1 million

of which have been used for capital expenditure and $30 million for debt repayment as of September 30, 2018.

15% increase in Loans and receivables ($263.1M to $303.7M)
Increase mainly due to higher sales and longer credit terms.

2% decrease in Inventories ($199.6M to $195.8M)
Decrease attributable to recognition of WIP and FG inventories as contract assets amounting to $63.1M offset by increasing raw materials inventory levels; excluding IFRS adjustment, inventories increased $51.7 million due to building up inventories for the next quarter's demand and partly due to component shortages.

100% increase in Contract Assets (nil to $63.1M)
Recognition of contract assets upon adoption of PFRS 15.

13% increase in Property, plant and equipment ($164.6M to $186.1)
Capital expenditures amounting to $47M driven by ongoing big projects in Philippines, China, Mexico, and additional SMT lines in Europe and construction of the Serbia facility.

18% increase in Intangible assets ($22.9M to $27.1M)
Increase mainly from capitalized costs arising from the development phase of certain projects under qualification (+$3.2M), IP acquired for the VTS joint venture ($5.0M) and additional software costs.

10% increase in Loans and trust receipts payable ($135.0M to $148.0M)
Availments related to loans to fund working capital.

36% increase in Other financial liabilities ($22.32M to $30.32M)
Increase due to the reclassification of the remaining balance of contingent liability ($4.27M) of STI to current portion and recognition of mark-to-market loss on put options ($4.14M).

78% decrease in Current portion of long-term debt ($6.87M to $1.49M)
Decrease due to the final payment of the long-term debt to EPIQ NV ($4.95M).

57% increase in Deferred tax liabilities ($2.7M to $4.3M)
Deferred tax recognized on unrealized forex gains and contract asset.

83% decrease in Other noncurrent liabilities ($26.09M to $4.33M)
Decrease was due to the reversal of contingent liability of STI ($20.71M).

152% increase in Additional paid-in capital ($58.1M to $146.5M)
Related to stock rights offering (excess over par).

347% increase in Cumulative translation adjustments (-$2.3M to -$10.3M)
Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to depreciation of EUR against USD from 1.20 to 1.16 and RMB against USD from 6.53 to 6.88.

EXHIBIT 1
FINANCIAL RATIOS
For the Period Ended September 30, 2018 and 2017 and December 31, 2017

Ratios	Formula	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
(i) Current ratio	Current assets / Current Liabilities	**1.46**		1.28
(ii) Quick ratio	Current assets less inventories and other current assets/Current liabilities	**0.98**		0.78
(iii) Debt/Equity ratio	Bank debts / Equity attributable to parent	**0.76**		1.08
(iv) Net Debt/EBITDA	(Bank debts less Cash) / EBITDA (Trailing 12 months)	**2.50**	2.70	
(v) Debt Service Coverage Ratio	(EBITDA less Provision for Tax)/Debt Service Coverage	**2.23**	4.53	
(vi) Asset to Equity ratio	Total Assets / Equity attributable to parent	**2.62**	3.30	3.37
(vii) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**6.75**	7.01	
(viii) Profitability ratios				
GP margin	Gross Profit / Revenues	**10.6%**	11.0%	
Net profit margin	Net Income after Tax / Revenues	**4.1%**	3.0%	
EBITDA margin * (9 months)	EBITDA / Revenues	**5.7%**	6.8%	
Return on assets	Net Income after Tax / Total Asset	**4.0%**	2.8%	
Return on equity	Net Income after Tax / Average equity attributable to parent	**12.7%**	9.7%	
Return on common equity	Net Income after Tax / Average common equity attributable to parent	**12.7%**	9.7%	

** excludes $8.42 million one-off expenses related to the SZ share sale transaction*

	(in US$'000)		
	Sep 30, 2018	**Sep 30, 2017**	**Dec 31, 2017**
Current Assets	688,354		580,412
Current Liabilities	472,950		452,349
Total Assets	1,046,845	850,799	921,352
Bank Debts	304,536	257,229	295,059
Equity attributable to parent	398,806	257,908	273,739
Average equity attributable to parent	326,158	247,257	255,173
Average common equity attributable to parent	326,158	247,257	255,173
Revenues	1,011,496	795,224	
Gross Profit	107,124	87,573	
Net income attributable to equity holders of the parent	41,354	24,099	
Earnings before interest and taxes	58,571	33,875	
Interest expense	8,676	4,829	
EBITDA	58,158	54,346	
EBITDA Trailing 12 months (ex SZ one off)	82,196	71,975	
Provision for Tax (Trailing 12 months)	10,284	6,745	
Debt Service Coverage (Trailing 12 months)	32,252	14,385	

PART II--OTHER INFORMATION

1. At the Regular Annual Stockholders' meeting held on April 13, 2018 the stockholders considered and approved the following:

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

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

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

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

- Board Committees and Memberships:

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

Audit and Risk Committee
Edgar O. Chua - Chairman
Rafael Ma. C. Romualdez - Member
Hiroshi Nishimura - Member

Corporage Governance and Nomination Committee
Sherisa P. Nuesa - Chairman
Hiroshi Nishimura - Member
Edgar O. Chua - Member

Compensation Committee
Sherisa P. Nuesa - Chairman
Delfin L. Lazaro - Member
Jose Ignacio A. Carlos - Member

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

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

Related Party Transaction Committee
Hiroshi Nishimura – Chairman
Rafael Ma. C. Romualdez – Member
Edgar O. Chua – Member
Jose Teodoro K. Limcaoco - Member

- Officers:

Jaime Augusto Zobel de Ayala	-	Chairman of the Board
Arthur R. Tan	-	Chief Executive Officer
Gilles Bernard	-	President and Chief Operating Officer
Jerome S. Tan	-	Global Chief Finance Officer/ICT and Treasurer
Linardo Z. Lopez	-	Senior Managing Director, Global Head of Materials Management
Jaime G. Sanchez	-	VP and Compliance Officer
Solomon M. Hermosura	-	Corporate Secretary
Joanne M. Lim	-	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:

JAIME G. SANCHEZ
Vice President, Deputy CFO and Group Controller

Date: November 12, 2018

JEROME S. TAN
Chief Finance Officer

Date: November 12, 2018