



Integrated Micro-Electronics, Inc.

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July 26, 2018

Securities and Exchange Commission

SEC Building, EDSA, Mandaluyong City

Attention: Ms. Justina F. Callangan
Director, Corporation & Finance Department

Philippine Stock Exchange

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

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

Subject: IMI's Revenues Grew 33%, Net Income at \$31.6M in the First Half of 2018

Integrated Micro-Electronics, Inc. (IMI), one of the leading global manufacturing experts, today announced that its first half 2018 revenues stood at \$668.8 million, up 33 percent year-on-year strengthened by its core businesses and contributions of acquired entities. The Company posted a net income of \$31.6 million, including a net gain arising from the sale of its China property.

Please refer to the attached press release. Thank you!

Very truly yours,

JEROME S. TAN
Chief Finance Officer



IMI's Revenues Grew 33%, Net Income at \$31.6M in the First Half of 2018

July 26, 2018, Laguna, Philippines — Integrated Micro-Electronics, Inc. (IMI), one of the leading global manufacturing experts, today announced that its first half 2018 revenues stood at \$668.8 million, up 33 percent year-on-year strengthened by its core businesses and contributions of acquired entities. The company posted a net income of \$31.6 million, including a net gain arising from the sale of its China property. Ex one-offs, operating income increased 28 percent from that of last year despite effect of electronics component shortages. However, weakness of the Euro and RMB, higher interest expenses and effective tax rates had an adverse impact on IMI's bottomline.

Arthur Tan, IMI chief executive officer, says, "We are confident that the recent US-China tariff talks and the Brexit issue will have a minimal effect in our business. Our China to US and UK to EU exports only account for about 4% of IMI's group revenues. Our global operating sites that are qualified to the same standards are capable of enabling a smooth transfer of business across locations. Moreover, the EU and China markets where we participate in are in themselves growing significantly."

Revenues from acquired businesses amounted to US\$154.2 million in the first half of 2018. VIA Optronics reported \$100.3 million, 51 percent higher than last year, buoyed by its top customer in the consumer segment. STI's six months revenue of \$53.9 million versus its one-month contribution last year further boosted IMI's global revenues.

Revenues from Europe operations grew 29 percent year-on-year to US\$170.1 million, still dominated by automotive businesses, while Mexico revenues posted a 17 percent increase year-on-year to \$46.9 million despite delays in the mass production of its new projects.

China revenues increased by 27 percent to \$162.1 million strengthened by the ramp up of new industrial applications and automotive platforms. In the first half of 2018, China completed the shares sale transaction related to the transfer of its Liantang facility to the new Pingshan facility in Shenzhen. The transaction generated a net gain of \$11.0 million including expenses incurred in 2017.

Philippine revenues of \$136.0 million grew 5 percent driven by the automotive camera business and new industrial applications while being offset by the declining demand in the security and medical device business.

"The increasing demand within the electronics marketplace combined with the competition among large companies have driven passive components to short supply. Significant extra costs in supply chain were also incurred to warrant the deliveries to the automotive market. These issues were particularly sensitive during the first half of 2018 and are expected to remain for the rest of the year as IMI anticipates significant sales growth coming from new projects awarded in previous years," Gilles Bernard, IMI president and chief operating officer stated.

IMI's balance sheet remains stable with a current ratio of 1.49:1 and debt-to-equity ratio of 0.79:1 which enables the company to capture additional opportunities for growth.

About IMI

Integrated Micro-Electronics Inc. (IMI), the manufacturing portfolio of AC Industrial Technology Holdings, Inc., a wholly-owned subsidiary of Ayala Corporation is among the leading global manufacturing solutions expert in the world. IMI ranks 18th in the list of top 50 EMS providers in the world by the Manufacturing Market Insider (March 2018 edition), based on 2017 revenues. In the automotive market, it remains the sixth largest EMS provider in the world per New Venture Research.

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

For the automotive segment, IMI delivers customized solutions for safety and security, among others. It supplies cameras that are integral technology to the advanced driver assistance systems (ADAS). For the industrial segment, it manufactures security and access control devices, power modules, and building automation, among others. For the aerospace segment, IMI's acquisition of Surface Technology International (STI) Enterprise, a UK-based company, addresses the quality and safety demands in the EMS aerospace segments. STI Enterprise has been supplying the defense and aerospace market for over 20 years, including products to a range of helicopters, multiple fast jet platforms, transport aircraft and drones.

From its manufacturing plants in the Philippines, China, Bulgaria, Czech Republic, Germany, United Kingdom, Mexico and the United States, IMI provides engineering, manufacturing, and support and fulfillment capabilities to diverse industries globally. For more information, visit www.global-imi.com.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET****AS OF JUNE 30, 2018****(With Comparative Audited Figures as of December 31, 2017)****(In thousands)**

	(Unaudited) Jun 30, 2018	(Audited) Dec 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$131,862	\$90,627
Receivables - net	291,563	263,115
Contract assets	59,128	—
Inventories	179,288	199,615
Other current assets	32,564	27,055
Total Current Assets	694,405	580,412
Noncurrent Assets		
Property, plant and equipment - net	178,730	164,596
Goodwill	151,136	147,371
Intangible assets - net	28,137	22,899
Available-for-sale financial assets	1,056	831
Deferred tax assets	1,801	3,452
Other noncurrent assets	1,660	1,791
Total Noncurrent Assets	362,520	340,940
	\$1,056,925	\$921,352
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$284,838	\$284,279
Loans and trust receipts payable	150,071	135,058
Other financial liabilities	21,511	22,318
Current portion of long-term debt	6,526	6,873
Income tax payable	3,582	3,822
Total Current Liabilities	466,528	452,350
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt	157,385	158,224
Obligation under finance lease	235	224
Net retirement liabilities	5,406	5,132
Deferred tax liabilities	3,667	2,742
Other noncurrent liabilities	27,854	26,086
Total Noncurrent Liabilities	194,547	192,408
Total Liabilities	661,075	644,758

(Forward)

	(Unaudited) Jun 30, 2018	(Audited) Dec 31, 2017
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	\$42,627	\$35,710
Subscribed capital stock	842	1,058
Additional paid-in capital	146,548	58,121
Subscriptions receivable	(3,594)	(5,352)
Unappropriated retained earnings	220,548	194,500
Treasury stock	(1,013)	(1,013)
Reserve for fluctuation on available-for-sale financial assets	653	454
Cumulative translation adjustment	(7,673)	(2,302)
Other comprehensive loss	(7,437)	(7,437)
	391,501	273,739
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries		
	4,349	2,855
Total Equity	395,850	276,594
	\$1,056,925	\$921,352

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In thousands, except Earnings per Share)

	Unaudited 2018		Unaudited 2017	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
REVENUES FROM CONTRACTS WITH CUSTOMERS	\$342,998	\$668,788	\$265,126	\$501,024
COST OF GOODS SOLD AND SERVICES	306,329	596,924	236,502	443,549
GROSS PROFIT	36,669	71,864	28,624	57,475
OPERATING EXPENSES	(30,393)	(56,602)	(17,925)	(36,144)
OTHERS - Net				
Interest and bank charges	(3,125)	(6,430)	(1,718)	(2,921)
Foreign exchange gains (losses)	(4,831)	(2,404)	811	1,439
Interest income	398	481	167	240
Miscellaneous income - net	30,283	30,167	473	1,282
INCOME BEFORE INCOME TAX	29,001	37,076	10,432	21,371
PROVISION FOR INCOME TAX	(2,581)	(4,838)	(1,720)	(3,772)
NET INCOME	\$26,420	\$32,238	\$8,712	\$17,599
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	\$26,018	\$31,575	\$8,340	\$17,036
Non-controlling interests	402	663	372	563
	\$26,420	\$32,238	\$8,712	\$17,599
Earnings Per Share				
Basic and diluted		\$0.015		\$0.008

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In thousands)

	Unaudited 2018		Unaudited 2017	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
NET INCOME FOR THE PERIOD	\$26,420	\$32,238	\$8,712	\$17,599
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	(9,936)	(5,371)	8,433	11,817
Fair value changes on available-for-sale financial assets	88	199	41	26
	(9,848)	(5,172)	8,474	11,843
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:				
Remeasurement gains on defined benefit plans	—	—	—	—
	(9,848)	(5,172)	8,474	11,843
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$16,572	\$27,066	\$17,186	\$29,442
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	\$16,170	\$26,403	\$16,814	\$28,879
Non-controlling interests	402	663	372	563
	\$16,572	\$27,066	\$17,186	\$29,442

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(In thousands)

	Attributable to Equity Holders of the Parent Company										Total
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings Unappropriated	Treasury Stock	Other Comprehensive Income (Loss)			Attributable to Non-controlling Interests	
							Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans		
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
Balances at January 1, 2018, as adjusted	35,710	1,058	58,121	(5,352)	199,103	(1,013)	454	(2,302)	(7,437)	3,151	281,493
Issued shares during the period	199	(199)	—	—	—	—	—	—	—	—	—
Issued shares from stock rights offer	6,718	—	89,213	—	—	—	—	—	—	—	95,931
Transaction costs on shares issuance	—	—	(631)	—	—	—	—	—	—	—	(631)
Cost of share-based payments	—	—	20	—	—	—	—	—	—	—	20
Collections on subscriptions	—	—	—	1,566	—	—	—	—	—	—	1,566
Forfeitures during the period	—	(17)	(175)	192	—	—	—	—	—	—	—
Increase in non-controlling interest due to the acquisition of a subsidiary during the period	—	—	—	—	—	—	—	—	—	535	535
Cash dividends	—	—	—	—	(10,130)	—	—	—	—	—	(10,130)
	42,627	842	146,548	(3,594)	188,973	(1,013)	454	(2,302)	(7,437)	3,686	368,784
Net income	—	—	—	—	31,575	—	—	—	—	663	32,238
Other comprehensive income (expense)	—	—	—	—	—	—	199	(5,371)	—	—	(5,172)
Total comprehensive income (expense)	—	—	—	—	31,575	—	199	(5,371)	—	663	27,066
Balances at June 30, 2018	\$42,627	\$842	\$146,548	(\$3,594)	\$220,548	(\$1,013)	\$653	(\$7,673)	(\$7,437)	\$4,349	\$395,850

	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	155	(155)	—	—	—	—	—	—	—	—	—	
Cost of share-based payments	—	—	157	—	—	—	—	—	—	—	157	
Forfeitures during the period	—	(25)	(192)	217	—	—	—	—	—	—	—	
Collections on subscriptions	—	—	—	761	—	—	—	—	—	—	761	
Increase in non-controlling interest due to the acquisition of a subsidiary during the period	—	—	—	—	—	—	—	—	—	809	809	
Cash dividends	—	—	—	—	(8,434)	—	—	—	—	—	(8,434)	
	35,091	1,677	70,893	13,313	160,498	(1,013)	369	(20,640)	(6,428)	2,070	231,160	
Net income	—	—	—	—	17,036	—	—	—	—	563	17,599	
Other comprehensive income	—	—	—	—	—	—	26	11,817	—	—	11,843	
Total comprehensive income	—	—	—	—	17,036	—	26	11,817	—	563	29,442	
Balances at June 30, 2017	\$35,091	\$1,677	\$70,893	\$13,313	\$177,534	(\$1,013)	\$395	(\$8,823)	(\$6,428)	\$2,633	\$260,602	

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	—	—	—	—	—	—	—	—	—	(307)	(307)
Cash dividends	—	—	—	—	(8,434)	—	—	—	—	—	(8,434)
	35,710	1,058	58,121	(5,352)	160,498	(1,013)	368	(20,639)	(6,428)	2,414	224,737
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)	\$2,855	\$276,594

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In thousands)

	Unaudited 2018 Jan to Jun	Unaudited 2017 Jan to Jun
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$37,076	\$21,371
Adjustments for:		
Depreciation of property, plant and equipment	15,759	12,398
Interest expense	6,430	2,921
Amortization of intangible assets	2,687	1,263
Unrealized foreign exchange gains	5,648	(430)
Cost of share-based payments	20	158
Gains on sale of property, plant and equipment	(65)	(351)
Mark-to-market loss on derivatives	(807)	(109)
Interest income	(481)	(240)
Net gain on sale of shares	(19,062)	—
Operating income before working capital changes	47,205	36,981
Changes in operating assets and liabilities:		
Increase in:		
Loans and receivables	(32,686)	(26,309)
Contract asset	(610)	—
Inventories	(32,770)	(39,717)
Other current assets	(5,871)	(6,297)
Increase (decrease) in:		
Accounts payable and accrued expenses	11,256	35,045
Retirement liabilities	424	(346)
Other noncurrent liabilities	(1,647)	90
Net cash used in operations	(14,699)	(553)
Interest received	481	253
Interest paid	(4,851)	(1,072)
Income tax paid	(4,410)	(2,012)
Net cash used in operating activities	(23,479)	(3,384)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment	(34,723)	(27,663)
Intangible assets	(258)	(2,058)
Capitalized development costs	(2,671)	(1,314)
Acquisition through business combination	(1,965)	(25,745)
Proceeds from sale of property, plant and equipment	4,221	659
Decrease in other noncurrent assets	131	441
Net cash used in investing activities	(35,265)	(55,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans	17,901	59,919
Payment of loans	(3,487)	(15,560)
Dividends paid to equity holders of the Parent Company	(10,130)	(8,435)
Proceeds from stock rights offering	95,931	—
Settlement of derivatives	(30)	—
Collections of subscriptions receivable	1,566	760
Net cash provided by financing activities	101,751	36,684
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	(1,772)	382
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,235	(21,998)
CASH AND CASH EQUIVALENTS AT JANUARY 1	90,627	86,549
CASH AND CASH EQUIVALENTS AT JUNE 30	\$131,862	\$64,551