

IONICS EMS, INC.

First Quarter Financial Statements And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, & Q3), HALF-YEAR AND FULL YEAR RESULTS

1 (a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year

	Company PhP ('000)		% Change
	31/3/2005	31/3/2004	
<b>Turnover</b>	857,582	962,042	(10.86)
<b>Cost of sales</b>	943,585	1,042,777	(9.51)
<b>Gross loss</b>	(86,003)	(80,735)	6.53
<b>Operating expenses</b>			
General and administrative	42,950	39,369	9.10
Selling and marketing	15,512	10,500	47.73
Total operating expenses	58,462	49,869	17.23
<b>Loss from operations</b>	(144,465)	(130,604)	10.61
<b>Other income (expenses) - net</b>			
Foreign exchange gain (loss)	4,252	(14,017)	130.33
Interest	5,032	2,710	85.68
Miscellaneous	2,577	(926)	378.29
Total other income	11,861	(12,233)	(196.96)
<b>Loss before income tax</b>	(132,604)	(142,837)	(7.16)
Provision for income tax	-	-	-
<b>Net loss</b>	(132,604)	(142,837)	(7.16)
<b>Basic loss per share</b>	(0.21)	(0.23)	(7.16)

1 (b)(i) A balance sheet together with a comparative statement as at the end of the immediately preceding financial year

	Company PhP ('000)		% Change
	31/3/2005	31/12/2004	
<b>Noncurrent Assets</b>			
Property and equipment - net	604,183	705,459	(14.36)
Investments	-	51,422	(100.00)
Other assets	11,149	9,277	20.18
	615,332	766,158	(19.69)
<b>Current Assets</b>			
Cash and cash equivalents	749,655	827,288	(9.38)
Trade and other receivables - net	502,170	548,430	(8.43)
Inventories - net	521,116	556,955	(6.43)
Prepayments and other current assets	9,232	2,554	261.47
	1,782,173	1,935,227	(7.91)
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	316,684	438,233	(27.74)
	316,684	438,233	(27.74)
<b>Non-Current Liabilities</b>			
Pension Obligations	84,365	79,515	6.10
<b>Net Current Assets</b>	1,381,124	1,417,479	(2.56)
<b>Net Assets</b>	1,996,456	2,183,637	(8.57)
<b>Equity</b>			
Capital stock	624,000	624,000	-
Additional paid-in capital	1,189,397	1,189,397	-
Retained earnings	220,855	353,459	(37.52)
Exchange reserve	(37,796)	16,781	325.23
Total equity	1,996,456	2,183,637	(8.57)

1 (b)(ii) **Aggregate amount of the Company' s borrowings and debt securities**

(a) Amount repayable in one year or less, or on demand

As at 31/3/05		As at 31/12/04	
Secured PhP (' 000)	Unsecured PhP (' 000)	Secured PhP (' 000)	Unsecured PhP (' 000)

(b) Amount repayable after one year

As at 31/3/05		As at 31/12/04	
Secured PhP (' 000)	Unsecured PhP (' 000)	Secured PhP (' 000)	Unsecured PhP (' 000)

**Details of any collateral**

Not applicable

1 ( c ) **A cash flow statement, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Three Months Ended 31 March	
	2005	2004
	PhP (' 000)	PhP (' 000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(132,604)	(142,837)
Adjustments to reconcile income before income tax to net cash generated from operations:		
Depreciation and amortization	107,832	132,009
Unrealized foreign exchange loss (gain)	73	261
Provision for doubtful accounts and inventory obsolescence	15,204	-
Gain on sale of property and equipment	(987)	(227)
Interest income	(5,032)	(2,710)
Operating income before working capital changes	(15,514)	(13,504)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables		
Trade	48,041	1,003,684
Others	9,437	24,018
Inventories	(13,690)	(104,862)
Prepayments and other current assets	(6,678)	(3,753)
Decrease in accounts payable and accrued expenses	(120,506)	(624,857)
Net cash generated from operations	(98,910)	280,726
Interest received	4,872	2,306
Net cash provided by operating activities	(94,038)	283,032
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	(26,518)	(9,835)
Proceeds from the sale of property and equipment	984	2,467
Increase in other assets	(2,135)	-
Net cash used in investing activities	(27,669)	(7,368)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	7	(177)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(121,700)	275,487
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	871,355	444,081
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	749,655	719,568

1 (d)(I)

A statement (for the issuer and group) showing either (i) all changes in equity of (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Three Months Ended 31 March	
	2005	2004
	PhP (' 000)	PhP (' 000)
<b>Capital Stock</b>	624,000	624,000
<b>Additional Paid-in Capital</b>	1,189,397	1,189,397
<b>Retained Earnings</b>		
Balance at beginning of period	353,459	827,154
Net loss	(132,604)	(142,837)
Balance at end of period	220,855	684,317
<b>Exchange reserve</b>	(37,796)	31,723
<b>Total Stockholders' Equity</b>	<u>1,996,456</u>	<u>2,529,437</u>

1 (d) (ii) Details of any changes in the company' s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.

These financial statements are not audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer' s most recently audited annual financial statements have been applied

The Company changed its functional currency from Philippine peso to US dollar in 2004, in compliance with Philippine Accounting Standards (PAS) 21/ Financial Reporting Standards (FRS) 21, " The Effects of Changes in Foreign Exchange Rates". PAS 21/ FRS 21 requires a company to determine its functional currency and measure its results and financial position in that currency. The change in functional currency is accounted for prospectively.

The Company adopted PAS 32, Financial Instruments: Disclosure and Presentation, and PAS 39, Financial Instruments: Recognition and Measurement, which became effective on January 1, 2005. The Company is in the process of fully assessing the implications of the abovementioned standards in its financial statements.

The Company also adopted the following revised standards in 2005: PAS 1, Presentation of financial statements, PAS 2, Inventories, PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, PAS 10, Events After the Balance Sheet Date, PAS 16, Property, Plant and Equipment, PAS 17, Leases, PAS 24, Related Party Disclosures, and PAS 27, Consolidated and Separate Financial Statements. The adoption of the aforementioned standards will not materially affect the Company's financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The adoption of PAS 21 / IAS 21 mentioned in item no. 4 is prompted by the change in the underlying transactions, events, and conditions affecting the company.

For presentation purposes, the assets and liabilities of the Company as of March 31, 2005 are translated into Philippine peso, the presentation currency, using the PDSWAR prevailing at the balance sheet date and, the income statements are translated at actual rates at the date of transactions or weighted average rate for the year. The exchange differences arising from the translation are taken directly to a separate component of equity and recorded as Exchange Reserve.

6. Earnings (loss) per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	<u>31/3/2005</u>	<u>31/3/2004</u>
Earnings per ordinary share in PhP for the period after deducting any provision for preference dividends:		
Based on existing issued capital on a fully diluted basis	(0.21)	(0.23)
Net tangible assets backing per ordinary share in PhP	3.20	4.05

Earnings per ordinary share is computed based on the weighted average number of shares in issuer during the period of 624,000,000 shares. The same number of shares was used to compute earnings per share on a fully diluted basis.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	31/3/2005 PhP (' 000)	31/3/2004 PhP (' 000)
Net assets value per share based on existing issued share capital as at the respective period	3.20	4.05

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group' s business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

	Three Months Period Ended 31 March			
	2005 PhP (' 000)	2004 PhP (' 000)	Increase (Decrease)	%
Turnover	857,582	962,042	(104,460)	-10.86%
Cost of sales	943,585	1,042,777	(99,192)	-9.51%
Gross loss	(86,003)	(80,735)	(5,268)	6.53%
Operating expenses	58,462	49,869	8,593	17.23%
Other income	11,861	(12,233)	24,094	-196.96%
Loss before income tax	(132,604)	(142,837)	(10,233)	-7.16%
Provision for income tax	-	-	-	0.00%
<b>Net income (loss) for the period</b>	(132,604)	(142,837)	(10,233)	-7.16%

The Company's turnover in the first quarter of 2005 decreased by PhP104.5 million or 10.86% from PhP962 million in the first quarter of 2004 to PhP857.6 million of the same period in 2005 while gross loss increased by PhP5.3 million or 6.53% from PhP80.7 million in the first quarter of 2004 to PhP86.0 million in the same period of 2005 due to closure of one of its plants last October, 2004 and under loading of the Company's facilities resulting from low customers' demand.

Operating expenses increased from PhP49.9 million in the first quarter of 2004 to PhP58.5 million in the same period of 2005. The said increase in operating expenses is attributable to increase in sales commission due to increase in sales volume subject to commission. Other income increased from loss of PhP12.2 million in the first quarter of 2004 to gain of PhP11.9 million in the same period of 2005 due to increase in foreign exchange gain and interest income.

With the foregoing, the Company incurred a net loss of PhP132.6 million in the first quarter of 2005 as compared with a net loss of PhP142.8 million in the same period of 2004.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between and the actual results**

Not applicable.

10. **A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

Ionics EMS maintains its strong cash position with no outstanding loans in the first quarter of 2005.

In late 2004, the Company initiated steps to establish a manufacturing facility in China through its wholly owned subsidiary, Ionics EMS, Limited (IEL), a company registered in the Cayman Islands. As of March 31, 2005, IEL is in its preoperating stage and the total expenses incurred in the first quarter amounted to PhP6.7 million. The China operations will be financed from internal sources. In the first quarter of 2005, the Company has a total advances to IEL to finance China operations amounting to PhP73.3 million.

11. **Dividend**

**( a ) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? None

Name of Dividend

Dividend Type

Dividend Rate

Par value of shares

Tax Rate

**( b ) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? None

Name of Dividend  
Dividend Type  
Dividend Rate  
Par value of shares  
Tax Rate

**( c ) Date payable**

Not applicable.

**( d ) Books closure date**

Registrable Transfers received by the Company up to 5:00 pm on <Enter the date here> will be registered before entitlements to the dividend are determined.

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect**

The Company did not declare any dividend for the first quarter of 2005.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**13. Segmented revenue and results for business or geographical segments ( of the group) in the form presented in the issuer' s most recently audited annual financial statements, with comparative information for immediately preceding year**

Not applicable.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable.

**15. A Breakdown of sales**

	2005 PhP (' 000)	2004 PhP (' 000)	% Increase (Decrease)
Sales reported for the first quarter of year	857,582	962,042	-10.86%
Net loss reported for first quarter of year	(132,604)	(142,837)	-7.16%
Sales reported for the second quarter of year	-	-	
Net loss reported for second quarter of year	-	-	

**16. A breakdown of the total annual dividend ( in dollar value) for the issuer' s latest full year and its previous full year**

Not applicable.

**BY ORDER OF THE BOARD**

Company Chief Executive Officer  
**Mr. Lawrence C. Qua**  
(Date)