



**Integrated Micro-Electronics, Inc.**

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Biñan Laguna 4024 Philippines

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**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING**  
**April 8, 2016 at 9:00 AM**  
**Karangalan Multi-Purpose Hall, Integrated Micro-Electronics, Inc.**  
**North Science Avenue, Laguna Technopark, Biñan, Laguna**

	No. Outstanding and Voting Shares	Percentage of Total
Shareholders present:	1,281,508,969	68.63%

**Directors Present:**

Jaime Augusto Zobel de Ayala	<i>Chairman of the Board</i> <i>Chairman, Compensation Committee</i>
Arthur R. Tan	<i>President and Chief Executive Officer</i> <i>Member, Executive Committee</i>
Rafael Ma. C. Romualdez	<i>Vice Chairman, Executive Committee</i> <i>Member, Audit Committee</i> <i>Member, Finance Committee</i> <i>Member, Compensation Committee</i>
Hiroshi Nishimura	<i>Member, Finance Committee</i>
Delfin C. Gonzalez Jr.	<i>Chairman, Finance Committee</i> <i>Member, Audit Committee</i>
John Eric T. Francia	<i>Member, Finance Committee</i>
Jose Ignacio A. Carlos	<i>Member, Nomination Committee</i>
Alelie T. Funcell	<i>Member, Nomination Committee</i>
Edgar O. Chua	<i>Chairman, Audit Committee</i>

**1. Call to Order**

After the national anthem, the Chairman, Mr. Jaime Augusto Zobel de Ayala, called the meeting to order at 9:00 AM. He welcomed the stockholders, members of the Board of Directors, and the President and other officers of the Corporation.

**2. Notice of Meeting**

The Secretary, Mr. Solomon M. Hermosura, certified that the notice of the meeting, the definitive information statement, proxy form, and ballot were sent by March 9, 2016 to each stockholder of record as

of February 19, 2016 in accordance with the By-Laws and applicable rules. The notice of the meeting was also published on March 21, 2016 in the Philippine Daily Inquirer, a newspaper of general circulation.

### **3. Determination of Quorum**

The Secretary certified that there was a quorum for the meeting with stockholders owning 1,281,508,969 shares or 68.63% of the total outstanding shares present in person or by proxy.

### **4. Procedures for Discussion and Voting**

The Chairman requested that any stockholder who wished to speak should identify himself after being acknowledged by the Chair and limit his remarks to the item in the agenda under consideration.

Thereafter, the Secretary explained that the rules of conduct and the voting procedures were part of the Explanation of Agenda Items for Stockholders' Approval, which was provided to the stockholders together with the notice of the meeting. Printed copies of the rules of conduct and voting procedures were also provided to the stockholders or their proxies upon registration at the meeting.

A stockholder may vote manually using the ballot provided to him upon his registration and placing the voted ballot in the ballot boxes located at the registration table and inside the Multi-Purpose Hall. A stockholder may also vote electronically using any of the computers at the station for electronic voting near the registration area. The paper ballot and the website platform for electronic voting set forth the proposed resolutions for consideration by the stockholders and each proposed resolution would be shown on the screen in front as it is taken up.

The Corporation also allowed voting in absentia by sending out to each stockholder a ballot with a proxy form, submitted at least seven (7) days before the meeting. The votes in the ballot were counted even if the stockholder did not personally attend because every stockholder could participate in the meeting under the Corporation Code and the By-laws through his designated proxy or the Chairman of the meeting as the proxy in default in the absence of a designated proxy.

Each outstanding share of stock entitles the registered stockholder to one vote.

The stockholders generally act by the affirmative vote of stockholders owning at least a majority of the outstanding voting stock present at the meeting, but the election of directors is by plurality of votes and every stockholder shall be entitled to cumulate his votes.

The stockholders may cast their votes anytime during the meeting. All votes received shall be tabulated by the Office of the Corporate Secretary and the results of the tabulation validated by the external auditor, SyCip Gorres Velayo & Company (SGV). As the stockholders take up an item in the Agenda, the Secretary would report on the votes that have been tabulated and the final tally of votes would be reflected in the minutes of the meeting.

### **5. Approval of Minutes of the 2015 Stockholders' Meeting**

The Chairman then proceeded with the approval of the minutes of the annual stockholders' meeting held on April 6, 2015. He stated that copies of the minutes were distributed to the stockholders prior to the meeting and a copy thereof was posted and could be accessed on the website of the Corporation. He then opened the floor for comments. There being no question, the Chairman requested for a motion for approval.

On motion of Mr. Roel A. Leuterio, seconded by Mr. Joemar D. Apolinario, the stockholders approved the minutes and adopted the following Resolution No. S-01-16, which was shown on the screen:

**Resolution No. S-01-16**

**RESOLVED**, to approve the minutes of the annual stockholders' meeting held on April 6, 2015.

As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion for the approval of the minutes and the adoption of Resolution No. S-01-16 are as follows:

	For	Against	Abstain
Number of Voted Shares	1,281,502,969	0	0
% of Shares Voted	99.9995%	0%	0%

**6. Annual Report of Officers**

Chairman's Message

The Chairman noted that IMI remains resilient amidst the volatility of the global electronics industry.

The excellent track record that the Corporation has established over the last 35 years has made it a formidable player in the global electronics manufacturing space. More recently, the Corporation has aggressively grown its high-value segments within the automotive, industrial, and medical industries, as it broadened its product offerings in those spaces. The Corporation has also significantly diversified its geographic footprint, with China, Eastern Europe, and Mexico as its largest markets outside the Philippines.

The Chairman reported that IMI is one of the top 20 electronics manufacturing services (EMS) in the world - the only Philippine company that made it to the distinguished list of Manufacturing Market Insider - and in the top 7 among automotive EMS suppliers. IMI has earned various citations, including a sixth consecutive preferred supplier of the year award from a leading tier 1 automotive player. In addition, IMI achieved a milestone, celebrating the 1 millionth shipment of front-view automotive camera modules for advanced driver assistance system (ADAS) applications.

These consistent achievements have made IMI agile, relevant and competitive in a dynamic world. IMI is well positioned to participate in the evolving trends and opportunities in technology and automation. New innovations, such as next generation mobile networks, advanced sensors, the Internet of Things, the Connected Home ecosystems, assisted driving and driverless cars, among others, will inevitably feature IMI expertise as products develop.

The Chairman noted that in the Ayala group, IMI is the only manufacturing company in its portfolio of businesses, which provides thousands of jobs for Filipinos. It is also its largest global investment, competing successfully in international markets.

In closing, the Chairman thanked the IMI employees in the Philippines and across the world for the energy and spirit they have infused into the organization, the board of directors for their guidance and engagement, the management team for their professional commitment, and the Corporation's partners and customers for their continued trust and support to IMI.

## President's Report

The President reported that the Corporation's 2015 performance demonstrated the resilience of Corporation's business. The subdued global economy, the volatile foreign currency markets, and the ongoing economic slowdown in China created a highly uncertain context for business.

Global economic growth registered at 3.1% in 2015 down from 3.4% the previous year. In China, industrial and manufacturing output continues to weaken including both imports and exports with overall growth at 6.9% in 2015 compared to 7.3% in 2014. This slower economic activity affected the Corporation's computer peripherals and consumer electronics segments including white goods and lighting, although these markets are no longer the Corporation's key focus as they inherently have shorter product life cycles.

Adding to the challenges were the industry shift in the personal computer market which is down by 8% from last year and the decline in global telecom network infrastructure spending, with capital expenditures falling nearly US\$10 billion in the first half of 2015 as 4G rollout reached its projected volume. These trends, coupled with a weak euro that has hit a 12-year low against the US dollar, continue to make an impact in the global operating environment of IMI.

Despite these many external challenges and headwinds in some of the Corporation's markets, it was a year of marching steadily forward. The Corporation laid the groundwork for growth by strengthening product quality and improving customer service, standardizing systems and processes, and taking out costs — in short, by executing better. Overall the Corporation had good progress, especially given the complex macroeconomic backdrop during the course of the year. Full year net revenues were \$814.4 million or PhP37 billion, net income were \$28.8 million or PhP1.3 billion almost the same as in 2014, and the return on common equity was 12.1%. Excluding the impact of changes in currency exchange, total revenues would have been higher by 2%.

IMI today has 13 manufacturing sites spread out in the Philippines, China, Mexico, USA, Bulgaria, and Czech Republic, providing solutions to our original equipment manufacturer (OEM) customers in both regional and global basis.

The China operations recorded \$279.3 million in revenues in 2015, a 14% decline from the previous year due to the slowdown in the 4G rollout, domestic consumer electronics demand, and the overall industrial output in China.

IMI's EMS operations in the Philippines posted \$225.3 million in revenues, a 10% growth from \$204.9 million in 2014 due to strong demand for automotive cameras and security access control devices in both EU and US, compensating for the decline in the storage device business.

Operations in Europe and Mexico operations recorded combined revenues of \$267.4 million, almost the same as last year's. Revenues would have been 15% higher if not for the weak euro.

The President explained that strategy is all about making choices — deciding where to play and where not to play. In 2015, IMI exited a majority of its computing and a few consumer electronics businesses because they were not core to its growth strategy. Now, IMI's business is divided into 2 segments: the non-automotive and automotive. The non-automotive, which includes industrial, telecommunication and medical, and automotive segment which the Corporation is seeing high growth. Collectively, these focus segments—automotive, industrial, telecommunications and medical— which account for 79% of sales, have been fueling IMI's growth and building it ready for future success.

The Corporation aggressively shifted its focus and resources behind automotive and industrial because these are fast-growing and high-margin segments that will further strengthen its position and portfolio. Automotive segment now represents 43% of the Corporation's total revenue, up from 38% a year ago. The automotive segment value also grew by 9% in 2015. More importantly, IMI saw a big growth period for its automotive camera this year which recorded a 66% increase in revenues driven by a 203% surge in volume production ramp-up. During the year, IMI also celebrated an important milestone of shipping its one millionth forward-facing camera to Bosch, the world's number 1 auto supplier for their suite of driver assistance functions.

IMI has made substantial progress. Twenty-one (21) new customers entered mass production in 2015 and it won 207 new projects from either new customers or new divisions or models from existing customers, up from 155 in 2014. More than 85% of the newly awarded projects are for automotive and industrial customers which are generally stable in nature, and over 70% of those new wins will start mass production beginning 2016 and beyond.

The President furthermore highlighted several important engineering solutions that IMI teams across the globe have delivered during the year.

To strengthen IMI's foundation, it turn to the next wave of major projects. IMI recently launched a new division—the Insulated Gate Bipolar Transistor (IGBT) Power Module—in the Philippines. IGBT modules are terminal power semiconductor devices used as electric switches that combine high efficiency and fast switching. Research shows that the power module market will be worth \$8 billion by 2020 with annual growth rates of around 8%. The thriving demand from automotive including the the shift to electric vehicles and hybrid electric vehicles, energy and smart grid, industrial applications and consumer electronics sector will boost the IGBT market in the next five years. This is significant because IMI have the only local integrated power module line in the Philippines with the capability to not only do packaging but also the development of customized testers and test systems. Other companies can only package and wait for their customers to provide them the testers.

The Design and Development Division continues to provide product development services to IMI's customers in identified market areas, while the Advanced Manufacturing & Engineering (AME) team in Tustin, California has focused on developing medical electronic products and AME Asia has embarked on two major process development activities including: (i) the set-up and development of a fully automated electro-mechanical assembly line for an electronics assisted steering system project at IMI Jiaxing; and (ii) the development of capabilities for high power modules for automotive and industrial applications at IMI Laguna.

IMI's Automation group continues to expand and has recently established a group in IMI China to focus on developing fully automated production lines as well as smaller cost-effective automation systems to help drive internal cost reduction efforts.

The group's competency center in IMI Czech Republic continues to develop robot-based systems and has recently completed the installation of a fully automated plastic injection molding cell and a high-speed automated assembly and testing line at IMI Bulgaria.

IMI Test and Systems Development (TSD) is now specializing in the integration of multi-function test and precision mechatronics in the development of automated backend equipment. The team is co-developing a high KVA IGBT power module test platform to measure both static and dynamic characteristics.

With the increasing global vehicle production, rise of hybrids and electric cars, and innovation in automotive systems, it is expected that the 40% share of electronics over the total cost of a car will continue

to accelerate as the car faces technology disruptions. Global automotive electronics market will grow from \$201.9 billion in 2015 to more than \$300 billion in 2020 with a compound annual growth rate (CAGR) of 8.24%. As regards the Advanced Driver Assistance Systems (ADAS), which generated about \$27 billion in 2014, the same is expected to grow with a CAGR of 14.9% to reach \$78 billion in 2020.

On the non-automotive side of IMI's business, it is convinced in the long term growth potential in both the industrial and automation sectors. The global access control systems market is expected to reach US\$31.2 billion by 2019 with a CAGR of 12.6%. Among the key technology trends across the secure identity marketplace include: (i) increased demand for innovative physical security products; (ii) adoption of new credential form factors; and (iii) advances in how to manage identities.

Aside from access controls IMI is working on intrusion systems, biometrics readers, and nuclear radiation monitoring devices for specific customers.

Meanwhile, the demand for higher levels of quality and consistency has brought about the advent of automation and robotics in the manufacturing floor. Industry 4.0 is expected to generate US\$ 202.4 billion in the market by 2020 with a CAGR of 6.73%. (Markets and Markets)

In the medical segment, the aging population is a rising global megatrend and will affect how companies and individuals interact. Diagnostics alone will reach US\$43 billion by 2019 with a CAGR of 9.2%, while total wireless portable medical device market is expected to grow to \$17.7 Billion in 2020, with an estimated CAGR of 12.2%.

The President stressed that IMI drive to diligently work in order to bring value to its customers is led by its core value of excellence. IMI have received the following awards and recognitions in 2015: (i) Agora Award for Outstanding Achievement in Export marketing from the Philippine Marketing Association; (ii) Preferred Supplier Award for the sixth consecutive year from Bosch; (iii) Best Supplier Award from J. Morita, and Recognitions from Belimo and Siemens; and (iv) True Leaders Award given to IMI Bulgaria by ICAP Bulgaria as among the 300 most profitable companies in 2014 which have increased manpower, possess high creditworthiness and are leaders in their sector.

For 2016, the Corporation allocated \$40.8 million for capital expenditures. This investment spend is based on IMI's market demand outlook, customer commitments when projects are awarded, and the necessary facilities and technology expansion designed to prepare it well in advance of growth or mass production. This will support the completion of ongoing expansion programs particularly in Mexico, China, and the Philippines. The main components of these expenditures are new buildings and extensions, purchase of equipment for new projects, various machineries restorations and strategic investments.

In closing, the President emphasized that IMI remains committed never to stand still. It will move ahead, and will not only be competitive, but more importantly, be continue to be relevant.

The President then expressed gratitude to all the Corporation's customers for the loyalty, shareholders for confidence and commitment and 14,000 employees in 6 countries for the focus in driving the business and for creating a culture of excellence.

Audio-visual presentations were shown to the stockholders as the President delivered his report.

Thereafter, the Chairman opened the floor for questions or comments from the stockholders.

There being no questions and comments from the stockholders, Mr. John Roderick L. Javate, seconded by Mr. Joel O. Pena, moved for the noting of the annual report and the approval of the 2015 audited financial statements, and the adoption of the following Resolution No. S-02-16, which was shown on the screen:

### Resolution No. S-02-16

**RESOLVED**, to note the Corporation's Annual Report, which consists of the Chairman's Message, the President's Report, and the audio-visual presentation to the stockholders, and to approve the consolidated audited financial statements of the Corporation and its subsidiaries as of December 31, 2015, as audited by the Corporation's external auditor Sycip Gorres Velayo & Co.

As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion for the noting of the annual report and the approval of the 2015 audited financial statements, and the adoption of Resolution No. S-02-16 are as follows:

	For	Against	Abstain
Number of Shares Voted	1,281,502,969	0	0
% of Shares Voted	99.9995%	0%	0%

#### 7. Election of Directors

The next item in the agenda was the election of eleven (11) members of the Board of Directors for the ensuing year. The Chairman requested Mr. Jose Ignacio A. Carlos, a member of the Nomination Committee, to explain this item.

Mr. Carlos explained that, in accordance with the requirements of the Corporation's By-laws, the Manual of Corporate Governance and the SEC Rules, the names of the following nominees to the Board of Directors had been submitted to the Nomination Committee, and each one has accepted the nomination in writing:

Jaime Augusto Zobel de Ayala  
Fernando Zobel de Ayala  
Arthur R. Tan  
Jose Ignacio A. Carlos  
Edgar O. Chua  
John Eric T. Francia  
Alelie T. Funcell  
Delfin L. Lazaro  
Jose Teodoro K. Limcaoco  
Hiroshi Nishimura  
Rafael Ma. C. Romualdez

Messrs. Chua and Nishimura, and Ms. Funcell had been nominated as independent directors.

Mr. Carlos further reported that all the nominees possessed all the qualifications and none of the disqualifications under the Corporation's By-Laws and Manual of Corporate Governance, and were eligible to be nominated and elected directors of the Corporation.

The Chairman asked the stockholders if they have any questions or comments. There being no question on the item under consideration, the Chairman requested the Corporate Secretary to report the results of the election.

As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes received by the nominees are as follows:

Director	For	Against	Abstain
Jaime Augusto Zobel de Ayala	1,280,690,041	468,400	0
% of Shares Voted	99.9361%	0.0366%	0%
Fernando Zobel de Ayala	1,280,605,441	468,840	0
% of Shares Voted	99.9295%	0.0366%	0%
Arthur R. Tan	1,281,004,726	82,800	0
% of Shares Voted	99.9607%	0.0065%	0%
Jose Ignacio A. Carlos	1,280,990,741	82,800	0
% of Shares Voted	99.9596%	0.0065%	0%
Edgar O. Chua	1,280,990,641	82,800	0
% of Shares Voted	99.9596%	0.0065%	0%
John Eric T. Francia	1,280,990,641	82,800	0
% of Shares Voted	99.9596%	0.0065%	0%
Alelie T. Funcell	1,280,990,641	82,800	0
% of Shares Voted	99.9596%	0.0065%	0%
Jose Teodoro K. Limcaoco	1,280,990,641	82,800	0
% of Shares Voted	99.95%	0%	0%
Delfin L. Lazaro	1,280,605,041	468,400	0
% of Shares Voted	99.9295%	0.0366%	0%
Hiroshi Nishimura	1,280,985,856	82,800	0
% of Shares Voted	99.9592%	0.0065%	0%
Rafael Ma. C. Romualdez	1,280,998,245	82,800	0
% of Shares Voted	99.9594%	0.0065%	0%

Given the foregoing results, the Chairman requested for a motion for approval.

On motion of Mr. Rafael Nestor V. Mantaring, seconded by Mr. Erick Jan C. Cruz, the stockholders elected the eleven (11) nominees as directors of the Corporation for the ensuing year to serve as such until their successors are elected and qualified, and adopted Resolution No. S-03-16. The text of the following Resolution No. S-03-16 was shown on the screen.

**Resolution No. S-03-16**

**RESOLVED**, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

Jaime Augusto Zobel de Ayala  
Fernando Zobel de Ayala  
Arthur R. Tan  
Jose Ignacio A. Carlos  
Edgar O. Chua  
John Eric T. Francia  
Alelie T. Funcell  
Delfin L. Lazaro  
Jose Teodoro K. Limcaoco  
Hiroshi Nishimura  
Rafael Ma. C. Romualdez



## 8. Election of External Auditor and Fixing of its Remuneration

At the request of the Chairman, Mr. Edgar O. Chua, Chairman of the Audit Committee, informed the stockholders that the Committee evaluated and was satisfied with the performance of the Corporation's external auditor, SGV. Thus, the Committee and the Board agreed to endorse the re-election of SGV as the external auditor of the Corporation for the current fiscal year for an audit fee of Pesos: Three Million Seven Hundred Thousand (Php3,700,000.00).

The Chairman opened the floor for questions or comments, but no stockholder raised any question or comment. Thereafter, on motion of Mr. Rodel S. Buan, seconded by Ms. Famela V. Nomorosa, the stockholders elected SGV as external auditor of the Corporation for the current fiscal year and approved SGV's audit fee, and adopted the following Resolution No. S-04-16, which was shown on the screen:

### Resolution No. S-04-16

**RESOLVED**, as endorsed by the Board of Director, to approve the re-election of SyCip Gorres Velayo & Company as the external auditor of the Corporation for the year 2016 for an audit fee of Php3.7 Million.

As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the re-election of SGV as external auditor of the Corporation, the approval of its audit fee, and the adoption of Resolution No. S-04-16 are as follows:

	For	Against	Abstain
Number of Shares Voted	1,281,502,969	0	0
% of Shares Voted	99.9995%	0%	0%

## 9. Other Matters

The Chairman opened the floor for questions or comments from the stockholders on other matters which are relevant and of general concern to the stockholders.

## 10. Adjournment

There being no other matters to discuss, on motion of Mr. Fernando D. Dizon, seconded by Mr. Blesilda L. Santiago, the meeting was adjourned.

  
**SOLOMON M. HERMOSURA**  
Corporate Secretary

ATTESTED BY:

  
**JAIME AUGUSTO ZOBEL DE AYALA**  
Chairman of the Board & of the Meeting