



Integrated Micro-Electronics, Inc.

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February 7, 2019

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 Revenues Up 24% to US\$1.35 billion in 2018

Integrated Micro-Electronics, Inc. (IMI) announced that the company brought 2018 to a close with consolidated revenues of US\$1.35 billion (P70.81 billion), an increase of 24 percent year-on-year. The company posted a net income of US\$45.5 million (P2.39 billion), 34 percent higher than the prior year including favorable non-operating items. Gross profit grew 5 percent, however, gross profit margin declined to 10.1% from 11.9% partly due to tight supplies of electronic components.

Please refer to the attached press release. Thank you!

Very truly yours,

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



IMI Revenues Up 24% to US\$1.35 billion in 2018

February 7, 2019, Laguna, Philippines — Integrated Micro-Electronics, Inc. (IMI) brought 2018 to a close with consolidated revenues of US\$1.35 billion (P70.81 billion), an increase of 24 percent year-on-year. The company posted a net income of US\$45.5 million (P2.39 billion), 34 percent higher than the prior year including favorable non-operating items. Gross profit grew 5 percent, however, gross profit margin declined to 10.1% from 11.9% partly due to tight supplies of electronic components.

IMI's traditional business delivered US\$1.04 billion revenues, a growth of 16 percent while recently acquired companies, VIA and STI, accelerated further with a growth of 61 percent year-on-year posting a combined revenue of US\$312.4 million. The company benefited from new programs in the industrial and automotive segments which grew 41 percent and 21 percent, respectively, while strong activities firmed up for strategic opportunities in aerospace.

The reported net income includes non-operating items such as net gain on the sale of a China entity and reversal of contingent consideration related to the STI acquisition, partially offset by impairment of China goodwill, mark-to-market losses on put options and other one-off transaction costs. The effect of the RMB and EUR depreciation and higher interest rates also added downward pressure. Operationally and excluding foreign exchange impact, net income decreased 21 percent to US\$25.8 million.

Arthur Tan, IMI chief executive officer, said, "2018 was a challenging yet exciting year. Although the company was affected financially by the global component shortage issue, we are confident that the choices we made years ago were the right decisions. We remain committed in our strategy to develop complex and high value products that allows us to remain relevant in our focused target markets."

Also in 2018, the company's business pipeline expanded with US\$320 million new project awards, 72 percent of which are for automotive applications. "This drive to be a critical contributor to the digital car of tomorrow and other technological breakthroughs will enable us to deliver and meet increasing expectations of our stakeholders," Tan added.

"The imbalance between supply and demand puts pressure in the way we do our business. Building solid relationships with customers and suppliers is the key. We have to establish realistic targets with positive thinking to stay ahead of the game," Gilles Bernard, IMI president and chief operating officer stated.

Last year, IMI spent US\$65.0 million on capital expenditures to build more complex manufacturing capabilities which were funded by proceeds from the stock rights offering.

IMI's balance sheet remains robust with a current ratio of 1.34:1 and debt-to-equity ratio of 0.80:1.

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 is now the 5th largest EMS provider in the world per New Venture Research.

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

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 market, 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 to the 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, Japan, Serbia, 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
CONSOLIDATED BALANCE SHEETS

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$108,534,341	\$90,627,228
Receivables	311,496,509	263,115,347
Contract assets	63,484,194	–
Inventories	192,663,040	199,614,807
Other current assets	20,824,207	27,054,631
Total Current Assets	697,002,291	580,412,013
Noncurrent Assets		
Property, plant and equipment	191,742,132	164,596,056
Goodwill	141,573,604	147,370,912
Intangible assets	27,789,568	22,898,566
Financial assets at FVOCI	1,076,455	831,364
Deferred tax assets - net	3,156,216	3,451,802
Other noncurrent assets	8,456,236	1,790,915
Total Noncurrent Assets	373,794,211	340,939,615
	\$1,070,796,502	\$921,351,628
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$293,005,780	\$284,278,710
Loans and trust receipts payable	136,338,960	135,057,620
Other financial liabilities	29,805,183	22,317,860
Current portion of long-term debt	56,355,943	6,872,679
Income tax payable	3,531,224	3,821,856
Total Current Liabilities	519,037,090	452,348,725
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt	127,216,389	158,224,056
Obligation under finance lease	–	223,771
Net retirement liabilities	4,232,934	5,132,145
Deferred tax liabilities - net	3,950,330	2,742,454
Other noncurrent liabilities	9,719,531	26,085,878
Total Noncurrent Liabilities	145,119,184	192,408,304
Total Liabilities	664,156,274	644,757,029

(Forward)

	December 31	
	2018	2017
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	\$42,648,042	\$35,709,679
Subscribed capital stock	815,198	1,058,278
Additional paid-in capital	146,513,264	58,121,266
Subscriptions receivable	(3,402,940)	(5,351,844)
Retained earnings	236,289,815	194,499,540
Treasury stock	(1,012,588)	(1,012,588)
Other components of equity	(1,096,364)	454,457
Cumulative translation adjustment	(13,857,837)	(2,302,277)
Remeasurement losses on defined benefit plans	(6,235,794)	(7,437,096)
	400,660,796	273,739,415
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries		
	5,979,432	2,855,184
Total Equity	406,640,228	276,594,599
	\$1,070,796,502	\$921,351,628

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE FROM CONTRACTS WITH CUSTOMERS	\$1,349,400,445	\$1,090,588,189	\$842,966,424
COST OF SALES	1,213,735,910	960,989,543	741,657,043
GROSS PROFIT	135,664,535	129,598,646	101,309,381
OPERATING EXPENSES	(95,942,496)	(89,160,675)	(58,366,442)
OTHERS - Net			
Interest expense and bank charges	(11,992,384)	(6,900,807)	(3,884,454)
Foreign exchange gains (losses) - net	(3,845,781)	1,273,773	(2,437,818)
Interest income	998,995	166,246	294,035
Miscellaneous income (loss) - net	31,766,540	6,928,149	(2,092,149)
	16,927,370	1,467,361	(8,120,386)
INCOME BEFORE INCOME TAX	56,649,409	41,905,332	34,822,553
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	7,737,422	7,982,335	6,942,950
Deferred	1,060,931	(519,741)	(136,306)
	8,798,353	7,462,594	6,806,644
NET INCOME	\$47,851,056	\$34,442,738	\$28,015,909
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	\$45,506,927	\$34,001,982	\$28,115,891
Non-controlling interests	2,344,129	440,756	(99,982)
	\$47,851,056	\$34,442,738	\$28,015,909
Earnings Per Share			
Basic and diluted	\$0.021	\$0.018	\$0.015

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
NET INCOME	\$47,851,056	\$34,442,738	\$28,015,909
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified into profit or loss in subsequent periods:</i>			
Exchange differences arising from translation of foreign operations	(11,555,560)	18,337,331	(4,094,917)
Fair value changes of financial assets at FVOCI	202,768	85,926	117,501
	(11,352,792)	18,423,257	(3,977,416)
<i>Other comprehensive loss not to be reclassified into profit or loss in subsequent periods:</i>			
Remeasurement losses on defined benefit plans	1,201,302	(1,008,836)	(132,587)
	(10,151,490)	17,414,421	(4,110,003)
TOTAL COMPREHENSIVE INCOME	\$37,699,566	\$51,857,159	\$23,905,906
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	\$35,355,437	\$51,416,403	\$24,005,888
Non-controlling interests	2,344,129	440,756	(99,982)
	\$37,699,566	\$51,857,159	\$23,905,906

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 and 2016

	Attributable to Equity Holders of the Parent Company						Other Comprehensive Income (Loss)			Attributable to Non-controlling Interests	Total
	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans		
Balances at January 1, 2018	\$35,709,679	\$1,058,278	\$58,121,266	(\$5,351,844)	\$194,499,540	(\$1,012,588)	\$454,457	(\$2,302,277)	(\$7,437,096)	\$2,855,184	\$276,594,599
Cumulative catch-up adjustment due to adoption of PFRS 9 and 15	-	-	-	-	6,413,470	-	(1,753,589)	-	-	295,522	4,955,403
Balances at January 1, 2018, adjusted	35,709,679	1,058,278	58,121,266	(5,351,844)	200,913,010	(1,012,588)	(1,299,132)	(2,302,277)	(7,437,096)	3,150,706	281,550,002
Issued shares during the year	220,513	(220,513)	-	-	-	-	-	-	-	-	-
Issued shares from stock rights offer	6,717,850	-	89,213,052	-	-	-	-	-	-	-	95,930,902
Transaction costs on shares issuance	-	-	(660,853)	-	-	-	-	-	-	-	(660,853)
Cost of share-based payments	-	-	29,589	-	-	-	-	-	-	-	29,589
Collections on subscriptions	-	-	-	1,736,547	-	-	-	-	-	-	1,736,547
Forfeitures during the year	-	(22,567)	(189,790)	212,357	-	-	-	-	-	-	-
Decrease in non-controlling interest due to acquisition of a subsidiary during the year	-	-	-	-	-	-	-	-	-	535,571	535,571
Effect of finalization of business combination	-	-	-	-	-	-	-	-	-	(50,974)	(50,974)
Cash dividends	-	-	-	-	(10,130,122)	-	-	-	-	-	(10,130,122)
	42,648,042	815,198	146,513,264	(3,402,940)	190,782,888	(1,012,588)	(1,299,132)	(2,302,277)	(7,437,096)	3,635,303	368,940,662
Net income	-	-	-	-	45,506,927	-	-	-	-	2,344,129	47,851,056
Other comprehensive income (loss)	-	-	-	-	-	-	202,768	(11,555,560)	1,201,302	-	(10,151,490)
Total comprehensive income (loss)	-	-	-	-	45,506,927	-	202,768	(11,555,560)	1,201,302	2,344,129	37,699,566
Balances at December 31, 2018	\$42,648,042	\$815,198	\$146,513,264	(\$3,402,940)	\$236,289,815	(\$1,012,588)	(\$1,096,364)	(\$13,857,837)	(\$6,235,794)	\$5,979,432	\$406,640,228

Attributable to Equity Holders of the Parent Company

	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Comprehensive Income (Loss)			Attributable to Non- controlling Interests	Total
							Other Components of Equity	Cumulative Translation Adjustment	Remeasure- ment losses on defined benefit plans		
Balances at January 1, 2017, as previously reported	\$34,935,709	\$1,857,440	\$70,927,567	(\$12,334,692)	\$168,932,158	(\$1,012,586)	\$368,531	(\$20,639,608)	(\$6,428,260)	\$1,260,871	\$237,867,130
Effect of finalization of business combination	-	-	-	-	-	-	-	-	-	1,460,812	1,460,812
Balances at January 1, 2017, as restated	34,935,709	1,857,440	70,927,567	(12,334,692)	168,932,158	(1,012,586)	368,531	(20,639,608)	(6,428,260)	2,721,683	239,327,942
Issued shares during the year	773,970	(773,970)	-	-	-	-	-	-	-	-	-
Cost of share-based payments	-	-	262,618	-	-	-	-	-	-	-	262,618
Reacquired shares	-	-	-	-	-	(2)	-	-	-	-	(2)
Collections on subscriptions	-	-	-	6,765,378	-	-	-	-	-	-	6,765,378
Forfeitures during the year	-	(25,192)	(192,278)	217,470	-	-	-	-	-	-	-
Effect of recognition of financial liability arising from put option on business combination	-	-	(12,876,641)	-	-	-	-	-	-	-	(12,876,641)
Decrease in non-controlling interest due to acquisition of a subsidiary during the year	-	-	-	-	-	-	-	-	-	(307,255)	(307,255)
Cash dividends	-	-	-	-	(8,434,600)	-	-	-	-	-	(8,434,600)
	35,709,679	1,058,278	58,121,266	(5,351,844)	160,497,558	(1,012,588)	368,531	(20,639,608)	(6,428,260)	2,414,428	224,737,440
Net income	-	-	-	-	34,001,982	-	-	-	-	440,756	34,442,738
Other comprehensive income (loss)	-	-	-	-	-	-	85,926	18,337,331	(1,008,836)	-	17,414,421
Total comprehensive income (loss)	-	-	-	-	34,001,982	-	85,926	18,337,331	(1,008,836)	440,756	51,857,159
Balances at December 31, 2017	\$35,709,679	\$1,058,278	\$58,121,266	(\$5,351,844)	\$194,499,540	(\$1,012,588)	\$454,457	(\$2,302,277)	(\$7,437,096)	\$2,855,184	\$276,594,599

Attributable to Equity Holders of the Parent Company

	Attributable to Equity Holders of the Parent Company						Other Comprehensive Income (Loss)					Total
	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	Remeasurement losses on defined benefit plans	Other Reserves	Attributable to Non-controlling Interests(As restated)	
Balances at January 1, 2016	\$34,933,728	\$1,907,584	\$82,527,542	(\$13,131,734)	\$149,437,014	(\$1,012,586)	\$251,030	(\$16,544,691)	(\$6,295,673)	\$170,714	\$194,836	\$232,437,764
Issued shares during the year	1,981	(1,981)	—	—	—	—	—	—	—	—	—	—
Cost of share-based payments	—	—	744,130	—	—	—	—	—	—	—	—	744,130
Collections on subscriptions	—	—	—	462,377	—	—	—	—	—	—	—	462,377
Forfeitures during the year	—	(48,163)	(286,502)	334,665	—	—	—	—	—	—	—	—
Effect of recognition of financial liability arising from put options on business combination	—	—	(12,057,603)	—	—	—	—	—	—	—	—	(12,057,603)
Increase in non-controlling interest due to acquisition of a subsidiary during the year	—	—	—	—	—	—	—	—	—	—	2,816,416	2,816,416
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	(170,714)	(189,587)	(360,301)
Cash dividends	—	—	—	—	(8,620,747)	—	—	—	—	—	—	(8,620,747)
	34,935,709	1,857,440	70,927,567	(12,334,692)	140,816,267	(1,012,586)	251,030	(16,544,691)	(6,295,673)	—	2,821,665	215,422,036
Net income (loss)	—	—	—	—	28,115,891	—	—	—	—	—	(99,982)	28,015,909
Other comprehensive income (loss)	—	—	—	—	—	—	117,501	(4,094,917)	(132,587)	—	—	(4,110,003)
Total comprehensive income (loss)	—	—	—	—	28,115,891	—	117,501	(4,094,917)	(132,587)	—	(99,982)	23,905,906
Balances at December 31, 2016, (As restated)	\$34,935,709	\$1,857,440	\$70,927,567	(\$12,334,692)	\$168,932,158	(\$1,012,586)	\$368,531	(\$20,639,608)	(\$6,428,260)	\$—	\$2,721,683	\$239,327,942

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	\$56,649,409	\$41,905,332	\$34,822,553
Adjustments for:			
Depreciation of property, plant and equipment	30,899,061	24,241,821	22,472,246
Reversal of contingent liability	(21,304,030)	-	-
Net gain on disposal of a subsidiary	(19,062,344)	-	-
Interest expense	10,633,675	5,723,185	3,297,733
Impairment loss on goodwill	6,902,838		
Amortization of intangible assets	6,024,201	4,387,950	1,989,548
Mark-to-market loss (gain) on put options	5,372,114	(2,298,664)	40,785
Unrealized foreign exchange losses (gains) - net	4,460,835	131,591	(57,843)
Interest income	(998,995)	(166,246)	(294,035)
Loss (gain) on sale and retirement of property, plant and equipment	(189,298)	(48,116)	143,034
Cost of share-based payments	29,589	262,618	744,130
Reversal of impairment of property, plant and equipment	-	(815,150)	-
Impairment loss on product development cost	-	524,705	-
Loss (gain) on derivative transactions	-	30,144	113,455
Gain on insurance claims	-	-	(360,895)
Operating income before working capital changes	79,417,055	73,879,170	\$62,910,711
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(53,733,310)	(39,881,615)	(9,314,375)
Inventories	(35,192,605)	(75,590,879)	(13,299,183)
Contract assets	(18,229,409)	-	-
Other current assets	5,868,300	(9,499,046)	(5,365,246)
Increase (decrease) in:			
Accounts payable and accrued expenses	24,891,682	46,497,566	11,291,119
Advances from customers	-	(640,640)	2,029,988
Retirement liabilities	549,433	97,418	(1,569,301)
Accrued rent	-	(3,555)	(370,147)
Other noncurrent liabilities	-	123,259	(54,857)
Net cash generated from (used in) operations	3,571,146	(5,018,322)	46,258,709
Income tax paid	(8,028,054)	(7,945,950)	(6,025,529)
Interest paid	(9,691,264)	(5,416,600)	(3,037,688)
Interest received	998,995	166,246	306,506
Net cash provided by (used in) operating activities	(13,149,177)	(18,214,626)	37,501,998
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment	(63,798,170)	(61,872,944)	(48,344,218)
Intangible assets	(1,166,154)	(3,381,178)	(3,886,107)
Acquisition through business combination, net of cash acquired	(1,965,360)	(25,705,865)	(46,878,629)
Increase in advances from third party	(9,231,423)	14,233,872	6,538,462
Capitalized product development costs, excluding depreciation	(5,002,325)	(4,459,707)	(4,004,265)
Proceeds from sale and retirement of property, plant and equipment	3,082,579	1,940,767	289,493
Decrease (increase) in other noncurrent assets	(6,665,321)	864,080	(531,198)
Net cash used in investing activities	(84,746,174)	(78,380,975)	(96,816,462)

(Forward)

Years Ended December 31

	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from stock rights offering	\$95,930,902	\$-	\$-
Availments of loans	37,118,991	131,077,301	265,905,842
Payments of:			
Loans payable	(8,381,524)	(20,419,648)	(129,611,778)
Long-term debt	(6,653,629)	(9,177,386)	(83,007,267)
Dividends paid to equity holders of the Parent Company	(10,130,122)	(8,434,600)	(8,620,747)
Collections of subscriptions receivable	1,736,547	6,765,378	462,377
Settlement of derivatives	(30,144)	56,495	(114,400)
Cash paid on acquisition of non-controlling interests	-	-	(360,301)
Increase in noncurrent liabilities	6,419,515	-	-
Net cash provided by financing activities	116,010,536	99,867,540	44,653,726
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS			
	(208,072)	806,554	(322,936)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,907,113	4,078,493	(14,983,674)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	90,627,228	86,548,735	101,532,409
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$108,534,341	\$90,627,228	\$86,548,735