



**Integrated Micro-Electronics, Inc.**

North Science Avenue,  
Special Export Processing Zone  
Laguna Technopark  
Biñan Laguna 4024 Philippines

Tel (63 2) 756 6840  
Fax (63 49) 544 0322  
[www.global-imi.com](http://www.global-imi.com)

October 30, 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 Posted Net Income of \$41.4 Million**

Integrated Micro-Electronics, Inc. (IMI) announced that its September year-to-date net income reached \$41.4 million, including favorable one-off items, versus US\$24.1 million for the same period last year. Revenues grew 27 percent year-on-year with corresponding gross profit increase of 22 percent. GP margins however declined from last year's 11% to 10.6% as a result of higher material prices coupled by higher production and logistics costs arising from the global component shortage.

Please refer to the attached press release. Thank you!

Very truly yours,

**JEROME S. TAN**  
Chief Finance Officer



## IMI Posted Net Income of \$41.4 Million

**October 30, 2018, Laguna, Philippines** — Integrated Micro-Electronics, Inc. (IMI) announced that its 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. Revenues grew 27 percent year-on-year with corresponding gross profit increase of 22 percent. 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.

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.

Arthur Tan, IMI chief executive officer, says, "The fast-paced evolution of automotive and industrial segments resulting to unexpected demand for components is creating pressure in constrained markets. As we face the current challenges, IMI continues to strive in setting the bar to key technological advancements and remain ahead of the curve. We continue to expand our reach in countries which we believe will reap positive benefits and develop a competitive edge in the global market."

The company recently announced the inauguration of the Serbia facility which will boost the manufacturing of electronic car components and will elevate our position in the global automotive EMS market. Earlier this year, IMI also announced the formation of a joint venture company to serve the market for copper-based metal mesh touch sensors which will strengthen the company's portfolio of differentiated and value-added sensor technology. These are among IMI's game-changing initiatives to go beyond assembly and electronics.

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.

"While the EMS industry faces unpredictable market situations, IMI continues to boost production output and is in control of managing expectations from our valued customers. We continue to invest and take risks in venturing into new fields while keeping close track of our core businesses trajectory," Gilles Bernard, IMI president and chief operating officer stated.

Capital expenditures as of September 30, 2018 reached US\$47.3 million mostly for expansion and increase in capacity. IMI also won a total of US\$252 million new projects as of to date.

IMI's balance sheet remains stable with a current ratio of 1.46:1 and debt-to-equity ratio of 0.76:1.

## **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](http://www.global-imi.com).

# 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) Dec 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$98,864	\$90,627
Receivables - net	303,661	263,115
Contract assets	63,134	-
Inventories	195,832	199,615
Other current assets	26,863	27,055
Total Current Assets	688,354	580,412
<b>Noncurrent Assets</b>		
Property, plant and equipment - net	186,082	164,596
Goodwill	141,577	148,040
Intangible assets - net	27,055	22,899
Available-for-sale financial assets	1,027	831
Deferred tax assets	1,048	3,452
Other noncurrent assets	1,702	1,791
Total Noncurrent Assets	358,491	341,609
	<b>\$1,046,845</b>	<b>\$922,021</b>

## LIABILITIES AND EQUITY

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$292,733	\$284,279
Loans and trust receipts payable	147,987	135,058
Other financial liabilities	26,454	22,318
Current portion of long-term debt	1,494	6,873
Income tax payable	4,283	3,822
Total Current Liabilities	472,951	452,350
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Long-term debt	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	4,335	26,086
Total Noncurrent Liabilities	169,254	192,408
Total Liabilities	642,205	644,758

(Forward)

	(Unaudited) Sep 30, 2018	(As Restated) Dec 31, 2017
<b>EQUITY</b>		
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
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)
	<b>398,806</b>	<b>273,739</b>
<b>Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries</b>		
	<b>5,834</b>	<b>3,524</b>
Total Equity	<b>404,640</b>	<b>277,263</b>
	<b>\$1,046,845</b>	<b>\$922,021</b>

**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
<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b>	<b>\$342,707</b>	<b>\$1,011,496</b>	\$294,215	\$795,224
<b>COST OF GOODS SOLD AND SERVICES</b>	<b>307,451</b>	<b>904,372</b>	262,705	707,651
<b>GROSS PROFIT</b>	<b>35,256</b>	<b>107,124</b>	31,510	87,573
<b>OPERATING EXPENSES</b>	<b>(23,714)</b>	<b>(80,307)</b>	(22,850)	(57,605)
<b>OTHERS - Net</b>				
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	6,397	36,563	761	2,133
<b>INCOME BEFORE INCOME TAX</b>	<b>13,520</b>	<b>\$50,608</b>	7,829	\$29,182
<b>PROVISION FOR INCOME TAX</b>	<b>(2,926)</b>	<b>(7,775)</b>	(1,205)	(4,954)
<b>NET INCOME</b>	<b>\$10,594</b>	<b>\$42,833</b>	\$6,624	\$24,228
<b>Net Income (Loss) Attributable to:</b>				
Equity holders of the Parent Company	\$9,778	\$41,354	\$7,058	\$24,099
Non-controlling interests	816	1,479	(434)	129
	<b>\$10,594</b>	<b>\$42,833</b>	\$6,624	\$24,228
<b>Earnings Per Share</b>				
Basic and diluted		<b>\$0.019</b>		<b>\$0.013</b>

**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
<b>NET INCOME FOR THE PERIOD</b>	<b>\$10,594</b>	<b>\$42,833</b>	<b>\$6,624</b>	<b>\$24,228</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
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
	<b>(2,644)</b>	<b>(7,803)</b>	<b>4,587</b>	<b>16,431</b>
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:				
Remeasurement gains on defined benefit plans	—	—	—	—
	<b>(2,644)</b>	<b>(7,803)</b>	<b>4,587</b>	<b>16,431</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$7,950</b>	<b>\$35,030</b>	<b>\$11,211</b>	<b>\$40,659</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>				
Equity holders of the Parent Company	\$7,134	\$33,551	\$11,645	\$40,530
Non-controlling interests	816	1,479	(434)	129
	<b>\$7,950</b>	<b>\$35,030</b>	<b>\$11,211</b>	<b>\$40,659</b>

**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)				Total
	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	
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

	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 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	
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

	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	Attributable to Non-controlling Interests	
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$50,608	\$29,182
Adjustments for:		
Depreciation of property, plant and equipment	23,130	19,015
Impairment loss on goodwill	9,593	525
Interest expense	8,675	4,829
Amortization of intangible assets	4,604	3,764
Unrealized foreign exchange gains	4,436	(323)
Mark-to-market loss on derivatives	4,136	(177)
Cost of share-based payments	30	235
Gains on sale of property, plant and equipment	(107)	(611)
Interest income	(713)	(136)
Net gain on disposal of a subsidiary	(19,062)	-
Reversal of contingent liability	(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	28,207	36,163
Advances from third party	(9,231)	6,615
Retirement liabilities	148	(146)
Other noncurrent liabilities	(2,885)	(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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of:		
Property, plant and equipment	(46,960)	(46,295)
Intangible assets	(326)	(2,686)
Capitalized development costs	(3,226)	(3,646)
Acquisition through business combination	(1,965)	(25,704)
Proceeds from sale of property, plant and equipment	430	1,602
Decrease in other noncurrent assets	89	506
Net cash used in investing activities	(51,958)	(76,223)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of loans	21,398	87,789
Payment of loans	(16,400)	(23,608)
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	1,714	1,136
Net cash provided by financing activities	92,483	56,882
<b>NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS</b>	<b>(831)</b>	<b>496</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,237</b>	<b>(23,978)</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1</b>	<b>90,627</b>	<b>86,549</b>
<b>CASH AND CASH EQUIVALENTS AT SEPTEMBER 30</b>	<b>\$98,864</b>	<b>\$62,571</b>