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

October 30, 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 Continues to Endure Industry Slow Down

Integrated Micro-Electronics, Inc. (IMI) achieved US$939.6 million of consolidated revenues in the first nine months of 2019, seven percent lower than the same period last year. A gross profit of US$79.1 million representing an 8.4% margin, is a 26 percent decline versus the same period last year. The company finished the first three quarters of 2019 with US$451 thousand of net income which includes a provision for non-recurring deferred expenses of US$5.2 million.

Please refer to the attached press release. Thank you!

Very truly yours,

JEROME S. TAN
Chief Finance Officer

IMI Continues to Endure Industry Slow Down

October 30, 2019, Laguna, Philippines — Integrated Micro-Electronics, Inc. (IMI) achieved US$939.6 million of consolidated revenues in the first nine months of 2019, seven percent lower than the same period last year. The persistent slowdown in IMI's main market segments, compounded by various geo-political issues have hindered growth.

A lingering contraction in the automotive space, particularly in China, has brought down customer demand forecasts that led to challenged margins as new manufacturing lines are temporarily underutilized. A gross profit of US$79.1 million representing an 8.4% margin, is a 26 percent decline versus the same period last year. The company finished the first three quarters of 2019 with US$451 thousand of net income which includes a provision for non-recurring deferred expenses of US$5.2 million. New business wins from the pipeline remain healthy at US$295.0 million year to date.

IMI's wholly-owned businesses had US$755.2 million of revenues, a three percent reduction from the same period last year. China's domestic market challenges prove to be the biggest drag, with IMI's factories in the region showing a 22 percent decline versus the same period in 2018. Despite the global slowdown, the company's Mexico and Bulgaria/Serbia operations showed a growth of 66 percent and three percent, respectively.

Via Optronics and STI Enterprises, Ltd. posted US$184.4M of revenues, a 20 percent decline against the same period last year. The delays in the production of the next generation computer processors affected VIA's consumer laptop business. The company remains committed to serve the market as the segment rebounds and rolls out new products by the end of the year.

Continued political tensions in the UK depressed revenue growth in STI, down by 11 percent. However, the company expects business to improve, having won US$69.0 million of new business projects in the first nine months of 2019.

Arthur Tan, IMI Chief Executive Officer, remains confident that IMI will continue to endure the cyclical nature of the industry. "Despite market challenges and geo-political uncertainties, technology and electronics remain to be the biggest drivers in the future of society. We remain committed to our long-term strategy of establishing ourselves in emerging technology platforms. IMI is deeply embedded in the world's key megatrends: mobility, smart energy, and connectivity. I am confident that we have the right strategies in place, and that our experience, technological flexibility, and wide global footprint will enable us to seize the many opportunities ahead despite the headwinds affecting the entire industry."

Gilles Bernard, IMI President and Chief Operating Officer recognizes the challenges of moving up the electronics value chain. "IMI's vision of catering to deeply customized technology solutions provides a strategy for IMI to remain relevant in the electronics manufacturing value chain. The shift to high complexity products brings challenges today that we consider as great learning opportunities in steering the company forward. We have invested heavily in improving our technological capabilities and enriching our engineering talent across all our operating sites. IMI will continue to be a key player in driving the world's technological advancement forward."

About IMI

Integrated Micro-Electronics Inc. (IMI), the manufacturing arm 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 now ranks 17th in the list of top 50 EMS providers in the world by the Manufacturing Market Insider (March 2019 edition), based on 2018 revenues. In the automotive market, it is 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.

From its 21 manufacturing plants across ten different countries, 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 SEPTEMBER 30, 2019

(With Comparative Audited Figures as of December 31, 2018)
(In thousands)

	(Unaudited) Sep 30, 2019	(As Restated - Note 2) Dec 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	**$98,359**	$108,534
Receivables - net	**282,837**	311,904
Contract assets	**60,291**	63,484
Inventories	**170,446**	192,663
Other current assets	**26,360**	20,824
Total Current Assets	**638,293**	697,409
Noncurrent Assets		
Property, plant and equipment - net	**198,830**	196,828
Goodwill	**136,797**	140,451
Intangible assets - net	**28,722**	29,821
Right-of-use assets	**33,039**	–
Deferred tax assets	**7,075**	3,156
Financial assets at FVOCI	**1,168**	1,076
Other noncurrent assets	**7,522**	8,456
Total Noncurrent Assets	**413,153**	379,788
	$1,051,446	$1,077,197
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	**$272,000**	$291,175
Contract liabilities	**2,535**	1,831
Loans and trust receipts payable	**77,520**	136,339
Other financial liabilities	**21,521**	29,805
Current portion of long-term debt	**66,243**	63,432
Current portion of lease liabilities	**2,944**	–
Income tax payable	**1,685**	3,531
Total Current Liabilities	**444,448**	526,113
Noncurrent Liabilities		
Noncurrent portion of long-term debt	**116,757**	124,543
Net retirement liabilities	**3,695**	4,233
Deferred tax liabilities	**3,391**	6,356
Lease liabilities	**30,872**	67
Other noncurrent liabilities	**5,294**	5,250
Total Noncurrent Liabilities	**160,009**	140,449
Total Liabilities	**604,457**	666,562

(Forward)

	(Unaudited) Sep 30, 2019	(As Restated - Note 2) Dec 31, 2018
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**$42,673**	$42,648
Subscribed capital stock	**753**	815
Additional paid-in capital	**146,208**	146,513
Subscriptions receivable	**(2,955)**	(3,403)
Unappropriated retained earnings	**233,984**	237,970
Treasury stock	**(1,013)**	(1,013)
Other components of equity	**(1,044)**	(1,096)
Cumulative translation adjustment	**(28,490)**	(13,156)
Remeasurement losses on defined benefit plans	**(6,236)**	(6,236)
	383,880	403,042
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**3,109**	7,593
Deposit for future subscription	**60,000**	–
Total Equity	**446,989**	410,635
	$1,051,446	$1,077,197

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands, except Earnings per Share)

	Unaudited 2019		**Unaudited 2018**	
	Jul to Sep	**Jan to Sep**	Jul to Sep	Jan to Sep
REVENUES FROM CONTRACTS WITH CUSTOMERS	**$303,875**	**$939,573**	$342,707	1,011,496
COST OF SALES	**281,743**	**860,481**	307,451	904,372
GROSS PROFIT	**22,132**	**79,092**	35,256	107,124
OPERATING EXPENSES	**(22,832)**	**(74,391)**	(23,714)	(80,307)
OTHERS - Net				
Interest and bank charges	**(3,126)**	**(10,227)**	(2,246)	(8,676)
Foreign exchange losses	**(1,316)**	**(3,059)**	(2,405)	(4,809)
Interest income	**297**	**758**	232	713
Miscellaneous income (loss) – net	**(5,116)**	**3,767**	6,397	36,563
INCOME (LOSS) BEFORE INCOME TAX	**(9,961)**	**(4,060)**	13,520	50,608
PROVISION FOR INCOME TAX	**1,207**	**26**	(2,926)	(7,775)
NET INCOME	**($8,754)**	**($4,034)**	$10,594	$42,833
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**($5,333)**	**$451**	$9,778	41,354
Non-controlling interests	**(3,421)**	**(4,484)**	816	1,479
	($8,754)	**($4,033)**	$10,594	42,833
Earnings Per Share:				
Basic and diluted		**$0.0002**		$0.019

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands)

	Unaudited 2019		Unaudited 2018	
	Jul to Sep	**Jan to Sep**	Jul to Sep	Jan to Sep
NET INCOME (LOSS) FOR THE PERIOD	**($8,754)**	**($4,033)**	$10,594	$42,833
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	**(13,219)**	**(15,282)**	(2,633)	(7,991)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:				
Fair value changes on financial assets at FVOCI – net of tax	**23**	**52**	(11)	188
	(13,196)	**(15,230)**	(2,644)	(7,803)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**($21,950)**	**($19,263)**	$7,950	$35,030
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**($18,529)**	**($14,779)**	$7,134	$33,551
Non-controlling interests	**(3,421)**	**(4,484)**	816	1,479
	($21,950)	**($19,263)**	$7,950	$35,030

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019, AND 2018
(In thousands)

	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	Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests	Deposit for Future subscription	Total
Balances at January 1, 2019	$42,648	$815	$146,513	(3,403)	$236,290	($1,013)	($1,096)	($12,894)	($6,236)	$4,812	$–	$406,436
Effect of finalization of business combination	–	–	–	–	1,680	–	–	(314)	–	2,781	–	4,147
Balances at January 1, 2019, as restated	42,648	815	146,513	(3,403)	237,970	(1,013)	(1,096)	(13,208)	(6,236)	7,593	–	410,583
Issued shares during the period	25	(25)	–	–	–	–	–	–	–	–	–	–
Deposit for future subscription	–	–	–	–	–	–	–	–	–	–	60,000	60,000
Collections on subscriptions	–	–	–	106	–	–	–	–	–	–	–	106
Forfeitures during the period	–	(37)	(305)	342	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(4,437)	–	–	–	–	–	–	(4,437)
	42,673	753	146,208	(2,955)	233,533	(1,013)	(1,096)	(13,208)	(6,236)	7,593	60,000	466,252
Net income	–	–	–	–	451	–	–	–	–	(4,484)	–	(4,033)
Other comprehensive income (loss)	–	–	–	–	–	–	52	(15,282)	–	–	–	(15,230)
Total comprehensive income (loss)	–	–	–	–	451	–	52	(15,282)	–	(4,484)	–	(19,263)
Balances at September 30, 2019	**$42,673**	**$753**	**$146,208**	**($2,955)**	**$233,984**	**($1,013)**	**($1,044)**	**($28,490)**	**($6,236)**	**$3,109**	**$60,000**	**$446,989**

	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	Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests	Total
Balances at January 1, 2018	$35,710	$1,058	$58,121	(5,352)	$194,500	(1,013)	$454	($2,538)	(7,437)	$3,091	$276,594
Cumulative catch-up adjustment due to adoption of PFRS 9 and 15	–	–	–	–	6,413	–	(1,753)	–	–	296	4,956
Balances at January 1, 2018, adjusted	35,710	1,058	58,121	(5,352)	200,913	(1,013)	(1,299)	(2,538)	(7,437)	3,387	281,550
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 acquisition of subsidiary during the period	–	–	–	–	–	–	–	–	–	535	535
Effect of finalization of business combination										(51)	(51)
Cash dividends	–	–	–	–	(10,130)	–	–	–	–	–	(10,130)
	42,648	816	146,543	(3,426)	190,783	(1,013)	(1,299)	(2,538)	(7,437)	3,871	368,948
Net income	–	–	–	–	41,353	–	–	–	–	1,479	42,832
Other comprehensive income	–	–	–	–	–	–	188	(7,991)	–	–	(7,803)
Total comprehensive income	–	–	–	–	41,353	–	188	(7,991)	–	1,479	35,029
Balances at September 30, 2018	**$42,648**	**$816**	**$146,543**	**($3,426)**	**$232,136**	**($1,013)**	**($1,111)**	**($10,529)**	**($7,437)**	**$5,350**	**$403,977**

	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	Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Non-controlling Interests	Total
Balances at January 1, 2018	**$35,710**	**$1,058**	**$58,121**	**($5,352)**	**$194,500**	**($1,013)**	**$454**	**($2,538)**	**($7,437)**	**$3,091**	**$276,594**
Cumulative catch-up adjustment due to adoption of PFRS 9 and 15	**–**	**–**	**–**	**–**	**6,413**	**–**	**(1,753)**	**–**	**–**	**296**	**4,956**
Balances at January 1, 2018, adjusted	**35,710**	**1,058**	**58,121**	**(5,352)**	**200,913**	**(1,013)**	**(1,299)**	**(2,538)**	**(7,437)**	**3,387**	**281,550**
Issued shares during the year	**220**	**(220)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issued shares from stock rights offer	**6,718**	**–**	**89,213**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**95,931**
Transaction costs on shares issuance	**–**	**–**	**(661)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(661)**
Cost of share-based payments	**–**	**–**	**29**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29**
Collections on subscriptions	**–**			**1,737**	**–**	**–**	**–**	**–**	**–**	**–**	**1,737**
Forfeitures during the year	**–**	**(23)**	**(189)**	**212**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Increase in non-controlling interest due to acquisition of a subsidiary during the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**535**	**535**
Effect of finalization of business combination	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**(51)**
Cash dividends	**–**	**–**	**–**	**–**	**(10,130)**	**–**	**–**	**–**	**–**	**–**	**(10,130)**
	42,648	**815**	**146,513**	**(3,403)**	**190,783**	**(1,013)**	**(1,299)**	**(2,538)**	**(7,437)**	**3,872**	**368,940**
Net income	**–**	**–**	**–**	**–**	**45,507**	**–**	**–**	**–**	**–**	**2,344**	**47,851**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**203**	**(10,356)**	**1,201**	**(1,403)**	**(10,355)**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**45,507**	**–**	**203**	**(10,356)**	**1,201**	**941**	**37,496**
Balances at December 31, 2018	**$42,648**	**$815**	**$146,513**	**(3,403)**	**$236,290**	**($1,013)**	**$(1,096)**	**(12,894)**	**(6,236)**	**$4,813**	**$406,436**

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(In thousands)

	Unaudited 2019 Jan to Sep	Unaudited 2018 Jan to Sep
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**($4,060)**	$50,608
Adjustments for:		
Depreciation of property, plant and equipment	**26,475**	23,130
Interest expense	**9,695**	8,675
Reversal of contingent liability	**(3,729)**	(20,706)
Amortization of intangible assets	**5,154**	4,604
Depreciation of right-of-use assets	**4,993**	–
Mark-to-market gains on put options	**(3,642)**	4,136
Unrealized foreign exchange losses	**996**	4,436
Interest income	**(758)**	(713)
Gains on sale of property, plant and equipment	**(85)**	(107)
Cost of share-based payments	–	30
Impairment loss goodwill	–	9,593
Net gain on disposal of a subsidiary	–	(19,062)
Operating income before working capital changes	**35,039**	64,624
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**21,855**	(44,392)
Contract asset	**3,193**	(1,865)
Inventories	**18,927**	(52,033)
Other current assets	**(5,679)**	(169)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(18,485)**	23,938
Contract liabilities	**704**	–
Retirement liabilities	**(538)**	148
Net cash provided by (used in) operations	**55,016**	(9,749)
Income tax paid	**(3,497)**	(6,436)
Interest paid	**(10,115)**	(8,138)
Interest received	**758**	713
Net cash provided by (used) in operating activities	**42,162**	(23,610)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment	**(33,181)**	(46,960)
Intangible assets	**(1,018)**	(326)
Advances from third party	**(11,541)**	(9,231)
Capitalized development costs	**(2,200)**	(3,226)
Proceeds from sale of property, plant and equipment	**288**	430
Acquisition through business combination	–	(1,966)
Increase in other noncurrent assets	**1,363**	90
Net cash used in investing activities	**(46,289)**	(61,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits for future subscriptions	**60,000**	–
Payment of loans	**(65,221)**	(16,400)
Availment of loans	**3,543**	21,398
Dividends paid to equity holders of the Parent Company	**(4,437)**	(10,130)
Settlement of derivatives	**143**	(30)
Collections on subscriptions	**106**	1,714
Proceeds from stock rights offering	–	95,931
Increase in other noncurrent liabilities	**43**	1,384
Net cash provided by (used in) financing activities	**(5,823)**	93,867
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**(226)**	(831)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,176)**	8,237
CASH AND CASH EQUIVALENTS AT JANUARY 1	**108,534**	90,627
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	**$98,359**	$98,864