



Integrated Micro-Electronics, Inc.
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October 29, 2020

Securities and Exchange Commission
Philippine International Convention Center
Vicente Sotto St., Pasay City 1700

Attention: Atty. Rachel Esther J. Gumpang-Remalante
OIC, Corporate Governance & 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 Posts US\$9.6 million of Net Income in Q3

October 29, 2020, Laguna, Philippines — Integrated Micro-Electronics, Inc. (IMI) booked US\$312 million of revenue in the 3rd quarter of 2020 as operations normalized across all manufacturing facilities. IMI achieved 42% quarter-on-quarter growth, exceeding pre-pandemic revenue levels with a 3% improvement versus Q3 2019. Increased utilization of fixed overhead and improved manufacturing efficiency led to a significant expansion in gross profit margin from 6.4% in the first half to 9.7% in Q3. With target segments automotive, industrial, aerospace, and medical leading the company's rebound, IMI closed the quarter strongly with US\$9.6 million of net income, including a US\$2.4 million one-off gain. Year to date September revenue reached US\$789 million with net loss for the year narrowing to US\$11.9 million.

Please refer to the attached press release. Thank you!

Very truly yours,

JEROME S. TAN
Chief Financial Officer



IMI Posts US\$9.6 million of Net Income in Q3

October 29, 2020, Laguna, Philippines — Integrated Micro-Electronics, Inc. (IMI) booked US\$312 million of revenue in the 3rd quarter of 2020 as operations normalized across all manufacturing facilities. IMI achieved 42% quarter-on-quarter growth, exceeding pre-pandemic revenue levels with a 3% improvement versus Q3 2019. Increased utilization of fixed overhead and improved manufacturing efficiency led to a significant expansion in gross profit margin from 6.4% in the first half to 9.7% in Q3. With target segments automotive, industrial, aerospace, and medical leading the company's rebound, IMI closed the quarter strongly with US\$9.6 million of net income, including a US\$2.4 million one-off gain. Year to date September revenue reached US\$789 million with net loss for the year narrowing to US\$11.9 million.

Arthur Tan, IMI's president and chief executive officer, said "IMI's diverse expertise across multiple business segments, along with our wide geographical footprint, has allowed us to rebound from the pandemic stronger and faster than market expectations. With the industry's global bounce-back only beginning, there is still work to be done but our core long term strategies have positioned us well to take advantage of opportunities that the new normal brings."

IMI's wholly-owned businesses improved to US\$239 million of revenue in Q3, a 30% increase from the first half average. As US-China trade tensions slowed down the strong performance of the telecom sector in the first half, the return of automotive and industrial demand compensated for the decline. The company also continues to gain business in the medical sector as demand for healthcare solutions rises.

IMI's non-wholly owned subsidiaries Via Optronics and STI Ltd. continue their strong performance with US\$74 million of combined revenue in the 3rd quarter, a further 35% improvement from the first half average. The subsidiaries are buoyed by demand from segments that establish support for the new normal: consumer mobile devices for study-from-home and work-from-home arrangements, along with ventilators and other medical products as countries continue the fight against COVID-19.

"As we had expected, the 3rd quarter of 2020 marked the beginning of IMI's rebound. With industry forecasts showing sustainable improvement, IMI's commitment to disciplined execution will keep us on this path towards greater profitable growth," Tan added.

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 technology and manufacturing solutions expert in the world. IMI ranks among the top 20 in the list of top 50 EMS providers in the world by the Manufacturing Market Insider, based on 2019 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 22 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**INTERIM CONSOLIDATED BALANCE SHEET****AS OF SEPTEMBER 30, 2020****(With Comparative Audited Figures as of December 31, 2019)****(In thousands)**

	Sep 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$265,190	\$152,660
Receivables - net	243,487	290,643
Contract assets	55,613	58,908
Inventories	152,439	152,629
Other current assets	32,663	19,107
Total Current Assets	749,392	673,947
Noncurrent Assets		
Property, plant and equipment - net	178,791	194,294
Goodwill	126,463	140,781
Intangible assets - net	22,229	28,577
Right-of-use assets	32,573	32,028
Deferred tax assets	5,433	3,611
Financial assets at FVOCI	1,167	1,200
Other noncurrent assets	19,063	21,898
Total Noncurrent Assets	385,719	422,389
	\$1,135,111	\$1,096,336
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$252,240	\$267,072
Contract liabilities	1,981	4,742
Loans payable	218,213	126,052
Other financial liabilities	15	22,370
Current portion of long-term debt	2,048	28,038
Current portion of lease liabilities	4,552	4,075
Income tax payable	3,241	1,441
Total Current Liabilities	482,290	453,790
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt	32,763	114,386
Lease liabilities	29,528	29,723
Net retirement liabilities	8,439	9,165
Deferred tax liabilities	4,697	1,870
Other noncurrent liabilities	4,965	3,623
Total Noncurrent Liabilities	80,392	158,767
Total Liabilities	562,682	612,557

(Forward)

	Sep 30, 2020 (Unaudited)	Dec 31, 2019 (Audited)
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	\$42,674	\$42,674
Subscribed capital stock	750	753
Additional paid-in capital	179,204	146,208
Subscriptions receivable	(2,927)	(2,955)
Unappropriated retained earnings	210,389	225,753
Treasury stock	(1,013)	(1,013)
Other components of equity	(821)	(736)
Cumulative translation adjustment	(7,018)	(17,683)
Remeasurement losses on defined benefit plans	(10,451)	(10,451)
	410,787	382,550
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries		
	161,642	101,229
Total Equity	572,429	483,779
	\$1,135,111	\$1,096,336

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands, except Earnings per Share)

	2020 (Unaudited)		2019 (Unaudited)	
	Jul to Sep	Jan to Sep	Jul to Sep	Jan to Sep
REVENUES FROM CONTRACTS WITH CUSTOMERS	\$312,440	\$788,619	\$303,875	\$939,573
COST OF SALES	282,211	727,899	281,743	860,481
GROSS PROFIT	30,229	60,720	22,132	79,092
OPERATING EXPENSES	(22,695)	(70,480)	(22,832)	(74,391)
OTHERS - Net				
Interest and bank charges	(2,357)	(7,766)	(3,126)	(10,227)
Foreign exchange gains/(losses)	1,583	1,405	(1,316)	(3,059)
Interest income	77	281	297	758
Miscellaneous income (loss) – net	4,754	5,811	(5,116)	3,767
INCOME (LOSS) BEFORE INCOME TAX	11,591	(10,029)	(9,961)	(4,060)
(PROVISION FOR) BENEFIT FROM INCOME TAX	(2,043)	(3,467)	1,207	26
NET INCOME	\$9,548	(\$13,496)	(\$8,754)	(\$4,034)
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	\$9,107	(\$11,893)	(\$5,333)	\$450
Non-controlling interests	441	(1,603)	(3,421)	(4,484)
	\$9,548	(\$13,496)	(\$8,754)	(\$4,034)
Earnings Per Share:				
Basic and diluted		(\$0.005)		\$0.0002

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands)

	2020 (Unaudited)		2019 (Unaudited)	
	Jul to Sep	Jan to Sep	Jul to Sep	Jan to Sep
NET INCOME (LOSS) FOR THE PERIOD	\$9,548	(\$13,496)	(\$8,754)	(\$4,034)
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translation of foreign operations	19,095	10,664	(13,219)	(15,282)
<i>Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:</i>				
Fair value changes on financial assets at FVOCI – net of tax	(46)	(85)	23	52
	19,049	10,579	(13,196)	(15,230)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$28,597	(\$2,917)	(\$21,950)	(\$19,263)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	\$28,156	(\$1,314)	(\$18,529)	(\$14,779)
Non-controlling interests	441	(1,603)	(3,421)	(4,484)
	\$28,597	(\$2,917)	(\$21,950)	(\$19,263)

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands)

	Attributable to Equity Holders of the Parent Company										Total
	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	
							Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans		
Balances at January 1, 2020	\$42,674	\$753	\$146,208	(\$2,955)	\$225,753	(\$1,013)	(\$736)	(\$17,683)	(\$10,451)	\$101,229	\$483,779
Forfeitures during the period	-	(3)	(30)	33	-	-	-	-	-	-	-
Dilution of ownership interest in a subsidiary	-	-	18,028	-	-	-	-	-	-	62,016	80,044
Derecognition of put option financial liability	-	-	14,998	-	-	-	-	-	-	-	14,998
Refund on subscription	-	-	-	(5)	-	-	-	-	-	-	(5)
Cash dividends on preferred shares	-	-	-	-	(3,471)	-	-	-	-	-	(3,471)
	42,674	\$750	\$179,204	(\$2,927)	222,282	(1,013)	(736)	(17,683)	(10,451)	\$163,245	\$575,345
Net loss	-	-	-	-	(11,893)	-	-	-	-	(1,603)	(13,496)
Other comprehensive income (loss)	-	-	-	-	-	-	(85)	10,665	-	-	10,580
Total comprehensive income (loss)	-	-	-	-	(11,893)	-	(85)	10,665	-	(1,603)	(2,916)
Balances at September 30, 2020	\$42,674	\$750	\$179,204	(\$2,927)	\$210,389	(\$1,013)	(\$821)	(7,018)	(\$10,451)	\$161,642	\$572,429

	Attributable to Equity Holders of the Parent Company										Total
	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	
							Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans		
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	—	—	(263)	—	2,781	4,199
Balances at January 1, 2019, as restated	42,648	815	146,513	(3,403)	237,970	(1,013)	(1,096)	(13,157)	(6,236)	7,593	410,635
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 on common shares	—	—	—	—	(4,437)	—	—	—	—	—	(4,437)
	42,673	753	146,208	(2,955)	233,533	(1,013)	(1,096)	(13,157)	(6,236)	67,593	466,304
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)	(\$28,439)	(\$6,236)	\$63,109	\$447,041

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, 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	-	-	(263)	-	2,781	4,199
Balances at January 1, 2019, as restated	42,648	815	146,513	(3,403)	237,970	(1,013)	(1,096)	(13,157)	(6,236)	7,593	410,635
Issued shares during the year	26	(26)	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	100,000	100,000
Collections on subscriptions	-	-	-	106	-	-	-	-	-	-	106
Forfeitures during the year	-	(37)	(305)	342	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(4,437)	-	-	-	-	-	(4,437)
	42,674	753	146,208	(2,955)	233,533	(1,013)	(1,096)	(13,157)	(6,236)	107,593	506,304
Net loss	-	-	-	-	(7,780)	-	-	-	-	(5,415)	(13,195)
Other comprehensive income (loss)	-	-	-	-	-	-	360	(4,526)	(4,215)	(949)	(9,330)
Total comprehensive income (loss)	-	-	-	-	(7,780)	-	360	(4,526)	(4,215)	(6,364)	(22,525)
Balances at December 31, 2019	\$42,674	\$753	\$146,208	(\$2,955)	\$225,753	(\$1,013)	(\$736)	(\$17,683)	(\$10,451)	\$101,229	\$483,779

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine months ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$10,029)	(\$4,060)
Adjustments for:		
Depreciation of property, plant and equipment	29,990	26,475
Mark-to-market gains on put options	(7,980)	(3,642)
Interest expense	7,517	9,695
Amortization of right-of-use assets	6,880	4,993
Impairment losses on noncurrent assets	5,878	—
Amortization of intangible assets	5,597	5,154
Unrealized foreign exchange (gains)/losses	(1,033)	996
Gains on sale of property, plant and equipment	303	(85)
Interest income	(281)	(758)
Reversal of contingent liability	—	(3,729)
Operating income before working capital changes	36,842	35,039
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	50,215	21,855
Contract asset	3,295	3,193
Inventories	1,259	18,927
Other current assets	(1,678)	(5,679)
Increase (decrease) in:		
Accounts payable and accrued expenses	(15,179)	(12,829)
Contract liabilities	(2,761)	704
Retirement liabilities	(726)	(538)
Net cash provided by operations	71,267	60,672
Income tax paid	(1,270)	(3,497)
Interest paid	(7,931)	(10,115)
Interest received	281	758
Net cash provided by operating activities	62,347	47,818
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment	(11,752)	(33,181)
Intangible assets	(163)	(1,018)
Proceeds from sale of property, plant and equipment	1,691	288
Decrease (increase) in other noncurrent assets	(98)	1,363
Increase (decrease) in deposits from a third party	—	(11,541)
Capitalized development costs, excluding depreciation	—	(2,200)
Net cash used in investing activities	(10,322)	(46,289)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans	(109,146)	(65,221)
Availment of loans	91,916	3,543
Net proceeds from subsidiary's public offering	87,188	—
Payments of lease liabilities	(7,328)	(5,656)
Dividends paid to preference shareholders of a subsidiary	(3,471)	—
Dividends paid to equity holders of the Parent Company	—	(4,437)
Settlement of derivatives	29	143
Collections on subscriptions	(5)	106
Proceeds from subscription on a subsidiary's preferred shares	—	60,000
Increase in other noncurrent liabilities	1,342	43
Net cash provided by (used in) financing activities	60,525	(11,479)
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	(20)	(226)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,530	(10,176)
CASH AND CASH EQUIVALENTS AT JANUARY 1	152,660	108,534
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	\$265,190	\$98,358