

COVER SHEET

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(Company's Full Name)

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(Business Address: No. Street City / Town / Province)

ATTY. SOLOMON M. HERMOSURA

Contact Person

841-5346

Company Telephone Number

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Month

Day

Fiscal Year

SEC FORM 17-Q

FORM TYPE

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Month

Day

Annual Meeting

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Secondary License Type, if Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. Of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SEC Number: 94419
File Number: _____

INTEGRATED MICRO-ELECTRONICS, INC.

(Company's Full Name)

33/F Tower One, Ayala Triangle, Ayala Avenue, Makati City

(Company Address)

(632) 756-6840

(Telephone Number)

June 30, 2010

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **June 30, 2010**
2. Commission Identification No.: **94419**
3. BIR Tax Identification No.: **000-409-747-000**
4. Exact name of issuer as specified in its charter: **INTEGRATED MICRO-ELECTRONICS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: **33/F Tower One, Ayala Triangle, Ayala Avenue, Makati City**
Postal Code: **1226**
8. Issuer's telephone number, including area code: **(632) 756-6840**
9. Former name, former address and former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares Issued and Outstanding
Common *	1,246,578,132

* Net of 15,892,065 treasury shares

11. Are any or all of the securities listed on a Stock Exchange? Yes ☒ No ☐

The Philippine Stock Exchange (the "PSE" or "Exchange") approved on December 9, 2009 the applications of Integrated Micro-Electronics, Inc. for the initial listing by way of introduction under the First Board of the Exchange 1,137,708,197 common shares and to list additional 146,681,420 common shares to cover the Company's Employee Stock Ownership Plan ("ESOWN"). The listing ceremony was held on January 21, 2010.

A total of 1,154,570,697 common shares are listed with the Philippine Stock Exchange as of June 30, 2010.

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports): Yes ☒ No ☐

(b) has been subject to such filing requirements for the past ninety (90) days: Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2010

(With Comparative Audited Figures as of December 31, 2009)

(In thousand dollars)

	(Unaudited) Jun 30, 2010	(Audited) Dec 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$35,373	\$53,932
Loans and receivables - net (Note 5)	88,302	95,968
Inventories (Note 6)	38,385	31,875
Other current assets	3,804	1,421
Total Current Assets	165,864	183,196
Noncurrent Assets		
Noncurrent receivables	—	381
Property, plant and equipment - net (Note 7)	66,706	63,128
Goodwill	46,226	46,226
Intangible assets (Note 8)	1,804	2,803
Net pension asset	2,866	2,866
Available-for-sale financial assets	332	309
Deferred income tax assets	109	109
Other noncurrent assets	1,169	3,064
Total Noncurrent Assets	119,212	118,886
	\$285,076	\$302,082
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 9)	\$71,162	\$83,177
Income tax payable	2,785	3,262
Provisions	—	44
Loans Payable (Note 10)	1,215	2,302
Current portion of long-term debt (Note 11)	8,000	8,000
Total Current Liabilities	83,162	96,785
Noncurrent Liabilities		
Long-term debt (Note 11)	34,000	38,000
Obligation under finance lease	217	315
Total Noncurrent Liabilities	34,217	38,315
Total Liabilities	117,379	135,100

(Forward)

	(Unaudited) Jun 30, 2010	(Audited) Dec 31, 2009
Equity		
Equity attributable to equity holders of the		
Parent Company		
Capital stock – common	\$20,268	\$20,268
Capital stock - preferred	26,601	26,601
Subscribed capital stock	2,540	2,168
Additional paid-in capital	32,787	30,482
Subscriptions receivable	(11,617)	(10,153)
Retained earnings:		
Appropriated for expansion	60,661	60,661
Unappropriated	36,949	37,458
Treasury stock	(1,013)	(1,013)
Reserve for fluctuation on available-for-sale financial assets	81	57
Other reserves	161	161
	167,418	166,690
Minority interests in a consolidated subsidiary	279	292
Total Equity	167,697	166,982
	\$285,076	\$302,082

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME****FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(In thousand dollars, except Earnings per Share)**

	Unaudited 2010		Unaudited 2009	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
REVENUES FROM SALES AND SERVICES	\$98,269	\$188,811	\$87,899	\$169,370
COST OF GOODS SOLD AND SERVICES	87,245	166,974	80,195	151,561
GROSS PROFIT	11,024	21,837	7,704	17,809
OPERATING EXPENSES	(7,822)	(17,490)	(7,878)	(17,379)
OTHERS - Net				
Interest and bank charges	(210)	(402)	(525)	(1,121)
Interest income	85	212	153	382
Foreign exchange gains (losses)	128	2,927	(301)	166
Miscellaneous	(737)	(248)	7,592	7,519
INCOME BEFORE INCOME TAX	2,468	6,836	6,745	7,376
PROVISION FOR INCOME TAX	(985)	(2,133)	(305)	(1,358)
NET INCOME	1,483	4,703	6,440	6,018
OTHER COMPREHENSIVE INCOME				
Fair value changes on available-for-sale financial assets	18	24	(8)	5
TOTAL COMPREHENSIVE INCOME	\$1,501	\$4,727	\$6,432	\$6,023
Net Income Attributable to:				
Equity holders of the Parent Company	\$1,470	\$4,676	\$6,428	\$5,986
Minority interests	13	27	12	32
	\$1,483	\$4,703	\$6,440	\$6,018
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company	\$1,488	\$4,700	\$6,420	\$5,991
Minority interests	13	27	12	32
	\$1,501	\$4,727	\$6,432	\$6,023
Earnings Per Share:				
Basic and Diluted		\$0.0028		\$0.0040

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In thousand dollars)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common	Capital Stock - Preferred	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings Appropriated for Expansion	Retained Earnings Unappropriated	Treasury Stock	Reserve for Fluctuation on Available-for- Sale Financial Assets	Other Reserves	Attributable to Minority Interest	Total
Balances at January 1, 2010	\$20,268	\$26,601	\$2,168	\$30,482	(\$10,153)	\$60,661	\$37,458	(\$1,013)	\$57	\$161	\$292	\$166,982
Shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	-
Subscriptions during the period	-	-	372	1,135	(1,507)	-	-	-	-	-	-	-
Cost of share-based payments	-	-	-	288	-	-	-	-	-	-	-	288
Collection on subscriptions	-	-	-	-	925	-	-	-	-	-	-	925
Net reversal of accretion of subscription receivable	-	-	-	882	(882)	-	-	-	-	-	-	-
Dilution of minority	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(5,185)	-	-	-	(40)	(5,225)
	20,268	26,601	2,540	32,787	(11,617)	60,661	32,273	(1,013)	57	161	252	162,970
Net income	-	-	-	-	-	-	4,676	-	-	-	27	4,703
Other comprehensive income	-	-	-	-	-	-	-	-	24	-	-	24
Total comprehensive income	-	-	-	-	-	-	4,676	-	24	-	27	4,727
Balances at June 30, 2010	\$20,268	\$26,601	\$2,540	\$32,787	(\$11,617)	\$60,661	\$36,949	(\$1,013)	\$81	\$161	\$279	\$167,697

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common	Capital Stock - Preferred	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings Appropriated for Expansion	Retained Earnings Unappropriated	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Other Reserves	Attributable to Minority Interest	Total
Balances at January 1, 2009	\$20,253	\$26,601	\$2,182	\$30,214	(\$10,439)	\$60,661	\$31,092	(\$1,013)	\$24	\$56	\$416	\$160,047
Shares issued during the period	7	-	(7)	-	-	-	-	-	-	-	-	-
Cost of share-based payments	-	-	-	302	-	-	-	-	-	-	-	302
Collection on subscriptions	-	-	-	-	128	-	-	-	-	-	-	128
Accretion of subscription receivable	-	-	-	(369)	369	-	-	-	-	-	-	-
Dilution of minority	-	-	-	-	-	-	-	-	-	9	(9)	-
Dividends	-	-	-	-	-	-	(2,554)	-	-	-	-	(2,554)
	20,260	26,601	2,175	30,147	(9,942)	60,661	28,538	(1,013)	24	65	407	157,923
Net income	-	-	-	-	-	-	5,986	-	-	-	32	6,018
Other comprehensive income	-	-	-	-	-	-	-	-	5	-	-	5
Total comprehensive income	-	-	-	-	-	-	5,986	-	5	-	32	6,023
Balances at June 30, 2009	\$20,260	\$26,601	\$2,175	\$30,147	(\$9,942)	\$60,661	\$34,524	(\$1,013)	\$29	\$65	\$ 439	\$163,946

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In thousand dollars)

	Unaudited June 30, 2010	June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$6,836	7,376
Adjustments for:		
Depreciation of property, plant and equipment (Note 7)	8,989	9,175
Amortization of intangible assets (Note 8)	1,401	1,347
Mark-to-market gain on derivative assets (Note 13)	(587)	–
Provision for restructuring	450	783
Provision for inventory obsolescence - net of reversal	(1,049)	259
Provision for doubtful accounts (Note 5)	322	38
Cost of share-based payments	288	302
Unrealized foreign exchange gain (loss)	150	172
Interest and bank charges	402	1,121
Interest income	(212)	(382)
Loss on sale of property, plant and equipment	37	6
Loss on retirement of property, plant and equipment	13	–
Gain on fire insurance claim	–	(6,951)
Provisions for warranty	–	12
Loss on fire	–	512
Operating income before working capital changes	17,040	13,770
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	7,036	6,994
Inventories	(5,461)	8,309
Other current assets	(1,782)	546
Noncurrent receivables	381	762
Net pension asset	–	(52)
Decrease in:		
Accounts payable and accrued expenses	(13,647)	(4,377)
Provisions	(494)	(6,671)
Net cash generated from operations	3,073	19,281
Interest received	212	382
Interest paid	(415)	(1,494)
Income tax paid	(2,610)	(944)
Net cash provided by operating activities	260	17,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	573	1,318
Acquisition of:		
Property, plant and equipment (Note 7)	(13,188)	(1,833)
Intangible assets (Note 8)	(403)	–
Increase in other noncurrent assets	1,951	375

Settlement of derivatives	530	—
	(10,	
Net cash used in investing activities	537)	(140)
(Forward)		

	Unaudited	
	June 30, 2010	June 30, 2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to Parent Company	(\$3,997)	(\$3,131)
Collections of subscriptions receivable	925	128
Dividends paid to Minority	(40)	—
Payments of:		
Obligation under finance lease	(103)	—
Loans payable	(1,088)	(1,774)
Long-term debt	(4,000)	(4,000)
Net cash used in financing activities	(8,303)	(8,777)
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	21	(40)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(18,559)	8,268
CASH AND CASH EQUIVALENTS AT JANUARY 1	53,932	57,605
CASH AND CASH EQUIVALENTS AT JUNE 30 (Note 4)	\$35,373	\$65,873

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2009 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2009.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited interim condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited interim condensed consolidated financial statements include the accounts of Integrated Micro-Electronics, Inc. (herein referred to as the "Parent Company") and its subsidiaries collectively referred to as the "Group".

The unaudited interim condensed consolidated financial statements are presented in US dollar (\$), and all values are rounded to the nearest thousands except when otherwise indicated.

The accompanying unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 9, 2010.

2. Basis of Consolidation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership		Country of Incorporation
	2010	2009	
IMI USA	100.00%	100.00%	USA
IMI Japan	100.00%	100.00%	Japan
IMI Singapore	100.00%	100.00%	Singapore
Speedy-Tech Electronics Ltd. and Subsidiaries ("STEL and Subsidiaries")	100.00%	100.00%	Singapore

(Forward)

	Percentage of Ownership		Country of
	2010	2009	Incorporation
Speedy-Tech Technologies Pte. Ltd. ("STTS")	100.00%	100.00%	Singapore
Speedy-Tech Electronics (HK) Limited ("STHK")	100.00%	100.00%	Hong Kong
Speedy-Tech (Philippines), Inc. ("STPHIL")	100.00%	100.00%	Philippines
Shenzhen Speedy-Tech Electronics Co., Ltd. ("SZSTE")	99.443%	99.443%	China
Shenzhen Speedy-Tech Technologies Co., Ltd. ("SZSTT")	100.00%	100.00%	China
Speedy-Tech Electronics, Inc.	100.00%	100.00%	USA
Speedy-Tech Electronics (Jiaxing) Co., Ltd. ("STJX")	100.00%	100.00%	China
Speedy-Tech Electronics (Chong Qing) Co. Ltd. ("STCQ")	100.00%	100.00%	China
IMI International ROHQ ("ROHQ")	100.00%	100.00%	Philippines

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2009 except for the adoption of the following new and amended standards and interpretations as of January 1, 2010. Except as otherwise indicated, the adoption of the new and amended Standards and Interpretations did not have a significant impact on the Group's unaudited interim condensed consolidated financial statements.

- Revised PFRS 3, *Business Combination*, and amended PAS 27, *Consolidated and Separate Financial Statements*. The revised PFRS 3 introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of noncontrolling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The amended PAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes in PFRS 3 and PAS 27 will affect future acquisitions or loss of control of subsidiaries and transactions with noncontrolling interests. The revised PFRS 3 will be applied prospectively while the amended PAS 27 will be applied retrospectively with a few exceptions.

- Philippine Interpretation IFRIC 17, *Distributions of Noncash Assets to Owners*
This interpretation provides guidance on how to account for noncash distributions to owners. It clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement-Eligible Hedged Items*. This amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.
- Amendments to PFRS 2, *Share-based Payment: Group Cash-settled Transactions*. These amendments clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. It supersedes *IFRIC 8, Scope of PFRS 2* and *IFRIC 11, IFRIC 2 - Group and Treasury Share Transactions*.

Improvements to PFRSs

The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. Except as otherwise stated, the Group does not expect the adoption of these improvements to have significant impact on the unaudited interim condensed consolidated financial statements.

- PFRS 2, *Share-based Payment*
This Amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3.
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
This Amendment clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.
- PFRS 8, *Operating Segments*
The Amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- PAS 1, *Presentation of Financial Statements*
The Amendment clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, *Statement of Cash Flows*

This Amendment explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- **PAS 17, *Leases***

Removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The Amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments are applied retrospectively.

- **PAS 36, *Impairment of Assets***

This Amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- **PAS 38, *Intangible Assets***

This Amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. The Amendment also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- **PAS 39, *Financial Instruments: Recognition and Measurement***

This Amendment clarifies the following: 1) that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; 2) that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and 3) that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- **Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives***

This Interpretation clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

- **Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation***

This Interpretation states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Future Changes in Accounting Policies

The Group will adopt the standards, interpretations and amendments enumerated below when these become effective. Except as otherwise stated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2012)*. This interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements in the scope of this interpretation are agreements for the construction of real estate and such may include the delivery of other goods or services.

4. Cash and Cash Equivalents

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
	(In thousands)	
Cash on hand and in banks	\$ 20,095	\$28,774
Short-term deposits	15,278	25,158
	\$35,373	\$53,932

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months and earn interest at the respective short-term deposit rates.

5. Loans and Receivables

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
	(In thousands)	
Trade	\$80,578	\$84,014
Nontrade	3,618	4,823
Receivable from Meralco - current	660	794
Receivables from employees	328	427
Others	3,806	6,222
	88,990	96,280
Less allowance for doubtful accounts	688	312
	\$88,302	\$95,968

Trade

Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms ranging from 30 to 60 days from invoice date.

Nontrade

Nontrade receivables represent billings to customers for production and test equipment and all other charges agreed with the customers in carrying out business operations. These receivables have credit terms ranging from 30 to 60 days from invoice date.

Others

Other receivables include insurance claim amounting to \$2.3 million and \$5.6 million as of June 30, 2010 and December 31, 2009, respectively, for damages to equipment and

inventories caused by a fire incident in the Parent Company's plant in Cebu, Philippines in May 2009.

6. Inventories

During the six months ended June 30, 2010 and year ended December 31, 2009, the Group written off inventories amounting to \$479.3 thousand and \$548.7 thousand, respectively.

7. Property, Plant and Equipment

During the six months ended June 30, 2010, the Group acquired machinery and facilities equipment amounting to \$11.6 million, furniture, fixtures and office equipment amounting to \$516.0 thousand, transportation equipment amounting to \$267.1 thousand, tools and instruments amounting to \$49.5 thousand and incurred capitalizable expenses on projects in progress amounting to \$298.1 thousand. Additions to building and land improvements amounted to \$438.2 thousand.

During the six months ended June 30, 2010, the Group also disposed property, plant and equipment with total book value of \$609.8 thousand. This pertains to machinery and facilities equipment amounting to \$602.1 thousand, transportation equipment amounting to \$6.2 thousand, and furniture, fixtures and office equipment with book value amounting to \$1.5 thousand. Moreover, the Group also retired machinery and equipment with a book value of \$12.6 thousand.

Depreciation and amortization expense included in cost of goods sold and services for the six months ended June 30, 2010 and 2009 both amounted to \$7.6 million. Loss on retirement for the six months ended June 30, 2010 and 2009 amounted to \$12.6 thousand and nil, respectively. Depreciation and amortization expense included in operating expenses for the six months ended June 30, 2010 and 2009 amounted to \$1.4 million and \$1.6 million, respectively.

8. Intangible Assets

During the six months ended June 30, 2010 and 2009, the Parent Company acquired additional computer software amounting to \$402.5 thousand and nil respectively.

Amortization of intangible assets for the six months ended June 30, 2010 and 2009 amounted to \$1.4 million and \$1.3 million, respectively.

9. Accounts Payable and Accrued Expenses

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
	(In thousands)	
Trade payables	\$47,466	\$60,666
Accrued expenses	12,132	13,516
Accrued payroll	4,698	4,319
Customers' deposits	1,328	1,328
Dividends payable	1,188	—
Nontrade payables	828	424
Employee-related payables	553	484
Taxes payable	412	172
Obligation under finance lease - current	193	188
Accrued interest payable	17	41
Others	2,347	2,039
	\$71,162	\$83,177

Accounts payable and accrued expenses are non interest-bearing and are normally settled on 15 to 60-day terms.

Accrued expenses consist mainly of light and water, taxes, professional fees, transportation and travel, subcontractual costs, and security.

10. Loans Payable

The loans of STEL amounting to \$1.2 million and \$2.3 million as of June 30, 2010 and December 31, 2009, respectively are clean loans obtained from various Singapore banks from existing revolving credit facilities. The loans payable bear interest rates ranging from 3.70% to 3.81% in 2010 and 1.94% to 3.86% in 2009 and have maturities of 30 to 240 days from the date of issue with renewal options.

11. Long-Term Debt

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
	(In thousands)	
Parent Company	\$30,000	\$30,000
STEL	12,000	16,000
	\$42,000	\$46,000

The Parent Company loan is a five-year term clean loan from a Philippine bank obtained in 2006 for the original amount of \$40.0 million and payable in a single balloon payment at the end of the loan term. The Parent Company may, at its option, prepay the loan in part or in full,

together with the accrued interest without penalty. Interest on the loan is payable quarterly and re-priced quarterly at the rate of 3-month LIBOR plus margin of 0.80%. The Parent Company prepaid \$10.0 million of the loan principal in 2007.

The IMI Singapore loan is a five-year term clean loan from a Singapore bank obtained in 2006 for the original amount of \$40.0 million. The loan is payable in ten (10) equal installments starting in May 2007 until November 2011. Interest on the loan is payable semi-annually and is re-priced semi-annually at LIBOR rate plus 0.75% quoted by the bank.

Scheduled amortization of the long-term debt is as follows:

	2010	2009
2010	\$4,000	\$8,000
2011	38,000	38,000
	\$42,000	\$46,000

12. Segment Information

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, gross profit, operating income, net income before and after tax.

No operating segments have been aggregated to form a reportable segment.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

The following tables present revenue and profit information regarding the Group's geographical segments for the six months ended June 30, 2010 and 2009 (In thousands).

June 30, 2010 (Unaudited)	Philippines	Singapore	USA	Japan	Eliminations	Total
Revenue						
Third party	\$72,390	\$116,252	\$125	\$44	\$—	\$188,811
Inter-segment	—	2,117	1,164	600	(3,881)	—
Total revenue	\$72,390	\$118,369	\$1,289	\$644	(\$3,881)	\$188,811
Segment gross profit	\$6,927	\$14,910	\$1,254	\$425	(\$1,679)	\$21,837
Segment operating income (loss)	(\$2,920)	\$7,173	\$71	\$23	\$—	\$4,347
Segment interest income	\$178	\$34	\$—	\$—	\$—	\$212
Segment profit (loss) before income tax	\$222	\$6,520	\$70	\$24	\$—	\$6,836
Segment provision for income tax	(169)	(1,964)	—	—	—	(2,133)
Segment profit (loss) after income tax	\$53	\$4,556	\$70	\$24	\$—	\$4,703

June 30, 2009 (Unaudited)	Philippines	Singapore	USA	Japan	Eliminations	Total
Revenue						
Third party	\$71,140	\$98,035	\$26	\$169	\$–	\$169,370
Inter-segment	–	–	1,020	265	(1,285)	–
Total revenue	\$71,140	\$98,035	\$1,046	\$ 434	(1,285)	\$169,370
Segment gross profit	\$6,551	\$11,210	\$950	\$234	(\$1,136)	\$17,809
Segment operating income (loss)	(\$3,183)	\$3,837	(\$5)	(\$219)	\$–	\$430
Segment interest income	\$362	\$20	\$–	\$–	\$–	\$382
Segment profit (loss) before income tax	\$3,714	\$3,881	(\$5)	(\$214)	\$–	\$7,376
Segment provision for income tax	(97)	(1,261)	–	–	–	(1,358)
Segment profit (loss) after income tax	\$3,617	\$2,620	(\$5)	(\$214)	\$–	\$6,018

The following table presents segment assets of the Group's geographical segments as of June 30, 2010 and December 31, 2009.

	Philippines	Singapore	USA	Japan	Eliminations	Total
Segment assets						
June 30, 2010						
(Unaudited)	\$202,506	\$195,457	\$2,622	\$1,231	(\$116,740)	\$285,076
December 31, 2009						
(Audited)	\$221,587	\$180,794	\$2,594	\$778	(\$103,671)	\$302,082

Segment assets as of June 30, 2010 do not include investments in subsidiaries amounting to \$83.3 million and inter-segment loans and receivables amounting to \$33.4 million which are eliminated on consolidation.

Segment assets as of December 31, 2009 do not include investments in subsidiaries amounting to \$83.2 million and inter-segment loans and receivables amounting to \$20.5 million which are eliminated on consolidation.

13. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, composed of loans payable and long-term were issued primarily to raise financing for the Group's operations. The Group has various other financial instruments such as cash and cash equivalents, accounts receivable, accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk.

The Group's risk management policies are summarized below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations with floating interest rates. The Group obtains additional financing

through bank borrowings. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Credit risk

Credit risk is the risk that the Group's counterparty to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash in bank, short-term investments and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Cash terms, advance payments and letters of credit are required for customers of lower credit standing.

With respect to credit risk arising from other financial assets of the Group, which comprises cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short and long term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projects and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks.

Surplus funds are placed with reputable banks.

Foreign currency risk

The Group's foreign exchange risk results primarily from movements of U.S. Dollar against other currencies. As a result of significant operating expenses in Philippine Peso, the Group's income can be affected significantly by movements in the Philippine Peso/U.S. Dollar exchange rate.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases other than the Group's functional currency.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the

relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider to hedge any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their U.S. Dollar equivalent follows:

Philippine Peso (₱)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In Philippine Peso	In U.S. Dollar	In Philippine Peso
Cash and cash equivalents	\$1,031	₱47,821	\$9,184	₱424,281
Loans and receivables	1,905	88,335	2,307	106,576
Available-for-sale investment	332	15,410	—	—
Miscellaneous deposits	777	36,052	688	36,052
Accounts payable and accrued expenses	(17,590)	(815,665)	(11,542)	(533,229)
Net foreign currency-denominated assets (liabilities)	(\$13,545)	(₱628,047)	\$637	₱33,680

Singapore Dollar (SGD)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In Singapore Dollar	In U.S. Dollar	In Singapore Dollar
Cash and cash equivalents	\$285	SGD394	\$619	SGD869
Loans and receivables	91	127	100	140
Accounts payable and accrued expenses	(1,395)	(1,933)	(4,022)	(5,651)
Net foreign currency-denominated liabilities	(\$1,019)	(SGD1,412)	(\$3,303)	(SGD4,642)

Euro (€)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In Euro	In U.S. Dollar	In Euro
Cash and cash equivalents	\$1,097	€94	\$545	€379
Loans and receivables	195	158	109	76
Accounts payable and accrued expenses	(646)	(526)	(410)	(285)
Net foreign currency-denominated assets	\$646	€526	\$244	€170

Japanese Yen (¥)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In Japanese Yen	In U.S. Dollar	In Japanese Yen
Cash and cash equivalents	\$1,768	¥158,048	\$ 210	¥19,254
Loans and receivables	2,804	250,637	1,654	151,583
Miscellaneous deposits	27	2,391	—	—
Accounts payable and accrued expenses	(5,387)	(481,501)	(3,528)	(323,334)
Net foreign currency-denominated liabilities	(\$788)	(¥70,425)	(\$1,664)	(¥152,497)

Renminbi (RMB)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In Renminbi	In U.S. Dollar	In Renminbi
Cash and cash equivalents	\$651	RMB4,423	\$6,330	RMB43,235
Loans and receivables	4,082	27,747	23,507	160,552
Accounts payable and accrued expenses	(3,066)	(20,839)	(34,315)	(234,369)
Net foreign currency-denominated assets (liabilities)	\$1,667	RMB11,331	(\$4,478)	(RMB30,582)

Hong Kong Dollar (HKD)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In Hong Kong Dollar	In U.S. Dollar	In Hong Kong Dollar
Cash and cash equivalents	\$5	HKD40	\$46	HKD359
Loans and receivables	34	262	125	972
Accounts payable and accrued expenses	31	244	(595)	(4,620)
Net foreign currency-denominated assets (liabilities)	\$70	HKD546	(\$424)	(HKD3,289)

UK Pound (£)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In UK Pound	In U.S. Dollar	In UK Pound
Accounts payable and accrued expenses	(\$21)	(£14)	(\$1)	£—

Australia Dollar (AUD)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In Australia Dollar	In U.S. Dollar	In Australia Dollar
Accounts payable and accrued expenses	(\$175)	(AUD201)	(\$54)	(AUD61)

South Korean Won (KRW)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In South Korean Won	In U.S. Dollar	In South Korean Won
Cash and cash equivalents	\$—	KRW4	\$—	KRW—
Accounts payable and accrued expenses	—	(57)	(58)	(67,500)
Net foreign currency-denominated liabilities	\$—	(KRW53)	(\$58)	(KRW67,500)

Denmark Kroner (DKK)

	June 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	In Denmark Kroner	In U.S. Dollar	In Denmark Kroner
Accounts payable and accrued expenses	(\$1)	(DKK9)	\$—	DKK—

Sensitivity analysis

The following table demonstrates sensitivity to a reasonably possible change in the U.S. Dollar exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of June 30, 2010 and December 30, 2009. The reasonably possible change was computed based on one year average historical movement of exchange rates between U.S Dollar and other currencies.

There is no other impact on the Group's equity other than those already affecting income. The increase in U.S. Dollar rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger U.S. Dollar value.

June 30, 2010 (Unaudited)

Currency	Increase/decrease in U.S. Dollar rate	Effect on profit before tax (in thousands)
PHP	+1%	196
	-1%	(196)
SGD	+1%	12
	-1%	(12)

EUR	+2%	(14)
	-2%	14
JPY	+3%	21
	-3%	(21)
RMB	+1%	(18)
	-1%	18
HKD	+1%	—
	-1%	—
GBP	+2%	—
	-2%	—
(Forward)		
AUD	+4%	6
	-4%	(6)
KRW	+3%	—
	-3%	—
DKK	+2%	—
	-2%	—

December 31, 2009 (Audited)

Currency	Increase/decrease in U.S. Dollar rate	Effect on profit before tax (in thousands)
PHP	+1%	15
	-1%	(15)
SGD	+2%	(56)
	-2%	56
EUR	+3%	7
	-3%	(7)
JPY	+3%	(47)
	-3%	47
RMB	+1%	(47)
	-1%	47
HKD	+1%	(4)
	-1%	4
GBP	+3%	—
	-3%	—
AUD	+3%	(2)
	-3%	2
KRW	+4%	(3)
	-4%	3

Derivatives

In 2010, the Parent Company entered into various short-term currency forwards with aggregate nominal amount of \$46.5 million.

As of December 31, 2009, the Parent Company has no outstanding derivative transactions.

Mark-to-market gain recognized for the six months ended June 30, 2010 and 2009 amounted to \$587.1 thousand and nil, respectively.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group is not subject to externally imposed capital requirements.

14. Other Matters

On June 25, 2010, the Company, together with the Ayala Group and Narra Venture Capital II (NarraVC), signed an agreement with PSi Technologies Inc. (PSi) for their acquisition of 67% of PSi.

PSi is a power semiconductor assembly and tests services (SATS) company serving niche markets in the global power semiconductor market. It provides comprehensive package design, assembly and test services for power semiconductors used in various electronic devices.

On completion, the Company and NarraVC will own 56% and 11% of PSi, respectively. The aggregate transaction value is approximately \$30 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Financial Highlights

	For the six months ended 30 June	
	2010	2009
	<i>(in US\$ thousands, except Basic EPS)</i>	
Revenues from Sales and Services	188,811	169,370
Cost of Goods Sold and Services	166,974	151,561
Gross Profit	21,837	17,809
Net Income Attributable to Equity holders	4,676	5,986
EBITDA	15,475	12,037
Basic Earnings per Share (EPS)	0.0028	0.0040

Revenues from Sales and Services.

Though activity levels within the EMS industry are expected to take a while to return to 2008 pre-crisis levels, the continued recovery in the global economic environment has brought improvements in various sectors of the electronics industry that impacted favorably IMI's operations for the first half of the year. The Company posted January to June 2010 revenues of \$188.8 million, an 11% growth over the same period last year, driven by the continued strong performance of the Singapore/China operations. The Singapore/China site delivered \$116.3 million in revenues, up 19% year-on-year, and now accounting for 62% of group revenues from 58% last year. The favorable results have been on account of sustained growth in key accounts in the communications, consumer, and industrial markets. The Philippine site, on the other hand, registered flat top line growth with sales of \$72.4 million. The orders of major customers in North America and Europe have yet to recover to date.

On the overall, the telecommunication and consumer segments continue to dominate the company's market, accounting for 27% and 26% of sales, respectively, while automotive, industrial, computer peripherals, medical, and others comprise the rest. Europe remains to be the biggest recipient of the company's products, getting 38% of total, followed by Japan, USA, and Asia.

Cost of Goods Sold and Services

Cost of Goods Sold and Services, at 88% of sales, went down 1% from last year's 89%. The improvement resulted from a combination of a slight change in sales mix and result of cost saving activities by the Company. This year's sales mix included a slightly reduced turnkey portion of 70% as against the 71% in the previous year. Cost is higher under turnkey arrangement as the Company owns the materials in addition to the labor and facility whereas

under a consignment arrangement, the materials are provided by the customer. The Company also realized reductions in fixed overhead that helped mitigate the unfavorable effects of the Philippine Peso appreciation.

Gross Profit

Gross profit, in absolute terms, grew 23% to \$21.8 million from last year's \$17.8 million following the increase in revenues and improvement in Cost of Goods Sold and Services ratio.

Operating Expenses

Despite the upturn in top line activity, the Company was able to maintain operating expenses of \$17.5 million within last year's level due to employment of stringent cost control measures.

Net Income

Net income closed at \$4.7 million, lower than the \$6.0 million reported for the same period last year. Excluding non-recurring gains (this year's \$1.9 million and last year's \$5.0 million), operations this year did better in terms of bottom line performance attributable to increased sales reported by the group complemented by reductions in fixed costs and expenses. Singapore/China operation contributed a considerable portion of the overall net income.

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) increased 29% to \$15.5 million owing to the favorable results from operations.

Liquidity and Capital Resources

The Company ended the first six months with cash balance of \$35.4, lower than the \$53.9 million as of December 31, 2009, and net debt of \$7.8 million, after employing higher working capital and bigger capital expenditure to support increased operational requirements following the rebound in business activity. Current and debt-to-equity ratios have remained healthy at 1.99:1 and 0.26:1, respectively, from the 1.89:1 and 0.29:1 as of December 31, 2009.

The Company ensures it has sufficient resources to cover operating requirements and debt obligations as well as fund ongoing growth initiatives. It maintains adequate loan facilities to supplement cash flows from operations. In addition, it has laid out financial strategies and controls to ensure the Company's continued liquidity and stable fiscal position.

Net Cash Flows from Operating Activities

Operations for the first half of the year generated break even cash flows. More cash was tied up in working capital particularly to serve higher inventory requirements of both Philippine & China operations, and due to the extension of market-dictated longer credit terms to China customers.

Net Cash Flows from Investing Activities

Net cash used in investing activities during the period amounted to \$10.5 million, considerably higher compared to the virtually zero net cash expended in the previous year. The Company spent \$13.2 million in capital expenditure to set up new lines for several new projects and to replace equipment destroyed in the fire that hit a portion of Cebu Plant in 2009. Last year, the Company restrained from spending on capital expenditure (releasing only about \$2 million) amidst the uncertainty of the outcome of the financial crisis that was raging back then.

Net Cash Flows from Financing Activities

Financing activities utilized about the same level of cash as in 2009 as the Company fulfilled essentially the same level of obligations to both stockholders and bank debtors. The Company released dividends of about \$4 million and paid about \$5 million in loans.

Key performance indicators of the Company

The table below sets forth the comparative performance indicators of the Company:

	As of end	
	30 Jun 2010	31 Dec 2009
Performance indicators		
Liquidity:		
Current ratio	1.99x	1.89x
Solvency:		
Debt-to-equity ratio	0.26x	0.29x
	For the six months ended	
	30 June	
	2010	2009
Operating efficiency:		
Revenue growth	11%	(26%)
Profitability:		
EBITDA margin ⁱ	8%	8%

In the above:

- (i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.
- (ii) There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

ⁱ EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

- (iii) Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- (iv) There are no seasonal aspects that may have a material effect on the financial condition of the Company.

Causes for any material changes

(Increase or decrease of 5% or more in the financial statements)

Income Statement items

(YTD June 30, 2010 versus YTD June 30, 2009)

11% growth in Revenues from sales and services (\$169,370 to \$188,811)

This represents the pick up in the Company's business activity as a result of the improvements in the various sectors of the electronics industry following the continued recovery in the global economic environment. The growth in revenues largely came from the Singapore/China operations.

10% increase in Cost of goods sold and services (\$151,561 to \$166,974)

The increase in Cost of Goods Sold and Services followed the rate of increase in revenues, partly offset (favorably) by the effect in slight change of sales mix (slightly lower turnkey portion than last year) and reductions in fixed costs.

64% decrease in other income (\$6,946 to \$2,489)

Due to the significant one-time gain from insurance recovery recognized in the second quarter of 2009.

57% increase in provision for income tax (\$1,358 to \$2,133)

Attributable to the increase in taxable income following the increase in revenues, especially of China sites.

380% increase in other comprehensive income (\$5 to \$24)

Came from the increase in fair value of club shares classified as available-for-sale financial assets.

Balance Sheet items

(June 30, 2010 versus December 31, 2009)

34% decrease in Cash and cash equivalents (\$53,932 to \$35,373)

Represents spending for capital expenditure (set up of new production lines for new projects and replacement of equipment damaged in Cebu fire), release of dividends to stockholders, and payment of loans.

8% decrease in Loans and receivables (\$95,968 to \$88,302)

Pertains to decrease in trade and other receivables. Trade receivables as of December 31, 2009 still included the account of a major Japanese turnkey customer which in early 2010 decided to close down its Philippine operations in line with its global

business integration strategy. The reduction in other receivables resulted from the substantial collection of Cebu fire insurance claim.

20% increase in Inventories (\$31,875 to \$38,385)

Due to increase in volume and materials lead time requirement of China turnkey businesses.

168% increase in other current assets (\$1,421 to \$3,804)

Represents prepayments made by Philippine site.

100% decrease in noncurrent receivables (\$381 to \$0)

Reclassification of receivable accounts to current as full collection is expected to be made within one year.

6% increase in Property, plant and equipment (\$63,128 to \$66,706)

Substantially represents acquisition of machinery and facilities equipment related to the set up of new production lines for new projects and replacement of equipment destroyed in Cebu fire in 2009, net of depreciation recognized during the period.

36% decrease in Intangible assets (\$2,803 to \$1,804)

Amortization during the period of intangible asset accounts.

7% increase in Available-for-sale financial assets (\$309 to \$332)

Represents increase in fair value of club shares classified as available-for-sale financial assets.

62% decrease in Other noncurrent assets (\$3,064 to \$1,169)

Due to reclassification to cash and cash equivalents of two-year time deposits maturing in May 2011.

14% decrease in Accounts payable and accrued expenses (\$83,177 to \$71,162)

Decrease in trade payables of Philippine site following the closure in early 2010 of turnkey business with a major Japanese customer. Payables related to this business comprised a significant portion of Philippine payables balance as of December 31, 2009.

15% decrease in Income tax payable (\$3,262 to \$2,785)

Payment of taxes by China sites.

100% decrease in Provisions (\$44 to \$0)

Reversal of provisions made for warranty and restructuring.

47% decrease in Loans payable (\$2,302 to \$1,215)

Represents payment of short-term loans.

11% decrease in Long-term debt (\$38,000 to \$34,000)

Payment of IMI Singapore loan amortization.

32% decrease in Obligation under finance lease (\$315 to \$217)

Payment of regular monthly rental.

17% increase in Subscribed capital stock (\$2,168 to \$2,540)

From issuance of ESOWN third tranche.

8% increase in Additional paid-in capital (\$30,482 to \$32,787)

From issuance of ESOWN third tranche.

14% increase in Subscriptions Receivable (\$10,153 to \$11,617)

From issuance of ESOWN third tranche.

42% increase in Reserve for fluctuation on available-for-sale financial assets (\$57 to \$81)

Represents changes in the fair values of the Company's investments in club shares.

PART II--OTHER INFORMATION

1. Integrated Micro-Electronics, Inc. reported Net Income of US\$10 million for the year 2009, a reversal of the net loss incurred in the previous year.
2. At the Regular Annual Stockholders' meeting held on April 19, 2010 the stockholders considered and approved the following:

- Election of the following Board of Directors for the ensuing year:

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Gerardo C. Ablaza, Jr.
Delfin L. Lazaro
Arthur R. Tan
Diosdado P. Banatao (Independent Director)
Jose Ignacio A. Carlos
Alelie T. Funcell (Independent Director)
Hiroshi Nishimura (Independent Director)
Cesar V. Purisimaⁱⁱ
Rafael Ma. C. Romualdez

- Appointment of Sycip, Gorres, Velayo & Co. as the external auditors of the Company for the ensuing year.
3. In the Organizational meeting held immediately after the Regular Annual Stockholders' meeting, the Board of Directors elected the following:

- Board Committees and Memberships:

Executive Committee

Gerardo C. Ablaza, Jr. – Chairman
Arthur R. Tan – Member
Rafael Ma. C. Romualdez – Member

Audit Committee

Hiroshi Nishimura – Chairman
Rafael Ma. C. Romualdez – Member
Jaime P. Villegas – Member

Nomination Committee

Jaime Augusto Zobel de Ayala – Chairman
Jose Ignacio A. Carlos – Member
Alelie T. Funcell – Member

Compensation Committee

ⁱⁱ Resigned effective as of the end of business day of June 29, 2010

Fernando Zobel de Ayala – Chairman
Gerardo C. Ablaza, Jr. – Member
Rafael Ma. C. Romualdez – Member

Finance Committee

Cesar V. Purisima – Chairman *(please refer to footnote ii)*
Gerardo C. Ablaza, Jr. – Member
Rafael Ma. C. Romualdez – Member

• Officers:

Jaime Augusto Zobel de Ayala	- Chairman of the Board
Arthur R. Tan	- President & Chief Executive Officer
Emmanuel V. Barcelon	- Senior Managing Director & Chief Operations Officer
Sherisa P. Nuesa	- Senior Managing Director & Chief Administration/Finance Officer
Linardo Z. Lopez	- Senior Managing Director, Global Materials & Supply Chain
Solomon M. Hermosura	- Corporate Secretary
Renan R. Osero	- Assistant Corporate Secretary
Andrew C. Carreon	- Managing Director, Chief Information Officer
Olaf Gresens	- Global Sales Head
Michael R. Hansson	- Managing Director, Global Test & Systems Development
Melita R. Tomelden	- Managing Director, Global Corporate Quality & Reliability
Shong Cheng Yeh	- Managing Director, China Operations
Jeremy Cowx	- Managing Director, IMI Japan
Annabelle C. Duques	- VP, Human Resources
Rafael Nestor V. Mantaring	- VP, Design and Development (Philippines)
Lucrecio B. Mendoza	- VP, Value Engineering
Mary Ann S. Natividad	- VP, Country Business Unit Director (Singapore and Philippines)
Reynaldo N. Torda	- VP, Manufacturing Operations
Jaime G. Sanchez	- AVP, Deputy CFO and Controller
Anthony Raymond P. Rodriguez	- AVP, Head – Treasury and Credit
Fernandel I. Evangelista	- AVP, Manufacturing Unit Head
Geronimo B. Magsombol	- AVP, Facilities

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant **INTEGRATED MICRO-ELECTRONICS, INC.**

By:



SOLOMON M. HERMOSURA
Corporate Secretary

Date: August 16, 2010



JAIME G. SANCHEZ
Acting Chief Finance Officer

Date: August 16, 2010

Aging of trade receivables (in thousands):

	Total	Neither past due nor impaired	Past due but not impaired					Specifically impaired
			<30 days	30-60 days	60-90 days	90-120 days	>120 days	
June 30, 2010 (Unaudited)	\$80,578	\$72,461	\$2,495	\$2,426	\$2,494	\$27	\$117	\$558
December 31, 2009 (Audited)	84,014	77,246	3,434	1,419	394	346	952	223