

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

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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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)

March 31, 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: **March 31, 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: (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 *	1,229,794,252

* Net of 15,892,365 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 1,152,115,697 common shares are listed with the Philippine Stock Exchange as of March 31, 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 MARCH 31, 2010

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

(In thousand dollars)

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$48,222	\$53,932
Derivative assets (Note 13)	459	—
Loans and receivables - net (Note 5)	79,165	95,807
Inventories (Note 6)	36,957	31,875
Other current assets	3,109	1,582
Total Current Assets	167,912	183,196
Noncurrent Assets		
Noncurrent receivables	—	381
Property, plant and equipment – net (Note 7)	66,232	63,128
Goodwill	46,226	46,226
Intangible assets (Note 8)	2,105	2,803
Net pension asset	2,866	2,866
Available-for-sale financial assets	322	309
Deferred income tax assets	108	109
Other noncurrent assets	3,234	3,064
Total Noncurrent Assets	121,093	118,886
	\$289,005	\$302,082
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 9)	\$69,247	\$83,177
Income tax payable	2,946	3,262
Provisions	190	44
Loans Payable (Note 10)	1,664	2,302
Current portion of long-term debt (Note 11)	8,000	8,000
Total Current Liabilities	82,047	96,785
Noncurrent Liabilities		
Long-term debt (Note 11)	38,000	38,000
Obligation under finance lease	266	315
Total Noncurrent Liabilities	38,266	38,315
Total Liabilities	120,313	135,100

(Forward)

	2010	2009
Equity		
Equity attributable to equity holders of the Parent		
Company		
Capital stock – common	\$20,268	\$20,267
Capital stock – preferred	26,601	26,601
Subscribed capital stock	2,168	2,168
Additional paid-in capital	31,096	30,482
Subscriptions receivable	(9,843)	(10,153)
Retained earnings:		
Appropriated for expansion	60,661	60,661
Unappropriated	38,263	37,458
Treasury stock	(1,013)	(1,013)
Reserve for fluctuation on available-for-sale financial assets	63	57
Other reserves	162	162
	168,426	166,690
Minority interests in a consolidated subsidiary	266	292
Total Equity	168,692	166,982
	\$289,005	\$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 ENDED MARCH 31, 2010 AND MARCH 31, 2009
(In thousand dollars, except Earnings per Share)

	2010	2009
REVENUES FROM SALES AND SERVICES	\$90,542	\$81,471
COST OF GOODS SOLD AND SERVICES	79,729	71,366
GROSS PROFIT	10,813	10,105
OPERATING EXPENSES	(9,668)	(9,501)
OTHERS - Net		
Interest and bank charges	(192)	(595)
Interest income	127	229
Foreign exchange gains	2,799	467
Miscellaneous	489	(74)
INCOME (LOSS) BEFORE INCOME TAX	4,368	631
PROVISION FOR INCOME TAX	(1,148)	(1,053)
NET INCOME (LOSS)	3,220	(422)
OTHER COMPREHENSIVE INCOME		
Fair value changes on available-for-sale financial assets	6	13
TOTAL COMPREHENSIVE INCOME (LOSS)	\$3,226	(\$409)
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	\$3,206	(\$442)
Minority interests	14	20
	\$3,220	(\$422)
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	\$3,212	(\$429)
Minority interests	14	20
	\$3,226	(\$409)
Earnings Per Share:		
Basic and Diluted	\$0.0012	(\$0.0068)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 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	\$162	\$292	\$166,983
Shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	-
Cost of share-based payments	-	-	-	311	-	-	-	-	-	-	-	311
Collection on subscriptions	-	-	-	-	613	-	-	-	-	-	-	613
Net reversal of accretion of subscription receivable	-	-	-	303	(303)	-	-	-	-	-	-	-
Dilution of minority	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(2,401)	-	-	-	(40)	(2,441)
	20,268	26,601	2,168	31,096	(9,843)	60,661	35,057	(1,013)	57	162	252	165,466
Net income	-	-	-	-	-	-	3,206	-	-	-	14	3,220
Other comprehensive income	-	-	-	-	-	-	-	-	6	-	-	6
Total comprehensive income	-	-	-	-	-	-	3,206	-	6	-	14	3,226
Balances at March 31, 2010	\$20,268	\$26,601	\$2,168	\$31,096	(\$9,843)	\$60,661	\$38,263	(\$1,013)	\$63	\$162	\$266	\$168,692

	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 year	—	—	—	—	—	—	—	—	—	—	—	—
Cost of share-based payments	—	—	—	92	—	—	—	—	—	—	—	92
Collections on subscriptions	—	—	—	—	—	—	—	—	—	—	—	—
Accretion of subscription receivable	—	—	—	59	(59)	—	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	(2,550)	—	—	—	—	(2,550)
	20,253	26,601	2,182	30,365	(10,498)	60,661	28,542	(1,013)	24	56	416	157,589
Net income (loss)	—	—	—	—	—	—	(442)	—	—	—	20	(422)
Other comprehensive loss	—	—	—	—	—	—	—	—	13	—	—	13
Total comprehensive income (loss)	—	—	—	—	—	—	(442)	—	13	—	20	(409)
Balances at March 31, 2009	\$20,253	\$26,601	\$2,182	\$30,365	(\$10,498)	\$60,661	\$28,100	(\$1,013)	\$ 37	\$56	\$436	\$157,180

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND MARCH 31, 2009
(In thousand dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$4,368	\$631
Adjustments for:		
Depreciation of property, plant and equipment	4,435	5,087
Amortization of intangible assets	703	650
Mark-to-market gain on derivative assets (Note 13)	(459)	—
Provision for restructuring	450	—
Provision for inventory obsolescence - net of reversal	437	(436)
Provision for doubtful accounts (Note 5)	318	2
Cost of share-based payments	311	92
Unrealized foreign exchange gain (loss)	(286)	76
Interest and bank charges	192	595
Interest income	(127)	(229)
Gain on sale of property, plant and equipment	(28)	—
Loss on retirement of property, plant and equipment	10	
Operating income before working capital changes	10,324	6,468
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	16,603	3,200
Inventories	(5,519)	2,262
Other current assets	(1,058)	2,262
Noncurrent receivables	—	2,777
Decrease in:		
Accounts payable and accrued expenses	(15,877)	(2,683)
Provisions	(304)	(6,013)
Net cash generated from operations	4,169	8,273
Interest received	127	229
Interest paid	(192)	(674)
Income tax paid	(1,464)	(874)
Net cash provided by operating activities	2,640	6,954
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	999	7
Acquisition of:		
Property, plant and equipment (Note 7)	(8,519)	(212)
Intangible assets (Note 8)	(5)	(2)
Increase in other noncurrent assets	(170)	(3,143)
Proceeds from sale of intangible assets		24
Net cash used in investing activities	(7,695)	(3,326)

(Forward)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to Parent Company	\$(600)	\$(561)
Collections of subscriptions receivable	613	—
Dividends paid to Minority	(40)	—
Payment of loans	(638)	(1,542)
Net cash used in financing activities	(665)	(2,103)
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	10	(43)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,710)	1,482
CASH AND CASH EQUIVALENTS AT JANUARY 1	53,932	57,605
CASH AND CASH EQUIVALENTS AT MARCH 31 (Note 4)	\$48,222	\$59,087

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.

On April 29, 2010, the Audit Committee approved and authorized the release of the accompanying unaudited interim condensed financial statements of Integrated Micro-Electronics, Inc. and Subsidiaries.

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 Incorporation
	2010	2009	
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 and these will become effective January 1, 2010. Except as otherwise stated, the Group does not expect the adoption of these improvements to have significant impact on the 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. The amendment is effective for financial years on or after July 1, 2009.
- *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 will be 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

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
	(In thousands)	
Cash on hand and in banks	\$22,789	\$28,774
Short-term deposits	25,433	25,158
	\$48,222	\$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

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
	(In thous	
Trade	\$72,499	\$84,014
Nontrade	1,862	4,823
Receivable from Meralco - current	745	794
Receivables from employees	434	427
Others	4,255	6,061
	79,795	96,119
Less allowance for doubtful accounts	630	312
	\$79,165	\$95,807

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.

6. Inventories

During the three months ended March 31, 2010, the Group wrote down inventories amounting to \$454.5 thousand.

7. Property, Plant and Equipment

During the three months ended March 31, 2010, the Group acquired machinery and facilities equipment amounting to \$7.9 million, furniture, fixtures and office equipment

amounting to \$171.3 thousand, transportation equipment amounting to \$109.4 thousand, tools and instruments amounting to \$33.7 thousand and incurred capitalizable expenses on projects in progress amounting to \$269.5 thousand. Additions to building improvements amounted to \$62.7 thousand.

During the three months ended March 31, 2010, the Group also disposed property, plant and equipment with total book value of \$970.6 thousand. This pertains to machinery and facilities equipment amounting to \$968.6, transportation equipment amounting to \$2.0 thousand, and fully depreciated furniture, fixtures and office equipment.

Depreciation and amortization expense included in cost of goods sold and services for the three months ended March 31, 2010 and 2009 amounted to \$3.7 million and \$4.3 million, respectively. Loss on retirement for the three months ended March 31, 2010 and 2009 amounted to \$9.7 thousand and nil, respectively. Depreciation and amortization expense included in operating expenses for the three months ended March 31, 2010 and 2009 amounted to \$727.6 thousand and \$794.4 thousand, respectively.

8. Intangible Assets

During the three months ended March 31, 2010, the Parent Company acquired additional computer software amounting to \$4.7 thousand.

Amortization of intangible assets included in operating expenses for the three months ended

March 31, 2010 and 2009 amounted to \$702.2 thousand and \$674.2 thousand, respectively. Amortization of intangible assets included in cost of sales for the three months ended

March 31, 2010 and 2009 amounted to \$0.5 thousand and \$0.3 thousand, respectively.

9. Accounts Payable and Accrued Expenses

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
		(In thous)
Trade payables	\$46,118	\$60,666
Accrued expenses	14,207	13,516
Accrued payroll	2,548	4,319
Dividends payable	1,801	—
Customers' deposits	1,704	1,328
Employee-related payables	550	484
Taxes payable	356	172
Accrued interest payable	44	41
Nontrade payables	44	424
Obligation under finance lease – current	—	188
Others	1,875	2,039
	\$69,247	\$83,177

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

10. Loans Payable

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
		(In thous
Parent Company	\$—	\$—
STEL	1,664	2,302
	\$1,664	\$2,302

11. Long-Term Debt

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
		(In thous
Parent Company	\$30,000	\$30,000
STEL	16,000	16,000
	\$46,000	\$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.

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 March 31, 2010 and 2009 (In thousands).

March 31, 2010 (Unaudited)	Philippines	Singapore	USA	Japan	Eliminations	Total
Revenue						
Third party	\$37,610	\$52,815	\$74	\$43	\$—	\$90,542
Inter-segment	—	760	586	253	(1,599)	—
Total revenue	\$37,610	\$53,575	\$ 660	\$ 296	(\$1,599)	\$90,542
Segment gross profit	\$4,095	\$7,339	\$634	\$197	(\$1,452)	\$10,813
Segment operating income (loss)	(\$1,198)	\$2,304	\$20	\$19	\$—	\$1,145
Segment interest income	\$109	\$18	\$—	\$—	\$—	\$ 127
Segment profit (loss) before income tax	\$1,840	\$2,491	\$20	\$17	\$—	\$4,368
Segment provision for income tax	(99)	(1,049)	—	—	—	(1,148)
Segment profit (loss) after income tax	\$1,741	\$1,442	\$ 20	\$ 17	\$—	\$3,220

March 31, 2009 (Unaudited)	Philippines	Singapore	USA	Japan	Eliminations	Total
Revenue						
Third party	\$34,531	\$ 46,906	\$ 16	\$19	\$—	\$81,472
Inter-segment	—	—	548	89	(637)	—
Total revenue	\$34,531	\$46,906	\$ 564	\$ 108	(\$ 637)	\$81,472
Segment gross profit	\$2,995	\$7,095	\$502	\$91	(\$578)	\$10,105
Segment operating income (loss)	(\$1,618)	\$2,314	\$13	(\$131)	\$27	\$ 605
Segment interest income	\$220	\$9	\$—	\$—	\$—	\$ 229
Segment profit (loss) before tax	(\$1,339)	\$2,087	\$12	(\$129)	\$—	\$631
Segment provision for income tax	(100)	(953)	—	—	—	(1,053)
Segment profit (loss) after income tax	(\$1,439)	\$1,134	\$ 12	(\$129)	\$—	(\$422)

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

	Philippines	Singapore	USA	Japan	Eliminations	Total
Segment assets						
March 31, 2010						
(Unaudited)	\$205,769	\$189,475	\$2,562	\$1,121	(\$109,922)	\$289,005
December 31, 2009	\$221,587	\$180,794	\$2,594	\$778	(\$103,671)	\$302,082
(Audited)						

Segment assets as of March 31, 2010 do not include investments in subsidiaries amounting to \$83.2 million and inter-segment loans and receivables amounting to \$26.7 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.

Derivative Assets

In 2010, the Parent Company entered into various short-term currency forwards with aggregate nominal amount of \$17.0 million.

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

Mark-to-market gain recognized for the three months ended March 31, 2010 and 2009 amounted to \$459 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Financial Highlights

	For the quarters ended 31 March	
	2010	2009
	<i>(in USUS\$ thousands, except Basic EPS)</i>	
Revenues from Sales and Services	90,542	81,471
Cost of Goods Sold and Services	79,729	71,366
Gross Profit	10,813	10,105
Net Income Attributable to Equity holders	3,206	(442)
EBITDA	7,044	6,433
Basic Earnings per Share (EPS)	0.0012	(0.0068)

Revenues from Sales and Services

The Company continues to recover from the challenging business conditions of 2009 on the back of a sustained though uneven rate of global recovery. Pick up in business activity in the various sectors served by the Company generated an 11% growth in revenues for the first quarter which reached US\$90.5 million. Both Singapore/China and Philippine sites posted improved performance compared to last year. Singapore/China revenues, which accounted for 58% of group-wide sales, rose 13% to US\$52.8 million, driven by a surge in orders from key customers in the consumer, industrial and communication markets. Meanwhile, though orders by a leading Chinese telecommunications original equipment manufacturer stayed flat, the customer still emerged as China's top sales contributor. On the other hand, the Philippine site reported a 9% growth from last year's sales of US\$34.5 million derived from a growing automotive business as well as increased activity in the computing sector. Overall, sales to the telecommunication and consumer segments made up the bulk of consolidated sales at 29% and 26%, respectively, followed by automotive, industrial, and computer peripherals. Europe, which accounted for 36% of total sales, has surpassed Japan as the Company's biggest market.

Cost of Goods Sold and Services

Cost of Goods Sold and Services in absolute terms grew 11.7%, slightly higher than the 11% rise in sales. The continued shift toward turnkey business arrangement (now accounting for 71% of sales versus 69% in previous year) has pulled cost upward, particularly direct materials cost (DMC). Under turnkey arrangement, the Company provides all inputs to production as opposed to the consignment arrangement where only facility and labor are provided as the customer supplies the materials. Except for direct materials, the Company

was able to control all other cost items; direct labor cost ratio stood at 11%, the same level as in 2009 while an 8% decrease in manufacturing overhead mitigated the increase in DMC.

Gross Profit and Gross Profit Margin

The Company's operations produced Gross Profit of US\$10.8 million which, in absolute terms, rose at a lower rate of 7% versus the 11% increase in sales as a result of the higher DMC costs from the increased turnkey business. As a percentage to sales, gross profit dropped 0.5% as a consequence to the rise in Cost of Goods Sold and Services ratio.

Operating Expenses

The Company was able to manage its operating expenses which went up by only 2% to US\$9.7 million from the previous year's US\$9.5 million.

Net Income

Net income closed at US\$3.2 million, a marked improvement from the net loss of US\$0.4 million reported in the same period last year, on account of higher operating income from the growth in sales, augmented by the significant contribution from non-operating items.

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) improved 9.5% year on year on the back of stronger revenues.

Liquidity and Capital Resources

The Company continues to exhibit robust financial health with cash balance of US\$48.2 million, higher than gross debt of US\$47.7 million, sustaining the Company's zero net debt position. Operating activity continues to bring in positive cash flows, which amounted to US\$2.7 million in the first quarter. Current and debt-to-equity ratios have further strengthened to 2.05:1 and 0.28:1, respectively, from the 1.89:1 and 0.29:1 reported at the end of 2009.

The Company's solid financial position ensures financial flexibility to pursue ongoing strategic initiatives as well as to continue to meet both operating requirements and debt payment obligations. The Company expects to continue to generate sufficient operating cash flows to cover its liquidity requirements. It also has adequate credit facilities to assist with working capital requirements as well as to finance its growth agenda.

Net cash flows from operating activities

Operating activities for the first quarter provided net cash of US\$2.7 million, down from the US\$7 million generated in the same period last year. Though the increase in sales brought in a higher operating income of US\$10.4 million against US\$6.5 million last year (after adding back the non-cash charges to income before income tax), more cash went to servicing working capital requirements, particularly for inventory.

Net cash flows from investing activities

Investing activities used a higher level of cash this year of US\$7.7 million against the US\$3.3 million last year. The difference substantially represented a higher level of capital expenditures (at US\$8.5 million) following the rebound in business activity. The Company put a cap on property and equipment spending last year (virtually nil at US\$0.2 million) while the industry was still in the midst of the financial crisis the outcome of which was still uncertain at the time.

Net cash flows from financing activities

Net cash used in financing activities amounted to US\$0.7 million, lower than the US\$2.1 million used in 2009. The Company repaid a slightly smaller amount of loans this year (at US\$0.6 million) than last year (at US\$1.54 million). The Company also paid dividends to preferred shareholders of US\$0.6 million, almost the same as last year, offset by collections this year of subscriptions receivable of roughly the same amount.

Key performance indicators of the Company

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

	As of end	
	31 Mar 2010	31 Dec 2009
Performance indicators		
Liquidity:		
Current ratio	2.05x	1.89x
Solvency:		
Debt-to-equity ratio	0.28x	0.29x
	For the quarters ended	
	31 March	
	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

(Quarter ended 31 March 2010 versus 31 March 2009)

11% growth in Revenues from Sales and Services

This resulted mainly from the increase in orders by some of the Company's major customers following the improvement in the global economy and consequent rebound in the markets for electronic products.

12% increase in Cost of Goods Sold and Services

The increase in Cost of Goods Sold and Services followed the rate of increase in revenues coupled by the increased costs arising from a growing turnkey business.

11837% increase in other income

Due largely to a reversal of a significant prior year provision and other reserves.

9% increase in provision for income tax

Attributable to the increase in taxable income following the increase in revenues.

863% increase in net income

On account of higher operating income from the growth in revenues supplemented by a higher other income.

825% increase in Net Income Attributable to Minority Interests

Due to increase in net income.

Balance Sheet items

(31 March 2010 versus 31 March 2009)

11% decrease in Cash and cash equivalents

Largely due to higher spending for capital expenditures following the pick up in business activity.

100% increase in Derivative assets

Represents mark-to-market gains from increase in fair or market value of simple forward contracts.

17% decrease in Loans and receivables

Caused primarily by the closure of turnkey business with a major Japanese customer which decided to cease its operations in the Philippines in line with its global business integration strategy.

16% increase in Inventories

Due to increased volume requirement of China turnkey businesses.

96% increase in other current assets

Represents prepayments made by China site.

100% decrease in noncurrent receivables

Receivables were already classified as current as full collection is expected to be made within one year.

5% increase in Property, plant and equipment

From the acquisition of new equipment lines for a new project and replacement of machines lost in Cebu fire last year, net of depreciation recognized for the quarter.

25% decrease in Intangible assets

Represents amortization for the period of intangible asset accounts.

6% increase in Other noncurrent assets

Pertains to expenditures incurred prior to mass production of new projects, to be amortized or expensed out within the same calendar year.

17% decrease in Accounts payable and accrued expenses

Decrease in trade payables following the closure of turnkey business with a major Japanese customer.

10% decrease in Income tax payable

Partial payment of taxes by China during the first quarter.

332% increase in Provisions

Excess of additional provisions recognized during the quarter for benefits paid to employees affected by the cessation of business with a major Japanese customer.

28% decrease in Loans payable

Represents payment of short-term loans.

16% decrease in Obligation under finance lease

Regular payments made every month of rentals due.

11% increase in Reserve for fluctuation of available-for-sale financial assets

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

9% decrease in Minority interests in a consolidated subsidiary

Payment of dividends to minority shareholders in March 2010.

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. Purisima
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

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

Finance Committee

Cesar V. Purisima – Chairman

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:




JAIME G. SANCHEZ
Deputy CFO and Controller

Date: May 17, 2010



SHERISA P. NUESA
Chief Finance Officer and Senior Managing Director

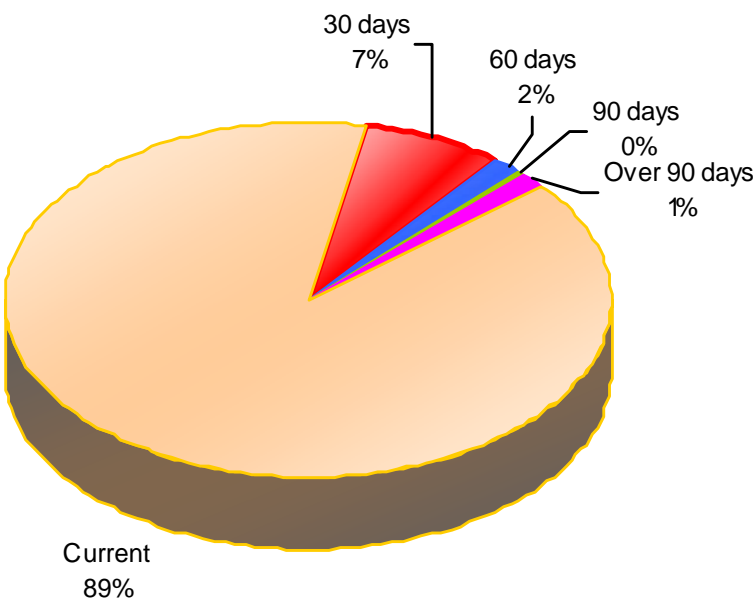


Date: May 17, 2010

Integrated Micro-Electronics, Inc. and Subsidiaries

Aging of Accounts Receivable - Trade

As of March 31, 2010



Allowance for doubtful account:
Trade Receivable - \$224K

	Total	Within Credit Terms	Past Due			
			30 days	60 days	90 days	Over 90 days
AR Trade	72,499	64,755	5,260	1,291	249	945
	100%	89%	7%	2%	0%	1%