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February 25, 2010

Securities and Exchange Commission
Corporation & Finance Department
SEC Building, EDSA
Mandaluyong City

Attention: Ms. Justina F. Callangan
Director, Corporation & Finance Department

Philippine Stock Exchange
4/F PSE Center, Exchange Road
Ortigas Center, Pasig City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: **IMI Posts a Turnaround with US$10M Net Income in 2009**

Gentlemen:

Integrated Micro-Electronics, Inc. (IMI) posted a turnaround with US$10 million in consolidated net income after tax in 2009, a reversal of the net loss incurred in the previous year due to a gradual increase in revenues starting in the second half of 2009 and effective cost management.

The year 2009 was a very challenging one for the entire electronics industry. The effects of the global economic downturn on our market, which began in the second half of 2008, ensued in 2009. The electronics manufacturing services (EMS) industry contracted in 2009. In addition to reduced volume requirements of the original equipment manufacturers (OEMs), the EMS industry was besieged by a severe supply shortage of electronics components, as suppliers were cautious of excess inventory brought about by the market's uncertain outlook and the tight credit situation.

With the electronics sector under severe stress in 2009, IMI's revenues for the year declined by 10 percent from 2008 to US$395.5 million. It was only in the second half of the year that the industry environment began to improve, with market trends either bottoming out or posting growth, albeit at a slower pace. IMI's revenues rebounded accordingly which, coupled with effective cost control and operational streamlining measures, resulted in IMI achieving a net income after tax of US$10 million.

IMI's net income after tax rose by 160% year-on-year. The increase can be attributed to several factors:

- Sales rebounded in the third quarter of the year due to an improved operating environment. This improved production capacity utilization.
- Operations in the Philippines, particularly in the Cebu and Laguna LIIP plants, were consolidated into Laguna LTI.
- Effective cost reduction measures were implemented which greatly reduced general and administrative expenses.
- IMI obtained additional non-recurring income from recovery of insurance losses.

IMI continued to maintain a solid balance sheet securing comfortable liquidity and debt levels. Cash generation from operations stayed robust resulting in a consolidated cash balance of US$53.9M at the end of 2009 about same level as in the previous year despite making US$22.8M in bank debt repayments. IMI is still at a zero net debt position with the ending cash level sufficient to cover bank debt balance of US$48.3M. Current ratio stood better at 1.89:1 from 1.70 as at end of 2008. Debt-to-equity ratio likewise improved to 0.29:1 from 0.45 of the previous year.

The China and Singapore operations of IMI contributed 51 percent to total IMI revenues in 2009. The main revenue contributor was the increase in volume for a leading Chinese OEM in telecommunications driven by the 3G network deployments in emerging markets. In the Philippines, IMI remained strong in the storage device, automotive, and consumer electronics markets.

We view 2010 with guarded optimism. With the global economy expected to improve gradually this year, we expect the demand for electronic products to increase even at a moderate rate. As their inventories stabilize, OEMs will be increasing their volume orders from EMS companies like IMI.

The following market trends are expected to positively impact IMI's performance in 2010.

- Global PC shipments are expected to grow in 2010 with the notebook sector as one of the drivers. Global mobile phone sales are expected to rise this year on the back of expansion in emerging markets. These trends could have a positive effect on IMI's business in the storage device and telecommunication network infrastructure device sectors.
- The automotive electronics systems are likewise expected to grow steadily between 2010 and 2017. IMI is identifying lucrative product niches that will grow its business in this segment.
- OEMs will increasingly look to supplying China. As OEMs need more capacity in China to supply a domestic market that continues to grow at a healthy rate, IMI can aggressively offer its China facilities that are capable of both low-volume high-mix and high-volume low-mix production.

As our peers refocus on sustainable markets, we will gravitate toward high-growth, high-margin product niches to continue on our path of sustainable growth and profitability. Our focus areas include the automotive, industrial, and renewable energy markets.

Attached are IMI's unaudited consolidated financial statements and press release for your reference.

The above information is being submitted in compliance with the disclosure rules of the Securities and Exchange Commission and the Philippine Stock Exchange.

Thank you.

Very truly yours,

Sherisa P. Nuesa
Chief Finance Officer and Senior Managing Director

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 31, and 32)	**$53,931,767**	$57,604,535
Loans and receivables (Notes 3, 5, 31 and 32)	**95,806,849**	74,927,235
Inventories (Notes 3 and 6)	**31,875,012**	35,484,994
Other current assets (Note 7)	**1,582,201**	3,412,706
Total Current Assets	**$183,195,829**	171,429,470
Noncurrent Assets		
Noncurrent receivables (Notes 5, 31 and 32)	**380,916**	2,922,015
Property, plant and equipment (Notes 3, 8 and 29)	**63,128,439**	75,907,230
Goodwill (Notes 3 and10)	**46,225,800**	46,225,800
Intangible assets (Notes 3 and 11)	**2,802,630**	5,132,691
Net pension asset (Notes 3 and 26)	**2,866,220**	2,453,430
Available-for-sale financial assets (Notes 3, 31 and 32)	**309,448**	265,046
Deferred income tax assets (Notes 3 and 24)	**108,517**	27,505
Other noncurrent assets (Note 12)	**3,064,251**	2,594,633
Total Noncurrent Assets	**118,886,221**	135,528,350
	$302,082,050	$306,957,820
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13, 31 and 32)	**86,439,189**	69,787,272
Provisions (Note 14)	**43,764**	6,013,238
Loans payable (Notes 15, 31 and 32)	**2,302,233**	17,110,107
Current portion of long-term debt (Notes 16, 31 and 32)	**8,000,000**	8,000,000
Total Current Liabilities	**96,785,186**	100,910,617
Noncurrent Liability		
Long-term debt (Notes 16, 31 and 32)	**38,000,000**	46,000,000
Lease liability (Note 29)	**314,545**	–
Total Noncurrent Liabilities	**38,314,545**	46,000,000
Total Liabilities	**135,099,731**	146,910,617
Equity (Note 17)		
Equity attributable to equity holders of the Parent Company		
Capital stock – common	**$20,267,538**	$20,253,054
Capital stock - preferred	**26,601,155**	26,601,155
Subscribed capital stock	**2,167,895**	2,182,379
Additional paid-in capital	**30,482,156**	30,213,723
Subscriptions receivable	**(10,153,255)**	(10,439,358)

(Forward)

	December 31	
	2009	2008
Retained earnings:		
Appropriated for expansion	**$60,660,981**	$60,660,981
Unappropriated	**37,457,693**	31,091,806
Treasury stock	**(1,012,592)**	(1,012,592)
Reserve for fluctuation on available-for-sale financial assets	**56,879**	23,979
Other reserves	**161,551**	55,803
	166,690,001	159,630,930
Equity attributable to minority interests	**292,318**	416,273
Total Equity	**166,982,319**	160,047,203
	$302,082,050	$306,957,820

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2009	2008	2007
REVENUES FROM SALES AND SERVICES (Notes 18 and 28)	**$395,502,281**	$441,144,682	$422,107,356
COST OF GOODS SOLD AND SERVICES (Notes 19 and 21)	**350,886,080**	370,368,070	330,786,382
GROSS PROFIT	**44,616,201**	70,776,612	91,320,974
OPERATING EXPENSES (Notes 20 and 21)	**(34,908,660)**	(54,099,275)	(53,257,069)
OTHERS - Net			
Foreign exchange gains (losses) (Note 32)	**279,083**	(30,458,199)	1,872,799
Interest and bank charges (Note 22)	**(1,787,465)**	(3,593,609)	(5,059,686)
Interest income (Note 23)	**723,261**	1,141,601	1,455,519
Miscellaneous income (Note 5)	**6,238,949**	1,882,524	2,129,386
INCOME (LOSS) BEFORE INCOME TAX	**15,161,369**	(14,350,346)	38,461,923
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**5,112,200**	2,406,332	3,185,181
Deferred	**(81,012)**	25,670	(483,183)
	5,031,188	2,432,002	2,701,998
NET INCOME (LOSS)	**10,130,181**	(16,782,348)	35,759,925
OTHER COMPREHENSIVE INCOME (LOSS)			
Fair value changes on available-for-sale financial assets	**32,900**	(92,168)	116,147
TOTAL COMPREHENSIVE INCOME (LOSS)	**$10,163,081**	($16,874,516)	$35,876,072
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**$10,065,517**	($16,830,089)	$35,692,542
Minority interest	**64,664**	47,741	67,383
	$10,130,181	($16,782,348)	$35,759,925
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**$10,098,417**	($16,922,257)	$35,808,689
Minority interest	**64,664**	47,741	67,383
	$10,163,081	($16,874,516)	$35,876,072
Earnings Per Share (Note 25)			
Basic and Diluted	**$0.008**	($0.014)	$0.029

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**$15,161,369**	($14,350,346)	$38,461,923
Adjustments for:			
Depreciation of property, plant and equipment and investment properties (Note 8)	**18,055,328**	18,624,973	20,869,204
Gain on fire insurance claim (Note 5)	**5,625,371**	–	–
Amortization of intangible assets (Note 11)	**2,744,304**	2,688,552	2,645,296
Interest and bank charges (Note 22)	**1,787,465**	3,593,609	5,059,686
Provision for inventory obsolescence - net of reversal (Note 6)	**1,322,908**	5,514,988	1,116,689
Provision for restructuring (Note 14)	**929,000**	6,000,000	–
Loss on fire (Notes 6 and 8)	**637,159**	–	–
Cost of share-based payments (Note 27)	**514,153**	1,484,498	396,962
Unrealized foreign exchange loss - net	**184,236**	2,388,140	581,222
Provision for doubtful accounts (Note 5)	**118,629**	166,726	506,627
Loss (gain) on sale of property, plant and equipment	**97,970**	(251,291)	(42,057)
Provision for warranty (Note 14)	**11,904**	510,139	2,252,114
Dividend income	**(466)**	(493)	(491)
Reversal of provision for warranty (Note 14)	**(6,661)**	(2,189,015)	(1,914,000)
Reversal of provision for doubtful accounts	**(60,401)**	–	–
Losses (gains) on derivative assets (Note 31)	**(160,198)**	33,999,544	(2,042,019)
Net benefit expense (income) (Note 26)	**(412,790)**	867,474	682,842
Interest income (Note 23)	**(723,261)**	(1,141,601)	(1,455,519)
Reversal of provision for restructuring	**(1,818,304)**	–	–
Impairment loss (Notes 8 and 19)	–	1,501,700	–
Gain on sale of investment properties (Note 9)	–	–	(46,305)
Operating income before working capital changes	**44,007,715**	59,407,597	$67,072,174
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and receivables	**(26,767,336)**	6,287,140	(7,997,819)
Inventories	**1,731,187**	2,666,450	(12,489,690)
Other current assets	**1,830,505**	(1,270,506)	436,689
Noncurrent receivables	**2,541,099**	2,408,106	(5,067,716)
Increase (decrease) in:			
Provisions	**(5,092,074)**	–	–
Accounts payable and accrued expenses	**15,697,620**	(4,502,558)	9,448,211
Net cash generated from operations	**33,948,716**	64,996,229	51,401,849
Interest received	**676,847**	1,042,355	1,292,360
Dividends received	**466**	493	491
Interest paid	**(2,303,422)**	(3,662,052)	(5,265,407)
Income taxes paid	**(3,325,362)**	(2,394,505)	(1,845,130)
Net cash provided by operating activities	**28,997,245**	59,982,520	45,584,163

(Forward)

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property, plant and equipment	**$2,863,245**	$2,370,921	$139,343
Investment properties	–	–	268,101
Acquisition of:			
Property, plant and equipment (Note 8)	**(7,740,314)**	(14,559,324)	(16,949,799)
Intangible assets (Note 11)	**(414,243)**	(73,390)	(209,816)
Settled derivatives	**160,198**	(31,955,517)	–
Decrease (increase) in other noncurrent assets	**(471,748)**	(1,491,260)	61,326
Net cash used in investing activities	**(5,602,862)**	(45,708,570)	(16,690,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to equity holders of the Parent Company (Note 17)	**(4,260,357)**	(10,736,659)	(10,436,286)
Dividends paid to minority	**(82,871)**	(12,500)	(95,740)
Availments of loans	–	28,248,662	3,365,000
Payments of:			
Loans payable	**(14,807,874)**	(20,068,074)	(4,429,000)
Long-term debt	**(8,000,000)**	(8,000,000)	(18,149,799)
Collections of subscriptions receivable (Note 17)	**40,383**	1,635,657	394,014
Collections on preferred stock subscription (Note 17)	–	26,601,155	–
Acquisition of treasury stock (Note 17)	–	(42,301)	(5,653)
Net cash provided by (used in) financing activities	**(27,110,719)**	17,625,940	(29,357,464)
EFFECT CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**43,568**	(2,584,185)	404,201
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,672,768)**	29,315,705	(59,945)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**57,604,535**	28,288,830	28,348,775
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**$53,931,767**	$57,604,535	$28,288,830

See accompanying Notes to Consolidated Financial Statements.

IMI Posts a Turnaround with Income of $10M in '09

February 25, 2010, Laguna, Philippines – Integrated Micro-Electronics Inc. (IMI), a leading electronics manufacturing services (EMS) provider to the world's key original equipment manufacturers (OEMs) and a member of the Ayala group of companies, posted a turnaround with US$10 million in consolidated net income after tax in 2009. This is a reversal of the net loss incurred in the previous year due to a gradual increase in revenues starting in the second half of 2009 and effective cost management. Also, the year 2008 was negatively affected by non-recurring, extraordinary costs.

Arthur Tan, IMI president and chief executive officer, said that "2009 was a very challenging year for the entire electronics industry. The effects of the global economic downturn on our markets, which began in the second half of 2008 ensued in 2009. The electronics manufacturing services (EMS) sector experienced lower volume requirements of the OEMs. In addition, there was a severe supply shortage of electronics components, as suppliers were cautious of excess inventory brought about by the market's uncertain outlook."

With the electronics sector under difficult circumstances in 2009, IMI's revenues for the year declined by 10 percent from 2008 to US$395.5 million. It was only in the second half of the year that the industry environment began to improve, with market trends either bottoming out or posting growth, albeit at a slower pace. IMI's revenues rebounded accordingly which, coupled with effective cost control and operational streamlining measures, resulted in IMI achieving a net income after tax of US$10 million.

IMI's net income after tax rose by 160 percent year-on-year due to improved sales revenues starting in the third quarter of the year, consolidation of operations in the Philippines, aggressive cost reduction measures that greatly reduced general and administrative expenses, and recovery of insurance losses.

Sherisa P. Nuesa, IMI chief finance officer and senior managing director, said "Despite severe stresses on the global electronics industry, we managed to record a respectable bottom line. With the downturn, a number of players in the EMS industry posted negative to lackluster results. EBITDA (earnings before interest, taxes, depreciation and amortization) remained robust. Further, we continued to maintain a solid balance sheet securing comfortable liquidity and debt levels."

IMI's consolidated cash balance at the end of 2009 was US$53.9M, about same level as in the previous year despite making US$22.8M in bank debt repayments. Current ratio stood better at 1.89:1 from 1.70 as at end of 2008. Debt-to-equity ratio likewise improved to 0.29:1 from 0.45 of the previous year.

IMI's operations in China and Singapore contributed 51 percent to the total revenues in 2009. The main revenue contributor was the increase in volume for a leading Chinese OEM in telecommunications driven by the 3G network deployments in emerging markets. In the Philippines, IMI remained strong in the storage device, automotive, and consumer electronics markets.

Tan said, "With the global economy expected to improve gradually in 2010, we expect the demand for electronic products to increase even at a moderate rate. As their inventories stabilize, OEMs will be increasing their volume orders from EMS companies like IMI."

Tan emphasized that IMI's solid track record with its OEM customers, a global footprint, and a robust financial position will enable the company to capitalize on the uptrend in electronics. "We will gravitate toward high-growth, high-margin product niches to continue on our path of sustainable growth and profitability. We are positioning in key growth niches within the automotive, industrial, and renewable energy markets while probing into other nontraditional markets that could provide synergistic out-of-the-box business solutions," he said.

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