



Integrated Micro-Electronics, Inc.

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February 16, 2017

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

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

Philippine Stock Exchange
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

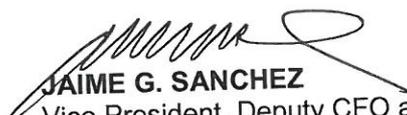
Attention: Mr. Jose Valeriano B. Zuño III
OIC –Head, Disclosure Department

Subject: **IMI Ended 2016 with a 13% Growth in Operating Income**

Integrated Micro-Electronics Inc. (IMI), a global manufacturing solutions company, today announced that it delivered a positive revenue and operating income growth of 4 percent and 13 percent, respectively.

Please refer to the attached press release and financial statements. Thank you.

Very truly yours,


JAIME G. SANCHEZ
Vice President, Deputy CFO and Group Controller
Compliance Officer



PRESS RELEASE

IMI Ended 2016 with a 13% Growth in Operating Income

February 16, 2017, Laguna, Philippines — Integrated Micro-Electronics Inc. (IMI), a global manufacturing solutions company, today announced that it delivered a positive revenue and operating income growth of 4 percent and 13 percent, respectively in the midst of a challenging environment in electronics manufacturing.

IMI's President and Chief Operating Officer Gilles Bernard said, "Despite challenges in the global economic environment and the ongoing portfolio mix changes from our Asian operations, we were able to accomplish a positive growth and improved gross profit margin by 50 bps to 12 percent."

Consolidated revenues reached \$843M (P40.0 billion) for 2016. Excluding acquisition, revenues went up by 1 percent driven by Europe and Mexico operations reporting combined revenues of \$308.0 million or 15 percent growth year-on-year. Net income of \$28.1 million (P 1.3 billion) was slightly lower by 2 percent year-on-year owing to transaction and financing costs related to acquisitions and foreign exchange impact of the Renminbi.

The company's operations in Asia delivered lower growth as a result of China's slower economic activity and IMI's strategic decision to disengage from one consumer electronics business. In addition, its Philippine operations also drew away from the declining segment in computing peripherals, driving lower growth. China operations posted \$261.4 million, down 6 percent from last year. Philippines's electronics services operations delivered \$221.0 million, 2 percent lower than last year, while PSi Technologies, IMI's semiconductor assembly and test subsidiary, posted \$33.0 million in revenues, down 2 percent year-on-year.

IMI continues to expand its footprint in higher complex box build offerings, while making disciplined investments to fund its growth initiatives. In 2016, IMI spent \$52.3 million on capital expenditures to build more complex and higher value-add manufacturing capabilities and growth platforms. The company remains to have a strong cash position with debt-to-equity ratio of 0.74:1. With the support of shareholders and partners, IMI has the financing capability and operational momentum to sustain its future growth and competitively tap different markets and technologies on a global scale.

"The company's robust presence in the automotive and industrial segments equipped IMI to seize many opportunities ahead. We won new projects in 2016, mostly from those segments, a 23 percent growth from the previous year," said Arthur Tan, IMI Chief Executive Officer.

"As we press on, we look forward to entering new industries and reinventing our existing businesses. Our global acquisitions over the years have strengthened our ability to support the different regions where we operate, with our various capabilities," Tan added.

About IMI

Integrated Micro-Electronics Inc. (IMI), a subsidiary of Ayala Corporation, is among the leading global manufacturing service providers in the world. In the automotive segment, it is the 6th largest EMS provider in the world per New Venture Research. IMI specializes in durable electronics for long-product life cycle segments such as automotive and industrial electronics. For the automotive segment, IMI delivers customized solutions for safety and security, among others. It supplies cameras that are integral technology to the advanced driver assistance systems (ADAS). For the industrial segment, it manufactures security and access control devices, power modules, and building automation, among others. From its manufacturing plants in the United States, Mexico, Bulgaria, Czech Republic, Germany, China, and the Philippines, IMI provides engineering, manufacturing, and support and fulfillment capabilities to diverse industries globally. For more information, visit www.global-imi.com.

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

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$86,548,735	\$101,532,409
Receivables - net	198,202,754	169,291,581
Inventories	106,132,529	88,255,209
Other current assets	16,090,797	10,935,700
Total Current Assets	406,974,815	370,014,899
Noncurrent Assets		
Property, plant and equipment - net	117,405,004	93,101,971
Goodwill	96,044,622	46,876,213
Intangible assets	10,469,078	2,398,461
Available-for-sale financial assets	740,949	583,510
Deferred tax assets	1,552,362	1,527,537
Other noncurrent assets	2,722,057	2,032,068
Total Noncurrent Assets	228,934,072	146,519,760
Total Assets	\$635,908,887	\$516,534,659
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$195,675,304	\$152,817,225
Trust receipts and loans payable	51,445,169	42,297,356
Financial liabilities on put options	11,334,282	-
Current portion of long-term debt	8,185,053	42,953,009
Income tax payable	3,451,416	2,533,995
Total Current Liabilities	270,091,224	240,601,585
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt	121,144,043	34,648,756
Advances from customers	1,137,865	1,123,343
Net retirement liabilities	4,091,990	5,791,612
Deferred tax liabilities	1,275,651	1,358,303
Accrued rent	84,731	454,878
Other noncurrent liabilities	216,253	118,418
Total Noncurrent Liabilities	127,950,533	43,495,310
Total Liabilities	\$398,041,757	284,096,895

(Forward)

	December 31	
	2016	2015
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	\$34,935,709	\$34,933,728
Subscribed capital stock	1,857,440	1,907,584
Additional paid-in capital	70,927,567	82,527,542
Subscriptions receivable	(12,334,692)	(13,131,734)
Retained earnings unappropriated	168,932,158	149,437,014
Treasury stock	(1,012,586)	(1,012,586)
Reserve for fluctuation on available-for-sale financial assets	368,531	251,030
Cumulative translation adjustment	(20,639,608)	(16,544,691)
Other comprehensive loss	(6,428,260)	(6,295,673)
Other reserves	-	170,714
	236,606,259	232,242,928
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries		
	1,260,871	194,836
Total Equity	237,867,130	232,437,764
	\$635,908,887	\$516,534,659

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

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Sale of goods	\$774,643,182	\$750,514,863	\$746,158,727
Sale of services	68,323,242	63,849,241	98,315,342
	842,966,424	814,364,104	844,474,069
COST OF SALES			
Cost of goods sold	680,844,830	663,659,753	664,495,465
Cost of services	60,812,213	56,672,880	86,045,599
	741,657,043	720,332,633	750,541,064
GROSS PROFIT	101,309,381	94,031,471	93,933,005
OPERATING EXPENSES	(58,366,442)	(56,098,525)	(64,232,479)
OTHERS - Net			
Interest expense and bank charges	(3,884,454)	(2,716,385)	(2,814,803)
Foreign exchange gains (losses) - net	(2,437,818)	(2,419,021)	36,401
Gains on insurance claims	360,895	-	334,695
Interest income	294,035	658,003	196,271
Gain (loss) on sale and retirement of property, plant and equipment - net	(143,034)	165,776	14,506,946
Mark-to-market loss on put options	(40,785)	-	-
Impairment loss on goodwill	-	-	(7,478,980)
Miscellaneous income (loss) - net	(2,269,225)	1,054,201	710,235
	(8,120,386)	(3,257,426)	5,490,765
INCOME BEFORE INCOME TAX	34,822,553	34,675,520	35,191,291
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	6,942,950	5,731,204	8,927,759
Deferred	(136,306)	174,204	(2,727,851)
	6,806,644	5,905,408	6,199,908
NET INCOME	\$28,015,909	\$28,770,112	\$28,991,383
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	\$28,115,891	\$28,789,740	\$29,117,024
Non-controlling interests	(99,982)	(19,628)	(125,641)
	\$28,015,909	\$28,770,112	\$28,991,383
Earnings Per Share			
Basic and diluted	\$0.015	\$0.015	\$0.017

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

	Years Ended December 31		
	2016	2015	2014
NET INCOME FOR THE YEAR	\$28,015,909	\$28,770,112	\$28,991,383
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified into profit or loss in subsequent periods:			
Exchange differences arising from translation of foreign operations	(4,094,917)	(5,835,345)	(9,284,204)
Fair value changes on available-for-sale financial assets	117,501	66,911	(5,482)
	(3,977,416)	(5,768,434)	(9,289,686)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans	(132,587)	(722,109)	3,384,509
	(4,110,003)	(6,490,543)	(5,905,177)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$23,905,906	\$22,279,569	\$23,086,206
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	\$24,005,888	\$22,299,197	\$23,211,847
Non-controlling interests	(99,982)	(19,628)	(125,641)
	\$23,905,906	\$22,279,569	\$23,086,206

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 and 2014

	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	Cumulative Translation Adjustment	Other Comprehensive Loss	Other Reserves	Attributable to Non-controlling Interests	Total
Balances at January 1, 2016	\$34,933,728	\$-	\$1,907,584	\$82,527,542	(\$13,131,734)	\$-	\$149,437,014	(\$1,012,586)	\$251,030	(\$16,544,691)	(\$6,295,673)	\$170,714	\$194,836	\$232,437,764
Issued shares during the year	1,981	-	(1,981)	-	-	-	-	-	-	-	-	-	-	-
Cost of share-based payments	-	-	-	744,130	-	-	-	-	-	-	-	-	-	744,130
Collections on subscriptions	-	-	-	-	462,377	-	-	-	-	-	-	-	-	462,377
Forfeitures during the year	-	-	(48,163)	(286,502)	334,665	-	-	-	-	-	-	-	-	-
Financial liabilities as a result of business combination	-	-	-	(12,057,603)	-	-	-	-	-	-	-	-	-	(12,057,603)
Increase in noncontrolling interest due to the acquisition of a subsidiary during the year	-	-	-	-	-	-	-	-	-	-	-	-	1,355,604	1,355,604
Dilution of minority interest	-	-	-	-	-	-	-	-	-	-	-	(170,714)	(189,587)	(360,301)
Cash dividends	-	-	-	-	-	-	(8,620,747)	-	-	-	-	-	-	(8,620,747)
	34,935,709	-	1,857,440	70,927,567	(12,334,692)	-	140,816,267	(1,012,586)	251,030	(16,544,691)	(6,295,673)	-	1,360,853	213,961,224
Net income (loss)	-	-	-	-	-	-	28,115,891	-	-	-	-	-	(99,982)	28,015,909
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	117,501	(4,094,917)	(132,587)	-	-	(4,110,003)
Total comprehensive income (loss)	-	-	-	-	-	-	28,115,891	-	117,501	(4,094,917)	(132,587)	-	(99,982)	23,905,906
Balances at December 31, 2016	\$34,935,709	\$-	\$1,857,440	\$70,927,567	(\$12,334,692)	\$-	\$168,932,158	(\$1,012,586)	\$368,531	(\$20,639,608)	(\$6,428,260)	\$-	\$1,260,871	\$237,867,130

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	Cumulative Translation Adjustment	Other Comprehensive Loss	Other Reserves	Attributable to Non-controlling Interests	Total
Balances at January 1, 2015	\$34,876,616	\$26,601,155	\$1,797,638	\$80,480,981	(\$12,906,784)	\$20,660,981	\$109,481,277	(\$1,012,586)	\$184,119	(\$10,709,346)	(\$5,573,564)	\$170,714	\$214,464	\$244,265,665
Issued shares during the year	57,112	—	(57,112)	—	—	—	—	—	—	—	—	—	—	—
Redemption of preferred shares	—	(26,601,155)	—	—	—	—	(1,834,644)	—	—	—	—	—	—	(28,435,799)
Subscriptions during the year	—	—	222,366	913,925	(1,136,291)	—	—	—	—	—	—	—	—	—
Collections on subscriptions	—	—	—	—	460,634	—	—	—	—	—	—	—	—	460,634
Forfeitures during the year	—	—	(55,308)	(395,399)	450,707	—	—	—	—	—	—	—	—	—
Cost of share-based payments	—	—	—	1,528,035	—	—	—	—	—	—	—	—	—	1,528,035
Reversal of appropriated retained earnings	—	—	—	—	—	(20,660,981)	20,660,981	—	—	—	—	—	—	—
Reversal of cash dividends declared in advance	—	—	—	—	—	—	207,625	—	—	—	—	—	—	207,625
Cash dividends	—	—	—	—	—	—	(7,867,965)	—	—	—	—	—	—	(7,867,965)
	34,933,728	—	1,907,584	82,527,542	(13,131,734)	—	120,647,274	(1,012,586)	184,119	(10,709,346)	(5,573,564)	170,714	214,464	210,158,195
Net income (loss)	—	—	—	—	—	—	28,789,740	—	—	—	—	—	(19,628)	28,770,112
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	66,911	(5,835,345)	(722,109)	—	—	(6,490,543)
Total comprehensive income (loss)	—	—	—	—	—	—	28,789,740	—	66,911	(5,835,345)	(722,109)	—	(19,628)	22,279,569
Balances at December 31, 2015	\$34,933,728	\$—	\$1,907,584	\$82,527,542	(\$13,131,734)	\$—	\$149,437,014	(\$1,012,586)	\$251,030	(\$16,544,691)	(\$6,295,673)	\$170,714	\$194,836	\$232,437,764

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	Cumulative Translation Adjustment	Other Comprehensive Loss	Other Reserves	Attributable to Non-controlling Interests	Total
Balances at January 1, 2014	\$30,016,551	\$26,601,155	\$1,229,926	\$51,263,933	(\$9,590,746)	\$20,660,981	\$83,503,457	(\$1,012,585)	\$189,601	(\$1,425,142)	(\$8,958,073)	\$170,714	(\$2,604,272)	\$190,045,500
Issued shares during the year	4,860,065	—	(70,580)	31,131,655	—	—	—	—	—	—	—	—	—	35,921,140
Subscriptions during the year	—	—	708,590	3,479,175	(4,187,765)	—	—	—	—	—	—	—	—	—
Transaction costs on shares issuance	—	—	—	(1,502,981)	—	—	—	—	—	—	—	—	—	(1,502,981)
Cost of share-based payments	—	—	—	165,006	—	—	—	—	—	—	—	—	—	165,006
Accretion of subscriptions receivable	—	—	—	79,418	(79,418)	—	—	—	—	—	—	—	—	—
Collections on subscriptions	—	—	—	—	328,621	—	—	—	—	—	—	—	—	328,621
Forfeitures during the year	—	—	(70,298)	(552,226)	622,524	—	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	—	—	(3,582,999)	—	—	—	—	—	—	—	—	2,944,377	(638,622)
Cash dividends	—	—	—	—	—	—	(3,139,204)	—	—	—	—	—	—	(3,139,204)
Acquisition of treasury stock	—	—	—	—	—	—	—	(1)	—	—	—	—	—	(1)
	34,876,616	26,601,155	1,797,638	80,480,981	(12,906,784)	20,660,981	80,364,253	(1,012,586)	189,601	(1,425,142)	(8,958,073)	170,714	340,105	221,179,459
Net income (loss)	—	—	—	—	—	—	29,117,024	—	—	—	—	—	(125,641)	28,991,383
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(5,482)	(9,284,204)	3,384,509	—	—	(5,905,177)
Total comprehensive income (loss)	—	—	—	—	—	—	29,117,024	—	(5,482)	(9,284,204)	3,384,509	—	(125,641)	23,086,206
Balances at December 31, 2014	\$34,876,616	\$26,601,155	\$1,797,638	\$80,480,981	(\$12,906,784)	\$20,660,981	\$109,481,277	(\$1,012,586)	\$184,119	(\$10,709,346)	(\$5,573,564)	\$170,714	\$214,464	\$244,265,665

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

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	\$34,822,553	\$34,675,520	\$35,191,291
Adjustments for:			
Depreciation of property, plant and equipment	22,472,246	21,016,819	20,859,849
Interest expense	3,505,063	2,479,770	2,739,455
Amortization of intangible assets	1,989,548	2,231,851	2,120,434
Cost of share-based payments	744,130	1,528,035	165,006
Provision for (reversal of):			
Allowance for inventory obsolescence	(2,660,809)	1,591,170	3,737,353
Doubtful accounts	204,607	438,344	(899,304)
Allowance for decline in value of inventories	50,000	100,000	84,267
Gain on insurance claims	(360,895)	-	-
Interest income	(294,035)	(658,003)	(196,271)
Loss (gain) on sale and retirement of property, plant and equipment	143,034	(165,776)	(14,506,946)
Unrealized foreign exchange losses (gains) - net	(57,843)	412,921	385,512
Loss (gain) on derivative transactions	-	(225,162)	35,096
Write-off of available-for-sale financial assets	-	-	1,350,368
Impairment on goodwill	-	-	7,478,980
Impairment on available-for-sale financial assets	-	-	1,753,589
Operating income before working capital changes	60,557,599	63,425,489	60,298,679
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(11,054,618)	17,997,699	(21,105,686)
Inventories	(10,745,643)	362,890	(3,036,540)
Other current assets	(3,415,495)	1,068,255	4,748,248
Increase (decrease) in:			
Accounts payable and accrued expenses	14,806,261	(26,235,224)	7,529,186
Advances from third party	6,538,462	-	-
Advances from customers	(2,000,944)	(301,952)	(299,476)
Retirement liabilities	(1,577,593)	654,925	1,398,735
Accrued rent	(370,147)	(25,817)	37,668
Other noncurrent liabilities	97,835	(63,499)	(1,638)
Net cash generated from operations	52,835,717	56,882,766	49,569,176
Income tax paid	(6,025,529)	(6,848,877)	(6,925,623)
Interest paid	(3,245,018)	(2,420,048)	(2,761,850)
Interest received	306,506	667,492	288,192
Net cash provided by operating activities	43,871,676	48,281,333	40,169,895

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment	(\$48,344,218)	(\$35,120,182)	(\$24,213,138)
Intangible assets	(3,886,107)	(659,794)	(1,287,611)
Acquisition through business combination, net of cash acquired	(46,878,629)	–	–
Capitalized development costs	(4,004,265)	–	–
Proceeds from sale and retirement of property, plant and equipment	502,668	672,955	19,193,171
Decrease (increase) in other noncurrent assets	(689,989)	(154,315)	705,533
Net cash used in investing activities	(103,300,540)	(35,261,336)	(5,602,045)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of loans	265,905,842	50,465,041	24,299,485
Payments of:			
Loans payable	(129,611,778)	(38,053,777)	(16,301,258)
Long-term debt	(83,007,267)	(2,397,400)	(2,903,578)
Dividends paid to equity holders of the Parent Company	(8,620,747)	(8,559,041)	(3,099,043)
Collections of subscriptions receivable	462,377	460,634	328,621
Cash paid on acquisition of non-controlling interests	(360,301)	–	(638,622)
Redemption of preferred shares	–	(28,435,799)	–
Decrease in obligations under finance lease	–	(2,257,583)	(1,452,792)
Settlement of derivatives	–	169,612	(75,702)
Proceeds from shares issuance	–	–	35,921,140
Transaction costs on shares issuance	–	–	(1,502,981)
Acquisition of treasury shares	–	–	(1)
Net cash provided by (used in) financing activities	44,768,126	(28,608,313)	34,575,269
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS			
	(322,936)	(504,766)	(560,227)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(14,983,674)	(16,093,082)	68,582,892
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	101,532,409	117,625,491	49,042,599
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	\$86,548,735	\$101,532,409	\$117,625,491