

IONICS EMS, INC.

Third Quarter Financial Statements And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, & Q3), HALF-YEAR AND FULL YEAR RESULTS

1 (a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year

	Company PhP ('000)		
	30/9/2004	30/9/2003	% Change
Turnover	3,100,555	4,477,801	(30.76)
Cost of sales	3,300,849	4,733,749	(30.27)
Gross loss	(200,294)	(255,948)	(21.74)
Operating expenses			
General and administrative	115,201	121,149	(4.91)
Selling and marketing	40,068	19,031	110.55
Total operating expenses	155,269	140,180	10.76
Loss from operations	(355,563)	(396,128)	(10.24)
Other income (expenses) - net			
Foreign exchange gain (loss)	(2,836)	10,836	(126.17)
Interest	13,983	969	1,343.03
Miscellaneous	(175)	(580)	(69.71)
Total other income	10,972	11,225	(2.25)
Loss before income tax	(344,591)	(384,903)	(10.47)
Provision for income tax	-	-	-
Net loss	(344,591)	(384,903)	(10.47)
Basic loss per share	(0.55)	(0.62)	(10.47)

1 (b)(i) A balance sheet together with a comparative statement as at the end of the immediately preceding financial year

	Company PhP ('000)		
	30/9/2004	31/12/2003	% Change
Noncurrent Assets			
Property and equipment - net	802,957	1,222,521	(34.32)
Other assets	9,164	9,124	0.44
	812,121	1,231,645	(34.06)
Current Assets			
Cash and cash equivalents	827,570	444,081	86.36
Trade and other receivables - net	654,198	1,716,354	(61.88)
Inventories - net	462,720	296,710	55.95
Prepayments and other current assets	4,756	4,070	16.85
	1,949,244	2,461,215	(20.80)
Current Liabilities			
Accounts payable and accrued expenses	465,405	1,052,309	(55.77)
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Net Current Assets	1,483,839	1,408,906	5.32
Net Assets	2,295,960	2,640,551	(13.05)
Equity			
Capital stock	624,000	624,000	-
Additional paid-in capital	1,189,397	1,189,397	-
Retained earnings	482,563	827,154	(41.66)
	2,295,960	2,640,551	(13.05)

1 (b)(ii) **Aggregate amount of the Company's borrowings and debt securities**

(a) Amount repayable in one year or less, or on demand

As at 30/9/04		As at 31/12/03	
Secured PhP ('000)	Unsecured PhP ('000)	Secured PhP ('000)	Unsecured PhP ('000)
-	-	-	-

(b) Amount repayable after one year

As at 30/9/04		As at 31/12/03	
Secured PhP ('000)	Unsecured PhP ('000)	Secured PhP ('000)	Unsecured PhP ('000)
-	-	-	-

Details of any collateral

Not applicable

1 (c) **A cash flow statement, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Nine Months Ended 30 September	
	2004	2003
	PhP ('000)	PhP ('000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(344,591)	(384,903)
Adjustments to reconcile income before income tax to net cash generated from operations:		
Depreciation and amortization	359,935	471,755
Unrealized foreign exchange loss (gain)	1,482	(6,215)
Provision for doubtful accounts and inventory obsolescence	-	16,887
Gain on sale of property and equipment	(2,338)	(26)
Interest expense	-	1,533
Interest income	(13,983)	(2,502)
Operating income before working capital changes	505	96,529
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables		
Trade	1,001,622	241,835
Others	63,107	(209,900)
Inventories	(166,010)	213,122
Prepayments and other current assets	(686)	2,318
Decrease in accounts payable and accrued expenses	(587,778)	(246,756)
Net cash generated from operations	310,760	97,148
Interest received	13,057	2,508
Interest paid	-	(3,820)
Net cash provided by operating activities	323,817	95,836
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(22,946)	(86,044)
Proceeds from the sale of property and equipment	22,455	55,108
Reimbursements for the undepreciated value of equipment	62,457	-
Decrease (increase) in other assets	(40)	214
Net cash provided by (used in) investing activities	61,926	(30,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments of banks loans	-	(244,378)
Net cash used in financing activities	-	(244,378)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,254)	2,093
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	383,489	(177,171)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	444,081	462,223
CASH AND CASH EQUIVALENTS AT END OF PERIOD	827,570	285,052

1 (d)(i)

A statement (for the issuer and group) showing either (i) all changes in equity of (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Nine Months Ended 30 September	
	2004 PhP ('000)	2003 PhP ('000)
Capital Stock	624,000	624,000
Additional Paid-in Capital	1,189,397	1,189,397
Retained Earnings		
Balance at beginning of period	827,154	1,232,368
Net loss	(344,591)	(384,903)
Cash dividends	-	-
Balance at end of period	482,563	847,465
Total Stockholders' Equity	2,295,960	2,660,862

1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.

These financial statements are not audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The same accounting policies and methods of computation are followed in the financial statements as compared with the most recent audited annual statements. There have been no changes or departures from the accounting policies and methods of computation. New accounting standards that became effective in 2004 were adopted which did not result in restatement of prior year financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Company adopted Statements of Financial Accounting Standards (SFAS) 12/ International Accounting Standards (IAS) 12, Income Taxes, and SFAS 17/IAS 17, Leases, which became effective on January 1, 2004. Adoption of the new accounting standards did not result in restatement of prior year financial statements.

6. Earnings (loss) per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	30/9/2004	30/9/2003
Earnings per ordinary share in PhP for the period after deducting any provision for preference dividends:		
Based on existing issued capital on a fully diluted basis	(0.55)	(0.62)
Net tangible assets backing per ordinary share in PhP	3.68	4.23

Earnings per ordinary share is computed based on the weighted average number of shares of the issuer during the period, or 624,000,000 shares. The same number of shares was used to compute earnings per share on a fully diluted basis.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	30/9/2004 PhP ('000)	30/9/2003 PhP ('000)
Net assets value per share based on existing issued share capital as at the respective period	3.68	4.23

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

	Nine Months Period Ended 30 September			
	2004 PhP ('000)	2003 PhP ('000)	Increase (Decrease)	%
Turnover	3,100,555	4,477,801	(1,377,246)	-30.76%
Cost of sales	3,300,849	4,733,749	(1,432,900)	-30.27%
Gross loss	(200,294)	(255,948)	55,654	-21.74%
Operating expenses	155,269	140,180	15,089	10.76%
Other income	10,972	11,225	(253)	-2.25%
Loss before income tax	(344,591)	(384,903)	40,312	-10.47%
Provision for income tax	-	-	-	0.00%
Net income (loss) for the period	(344,591)	(384,903)	40,312	-10.47%

The Company's turnover in the three quarters of 2004 decreased by PhP1,377.2 million or 30.76% from PhP4,477.8 million in the three quarters of 2003 to PhP3,100.6 million in the same period of 2004 as a continuing effect of the change in the relationship with a major customer. Gross loss decreased by PhP55.6 million or 21.74% from PhP255.9 million gross loss in the three quarters of 2003 to PhP200.3 million gross loss in the same period of 2004 mainly because of lower depreciation charges and manufacturing overhead.

Operating expenses increased from PhP140.1 million in the three quarters of 2003 to PhP155.3 million in the same period of 2004. The increase in operating expenses is attributable to increase in sales commission due to increase in sales to customers which are subject to commission. In addition, other components of operating expenses in 2004 remained on the same level as that in 2003 because these are fixed in nature.

With the foregoing, the Company incurred a net loss of PhP344.6 million in the three quarters of 2004 or 10.47% lower as compared to the net loss of PhP384.9 million in the same period of 2003.

Cash and cash equivalents increased due to positive cash flows from operations and proceeds from reimbursement of net book value of machinery. Inventory increased due to higher production requirement in the fourth quarter of 2004 as compared to the first quarter of 2004. Property, plant and equipment decreased due to the disposal of some equipment and depreciation charges during the period. Receivables, accounts payable and accrued expenses decreased due to lower production activity this year compared to last year.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between and the actual results**

In a 2003 year-end announcement, the Company disclosed that it expects to incur a net loss in 2004. The Company's results of operations for the third quarter of 2004 are consistent with such announcement.

10. **A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Company has a very strong cash position in the third quarter of 2004, and is expected to continue to generate positive cash flows from operations until year-end.

In view of the cessation of its business with Sanmina-SCI, the management has decided to consolidate its manufacturing operations into its existing plants in the Philippines starting October, 2004. Management expects that the results of operations for the year will not be significantly affected by the said cessation because of the offsetting increased sales to other customers.

With the current industry conditions, the Company expects to incur a net loss in 2004.

11. **Dividend**
(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

Name of Dividend
Dividend Type
Dividend Rate
Par value of shares
Tax Rate

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

Name of Dividend
Dividend Type
Dividend Rate
Par value of shares
Tax Rate

(c) Date payable

Not applicable.

(d) Books closure date

Registrable Transfers received by the Company up to 5:00 pm on <Enter the date here> will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

The Company did not declare any dividend for the third quarter of 2004.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for immediately preceding year

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A Breakdown of sales

	2004 PhP ('000)	2003 PhP ('000)	% Increase (Decrease)
Sales reported for the first half of year	1,847,748	2,813,940	-34.34%
Net loss reported for first half of year	(222,061)	(313,453)	-29.16%
Sales reported for the third quarter of year	1,252,807	1,663,861	-24.70%
Net loss reported for third quarter of year	(122,530)	(71,450)	71.49%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

BY ORDER OF THE BOARD

Company Chief Executive Officer
Mr. Lawrence C. Qua
(Date)