



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2023
2. SEC Identification Number **A1997-13456**      3. BIR Tax Identification No. **005-029-401-000**
4. Exact name of issuer as specified in its charter - **CONCEPCION INDUSTRIAL CORPORATION**

5. **Philippines**      6.  (SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization

7. **308 Sen. Gil Puyat Avenue, Makati City, Philippines**      **1209**  
Address of principal office      Postal Code

8. **+632 7721819**  
Issuer's telephone number, including area code

9. ....  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	<b>397,912,491</b> (as of March 31, 2023)

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ X ]      No [   ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange**      **Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Yes [ X ]      No [   ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ X ]      No [   ]

13. The aggregate market value of the voting stock held by non-affiliates of the registrant is P1.75 billion. The price used for this computation is the closing price as of March 31, 2023 is P15.80.

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited consolidated financial statements of Concepcion Industrial Corporation (the “Company” or “CIC”) and its subsidiaries, Concepcion-Carrier Air Conditioning Company (“CCAC”), Concepcion Durables, Inc. (“CDI”), Concepcion-Otis Philippines, Inc. (“COPI”), Concepcion Business Services, Inc. (“CBSI”), Cortex Technologies Corporation (“CTC”), Alstra Incorporated (“Alstra”) “Teko Solutions Asia Inc. (“Teko”) and (collectively, the “Group”) for the period ended March 31, 2023 and 2022, and with “Tenex Services Inc.” (“Tenex”) for the period ended March 31, 2023, and the audited consolidated financial statements of the group as at December 31, 2022, are attached to this 17-Q report, comparing the following:

- 1.1 Consolidated Statements of Financial Position as at March 31, 2023 and December 31, 2022 (Annex A)
- 1.2 Consolidated Statements of Total Comprehensive Income for the period ended March 31, 2023 and 2022 (Annex B)
- 1.3 Consolidated Statements of Changes in Equity for the period ended March 31, 2023 and 2022 (Annex C)
- 1.4 Consolidated Statements of Cash Flows for the period ended March 31, 2023 and 2022 (Annex D)
- 1.5 Notes to Consolidated Financial Statements as at March 31, 2023 and December 31, 2022 and for the period ended March 31, 2023 and 2022 (Annex E)

### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations [(based on the Unaudited Consolidated Results for the Period Ended March 31, 2023 (Annex F)]

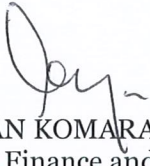
## PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the 1<sup>st</sup> quarter (Q1) of 2023:

<b>Date of Report</b>	<b>Items Reported</b>
January 9, 2023	Resignation of Chief Audit Executive Ms. Arazeli L. Malapad
January 11, 2023	Resignation of Head of Investor Relations Mr. Alberto Alfonso Albano
January 30, 2023	Notice of Analysts' and Investors' Briefing
February 1, 2023	CIC Press Release on Business Updates
February 21, 2023	Appointment of Ms. Ma. Cristina Millares Lleva as Head of Investor Relations
March 29, 2023	Declaration of Cash Dividend

## 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.



RAJAN KOMARASU  
Chief Finance and Operating Officer

April 26, 2023

**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Financial Position  
As at March 31, 2023 and December 31, 2022  
(All amounts in thousand Philippine Peso)

	Notes	2023	2022
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	1,531,306	1,688,163
Trade and other receivables, net	3	3,395,740	3,455,147
Contract assets		850,010	781,668
Inventories, net	4	4,213,110	3,161,979
Prepayments and other current assets		132,255	115,697
<b>Total current assets</b>		<b>10,122,421</b>	<b>9,202,654</b>
<b>Non-current assets</b>			
Property and equipment, net		470,627	474,515
Investment property		40,255	40,255
Investment in associates	5	102,493	90,009
Intangible assets, net	6	130,999	135,843
Goodwill	6	806,682	806,682
Right-of-use assets, net		243,080	360,096
Deferred income tax assets, net		604,431	579,879
Other non-current assets		85,793	80,783
<b>Total non-current assets</b>		<b>2,484,360</b>	<b>2,568,062</b>
<b>Total assets</b>		<b>12,606,781</b>	<b>11,770,716</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	7	5,222,234	3,896,259
Short-term borrowings	8	5,000	114,000
Lease liabilities		73,746	136,873
Provision for warranty		70,470	68,077
Other provisions		41,739	38,691
Income tax payable		41,484	-
<b>Total current liabilities</b>		<b>5,454,673</b>	<b>4,253,900</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation	12	579,414	570,502
Lease liabilities		189,705	241,914
Provision for warranty		6,361	5,941
<b>Total non-current liabilities</b>		<b>775,480</b>	<b>818,357</b>
<b>Total liabilities</b>		<b>6,230,153</b>	<b>5,072,257</b>
<b>Equity</b>			
Attributable to owners of the Parent Company			
Share capital	13	407,264	407,264
Share premium	13	993,243	993,243
Treasury shares	13	(241,464)	(241,464)
Retained earnings		3,620,272	3,765,573
Other comprehensive loss		(51,816)	(51,816)
		4,727,499	4,872,800
Non-controlling interest		1,649,129	1,825,659
<b>Total equity</b>		<b>6,376,628</b>	<b>6,698,459</b>
<b>Total liabilities and equity</b>		<b>12,606,781</b>	<b>11,770,716</b>

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Total Comprehensive Income  
For the period ended March 31, 2023 and 2022  
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2023	2022
Net sale of goods		2,663,598	2,815,183
Sale of services		218,121	271,364
<b>Net sales</b>	9	2,881,719	3,086,547
Cost of sales and services	10	(1,879,198)	(2,098,022)
<b>Gross profit</b>		1,002,521	988,525
Operating expenses	11	(899,942)	(846,446)
Other operating income (loss), net		17,193	(56,048)
<b>Operating income</b>		119,772	86,031
Interest expense		(5,271)	(6,389)
<b>Income before share in net income (loss) of associates and income tax</b>		114,501	79,642
Share in net income (loss) of associates	5	12,484	(21,916)
<b>Income before income tax</b>		126,985	57,726
Income tax expense		(33,761)	(27,082)
<b>Net income for the year</b>		93,224	30,644
<b>Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss</b>			
Remeasurement gain (loss) on retirement benefits, net of tax		-	-
<b>Total comprehensive income for the year</b>		93,224	30,644
<b>Net income (loss) attributable to:</b>			
Owners of the Parent Company		53,655	(21,324)
Non-controlling interest		39,569	51,968
		93,224	30,644
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company		53,655	(21,324)
Non-controlling interest		39,569	51,968
		93,224	30,644
Earnings (loss) per share - basic and diluted	14	0.13	(0.05)

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

**ANNEX C**
**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Changes in Equity  
For the period ended March 31, 2023 and 2022  
(All amount in thousand Philippine Peso)

Notes	Attributable to owners of the Parent Company					Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Retained earnings	Other comprehensive income (loss)		
<b>Notes</b>	13	13	13				
<b>Balances as at January 1, 2023</b>	407,264	993,243	(241,464)	3,765,573	(51,816)	1,825,659	6,698,459
<b>Comprehensive income</b>							
Net income for the year	-	-	-	53,655	-	39,569	93,224
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	53,655	-	39,569	93,224
<b>Transactions with owners</b>							
Cash dividends declared	-	-	-	(198,956)	-	(216,100)	(415,056)
Treasury shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(198,956)	-	(216,100)	(415,056)
<b>Balances as at March 31, 2023</b>	407,264	993,243	(241,464)	3,620,272	(51,816)	1,649,129	6,376,628
<b>Balances as at January 1, 2022</b>	407,264	993,243	(172,108)	4,013,851	(55,913)	1,856,869	7,043,206
<b>Comprehensive income</b>							
Net income for the period	-	-	-	(21,324)	-	51,968	30,644
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(21,324)	-	51,968	30,644
<b>Transactions with owners</b>							
Cash dividends declared	-	-	-	(401,855)	-	(241,300)	(643,155)
Treasury shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(401,855)	-	(241,300)	(643,155)
<b>Balances as at March 31, 2022</b>	407,264	993,243	(172,108)	3,590,672	(55,913)	1,667,537	6,430,695

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Cash Flows  
For the period ended March 31, 2023 and 2022

(All amounts in thousand Philippine Peso)

	2023	2022
<b>Cash flows from operating activities</b>		
Income before income tax	126,985	57,726
Adjustments for:		
Provisions for (reversals of):		
Volume rebates, trade discounts and other incentives	157,297	97,186
Warranty cost	36,933	35,385
Commission	15,403	8,789
Impairment of receivables	1,629	14,390
Contingencies	(16,040)	1,800
Inventory obsolescence	3,754	-
Amortization of right-of-use assets	38,640	38,578
Retirement benefit expense	15,002	22,824
Depreciation and amortization of property and equipment	46,078	38,839
Amortization of intangible assets	4,845	5,503
Interest expense	5,534	6,412
Share in net loss (income) of associates	(12,484)	21,916
Unrealized foreign exchange losses (gains)	(3,196)	34,717
Gain on sale of investments, net of tax	(9)	-
Gain on disposal of property and equipment	(49)	-
Interest income on bank deposits, short-term placements	(5,837)	(1,785)
Operating income before working capital changes	414,485	382,280
Changes in:		
Trade and other receivables	530,445	(224,230)
Inventories	(1,054,886)	(567,462)
Prepayments and other current assets	(208,595)	(30,375)
Other non-current assets	(5,009)	(6,258)
Trade payables and other liabilities	517,483	494,256
Cash generated from operations	193,923	48,211
Income tax paid	-	-
Payments of provision for warranty cost	(34,837)	(32,752)
Payments of other provisions	(13,055)	(11,602)
Retirement contributions/ benefits directly paid by the Group	(6,090)	(9,897)
Interest received on bank deposits	2,183	64
Net cash provided by (used in) operating activities	142,124	(5,976)
<b>Cash flows from investing activities</b>		
Interest received from short-term placements	1,451	1,721
Additions to property and equipment	(31,227)	(12,287)
Proceeds from disposal of property and equipment	131	-
Net cash used in investing activities	(29,645)	(10,565)
<b>Cash flows from financing activities</b>		
Cash distributions of profits	(130,100)	(140,250)
Proceeds from short-term borrowings	-	1,000
Payment of short-term borrowings	(109,000)	-
Principal repayment of lease liabilities	(25,835)	(35,500)
Interest paid on lease liabilities	(3,561)	(4,303)
Interest paid on short-term borrowings	(840)	(3,226)
Net cash used in financing activities	(269,336)	(182,279)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(156,857)</b>	<b>(198,821)</b>
Cash and cash equivalents as at January 1	1,688,163	2,518,403
Effects of foreign exchange rate changes on cash and cash equivalents		(235)
<b>Cash and cash equivalents as at March 31</b>	<b>1,531,306</b>	<b>2,319,348</b>

The notes on pages 1 to 11 are integral part of these consolidated financial statements.



**Concepcion Industrial Corporation and Subsidiaries**

Notes to the Unaudited Consolidated Financial Statements

As at March 31, 2023 and December 31, 2022 and for the  
period ended March 31, 2023 and 2022

(All amounts are shown in thousand Philippine Peso except number of shares,  
per share amounts and unless otherwise stated)

**Note 1 - General information****1.1 Registration and business**

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. CIC's subsidiaries are incorporated and operating in the Philippines. The subsidiaries are engaged in the manufacture, sales, distribution, installation and service of heating, ventilating and air conditioning (HVAC) products and HVAC services; manufacture, assembly, wholesale, retail, purchase and trade of refrigeration equipment; importation, buy and sell, at wholesale, distribute, maintain and repair, elevators, escalators, and all supplies, material, tools, machinery and part/components thereof; rendering various corporate back-office support services directly or through duly licensed service providers and/or professionals, where necessary, exclusively for CIC, its subsidiaries, affiliates and/or related companies, to undertake research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other products.

CIC and its subsidiaries are herein collectively referred to as the "Group".

CIC's primary shareholders are Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc., entities registered and doing business in the Philippines, which have equally divided equity over CIC. These companies are beneficially owned by Filipino individuals.

CIC's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City. As at March 31, 2023 and December 31, 2022, CIC has two (2) regular employees.

**1.2 Significant business developments**

On July 1, 2022, Alstra purchased 9,300,000 additional shares of stock in Tenex for a total purchase price of P9.3 million. These shares represent 31% of the issued and outstanding capital stock of Tenex. Consequent to this purchase, the equity of Alstra in Tenex increased from 49% to 80%. Tenex became a subsidiary of CIC upon the increase in ownership.

Tenex is primarily engaged to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, HVAC, and such other activities related thereto, such as construction and mechanical maintenance services.

## **Note 2 - Cash and cash equivalents**

Cash and cash equivalents as at March 31, 2023 and December 31, 2022 consist of:

	2023	2022
Cash on hand	2,132	1,909
Cash in banks	657,594	912,691
Short-term placements	871,580	773,563
Total	1,531,306	1,688,163

Cash in banks and short-term placements amounting to P1,271,253 and P257,921 (2022 – P1,281,305 and P404,949) are made with universal and commercial banks, respectively, that earn interest at the prevailing bank deposit rates.

For the period ended March 31, 2023, total interest income earned from cash in banks and short-term placements amounted to P5,837 (2022 – P1,785).

The carrying values of cash and cash equivalents, and short-term investments represent the maximum exposure to credit risk other than cash on hand. While these are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

## **Note 3 - Trade and other receivables, net**

Trade and other receivables as at March 31, 2023 and December 31, 2022 consist of:

	2023	2022
Trade receivables		
Third parties	3,908,308	3,968,815
Related parties	5,904	5,629
Provision for volume rebates, trade discounts and other incentives	(680,636)	(637,424)
Provision for impairment of receivables	(178,785)	(177,158)
Net trade receivables	3,054,791	3,159,862
Non-trade receivables, net		
Advances to/Claims from suppliers	132,797	127,204
Related parties	49,883	46,138
Advances to employees	43,725	40,624
Rental deposits	1,362	5,555
Others	113,182	75,764
	340,949	295,285
Total Trade and Other Receivables, net	3,395,740	3,455,147

### *Provisions*

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 to 60 months before January 1, 2023 and 2022 and the corresponding historical credit losses experienced within this period.

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

- a. High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- b. Underperforming - some reminder/follow-ups are performed to collect accounts from counterparty.
- c. Credit impaired - constant reminder/follow-ups are performed to collect accounts from counterparty.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

On that basis, the loss allowance as at March 31, 2023 and December 31, 2022 was determined as follows for both trade receivables and contract assets:

	High performing	Underperforming		Credit impaired	Total
	Current	Up to 6 months past due	6 to 12 months past due	Over 12 months past due	
	Within 0% to 12%	Within 1% to 27%	Within 1% to 27%	Within 1% to 100%	
<b>2023</b>					
Trade receivables					
Third parties	2,692,296	869,125	164,417	182,471	3,908,308
Related parties	2,952	2,952	-	-	5,904
	2,695,248	872,077	164,417	182,471	3,914,213
Contract assets	850,010	-	-	-	850,010
<b>Total</b>	<b>3,545,258</b>	<b>872,077</b>	<b>164,417</b>	<b>182,471</b>	<b>4,764,223</b>
Loss allowance	-	-	3,840	174,945	178,785
<b>2022</b>					
Trade receivables					
Third parties	2,653,295	1,016,825	122,608	176,087	3,968,815
Related parties	5,629	-	-	-	5,629
	2,658,924	1,016,825	122,608	176,087	3,974,444
Contract assets	781,668	-	-	-	781,668
<b>Total</b>	<b>3,440,592</b>	<b>1,016,825</b>	<b>122,608</b>	<b>176,087</b>	<b>4,756,112</b>
Loss allowance	-	-	5,392	171,766	177,158

Advances to employees are realized through salary deductions. Rental deposits are expected to be applied to future lease obligations. All these accounts, including non-trade receivables from related parties, and other receivables do not contain impaired assets and are not past due.

The contract assets relate to unbilled work in progress and have the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The maximum exposure to credit risk at the reporting date is the respective carrying values of trade receivables, contract assets, other receivables and due from related parties as at reporting date.

#### **Note 4 - Inventories, net**

Inventories, net as at March 31, 2023 and December 31, 2022 consist of:

	Note	2023	2022
At cost			
Raw materials		1,866,828	1,502,860
Finished goods	10	2,074,725	1,510,893
Work in process	10	467	572
Inventories-in-transit		296,629	167,780
Spare-parts and supplies used in business		83,936	84,171
		4,322,585	3,266,276
Provision for inventory obsolescence		(109,475)	(104,297)
Inventories, net		4,213,110	3,161,979

For the period ended March 31, 2023, the cost of inventory recognized as expense and included in cost of sales and services amounted to P1,736,471 (2022 – P1,835,256) (Note 10).

#### **Note 5 - Investments in Associates**

Details of movement in investment in associates as at March 31, 2023 and December 31, 2022 follow:

	2023	2022
At cost, beginning	260,000	274,700
Additional investments	-	-
Change of ownership from associate to subsidiary	-	(14,700)
At cost, ending	260,000	260,000
Cumulative share in total comprehensive loss, beginning	(169,991)	(145,948)
Share in net income (loss) for the year	12,484	(31,996)
Share in other comprehensive income (loss) for the year	-	1,126
Reversal of accumulated net loss in Tenex	-	6,827
Cumulative share in total comprehensive loss, ending	(157,507)	(169,991)
Investment in Associates	102,493	90,009

The effective percentage of ownership of Alstra Inc. in Tenex from increased from 49% to 80% resulting in the adoption of the accounting method from equity to cost method and the change in classification of investment from associate to subsidiary effective July 1, 2022. The reversal of accumulated share in net loss of Tenex from December 31, 2019 to June 30, 2022 amounting to P6,827 was recognized upon payment of subscription of shares in July 2022.

As at March 31, 2023 and December 31, 2022, the investment in associate pertains only to CMIP.

## **Note 6 - Goodwill and intangible assets, net**

### **6.1 Goodwill**

Goodwill is the excess of consideration over proportionate share in fair value of net assets.

Goodwill resulted from CIC's acquisition of COPI in 2014, Teko in 2018 and Tenex in 2022.

For the COPI acquisition, the Group applied the proportionate interest approach to account for the resulting NCI from this business combination. The goodwill of P783,983 arising from the acquisition is attributable to an established brand, and customer and product base.

For Teko acquisition, the Group applied the proportionate interest approach to account for its NCI. The goodwill of P18,379 arising from the acquisition is attributable to Teko's web-based platforms, consisting of its website and mobile application.

In 2022 under acquisition method, the Group recognized a goodwill of P4,320 from the acquisition of Tenex. The Group applied the proportionate interest approach to account for its NCI.

### **6.2 Intangible assets, net**

Details and movements of intangible assets account at March 31, 2023 and December 31, 2022 are shown below:

	Customer relationship	Customer backlogs	Computer software	Total
<b>Cost</b>				
At January 1, 2023	187,113	13,883	118,562	319,557
Additions (adjustments)	-	-	-	-
At March 31, 2023	187,113	13,883	118,562	319,557
<b>Accumulated amortization</b>				
At January 1, 2023	68,392	13,883	101,440	183,715
Amortization	1,871	-	2,972	4,843
At March 31, 2023	70,263	13,883	104,412	188,558
<b>Net book values at March 31, 2023</b>	<b>116,850</b>	<b>-</b>	<b>14,148</b>	<b>130,999</b>
<b>Cost</b>				
At January 1, 2022	187,113	13,883	118,846	319,842
Additions (adjustments)	-	-	(285)	(285)
At December 31, 2022	187,113	13,883	118,562	319,557
<b>Accumulated amortization</b>				
At January 1, 2022	60,908	13,883	80,526	155,317
Amortization	7,484	-	20,913	28,397
At December 31, 2022	68,392	13,883	101,440	183,714
<b>Net book values at December 31, 2022</b>	<b>118,721</b>	<b>-</b>	<b>17,122</b>	<b>135,843</b>

## **Note 7 - Trade payables and other liabilities**

Trade payables and other liabilities as at March 31, 2023 and December 31, 2022 consist of:

	2023	2022
Trade payables		
Third parties	1,737,009	1,036,070
Related parties	390,504	260,196
Total Trade Payables	2,127,513	1,296,266
Accrued expenses		
Project costs	599,604	553,734
Benefits of directors, officers and employees	322,549	344,238
Outside services	289,846	282,688
Rental and utilities	52,740	53,420
Advertising and promotion	48,759	44,489
Freight	45,570	48,574
Importation costs	32,861	46,177
Professional fees	28,360	56,002
Repairs and maintenance	5,953	5,067
Commission	2,376	1,923
Installation and cleaning costs	126	126
Others	110,178	104,502
	1,538,922	1,540,940
Other liabilities		
Advances on sales contract	405,675	284,702
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	372,585	277,572
Dividends Payable	198,956	-
Output value-added tax (VAT), net of input VAT	170,600	145,778
Withholding taxes and other mandatory government remittances	38,247	90,962
Related parties	7,704	35,140
Others	362,032	224,899
	1,555,799	1,059,053
	5,222,234	3,896,259

Project costs represent costs of HVAC related projects incurred but not yet billed as at reporting date.

## **Note 8 - Short-term borrowings**

Movements of short-term borrowings as at March 31, 2023 and December 31, 2022 are as follows:

	2023	2022
Beginning	114,000	250,000
Payments	(109,000)	(286,000)
Availments	-	150,000
Ending	5,000	114,000

As at March 31, 2023 and December 31, 2022, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months from 6.75% to 7.25% (2022 -5.35% to 7.25%).

Interest expenses on borrowings recognized and paid during the period ended March 31, 2023 amounted P840 (2022 – P3,226).

**Note 9 - Revenue from contracts with customers**

Details of net sales and services for the period ended March 31 are as follows:

	2023	2022
Gross sales		
Sale of goods (Point in time)	3,022,221	3,089,351
Sale of services (Over time)	218,121	271,364
	3,240,342	3,360,715
Deductions		
Trade and volume discounts and other incentives	(280,731)	(141,182)
Sales returns	(77,892)	(132,986)
	(358,623)	(274,168)
Net sales and services	2,881,719	3,086,547

**Note 10 - Cost of sales and services**

Details of cost of sales and services for the period ended March 31 are as follows:

	Note	2023	2022
Raw materials used		1,554,655	1,344,165
Labor		53,087	38,281
Overhead		158,144	144,120
Total manufacturing cost		1,765,887	1,526,566
Work-in-process, beginning	4	572	2,587
Work-in-process, ending	4	(467)	(9,129)
Cost of goods manufactured		1,765,991	1,520,024
Finished goods inventory, beginning	4	1,510,893	1,140,542
Gross purchases - trading		534,312	732,474
Finished goods available for sale		3,811,196	3,393,040
Finished goods inventory, ending	4	(2,074,725)	(1,557,784)
Total cost of sales		1,736,471	1,835,256
Cost of installation and services		144,383	257,394
Others		(1,657)	5,371
Total cost of services		142,726	262,766
Total cost of sales and services		1,879,198	2,098,022

## **Note 11 - Operating expenses**

Details of operating expenses for the period ended March 31 are as follows:

	2023	2022
Personnel costs	392,327	338,145
Outside services and professional fees	163,819	189,360
Outbound freight	80,681	74,999
Advertising and promotion	51,366	41,410
Amortization of right-of-use assets	38,542	32,780
Warranty cost	37,854	32,168
Rent and utilities	36,442	39,174
Depreciation and amortization	14,395	15,945
Transportation and travel	11,607	5,427
Taxes and licenses	9,739	17,561
Royalty	8,456	6,291
Amortization of intangible assets	4,574	6,843
Repairs and maintenance	3,053	3,135
Provision for (Reversal of) inventory obsolescence	3,037	(4,265)
Provision for impairment of receivables	1,629	7,899
Others	42,421	39,574
	899,942	846,446

## **Note 12 - Retirement plan**

### **12.1 CIC**

CIC has an established retirement plan which is a non-contributory and of the defined benefit type which provides a retirement benefit ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan. This retirement plan is in agreement with CCAC's retirement plan that was started on July 1, 1999 since most of the employees of CIC were absorbed from CCAC.

### **12.2 CCAC**

CCAC has an established funded, trustee and non-contributory and of the defined benefit type retirement plan covering all its regular employees. The retirement plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 15 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

The Retirement Plan Trustee, as appointed by CCAC in the Trust Agreement executed between CCAC and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek and advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund.

There are no unusual or significant risks to which the Plan exposes CCAC. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from CCAC to the Retirement Fund.



In accordance with the provisions of Bureau of Internal Revenue (BIR) Regulation No. 1-68, it is required that the Retirement Plan be trustee; that there must be no discrimination in benefits that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or divided to, any purpose other than for the exclusive benefit of the Plan members. CCAC is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the CCAC's discretion.

### **12.3 Alstra; Teko; Tenex**

These entities have not yet established a formal retirement plan for its employees but pays retirement benefits required under Republic Act (RA) No. 7641 (Retirement Law). RA 7641 provides that all employees between ages 60 to 65 with at least 5 years of service with the entities who may opt to retire are entitled to benefits equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. The term one-half month shall mean fifteen (15) days plus one-twelfth (1/12) of the 13<sup>th</sup> month and the cash equivalent of not more than five (5) days of service incentive leaves.

As at March 31, 2023 and December 31, 2022, estimated retirement benefits and obligations for Alstra is deemed immaterial, hence, not provided for.

### **12.4 COPI**

The Company has a funded, non-contributory defined benefit plan which provides a retirement benefit range of twenty percent (20%) to two hundred percent (200%) of plan salary for every year of service to its qualified employees and is being administered by a trustee bank. The normal retirement age is 60 years and optional retirement date is at age 50 or completion of at least ten (10) years of service.

### **12.5 CBSI**

CBSI has a non-contributory retirement benefit plan which provides a retirement benefit ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

### **12.6 CTC**

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to one hundred twenty-five percent (125%) of basic salary times number of years in service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The retirement obligation of each entity in the Group is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation of the retirement benefits for each entity in the Group was sought from an independent actuary as at December 31, 2022.

### **12.7 CDI**

In February 2021, CDI's BOD approved the establishment of a non-contributory retirement plan covering all its regular employees. The plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of at least ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 25 years of credited service, whichever is earlier and provides for retirement benefit equivalent to hundred twenty-five percent (125%) of the latest monthly salary per year of service.

The following are the details of the retirement benefit obligation (asset) and retirement benefit expense as at March 31, 2023 and December 31, 2022:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<b>2023</b>									
Retirement benefit obligation (asset)	22,153	326,719	149,159	78,075	(1,084)	918	2,894	580	579,414
Retirement benefit expense	506	10,743	861	1,243	1,353	34	262	-	15,002
<b>2022</b>									
Retirement benefit obligation	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502
Retirement benefit expense	1,383	56,883	26,205	19,115	5,061	317	1,283	625	110,872

Retirement benefit expense is included as part of personnel costs under operating expenses (Note 11).

## **Note 13 - Equity**

### **13.1 Share capital**

As at March 31, 2023 and December 31, 2022, CIC's authorized share capital amounting to P700,000 is composed of 700 million shares with par value of P1 per share.

The details and movement of share capital as at and for the period ended March 31, 2023 and for the year ended December 31, 2022 follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2022	401,855,091	407,264	993,243	(172,108)
Acquisition of treasury shares	(3,942,600)	-	-	(69,356)
December 31, 2022	397,912,491	407,264	993,243	(241,464)
Acquisition of treasury shares	-	-	-	-
March 31, 2023	397,912,491	407,264	993,243	(241,464)

### **13.2 Dividend declaration**

Cash dividends declared, attributable to owners of CIC, for the period ended March 31, 2023 and for the year ended December 31 are as follows:

Date declared	Date paid	Per share	2023	2022	2021
March 29, 2023	April 25, 2023	0.5	198,956	-	-
February 16, 2022	April 12, 2022	1.0	-	401,855	-
February 10, 2021	April 12, 2021	1.0	-	-	401,955
			198,956	401,855	401,955

For the period ended March 31, 2023 and for the year ended December 31, 2022, NCI from profit distribution of CCAC and COPI amounted to P172,000 and P44,100, respectively (2022 - P202,100 and P39,200, respectively).

### **13.3 Treasury shares**

On February 17, 2016, CIC's BOD approved a non-solicitation share buyback program to be carried out until February 16, 2019. On September 9, 2019, CIC's BOD approved a non-solicitation share buyback program to be carried out until September 9, 2022.

March 20, 2020, the BOD amended the terms of the share buyback program to increase the limit of the common shares that may be repurchased during the first year of the program from P100 million to P300 million.

On July 27, 2022, the BOD extended the share buyback program to another two years or until September 9, 2024. Out of the approved buyback of P300 million, total amount of shares repurchased was P168 million as of March 31, 2023.

As at March 31, 2023 and December 31, 2022, acquisition of treasury shares amounted to P241,464.

### **Note 14 - Earnings per share**

Basic earnings per share is calculated by dividing the net income attributable to owners of CIC by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by CIC and held as treasury shares, if any.

Earnings per share for the period ended March 31 is calculated as follows:

	2023	2022
Net income (loss) attributable to owners of the Parent Company	53,655	(21,324)
Weighted average common shares - basic and diluted (in '000)	397,912	401,855
Basic and diluted earnings per share	0.13	(0.05)

The basic and diluted earnings per share are the same each for the period presented as there are no potential dilutive common shares.

**Management's Discussion and Analysis of Financial Condition and Results of Operations (based on the Unaudited Consolidated Results for the Period Ended March 31, 2023)****OVERVIEW OF THE BUSINESS**

Concepcion Industrial Corporation (the "Company" or "CIC"), formerly Concepcion Airconditioning Corporation ("CAC"), is one of the Philippines' most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators. The Company has expanded its business beyond being a trusted expert in air conditioning and refrigeration, towards becoming a complete consumer and commercial solutions company with a range of solutions and aftermarket services across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers from individuals and single families living in residences, to thousands of people spread across large residential towers, office buildings, entertainment facilities, and commercial and industrial sites. These solutions are also designed to meet a variety of diverse needs, such as reliability, durability, comfort, energy efficiency, environmental impact, ease of use, and aesthetic appeal at varying price points with customized features to match the individual requirements. Moreover, the Company continues to develop these technologies to meet the ever-changing needs of its customers. In addition, the Company offers an array of aftermarket services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. Moving beyond products, CIC invests heavily on strengthening its relationship with its customers through the development of various platforms and applications designed to ensure a better fit between the product and service offerings to the customer's lifestyle. The Company believes that these aftermarket services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company's air conditioning and refrigeration solutions from those of its competitors.

As of March 31, 2023, CIC has eight major subsidiaries and two associates. For its subsidiaries, the Company owns 60% of CCAC, 100% of CDI, effectively 51% of COPI through its ownership in Alstra Inc., 100% of CBSI, 100% of CTC, 100% of Alstra Inc., effectively 58% of Teko through its ownership in CTC, and 80% of Tenex through its ownership in Alstra Inc. For its associates, the Company owns effectively 40% of CMI through its ownership in CCAC and 33% of Teko SG through its ownership in CTC.

***Carrier Air Conditioning Company (CCAC)***

CCAC engages in the manufacture, sale, distribution, installation, and service of heating, ventilating, and air conditioning (HVAC) products and services for residential, commercial, and industrial use. CCAC is a joint venture between CIC and Carrier Air Conditioning Philippines, Inc. (CACPI), which allows it to offer Carrier and Toshiba brand air conditioners and Totaline parts. CCAC also offers other brands such as Condura and Kelvinator. CCAC manufactures a select range of its air conditioning equipment at its factory in Light Industry and Science Park in Cabuyao, Laguna, Philippines. The factory is Philippines' largest air conditioning facility with a capacity of approximately 500,000 units per year and a production area of 19,620 sqm. CCAC's products are distributed and sold primarily in the Philippines. It has a nationwide distribution reach supported by a nationwide aftermarket network. The Company believes CCAC has the largest air conditioning market share in the Philippines in terms of revenues, including leading market positions in the residential, commercial and industrial segments.

### ***Concepcion Durables, Inc. (CDI)***

CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brand refrigerators and freezers. CDI manufactures a select range of its products at its factory at Light Industry and Science Park in Cabuyao, Laguna, adjacent to CCAC's air conditioning factory. The factory has a capacity of 300,000 units per year and a production area of 16,420 sqm. CDI has leadership presence in the residential and light commercial ("RLC") refrigeration market in the Philippines. From 2020 onwards, CDI has continuously expanded its product portfolio from small domestic appliances such as rice cooker, coffee maker, juicer to kitchen and laundry appliances.

### ***Concepcion Midea Inc. (CMI)***

CMI is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMI's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a full range of appliances such as air conditioners, refrigerators, laundry and kitchen appliances. CMI is also a distributor of Toshiba brand such as refrigerator, laundry and kitchen appliances since 2019. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow it to expand into the wider white goods market. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a Global Fortune 500 company and has joint venture agreements with Carrier Corporation in selected countries.

### ***Concepcion-Otis Philippines, Inc. (COPI)***

COPI is a joint venture between Alstra Inc., a wholly owned subsidiary of CIC, and Otis Elevator Company (Philippines). COPI sells, installs and service Otis brand elevators and escalators in the Philippines. Its solutions include engineering design, supply and installation, project management, testing and commissioning, service repairs and parts, retrofit services on vertical transportation equipment. Otis is the world's leading brand for elevator and escalator equipment, installation and service.

### ***Concepcion Business Services, Inc. (CBSI)***

CBSI's primary business purpose is to consolidate support services across CIC and its subsidiaries and affiliates particularly in the areas of Finance, Human Resources, Information and Communications Technology, Legal and Compliance, as well as Facilities Management. In 2020, CBSI introduced an online platform, called Concepstore, to enable other subsidiaries to sell directly to consumers.

### ***Cortex Technologies Corporation (CTC)***

CTC engages in the research, development and commercialization of new and emerging technologies. CTC also develops strategic partnerships and identifies potential acquisitions, both locally and abroad, to develop solutions that are aligned with CIC's broader vision of building better lives and businesses and owning the home. CTC works across the enterprise to help facilitate innovation and maintain CIC's position as a market leader.

### ***Alstra Incorporated (Alstra)***

Alstra Inc. was organized primarily as a holding company to make investments in solutions for buildings and the industrial markets. Alstra may also engage in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

### ***Teko Solutions Asia Inc. (Teko)***

Teko is focused on building and operating a platform to provide appliance repair and maintenance services. It leverages on information technology solutions and innovative business models to transform the appliance services market.

### ***Tenex Services, Inc. (Tenex)***

Tenex is positioned to provide HVAC installation, repairs and maintenance services to commercial and business establishments. Effective July 1, 2022, Tenex became a subsidiary of the Company through its ownership in Alstra, Inc. from the latter's purchase of shares from 49% to 80%.

### ***Teko Solutions Pte. Ltd. (Teko SG)***

Teko SG is a company incorporated in Singapore. Its purpose of business is to be a holding company for the regional expansion of Teko across Southeast Asia.

## **Factors Affecting the Company's Results of Operations**

### **Factors affecting the Company's financial and operational results in the first three months of 2023**

**Macroeconomic Fundamentals:** Inflation, though on a downtrend from an all-time high in January, has somewhat weakened consumer spending for the first quarter of the year. Thus, GDP growth is estimated to be lower compared to 7.2% of Q4 last year. In addition, growing trade deficit, high borrowing costs and slower growth pace in cash remittances from Overseas Filipino Workers are expected to affect the growth momentum for the quarter. Partly mitigating these headwinds, is the recovery of the Philippine Peso from weakness in the second half of last year. Despite the slowdown, the full reopening of the economy has improved business activities driving an optimistic outlook.

**Construction Sector Developments:** An increase in demand is seen in the construction industry as some companies resumed expansion and construction activities and retail occupancy is almost at pre-pandemic level. This has led to an increasing monthly trend on orders for the company, as well as a healthy backlog.

**Commodity Prices:** The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials represent about 88% of the Company's manufactured cost of sales. Key metal prices have stabilized in Q1 as global supplies recovered from the effect of the Russia-Ukraine war. Energy prices have also eased from the 2022 peak due to weaker global demand and healthy supply outlook.

## **Description of Selected Income Statement Items**

### **Net Sales**

The Company generates revenues primarily from sales of its heating, ventilation and air conditioning (HVAC), refrigeration units, laundry and kitchen appliances through its subsidiaries, CCAC and CDI, including sales and service of elevators and escalators in COPI.

### **Costs and Expenses**

- Cost of sales and services

The Company's cost of sales and services comprise the cost of finished goods, raw materials used for the Company's manufactured products, installation costs, labor, and manufacturing and service overhead.

- Expenses

The Company's operating expenses include employee costs, outside services, freight out, rent and utilities, warranty cost, marketing and advertising costs, transportation, travel and entertainment, provisions for commission, impairment of receivables, inventory obsolescence, legal disputes and assessments, repairs and maintenance, royalties, non-income taxes and licenses, depreciation and amortization, commission expense, supplies, insurance, and professional fees.

- Other net operating income (loss)

The Company's other operating income (loss) comprise of interest expense on loans, foreign exchange losses, net of interest income on bank deposits and short-term placements, commission and service income.

### **Income tax expense (benefit)**

The Company's income tax expense comprises the income taxes accrued and/or paid by the Company and its respective subsidiaries including the deferred income tax assets or tax related to future tax benefits.

### **Net Income**

Net income represents the earnings of the Company and its respective subsidiaries.

### **Net Income Attributable to Parent**

Net income attributable to Parent represents the Company's share at 60% of the net income of CCAC, 100% of the net income of CDI, 100% of the net loss of CBSI, 100% of the net loss of CTC, 100% of the net income of Alstra, effectively 51% of the net income of COPI, effectively 58% of the net loss of Teko, and effectively 80% of net income of Tenex.

## **Segment information**

The Company reviews and analyzes profit or loss into Consumer and Commercial business while assets, liabilities and other accounts are analyzed on a per entity basis - CCAC, CDI and COPI with all other entities as part of Others.

### **a. Profit or loss**

Segment information on reported consolidated profit or loss for the period ended March 31 as follows (amounts are in millions):

	Consumer business	Commercial business	Others	Total
2023				
Net sales and services	2,120	751	11	2,882
Timing of revenue recognition				
At point in time	2,120	536	8	2,664
Over time	-	215	3	218
Cost of sales and services	(1,394)	(477)	(8)	(1,879)
Gross profit	726	274	2	1,003
Operating expenses	(671)	(212)	(16)	(900)
Other operating income (loss)	7	6	4	17
Interest income	1	3	1	6
Interest expense	(4)	(1)	-	(5)
Share in net loss of associates	12	-	-	12
Income tax benefit (expense)	(14)	(16)	(3)	(34)
Net income (loss) for the quarter	56	50	(13)	93
2022				
Net sales and services	2,308	768	11	3,087
Timing of revenue recognition				
At point in time	2,308	503	4	2,815
Over time	-	265	7	272
Cost of sales and services	(1,545)	(548)	(6)	(2,098)
Gross profit	764	220	5	989
Operating expenses	(668)	(134)	(44)	(846)
Other operating income (loss)	(56)	(4)	4	(56)
Interest income	1	-	1	2
Interest expense	(3)	-	(3)	(6)
Share in net income of associates	(21)	(1)	-	(22)
Income tax expense (benefit)	(13)	(20)	6	(27)
Net income for the quarter	2	61	(32)	31

Consumer business pertains to heating, ventilation and air conditioning (HVAC) products, aftermarket parts and related services for consumer use as well as domestic refrigeration products. It is supported by a vast network of distributors, dealers, retailers and technicians, who sell, install and service the Group's products primarily in the residential and light commercial segments.

Commercial business pertains to heating, ventilation and air conditioning (HVAC) products and services as well as sales and services of elevators and escalators, primarily for industrial and commercial use. It is sold directly to end customers or through a network of accredited sub-contractors.



## b. Assets, Liabilities and Other Accounts

Segment information on consolidated assets and liabilities as at March 31, 2023 and December 31, 2022 (in millions) are as follows:

	CCAC	CDI	COPI	Others	Total
<i>2023</i>					
Current assets	6,018	2,359	1,001	744	10,122
Non-current assets	674	490	910	411	2,484
Current liabilities	3,108	793	705	849	5,455
Non-current liabilities	383	275	(1)	118	775
<i>2022</i>					
Current assets	5,412	2,376	957	458	9,203
Non-current assets	742	493	918	415	2,568
Current liabilities	2,299	768	585	602	4,254
Non-current liabilities	431	268	4	115	818

CCAC's products and related services include HVAC, and air conditioning products. It is supported by a vast network of distributors, dealers, retailers and technicians who sell, install and service the Group's products in the industrial, commercial and residential property sectors. The management performs review of gross profit per component, while review of segment operating expenses, income tax, and profit or loss are done in total.

CDI is engaged in manufacturing of refrigerators and freezers and distribution of laundry and kitchen appliances for domestic market.

COPI is engaged in distribution and service of elevators and escalators.

The balances presented in Others are composed of the other entities in the Group including CIC standalone balances.

## RESULTS OF OPERATIONS

### Consolidated Financial Performance

#### For the period ended March 31, 2023 compared with period ended March 31, 2022

CIC Businesses started the year with a strong performance registering 35% growth in Sales for January. However, weaker consumer sentiments and shift in product mix resulted in reversing the growth for Consumer sales in the subsequent two months. Additionally, a surge of Consumer orders in the last week of March could not be fulfilled due to logistics challenges. While Commercial HVAC equipment sales grew 26% for the quarter, the elevator and escalator equipment business was down 65% due to a large project completed last year. Lower Consumer and Commercial equipment business was partly offset by an increase in aftermarket parts & service business registering a growth of 25% demonstrating the company's focus on strengthening the aftermarket business as well.

### Net sales and services

For the period ended March 31, 2023, the total consolidated net sales and services was at P2.9 billion, a decline of 6.6% versus same period last year. Strong January performance was offset by lower February and March.

Consumer Business in quarter one generated sales at P2.1 billion, a decline of 8.1% versus same period last year. This is primarily attributed to lower retail demand in February and most of March, a shift in product mix and a surge of orders in the last week of March that could not be fulfilled.

Commercial Business first quarter sales reached P0.75 billion, a slight decline of 2.2% mainly due to a higher base last year coming from a large project in the elevator business.

### **Gross Profit**

CIC registered consolidated gross profit of P 1.0 billion for the period ended March 31, 2023, a 1.4% increase from same period in 2022 despite the decrease in sales. The increase was mainly attributed to an easing of cost and better factory absorption.

### **Operating Expenses**

CIC's total operating expenses at P 0.9 billion for the period ended March 31, 2023, 6.3% increase than 2022. This is mainly driven by higher employee costs.

### **Other Operating Income (loss) and Finance Costs**

Other operating income at P17 million came from FX gain, interest income on time deposits and other income. Finance cost of P5 million pertained to interest expense on short-term borrowings and amortization of lease liabilities.

### **Net Income**

CIC achieved, for the period ended March 31, 2023, P93 million in net income, a 204% growth against last year. The favorable variance was attributed to better margin, favorable FX and associate income offsetting impact of lower sales. Profit after tax after minority interest (PATAMI) was P54 million, P75 million higher against same period last year.

## **CONSOLIDATED FINANCIAL CONDITION**

### **As at March 31, 2023 compared with as at December 31, 2022**

The Company's financial and operating strategy enabled it to maintain an optimal and healthy financial condition to weather any external adversities and allowed it to thrive in an increasingly volatile market environment.

Consolidated total assets as at March 31, 2023 was P12.6 billion, an increase by P0.8 billion from end of 2022 of P11.8 billion. The increase in assets was mainly from higher inventory buildup. Consolidated net cash position decreased by P0.2 billion or 9.3% from end of 2022.

Inventory increased by P1.1 billion against December 31, 2022, build up due to anticipation of the peak season and preparing the launch of new models. Lower Q1 consumer sales also contributed to the higher inventory balance.

Total liabilities as at March 31, 2023 amounted to P6.2 billion, an increase of P1.2 billion from December 31, 2022, mainly due to trade payables from inventory purchase.

## **CONSOLIDATED CAPITAL EXPENDITURES**

The Company makes regular capital expenditures annually to support its business goals and objectives, investing in the on-going upgrade, expansion and maintenance of its property and equipment relating primarily to machinery and equipment, office equipment and leasehold and building improvements. The Company has historically funded its capital expenditures primarily through working capital derived from operating income.

As of March 31, 2023 CIC's capital expenditures totaled to P31.2 million, of that amount the majority was spent on purchase of office equipment and software upgrade which represents 66% of the total capital expenditures.

## **WORKING CAPITAL**

As at March 31, 2023 and December 31, 2022, the Company's net current assets (the difference between total current assets, including cash and cash equivalents, and total current liabilities), was P4.7 billion and P4.9 billion, respectively, representing working capital sufficiency.

The Company's current assets consist of cash and cash equivalents, trade and other receivables, contract assets, inventories and prepayments and other current assets. The Company's current liabilities consist of trade payables and other liabilities, short-term borrowings, lease liabilities, provisions for warranty, other provisions, and income tax payable.

## **CASH FLOWS**

The following table sets forth information from the Company's consolidated statements of cash flows for the period indicated (amounts in millions):

	<b>For the period ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Net cash flows provided by (used in) operating activities	142.1	(6.0)
Net cash flows used in investing activities	(29.6)	(10.6)
Net cash flows used in financing activities	(269.3)	(182.3)
Net increase (decrease) in cash and cash equivalents	(157.9)	(198.3)

The net cash flows used by operating activities for the period ended March 31, 2023 was at P142 million composed of income before provision for income tax of P127 million excluding adjustments, changes in working capital, interest received and including actual income tax paid. The increase in cash flow from operating activities was due to buildup of inventory and higher settlement of payables.

The net cash flows used in investing activities for the period ended March 31, 2023 was at P30 million mainly for the acquisition of property and equipment.

The net cash flows used in financing activities for the period ended March 31, 2023 was at P269 million relating to dividend payout, short-term borrowings and lease liabilities.

## Key Performance Indicators

The Company monitors its financial and operating performance in terms of the following indicators:

	Definition	Unaudited For the three months ended	
		March 31, 2023	March 31, 2022
<b>Gross Profit Margin</b>	Gross Profit/Net Sales	34.8%	32.0%
<b>Profit Before Tax</b>	Profit before Tax/Net Sales	4.4%	1.9%
<b>Net Income (% to Sales)</b>	Net Income/Net Sales	3.2%	1.0%
<b>Net Income/(Loss) Attributable to Shareholders (% to Sales)</b>	Net Income/(Loss) Attributable to Shareholders / Net Sales	1.9%	(0.7%)
<b>Return on Average Equity</b>	Net Income after Non-Controlling Interest / Average Shareholder's Equity net of Non-Controlling Interest	1.1%	(0.4%)
<b>Return on Average Assets</b>	Net Income/Average Assets	0.7%	0.3%
<b>Earnings per Share*</b>	Net Income after Non-Controlling Interest / Average Shares Outstanding	0.13	(0.05)

		Unaudited As at	
		March 31, 2023	March 31, 2022
<b>Current Ratio</b>	Current Assets/Current Liabilities	1.9	1.9
<b>Debt-to-Equity-Ratio</b>	Total Liabilities/Total Equity	1.0	1.0
<b>Asset-to-Equity Ratio</b>	Total Assets/Total Equity	2.0	2.0
<b>Book Value Per Share*</b>	Shareholder's Equity net of Non-Controlling Interest / Total Shares Outstanding	11.9	11.9

\*Total Number of Shares (weighted average) as at March 31, 2023 - 397,912,491 (2022 - 401,855,091)