

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 September 30, 2022
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	407,263,891 (as of September 30, 2022)

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 P1.8 billion. The price used for this computation is the closing price as of September 30, 2022 is P16.60.

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 periods ended September 30, 2022 and 2021, and the audited consolidated financial statements of the group as at December 31, 2021, with “Tenex Services Inc.” (“Tenex”) for the three months ended September 30, 2022, is attached to this 17-Q report, comparing the following:

- 1.1 Consolidated Statements of Financial Position as at September 30, 2022 and December 31, 2021 (Annex A)
- 1.2 Consolidated Statements of Total Comprehensive Income for the periods ended September 30, 2022 and 2021 (Annex B)
- 1.3 Consolidated Statements of Changes in Equity for the periods ended September 30, 2022 and 2021 (Annex C)
- 1.4 Consolidated Statements of Cash Flows for the periods ended September 30, 2022 and 2021 (Annex D)
- 1.5 Notes to Consolidated Financial Statements as at September 30, 2022 and December 31, 2021 and for the periods ended September 30, 2022 and 2021 (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 September 30, 2022 (Annex F)]

PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the 3rd quarter (Q3) of 2022:

Date of Report	Items Reported
June 30, 2022	Resignation of Independent Director Mr. Alfredo E. Pascual
July 1, 2022	Purchase of Shares in Tenex Services, Inc. by Alstra, Incorporated
July 20, 2022	Results of the Annual Stockholders’ Meeting and Organizational Meeting of the Board of Directors
July 22, 2022	Extension of Period of the Company’s Buy-Back Program
July 27, 2022	CIC Press Release on Business Updates
September 9, 2022	Notice of Special Stockholders’ Meeting

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.

A handwritten signature in blue ink, appearing to read 'Rajan Komarasu', with a horizontal line extending from the end of the signature.

RAJAN KOMARASU
Chief Finance and Operating Officer

October 27, 2022

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Financial Position
As at September 30, 2022 and December 31, 2021
(All amounts in thousand Philippine Peso)

	Notes	2022	2021
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	1,335,696	2,518,403
Trade and other receivables, net	3	3,082,109	3,462,954
Contract assets		635,217	493,563
Inventories, net	4	4,154,875	2,968,596
Prepayments and other current assets		136,746	124,067
Total current assets		9,344,643	9,567,583
Non-current assets			
Property and equipment, net		496,220	564,978
Investment property		40,255	40,255
Investment in associates	5	89,171	128,752
Intangible assets, net	6	142,655	164,525
Goodwill	6	802,362	802,362
Right-of-use assets, net		337,202	435,605
Deferred income tax assets, net		595,733	555,825
Other non-current assets		73,400	64,103
Total non-current assets		2,576,998	2,756,405
Total assets		11,921,641	12,323,988
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	7	3,949,900	3,930,388
Short-term borrowings	8	329,000	250,000
Lease liabilities		9,161	107,384
Provision for warranty		53,859	56,345
Other provisions		62,124	15,760
Income tax payable		(8,252)	11,116
Total current liabilities		4,395,792	4,370,993
Non-current liabilities			
Retirement benefit obligation	12	541,261	555,838
Lease liabilities		350,822	348,752
Provision for warranty		6,455	5,199
Total non-current liabilities		898,538	909,789
Total liabilities		5,294,330	5,280,782
Equity			
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)	(172,108)
Retained earnings		3,743,777	4,013,851
Other comprehensive loss		(55,913)	(55,913)
		4,846,907	5,186,337
Non-controlling interest		1,780,404	1,856,869
Total equity		6,627,311	7,043,206
Total liabilities and equity		11,921,641	12,323,988

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

ANNEX B**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Total Comprehensive Income
For the periods ended September 30, 2022 and 2021
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	For the nine months ended		For the three months ended	
		2022	2021	2022	2021
Net sale of goods		8,810,336	8,329,788	2,779,287	1,961,294
Sale of services		887,718	693,508	193,252	624,189
Net sales	9	9,698,054	9,023,296	2,972,540	2,585,483
Cost of sales and services	10	(6,576,857)	(5,973,933)	(2,033,052)	(1,787,927)
Gross profit		3,121,196	3,049,363	939,487	797,556
Operating expenses	11	(2,498,683)	(2,538,736)	(830,968)	(783,453)
Other operating income (loss), net		(133,488)	(11,348)	(55,815)	(19,359)
Operating income		489,025	499,279	52,704	(5,256)
Interest expense		(20,259)	(17,527)	(6,793)	(4,926)
Income before share in net income (loss) of associates and income tax		468,766	481,752	45,911	(10,182)
Share in net income (loss) of associates	5	(31,709)	11,181	(7,968)	(3,539)
Income before income tax		437,057	492,933	37,943	(13,721)
Income tax expense		(139,336)	(145,325)	(3,986)	1,124
Net income for the year		297,721	347,608	33,957	(12,597)
Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss					
Remeasurement gain (loss) on retirement benefits, net of tax		-	-	-	-
Total comprehensive income for the year		297,721	347,608	33,957	(12,597)
Net income (loss) attributable to:					
Owners of the Parent Company		131,781	171,250	19,322	(24,351)
Non-controlling interest		165,940	176,358	14,635	11,754
		297,721	347,608	33,957	(12,597)
Total comprehensive income attributable to:					
Owners of the Parent Company		131,781	171,250	19,322	(24,351)
Non-controlling interest		165,940	176,358	14,635	11,754
		297,721	347,608	33,957	(12,597)
Earnings (loss) per share - basic and diluted	14	0.33	0.43	0.05	(0.06)

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 periods ended September 30, 2022 and 2021
(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)		
Notes	13	13	13				
Balances as at January 1, 2022	407,264	993,243	(172,108)	4,013,851	(55,913)	1,856,869	7,043,206
Comprehensive income							
Net income for the year	-	-	-	131,781	-	165,940	297,721
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	131,781	-	165,940	297,721
Transactions with owners							
Cash dividends declared	-	-	-	(401,855)	-	(241,300)	(643,155)
Impact of Share Transfer on NCI	-	-	-	-	-	(1,105)	(1,105)
Treasury shares	-	-	(69,356)	-	-	-	(69,356)
Total transactions with owners	-	-	(69,356)	(401,855)	-	(242,405)	(713,616)
Balances as at September 30, 2022	407,264	993,243	(241,464)	3,743,776	(55,913)	1,780,404	6,627,311
Balances as at January 1, 2021	407,264	993,243	(170,068)	4,251,056	(86,269)	1,898,332	7,293,558
Comprehensive income							
Net income for the period	-	-	-	-	-	-	-
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	171,250	-	176,358	347,608
Total comprehensive income for the year	-	-	-	171,250	-	176,358	347,608
Transactions with owners							
Cash dividends declared	-	-	-	(401,955)	-	(266,564)	(668,519)
Treasury shares	-	-	(2,040)	-	-	-	(2,040)
Total transactions with owners	-	-	(2,040)	(401,955)	-	(266,564)	(670,559)
Balances as at September 30, 2021	407,264	993,243	(172,108)	4,020,351	(86,269)	1,808,126	6,970,607

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 periods ended September 30, 2022 and 2021

(All amounts in thousand Philippine Peso)

	2022	2021
Cash flows from operating activities		
Income before income tax	434,908	492,933
Adjustments for:		
Provisions for (reversals of):		
Volume rebates, trade discounts and other incentives	237,400	600,602
Warranty cost	86,839	89,330
Commission	19,095	19,485
Impairment of receivables	(12,157)	16,300
Contingencies	41,146	31,285
Inventory obsolescence	13,337	17,104
Amortization of right-of-use assets	99,006	178,629
Retirement benefit expense	58,938	143,846
Depreciation and amortization of property and equipment	116,200	107,667
Amortization of intangible assets	21,588	22,851
Interest expense	20,259	17,527
Share in net loss (income) of associates	31,709	(11,181)
Unrealized foreign exchange losses (gains)	39,174	19,846
Gain on disposal of property and equipment	102	72
Interest income on bank deposits, short-term placements	(6,015)	(3,361)
Operating income before working capital changes	1,201,529	1,743,115
Changes in:		
Trade and other receivables	82,435	463,878
Inventories	(1,199,615)	(555,326)
Prepayments and other current assets	(98,994)	(6,038)
Other non-current assets	(11,688)	(13,049)
Trade payables and other liabilities	(8,698)	(312,325)
Cash generated from operations	(35,031)	1,320,255
Income tax paid	(182,621)	(357,212)
Payments of provision for warranty cost	(93,231)	(111,773)
Payments of other provisions	(19,530)	(67,681)
Retirement contributions/ benefits directly paid by the Group	(73,514)	(47,642)
Interest received on bank deposits	3,148	495
Net cash provided by (used in) operating activities	(400,779)	736,442
Cash flows from investing activities		
Interest received from short-term placements	2,893	2,867
Cash paid for future stock subscription	(9,300)	-
Additions to property and equipment	(44,710)	(61,765)
Acquisition of Subsidiaries, net of cash acquired	18,214	-
Additions to intangibles	284	(4,133)
Proceeds from disposal of property and equipment	-	81
Net cash used in investing activities	(32,619)	(62,950)
Cash flows from financing activities		
Cash distributions of profits	(643,155)	(668,519)
Proceeds from short-term borrowings	150,000	35,000
Payment of short-term borrowings	(71,000)	-
Principal repayment of lease liabilities	(95,681)	(179,108)
Interest paid on lease liabilities	(9,773)	(9,291)
Interest paid on short-term borrowings	(10,344)	(8,235)
Acquisitions of treasury shares	(69,356)	(2,040)
Net cash used in financing activities	(749,309)	(832,193)
Net increase (decrease) in cash and cash equivalents	(1,182,707)	(158,701)
Cash and cash equivalents as at January 1	2,518,403	2,986,668
Effects of foreign exchange rate changes on cash and cash equivalents	-	(1,360)
Cash and cash equivalents as at September 30	1,335,696	2,826,607

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 September 30, 2022 and December 31, 2021 and for the periods ended September 30, 2022 and 2021

(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, moving walkways, and shuttle systems 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 September 30, 2022 and December 31, 2021, CIC has two (2) regular employees.

1.2 Significant business developments

On July 1, 2022, Alstra Inc., a wholly owned subsidiary of CIC, purchased from Mr. Joey P. Penaflor 31% of the subscribed capital of Tenex Services Inc. equivalent to 9.3 million shares with par value of P1 per share or P9.3 million. As at reporting date, Alstra Inc.'s ownership to Tenex increased from 49% to 80%.

Tenex was organized to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, 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 September 30, 2022 and December 31, 2021 consist of:

	2022	2021
Cash on hand	1,497	65
Cash in banks	597,345	695,893
Short-term placements	736,854	1,822,445
Total	1,335,696	2,518,403

Cash in banks and short-term placements amounting to P1,040,103 and P294,096 (2021 - P2,222,961 and P295,377) are made with universal and commercial banks, respectively, that earn interest at the prevailing bank deposit rates. For the period ended September 30, 2022, total interest income earned from cash in banks and short-term placements amounted to P5,490 (2021 – P3,361).

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 September 30, 2022 and December 31, 2021 consist of:

	2022	2021
Trade receivables		
Third parties	3,630,656	4,007,090
Related parties	-	6,995
Provision for volume rebates, trade discounts and other incentives	(644,722)	(651,266)
Provision for impairment of receivables	(154,142)	(174,354)
Net trade receivables	2,831,792	3,188,465
Non-trade receivables, net		
Advances to/Claims from suppliers	111,353	138,510
Advances to employees	32,509	34,456
Related parties	11,863	16,064
Rental deposits	1,349	513
Others	93,243	84,946
Total Trade and Other Receivables, net	3,082,109	3,462,954

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, 2022 and 2021 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 September 30, 2022 and December 31, 2021 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%	
2022					
Trade receivables					
Third parties	2,401,546	954,659	108,275	166,176	3,630,656
Related parties	3,077	18,864	(21,941)	-	-
	2,404,623	973,523	86,334	166,176	3,630,656
Contract assets	635,217	-	-	-	635,217
Total	3,039,840	973,523	86,334	166,176	4,265,873
Loss allowance	-	-	-	154,142	154,142
2021					
Trade receivables					
Third parties	2,332,970	1,347,996	146,177	179,947	4,007,090
Related parties	6,995	-	-	-	6,995
	2,339,965	1,347,996	146,177	179,947	4,014,085
Contract assets	493,563	-	-	-	493,563
Total	2,833,528	1,347,996	146,177	179,947	4,507,648
Loss allowance	-	-	5,117	169,237	174,354

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 September 30, 2022 and December 31, 2021 consist of:

	Note	2022	2021
At cost			
Raw materials		1,769,965	1,376,444
Finished goods	10	2,044,750	1,140,542
Work in process	10	1,472	2,587
Inventories-in-transit		309,926	460,817
Spare-parts and supplies used in business		128,502	76,174
		4,254,615	3,056,564
Provision for inventory obsolescence		(99,740)	(87,968)
Inventories, net		4,154,875	2,968,596

For the period ended September 30, 2022, the cost of inventory recognized as expense and included in cost of sales and services amounted to P5,953,831 (2021 – P5,562,159) (Note 10).

Note 5 - Investments in Associates

Details of movement in investment in associates as at September 30, 2022 and December 31, 2021 follow:

	2022	2021
At cost, beginning	274,700	274,700
Additional investments		-
Change of ownership from associate to subsidiary	(14,700)	
At cost, ending	260,000	274,700
Cumulative share in total comprehensive loss, beginning	(145,948)	(122,985)
Share in net income (loss) for the year	(31,709)	(22,513)
Share in other comprehensive income (loss) for the year	-	(450)
Reversal of accumulated net loss in Tenex	6,828	-
Cumulative share in total comprehensive loss, ending	(170,829)	(145,948)
Investment in Associates	89,171	128,752

On July 1, 2022, Alstra Inc., a wholly owned subsidiary of CIC, purchased from Mr. Joey P. Penaflor 31% of the subscribed capital of Tenex Services Inc. equivalent to 9.3 million shares with par value of P1 per share or P9.3 million.

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

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 and Teko in 2018.

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.

In 2019, the Group finalized the Purchase Price Allocation relevant to its acquisition of Teko in 2018. 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.

The goodwill relevant to the purchase of shares in Tenex on July 1, 2022, will be recognized upon the finalization of Purchase Price Allocation report in Q4.

Impairment test for goodwill

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI and Teko as at September 30, 2022 and December 31, 2021. The Group did not recognize impairment losses for the period ended September 30, 2022 and for the year ended December 31, 2021 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU).

6.2 Intangible assets, net

Details and movements of intangible assets account at September 30, 2022 and December 31, 2021 are shown below:

	Customer relationship	Customer backlogs	Computer software	Total
Cost				
At January 1, 2022	187,113	13,883	118,846	319,842
Additions (adjustments)	-	-	(283)	(283)
At September 30, 2022	187,113	13,883	118,563	319,559
Accumulated amortization				
At January 1, 2022	60,908	13,883	80,526	155,317
Amortization	5,613	-	15,974	21,587
At September 30, 2022	66,521	13,883	96,500	176,904
Net book values at September 30, 2022	120,592	-	22,064	142,655
Cost				
At January 1, 2021	187,113	13,883	112,513	313,509
Additions	-	-	6,333	6,333
At December 31, 2021	187,113	13,883	118,846	319,842
Accumulated amortization				
At January 1, 2021	53,424	13,883	55,958	123,265
Amortization	7,484	-	24,568	32,052
At December 31, 2021	60,908	13,883	80,526	155,317
Net book values at December 31, 2021	126,205	-	38,320	164,525

Note 7 - Trade payables and other liabilities

Trade payables and other liabilities as at September 30, 2022 and December 31, 2021 consist of:

	2022	2021
Trade payables		
Third parties	1,145,273	1,511,545
Related parties	200,531	90,461
Total Trade Payables	1,345,804	1,602,006
Accrued expenses		
Project costs	550,890	518,732
Outside services	263,683	243,648
Benefits of directors, officers and employees	388,794	272,559
Professional fees	39,074	45,367
Commission	15,697	13,840
Installation and cleaning costs	126	129
Rental and utilities	55,533	46,757
Freight	59,434	42,690
Importation costs	67,460	60,525
Advertising and promotion	32,509	40,133
Others	128,008	110,004
Total Accrued Expenses	1,601,208	1,394,385
Other liabilities		
Advances on sales contract	300,737	205,687
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	337,447	317,271
Withholding taxes and other mandatory government remittances	20,563	99,964
Output value-added tax (VAT), net of input VAT	128,128	100,897
Related parties	8,101	39,684
Others	207,912	170,494
Total Other liabilities	1,002,888	933,997
Total Trade and Other Liabilities	3,949,900	3,930,388

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 September 30, 2022 and December 31, 2021 are as follows:

	2022	2021
Beginning	250,000	190,000
Payments	(71,000)	-
Availment	150,000	60,000
Ending	329,000	250,000

As at September 30, 2022 and December 31, 2021, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months from 5.5% to 5.75% (2021 - 5.25%).

Interest expenses on borrowings paid during the period ended September 30, 2022 amounted to P10,344 (2021 – P8,162).

Note 9 - Revenue from contracts with customers

Details of net sales and services for the periods ended September 30 are as follows:

	2022	2021
Gross sales		
Sale of goods (Point in time)	9,716,052	9,447,687
Sale of services (Over time)	887,718	693,508
	10,603,770	10,141,195
Deductions		
Trade and volume discounts and other incentives	(505,668)	(738,203)
Sales returns	(400,048)	(379,696)
	(905,716)	(1,117,899)
Net sales and services	9,698,054	9,023,296

Note 10 - Cost of sales and services

Details of cost of sales and services for the periods ended September 30 are as follows:

	Note	2022	2021
Raw materials used		4,626,789	4,025,994
Labor		125,054	142,345
Overhead		460,514	509,518
Total manufacturing cost		5,212,357	4,677,857
Work-in-process, beginning	4	2,587	4
Work-in-process, ending	4	(1,472)	(2,153)
Cost of goods manufactured		5,213,472	4,675,708
Finished goods inventory, beginning	4	1,140,542	1,295,612
Gross purchases - trading		1,644,567	795,851
Finished goods available for sale		7,998,581	6,767,171
Finished goods inventory, ending	4	(2,044,750)	(1,205,012)
Total cost of sales		5,953,831	5,562,159
Cost of installation and services		608,650	402,762
Others		14,376	9,012
Total cost of services		623,026	411,774
Total cost of sales and services		6,576,857	5,973,933

Note 11 - Operating expenses

Details of operating expenses for the periods ended September 30 are as follows:

	2022	2021
Personnel costs	957,943	1,011,626
Outside services and professional fees	578,021	577,860
Outbound freight	265,265	251,074
Amortization of right-of-use assets	87,590	136,096
Advertising and promotion	87,292	130,747
Warranty cost	83,405	86,922
Rent and utilities	144,373	81,135
Taxes and licenses	30,662	54,111
Depreciation and amortization	49,812	45,511
Royalty	23,478	25,385
Amortization of intangible assets	19,997	21,215
Transportation and travel	24,343	13,600
Provision for impairment of receivables	(20,228)	11,770
Repairs and maintenance	11,884	7,566
Provision for (Reversal of) inventory obsolescence	11,785	168
Others	143,061	83,950
	2,498,683	2,538,736

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 retirement benefits 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 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 full year. The term one-half month shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month and the cash equivalent of not more than five (5) days of service incentive leaves.

As at September 30, 2022 and December 31, 2021, 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 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, 2021.

12.7 CDI

In February 2021, the CDI's BOD approved to established 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 125% of the latest monthly salary per year of service. The plan has been registered with Bureau of Internal Revenue and the certificate was issued on November 02, 2021.

The following are the details of the retirement benefit obligation (asset) and retirement benefit expense as at September 30, 2022 and December 31, 2021:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Total
<i>2022</i>								
Retirement benefit obligation	17,914	299,454	144,600	65,879	8,184	2,399	2,831	541,261
Retirement benefit expense	1,445	45,870	13,939	(9,798)	6,586	527	369	58,938
<i>2021</i>								
Retirement benefit obligation	16,469	287,555	166,609	75,676	5,194	1,872	2,463	555,838
Retirement benefit expense	1,959	54,932	147,390	16,584	3,933	2,836	755	228,389

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

Note 13 - Equity

13.1 Share capital

As at September 30, 2022 and December 31, 2021, 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 September 30, 2022 and for the year ended December 31, 2021 follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2021	401,955,091	407,264	993,243	(170,068)
Acquisition of treasury shares	(100,000)	-	-	(2,040)
December 31, 2021	401,855,091	407,264	993,243	(172,108)
Acquisition of treasury shares	(3,942,600)	-	-	(69,356)
September 30, 2022	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 September 30, 2022 and for the year ended December 31 are as follows:

Date declared	Dates paid	Per share	2022	2021	2020
February 16, 2022	April 12, 2022	1.0	401,855	-	-
February 10, 2021	April 12, 2021	1.0	-	401,955	-
May 13, 2020	June 17, 2020	0.7	-	-	282,253
			401,855	401,955	282,253

For the period ended September 30, 2022 and for the year ended December 31, 2021, NCI from profit distribution of CCAC and COPI amounted to P202,100 and P39,200, respectively (2021 - P188,164 and P78,400, respectively).

CIC annually performs an evaluation of the amount to be declared as dividends. On February 16, 2022, CIC's BOD declared cash dividends in the amount of P1.00 per share totaling to P401,855 for shareholders of record as at March 17, 2022 (net of treasury shares), paid on April 12, 2022.

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.

On 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 300 million, total amount of shares repurchased was 168 million as of September 30, 2022.

As at September 30, 2022 and December 31, 2021, acquisition of treasury shares amounted to P241,465 (2021 – P172,108).

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 periods ended September 30 is calculated as follows:

	2022	2021
Net income (loss) attributable to owners of the Parent Company	131,781	171,250
Weighted average common shares - basic and diluted (in '000)	400,161	401,920
Basic and diluted earnings per share	0.33	0.43

The basic and diluted earnings per share are the same each for the year 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 Periods Ended September 30, 2022)

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 current and future 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, the Company has invested 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 September 30, 2022, 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.

CCAC

CCAC engages in the manufacture, sale, distribution, installation, and service of heating, ventilating, and air conditioning products and services for residential, commercial, and industrial use. CCAC is a joint venture between the Company 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 share of the total air conditioning market in the Philippines as measured by revenues, including leading market positions in the residential, commercial and industrial segments.

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. CDI 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 expanded its product portfolio to include from small domestic appliances such as rice cooker, coffee maker, juicer to kitchen and laundry appliances.

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 agreement with Carrier Corporation in selected countries.

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.

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 (Conceptstore) to allow other subsidiaries to sell directly to consumers.

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 Inc.

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

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

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 SG

Teko SG is a company incorporated in Singapore. It's 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 nine months of 2022

Macroeconomic Fundamentals: Domestic economic activities have normalized, however, recovery momentum is impacted by global economic issues, such as increasing inflation and interest rates and rising prices of commodities. The Philippine Peso continue to depreciate on top of persistent inflation, affecting household spending. GDP growth has slowed down in Q2 at 7.4% from 8.2% in Q1 and further deceleration is expected in Q3. Nonetheless, economic activities are expected to remain firm with the looser mobility restrictions and widespread deployment of COVID-19 vaccines and booster shots, although at a slower rate.

Construction Sector Developments: The construction industry is one of the main contributors to GDP growth in Q2 at 19%. The opening of the economy has led to more normalization of both commercial and business activities. This has led to better orders for the quarter and a healthy pipeline. However, there are still deferrals and delays on project fulfillment despite of the optimistic growth outlook.

Commodity Prices: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials represent about 80% of the Company's manufactured cost of sales. Commodity prices increased in H1 due to supply chain disruption, the high demand from the recovery and high oil prices. Though commodity prices have partially come down in Q3, level is still higher versus 2021.

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 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 loss 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 and all other entities as part of Others.

a. Profit or Loss

a.1. Consumer business

The segment's products and related services include HVAC for consumer use, domestic refrigeration products, laundry and kitchen appliances. 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.

a.2. Commercial business

The segment's products and related services include HVAC as well as sales and service of elevators and escalators, primarily for residential, commercial and industrial use. It is sold directly to end customers or through a network of accredited specialist contractors.

Segment information on reported consolidated profit or loss for the periods ended September 30 are as follows (amounts are in millions):

	Consumer business	Commercial business	Others	Total
<i>2022</i>				
Net sales and services	7,362	2,300	36	9,698
Timing of revenue recognition*				
Point in time	7,362	1,443	5	8,810
Over time	-	857	31	888
Cost of sales and services	(4,984)	(1,570)	(23)	(6,577)
Gross profit	2,378	730	13	3,121
Operating expenses	(1,929)	(463)	(106)	(2,498)
Share in net loss of associates	(31)	(1)	-	(32)
Income tax (expense) benefit	(113)	(54)	28	(139)
Net income for the year	179	188	(69)	298
<i>2021</i>				
Net sales and services	7,214	1,786	23	9,023
Timing of revenue recognition*				
Point in time	7,214	1,115	1	8,330
Over time	-	671	22	693
Cost of sales and services	(4,774)	(1,186)	(14)	(5,974)
Gross profit	2,440	600	9	3,049
Operating expenses	(1,952)	(419)	(168)	(2,539)
Share in net income of associates	13	(2)	-	11
Income tax (expense)/benefit	(161)	(44)	60	(145)
Net income for the year	329	122	(103)	348

*The sale of equipment from the commercial segment in 2021 was reclassified relating to the timing of revenue recognition from Over Time to Point in Time.

b. Assets, Liabilities and Other Accounts

b.1. CCAC

The segment'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.

b.2. CDI

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

b.3. COPI

The segment is engaged in distribution and service of elevators and escalators.

Segment information on consolidated assets and liabilities as at September 30, 2022 and December 31, 2021 are as follows:

	CCAC	CDI	COPI	Others	Total
<i>2022</i>					
Current assets	5,103	2,605	1,012	625	9,345
Non-current assets	729	502	921	425	2,577
Current liabilities	2,010	985	664	737	4,396
Non-current liabilities	483	301	21	94	898
<i>2021</i>					
Current assets	5,559	2,423	869	717	9,568
Non-current assets	799	550	942	465	2,756
Current liabilities	2,521	657	556	637	4,371
Non-current liabilities	472	323	17	99	910

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

Key Performance Indicators

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

	For the period ended September 30, 2022	For the period ended September 30, 2021
Gross Profit Margin	32.2%	33.8%
Profit Before Tax	4.5%	5.5%
Net Income (Loss) Attributable to Shareholders (Php Millions)	131.8	171.3
Net Income (Loss) Attributable to Shareholders (% to Sales)	1.4%	1.9%
Return on Average Equity	2.6%	4.4%
Return on Average Assets	2.5%	3.8%
Earnings per Share*	0.33	0.43
Debt to Equity Ratio	0.8	0.7
Asset-to-Equity Ratio	1.8	1.7
Current Ratio	2.1	2.2
Book Value Per Share*	12.1	12.8

*Total Number of Shares (weighted average) used was 400,161,134 in 2022 and 401,920,296 in 2021

Key Performance Indicator	Definition
Gross Profit Margin	Gross Profit/Net Sales
Profit Before Tax	Profit before Tax/Net Sales
Return on Average Equity	Net Income after Non-Controlling Interest / Average Shareholder's Equity net of Non-Controlling Interest
Return on Average Assets	Net Income / Average Assets
Earnings Per Share	Net Income after Non-Controlling Interest / Average Shares Outstanding
Debt to Equity Ratio	Total Liabilities/Total Equity
Asset-to-Equity Ratio	Total Assets/Total Equity
Current Ratio	Current Assets/Current Liabilities
Book Value Per Share	Shareholder's Equity net of Non-Controlling Interest /Total Shares Outstanding

RESULTS OF OPERATIONS

Period ended September 30, 2022 compared with period ended September 30, 2021

Businesses picked up from an improving domestic environment attributed to declining COVID cases, increased vaccination rate, and wider economic reopening. Consumer and Commercial activities resumed, however, business conditions remained challenging due to impact of the lockdown in the early part of Q1, weak retail market and global economic issues such as increasing inflation, rising fuel and commodity prices and logistics cost coupled with the weakening of the Peso against the US Dollar.

Net sales and services

For the period ended September 30, 2022, the total consolidated net sales and services was at P9.7 billion, an increase of 7.5% versus same period in 2021. This was due to higher sales in the Commercial Business and impact of price increases in Consumer business.

The Commercial Business 9-month sales was at P2.3 billion or a 28.7% increase from last year. This was due to the realization of a higher backlog of orders resulting from the opening of business establishments and easing of lockdown restrictions.

The Consumer Business YTD September sales was at P7.4 billion, slightly higher by 2.1% versus same period last year. The increase was mainly due to impact of price increases gradually implemented in H1. In addition, last year's performance was impacted by stricter lockdown from August to October. Surge of Omicron negatively impacted sales in January and the early onset of the rainy season that dampened sales in April and May. Sales bounced back in March and June. Further challenges were experienced due to increasing inflation and Peso depreciation in Q3.

Gross Profit and Margins

CIC registered consolidated gross profit of P 3.1 billion for the period ended September 30, 2022, a 2.4% increase from same period in 2021. The increase was attributed to price increases partly offset by higher commodity and logistics costs coupled with unfavorable FX and lower sales volume.

Operating Expenses

CIC's total operating expenses was P2.5 billion for the period ended September 30, 2022, 1.6% favorable than 2021. This is due to cost mitigation initiatives thru imposed furlough in Q1, restricted hiring, rationalization of the organization structure, lower advertising and promotion and various cost reduction activities.

Other Operating Income (loss) and Finance Costs

Other operating loss of P0.13 billion was driven by foreign exchange losses. Finance cost of P0.02 billion was related to interest expense on short-term borrowings and amortization of lease liabilities.

Net Income

CIC achieved, for the period ended September 30, 2022, P0.3 billion in consolidated net income, a 14.4% decline from 2021, while profit after tax after minority interest (PATAMI) was P0.1 billion, 23.0% decline against same period last year. The decrease in earnings was due to weak market and low sell-out coupled with early onset of the rainy season and COVID restrictions in Q1. In addition, higher commodity and logistics costs and unfavorable FX further impacted earnings. These headwinds were partially offset by selling price increases and cost curtailment actions.

FINANCIAL CONDITION

As at September 30, 2022 compared with as at December 31, 2021

Consolidated total assets as at September 30, 2022 was at P11.9 billion, an decrease by P0.4 billion from end of 2021 of P12.3 billion. The decrease in assets was mainly from lower cash due to inventory buildup and lower receivables. Consolidated net cash position decreased by P1.3 billion or 53% from end of 2021.

Inventory increased by P1.2 billion against end of December 31, 2021 due to buildup in anticipation for the peak season and mitigating supply chain concerns. Lower consumer sales due to weak retail market also contributed to the higher inventory balance.

Total liabilities as at September 30, 2022 amounted to P5.3 billion, an increase of P0.01 billion from December 31, 2021, mainly due to trade payables from inventory purchase.

WORKING CAPITAL

As at September 30, 2022 and December 31, 2021, the Company's net current assets (the difference between total current assets, including cash and cash equivalents, and total current liabilities), was P4.9 billion and P5.2 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 periods indicated (amounts in millions):

	For the period ended September 30	
	2022	2021
Net cash flows provided by (used in) operating activities	(401)	736
Net cash flows used in investing activities	(33)	(63)
Net cash flows used in financing activities	(749)	(832)
Net increase (decrease) in cash and cash equivalents	(1,183)	(159)

The net cash flows used by operating activities for the period ended September 30, 2022 was at P401 million composed of income before provision for income tax of P435 million excluding adjustments, changes in working capital, interest received and including actual income tax paid. The decrease in cash flow from operating activities were due to buildup of inventory and higher settlement of payables.

The net cash flows used in investing activities for the period ended September 30, 2022 was at P33 million mainly for the acquisition of property and equipment.

The net cash flows used in financing activities for the period ended September 30, 2022 was at P749 million relating to dividend payout, short-term borrowings and lease liabilities.