CAREL

SEPARATE FINANCIAL STATEMENTS

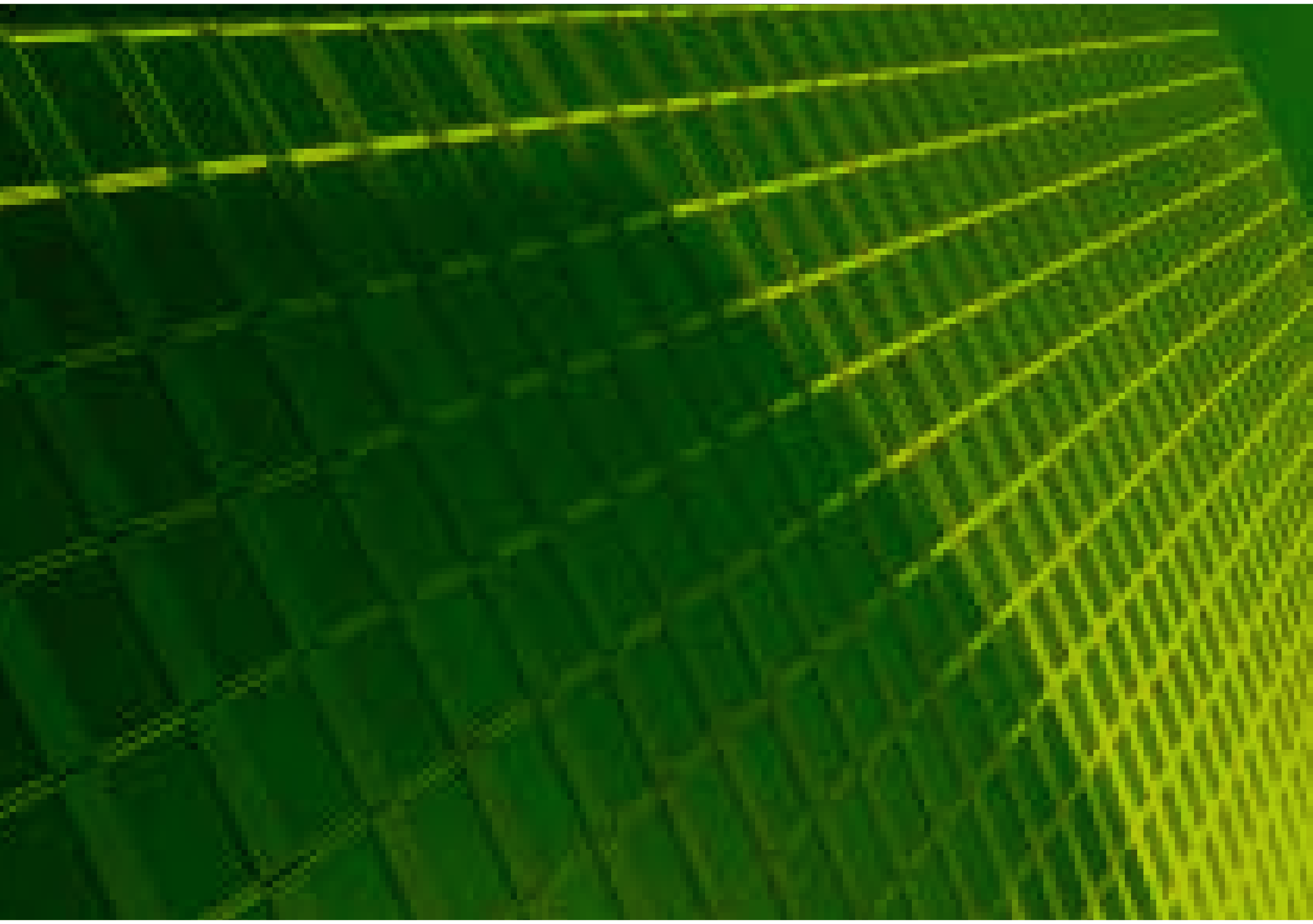
2022

CONTENTS

CORPORATE BODIES

Board of directors	Chairperson	Luigi Rossi Luciani
	Executive deputy chairperson	Luigi Nalini
	Chief executive officer	Francesco Nalini
	Executive director	Carlotta Rossi Luciani
	Independent director	Cinzia Donalisio
	Independent director	Marina Manna
	Independent director	Maria Grazia Filippini
Board of statutory auditors	Chairperson	Paolo Prandi
	Standing statutory auditor	Saverio Bozzolan
	Standing statutory auditor	Claudia Civolani
	Alternate statutory auditor	Fabio Gallio
	Alternate statutory auditor	Alessandra Pederzoli
Independent auditors		Deloitte & Touche SpA
Control and risks committee	Chairperson	Marina Manna
	Member	Cinzia Donalisio
	Member	Maria Grazia Filippini
Remuneration committee	Chairperson	Cinzia Donalisio
	Member	Marina Manna
	Member	Maria Grazia Filippini
Supervisory body pursuant to Legislative decree no. 231/2001	Chairperson	Alberto Berardi*
	Member	Arianna Giglio
	Member	Alessandro Grassetto

* appointed by the board of directors on 16 February 2023. In office in 2022: Fabio Pinelli



SEPARATE FINANCIAL STATEMENTS AND NOTES THERETO

at 31 December 2022

STATEMENT OF FINANCIAL POSITION

(in Euros)	NOTE	31.12.2022	31.12.2021
Property, plant and equipment	1	30,664,211	24,534,770
Intangible assets	2	10,856,645	11,507,060
Equity investments	3	203,265,748	152,979,320
Other non-current assets	4	24,148,084	23,396,818
Deferred tax assets	5	1,809,055	1,797,572
Non-current assets		**270,743,743**	**214,215,540**
Trade receivables	6	53,553,280	48,835,935
Inventories	7	31,169,114	25,160,491
Current tax assets	8	-	1,810,801
Other current assets	9	7,849,775	5,509,868
Current financial assets	10	21,783,445	665,400
Cash and cash equivalents	11	38,638,369	53,646,914
Total current assets		**152,993,983**	**135,629,409**
TOTAL ASSETS		**423,737,726**	**349,844,949**
Equity	12	138,024,944	106,369,182
Total equity		**138,024,944**	**106,369,182**
Non-current financial liabilities	13	105,431,481	82,258,056
Provisions for risks	14	1,055,079	1,110,101
Defined benefit plans	15	4,389,546	4,969,369
Deferred tax liabilities	16	830,305	197,727
Other non-current liabilities	17	10,875,162	8,057,186
Non-current liabilities		**122,581,573**	**96,592,439**
Current financial liabilities	13	84,569,428	78,100,896
Trade payables	18	61,852,743	52,400,843
Current tax liabilities	19	381,781	50,982
Provisions for risks	14	1,400,564	1,907,436
Other current liabilities	20	14,926,693	14,423,171
Current liabilities		**163,131,209**	**146,883,328**
TOTAL LIABILITIES AND EQUITY		**423,737,726**	**349,844,949**

STATEMENT OF PROFIT OR LOSS

(in Euros)	NOTA	2022	2021
Revenue	21	248,630,782	215,424,960
Other revenue	22	9,699,463	7,448,063
Costs of raw materials, consumables and goods and change in inventories	23	(139,663,716)	(114,812,228)
Services	24	(35,837,556)	(30,130,074)
Capitalised development expenditure	25	68,709	886,991
Personnel expense	26	(49,485,652)	(46,500,274)
Other expense, net	27	(271,131)	(764,212)
Amortisation, depreciation and impairment losses	28	(9,084,680)	(8,525,156)
OPERATING PROFIT		**24,056,219**	**23,028,070**
Net financial income	29	25,950,353	7,798,965
Net exchange gains (losses)	30	(736,818)	147,317
Net impairment gains on financial assets	31	864,190	957,003
PROFIT BEFORE TAX		**50,133,944**	**31,931,355**
Income taxes	32	(5,625,458)	(4,612,908)
PROFIT FOR THE YEAR		**44,508,486**	**27,318,447**

STATEMENT OF COMPREHENSIVE INCOME

(valori in Euro)	NOTA	2022	2021
PROFIT FOR THE YEAR		**44,508,486**	**27,318,447**
Items that may be subsequently reclassified to profit or loss:			
Fai value gains on hedging derivatives	12	1,714,834	506,104
Related tax	12	(411,559)	(121,465)
Total items that may be subsequently reclassified to profit or loss		**1,303,275**	**384,639**
Items that may not be subsequently reclassified to profit or loss:			
IAS 19 - Actuarial gains (losses) on post-employment benefits	12	538,568	(95,145)
Related tax	12	(146,238)	26,546
IAS 19 - Actuarial gains (losses) on post-term of office benefits for directors	12	38,690	(11,767)
Total items that may not be subsequently reclassified to profit or loss		**431,020**	**(80,366)**
COMPREHENSIVE INCOME		**46,242,781**	**27,622,720**

STATEMENT OF CASH FLOWS

(in Euros)	Note	2022	2021
Profit for the year		44,508,486	27,318,447
Adjustments for:			
Amortisation, depreciation and impairment losses	28	8,220,491	7,568,153
Accruals to provisions		3,061,031	2,450,999
Net financial income		(26,862,881)	(8,245,116)
Income taxes	32	2,989,596	2,396,308
Gains on the sale of non-current assets		(31,833)	(70,918)
		31,884,890	**31,417,873**
Changes in working capital:			
Change in trade receivables and other current assets		(4,959,319)	(11,638,822)
Change in inventories	7	(7,252,362)	(6,819,446)
Change in trade payables and other current liabilities		9,414,163	14,864,380
Change in non-current assets	4	(962,561)	89,524
Change in non-current liabilities	17	252,537	(430,027)
Cash flows from operating activities		**28,377,348**	**27,483,482**
Net interest paid		(1,304,416)	(1,097,639)
Income taxes paid		(755,394)	(2,323,199)
Net cash flows from operating activities		**26,317,538**	**24,062,644**
Investments in property, plant and equipment	1	(7,838,677)	(4,388,076)
Investments in intangible assets	2	(3,488,272)	(3,370,153)
Disinvestments of property, plant and equipment and intangible assets		474,342	306,775
Investments in investees	3	(47,480,132)	(25,099,722)
Cash flows used in investing activities		**(58,332,739)**	**(32,551,176)**
Dividend distributions	12	(14,995,428)	(11,987,937)
Dividends collected		28,621,339	9,139,818
Interest collected		431,392	143,848
Increase in financial liabilities	13	106,976,136	66,913,198
Decrease in financial liabilities	13	(81,141,995)	(63,702,382)
Decrease in lease liabilities	13	(1,506,147)	(1,615,411)
Increase in financial assets	10	(23,038,808)	(14,982,894)
Decrease in financial assets	10	1,660,167	7,521,642
Cash flows from (used in) financing activities		**17,006,656**	**(8,570,118)**
Change in cash and cash equivalents		**(15,008,545)**	**(17,058,650)**
Cash and cash equivalents - opening balance	**11**	**53,646,914**	**70,705,564**
Cash and cash equivalents - closing balance	**11**	**38,638,369**	**53,646,914**

STATEMENT OF CHANGES IN EQUITY

(in Euros)	Share capital	Legal reserve	Hedging reserve	Actuarial reserve
31 December 2020	**10,000,000**	**2,000,000**	**(435,757)**	**(291,348)**
Allocation of prior year profit				
- dividend distributions				
- other allocations				
Movements in stock grant reserve				
Repurchase of treasury shares				
Assignment of treasury shares				
Profit for the year				
Other comprehensive income			384,639	(80,366)
31 December 2021	**10,000,000**	**2,000,000**	**(51,118)**	**(371,714)**
Allocation of prior year profit				
- dividend distributions				
- other allocations				
Movements in stock grant reserve				
Repurchase of treasury shares				
Assignment of treasury shares				
Profit for the year				
Other comprehensive income			1,303,275	431,020
31 December 2022	**10,000,000**	**2,000,000**	**1,252,157**	**59,306**

Income-related reserves and other reserves	Equity-related reserves	IFRS reserve	Treasury shares	Stock grant reserve	Retained earnings	Profit for the year	Total
45,308,923	**10,397,335**	**2,145,495**	**(1,764,900)**	**1,184,115**	**476,149**	**20,895,918**	**89,915,930**
(8,123)						(11,979,815)	(11,987,938)
8,950,188				(34,085)		(8,916,103)	-
				161,440			161,440
							-
			657,030				657,030
						27,318,447	27,318,447
					-	-	304,273
54,250,988	**10,397,335**	**2,145,495**	**(1,107,870)**	**1,311,470**	**476,149**	**27,318,447**	**106,369,182**
(10,506)						(14,984,922)	(14,995,428)
12,420,092				(86,567)		(12,333,525)	-
				(359,971)			(359,971)
			-				-
			768,380				768,380
						44,508,486	44,508,486
						-	1,734,295
66,660,574	**10,397,335**	**2,145,495**	**(339,490)**	**864,932**	**476,149**	**44,508,486**	**138,024,944**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2022

CONTENT AND FORMAT OF THE SEPARATE FINANCIAL STATEMENTS

Carel Industries S.p.A. (the "company") is an Italian company limited by shares, with registered office in Via Dell'Industria 11, Brugine (PD). It is registered with the Padua company registrar.

Carel Industries S.p.A. provides control instruments to the air-conditioning and commercial and industrial refrigeration markets and also produces air humidification systems.

These separate financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and cover the year from 1 January to 31 December 2022.

The company prepared its separate and consolidated financial statements in accordance with the IFRS endorsed by the European Union on 1 January 2015 (the transition date).

The company's board of directors approved the separate financial statements at 31 December 2022 on 2 March 2023.

The separate financial statements were prepared in accordance with the updated accounting records.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

IThe separate financial statements at 31 December 2022 were prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission with the procedure set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The IFRS include all the standards as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union at the reporting date and included in the related EU regulations published at that date.

The separate financial statements include the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and these notes. They were prepared using the historical cost principle and assuming the company will continue as a going concern. The company assumed that it could adopt the going concern assumption pursuant to IAS 1.25/26 given its strong market position, very satisfactory profits and solid financial structure.

The separate financial statements were prepared in Euros, which is the company's functional and presentation currency as per IAS 21, unless indicated otherwise.

The company availed itself of the option allowed by article 40.2-bis of Legislative decree no. 127 of 9 April 1991, as amended by Legislative decree no. 32 of 2 February 2007, which provides for the preparation of a single directors' report for the separate and consolidated financial statements of Carel Industries S.p.A.

FINANCIAL STATEMENTS SCHEDULES

Statement of financial position. Assets and liabilities are presented as current or non-current as required by paragraph 60 and following paragraphs of IAS 1.

An asset or liability is classified as current when it meets one of the following criteria:

- the company expects to realise the asset or settle the liability, or intends to sell or consume it, in its normal operating cycle; or
- it holds the asset or liability primarily for the purpose of trading; or
- it expects to realise the asset or settle the liability within twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

Statement of profit or loss. The company has opted to present the statement of profit or loss classifying items by their nature rather than their function, as this best represents the transactions undertaken during the year and its business structure. This approach is consistent with the company's internal management reporting system and international best practices for its sector. Following adoption of revised IAS 1, the company decided to present the statement of profit or loss and other comprehensive income in two separate statements.

Statement of comprehensive income. This statement, prepared in accordance with the IFRS, presents other items of comprehensive income that are recognised directly in equity.

Statement of cash flows. The company prepares this statement using the indirect method. Cash and cash equivalents included herein comprise the statement of financial position balances at the reporting date. Interest income and expense and income taxes are included in the cash flows from operating activities, except for interest accrued on available-for-sale financial assets and dividends received, which are presented under cash flows from financing activities. The company presents cash flows from operating activities and investing activities and changes in non-current financial position, current liabilities and current financial assets separately. If not specified, exchange gains and losses are classified in the operating activities as they refer to the translation of trade receivables and payables into Euros.

Statement of changes in equity. This statement shows changes in the equity captions related to:

- the allocation of the profit for the year to non-controlling interests;
- owner transactions (repurchase and sale of treasury shares);
- each profit or loss item, net of the related tax effects, that is recognised either directly in equity (gain or loss on the repurchase/sale of treasury shares) or in an equity reserve (share-based payments), pursuant to the IFRS;
- changes in the hedging reserve, net of the related tax effects;
- the effect of any changes in the IFRS.

BUSINESS COMBINATIONS

Business combinations are treated using the acquisition method. The consideration is recognised at fair value, calculated as the sum of the acquisition date fair values of the assets transferred and liabilities assumed by the acquirer and the equity interests issued in exchange for control of the acquiree. Transaction costs are usually recognised in profit or loss when they are incurred.

The assets acquired and the liabilities assumed are recognised at their acquisition-date fair value, except for the following items which are measured in line with the relevant IFRS:

- deferred tax assets and liabilities;
- employee benefits;
- liabilities or equity instruments related to share-based payment awards of the acquiree or share-based payment awards of the acquirer issued to replace the acquiree's awards;
- assets held for sale and disposal groups.

Goodwill is calculated as the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree and the net of the acquisition-date fair value of the assets acquired and liabilities assumed. Goodwill is only recognised after its recoverability has been tested by analysing its future cash flows.

If the acquisition-date fair value of the assets acquired and liabilities assumed is greater than the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the resulting gain is recognised immediately in profit or loss.

The amount of any non-controlling interest in the acquiree at the acquisition date is the pre-combination carrying amount of the acquiree's net assets.

Contingent consideration is measured at its acquisition-date fair value and included in the consideration exchanged for the acquiree to calculate goodwill. Any subsequent changes in fair value, which are measurement period adjustments, are included in goodwill retrospectively. Changes in fair value which are measurement period adjustments are those that arise due to additional information becoming available about facts and circumstances that existed at the acquisition date and was obtained during the measurement period (that cannot exceed one year from the acquisition date). Any subsequent change in contingent consideration is included in profit or loss.

ACCOUNTING POLICIES

The separate financial statements at 31 December 2022 were prepared in accordance with the IFRS issued by the IASB, endorsed by the European Commission and applicable at the reporting date. They are presented in Euros, which is the company's functional currency, i.e., the currency of the primary economic environment in which it mainly operates. Amounts are rounded to the nearest unit.

The separate financial statements at 31 December 2022 present the company's financial position and performance, in accordance with the IFRS.

They were prepared using the historical cost criterion, except for derivative financial instruments hedging currency and interest rate risks and available-for-sale financial assets, which were measured at fair value as required by IFRS 9 Financial instruments: recognition and measurement.

Preparation of separate financial statements under the IFRS requires management to make estimates and assumptions that affect the amounts in the financial statements and the notes. Actual results may differ from these estimates. Reference should be made to the "Use of estimates" section for details of the captions more likely to be affected by estimates.

Following its decision to adopt the IFRS starting from the separate financial statements at 31 December 2017, the company referred to the standards applicable from 1 January 2017 to prepare its separate financial statements at 31 December 2022, in accordance with the provisions of IFRS 1.

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2022

The company applied the following standards, amendments and interpretations for the first time starting from 1 January 2022:

- On 14 May 2020, the IASB published the following amendments:
  - **Amendments to IFRS 3 Business combinations**: to update the reference to the conceptual framework in the revised IFRS 3 without changing the requirements of the standard.
  - **Amendments to IAS 16 Property, plant and equipment**: to prohibit deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while testing the asset. Instead, the sales proceeds and relevant costs shall be recognised in profit or loss.
  - **Amendments to IAS 37 Provisions, contingent liabilities and contingent assets**: to clarify the costs an entity should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Accordingly, the costs of fulfilling a contract shall include both incremental costs (e.g., materials directly used in production) and all other costs that relate directly to fulfilling contracts (e.g., the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
  - **Annual improvements 2018-2020**: amendments were made to IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 Financial instruments, IAS 41 Agriculture and Illustrative examples of IFRS 16 Leases.

These amendments become effective on 1 January 2022.The adoption of these amendments did not affect the separate financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE COMPANY AT 31 DECEMBER 2022

- On 18 May 2017, the IASB published **IFRS 17 Insurance contracts**, which will supersede IFRS 4 Insurance contracts.
  The standard applies to annual periods beginning on or after 1 January 2023 but earlier application is allowed for those entities that apply IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers. The directors do not expect its adoption will significantly affect the separate financial statements.
- On 9 December 2021, the IASB published ***Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)***. These amendments provide for a transition option for the comparative information on financial assets presented on the date of initial application of IFRS 17. The directors do not expect these amendments to significantly affect the separate financial statements.
- On 12 February 2021, the IASB published ***Disclosure of accounting policies (Amendments to IAS 1 and IFRS***

Practice Statement 2) and Definition of accounting estimates (Amendments to IAS 8). The amendments improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements and help companies distinguish changes in accounting estimates from changes in accounting policies. These amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Directors do not expect these amendments to significantly affect the company's separate financial statements.

- On 7 May 2021, the IASB published ***Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)*** that clarifies how companies account for deferred tax on transactions that can give rise to equal amounts of assets and liabilities such as leases and decommissioning obligations. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, but earlier application is allowed. The Directors do not expect these amendments to significantly affect the company's separate financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the reporting date, the EU's relevant bodies had not yet completed the endorsement process for adoption of the following amendments and standards.

- On 23 January 2020, the IASB published ***Classification of liabilities as current or non-current (Amendments to IAS 1)***, while on 31 October 2022, it published ***Non-current liabilities with covenants (Amendments to IAS 1)***. The intention is to clarify how to classify debt and other financial liabilities as current or non-current. The amendments become effective on 1 January 2024 but earlier application is allowed. The Directors do not expect these amendments to significantly affect the company's separate financial statements.
- On 22 September 2022, the IASB published ***Lease liability in a sale and leaseback (Amendments to IFRS 16)***. They require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments become effective on 1 January 2024 but earlier application is allowed. The Directors do not expect these amendments to significantly affect the separate financial statements;
- On 30 January 2014, the IASB published ***IFRS 14 Regulatory deferral accounts*** that allows first-time adopters to continue to recognise amounts relating to rate regulation activities under the previous reporting standards. Since the company is not a first-time adopter, the standard is not applicable to it.

ACCOUNTING POLICIES

Revenue and costs

Revenue is measured based on the fee contractually-agreed with the customer and does not include amounts collected on behalf of third parties. The company recognises revenue when control of the goods or services is transferred to the customer. Revenue is recognised to the extent it is probable the company will receive the economic benefits and it can be measured reliably. Most contracts with customers provide for commercial discounts and discounts based on volumes, which modify the revenue itself. In defining the amount of the variable consideration that may be included in the transaction price, the company calculates the amount of variable consideration that cannot yet be considered realised at each reporting date.

Revenue from the sale of HVAC products and services refer to sales of products for air control and humidification in the industrial, residential and commercial segment (heat ventilation and air conditioning), while refrigeration revenue refers to sales to the food retail and food service segment. The sales in both markets can be divided into the following three macro channels: (i) OEM (Original Equipment Manufacturers), (ii) Dealers and (iii) Projects. Non-core revenue is earned on products that do not make up the company's core business.

The warranties related to these categories of products are warranties for general repair and in most cases, the company does not provide extended warranties. The company recognises warranties in compliance with IAS 37 Provisions, contingent liabilities and contingent assets.

There are no significant services provided for a lengthy period of time.

Advertising and research costs are expensed in full as required by IAS 38 Intangible assets. Revenue from services is recognised when the services are rendered.

Interest

Revenue and expenses are recognised on an accruals basis in line with the interest accrued on the carrying amount of the related financial assets and liabilities using the effective interest method.

Dividends

They are recognised when the shareholder's right to receive payment is established, which normally takes place when the shareholders pass the related resolution. The dividend distribution is recognised as a liability in the financial statements of the period in which the shareholders approve such distribution.

Income taxes

They reflect a realistic estimate of the company's tax burden, calculated in accordance with the current regulations; current tax liabilities are recognised in the statement of financial position net of any payments on account.

Deferred tax assets and liabilities arise on temporary differences between the carrying amount of an asset or liability pursuant to the IFRS and its tax base, calculated using the tax rates reasonably expected to be enacted in future years. Deferred tax assets are only recognised when their recovery is probable while deferred tax liabilities are always recognised as required by IAS 12 Income taxes. The company does not apply any netting of current and deferred taxes. Deferred tax liabilities on untaxed reserves are accounted for in the year in which the liability to pay the dividend is recognised.

Income taxes relative to prior years include prior year tax income and expense.

Translation criteria

Foreign currency financial assets and liabilities are translated into Euros using the transaction-date exchange rate. Any gains or losses when the foreign currency financial asset is collected or the financial liability settled are recognised in profit or loss.

Revenue, income, costs and expenses related to foreign currency transactions are recognised at the spot rate ruling on the transaction date. At the closing date, foreign currency assets and liabilities are retranslated using the spot closing rate and the related exchange rate gains or losses are recognised in profit or loss. Non-monetary items are recognised using the transaction-date exchange rate.

Property, plant and equipment

They are recognised at historical cost, including ancillary costs necessary to ready the asset for the use for which it has been purchased.

Maintenance and repair costs that do not extend the asset's life and/or enhance its value are expensed when incurred; otherwise, they are capitalised.

Property, plant and equipment are stated net of accumulated depreciation and impairment losses calculated using the methods described later in this section. The depreciable amount of an asset is allocated on a systematic basis over its useful life, which is reviewed once a year. Any necessary changes are applied prospectively.

The depreciation rates of the main categories of property, plant and equipment are as follows:

Category of assets	Rate %
Buildings:	
- Light constructions	10,00%
- Industrial buildings	3,00%
Plant and machinery:	
- Generic plant	10,00%
- Automatic operating machinery	10.00%-15.50%
Industrial and commercial equipment	25,00%
Other items of property, plant and equipment:	
- Office furniture and equipment	12.00%-20.00%
- Hardware	20,00%
- Cars	25,00%
- Telecommunication systems	20,00%
- Other items of property, plant and equipment	20,00%
- Right-of-use assets	Contract term

Land has an indefinite useful life and therefore is not depreciated.

Assets held under lease are recognised as right-of-use assets at the present value of the lease payments.

The liability to the lessor is shown under financial liabilities. The leased assets are depreciated over the lease term.

Lease payments for short-term leases or leases of low value assets are recognised in profit or loss over the lease term.

When the asset is sold or there are no future economic benefits expected from its use, it is derecognised and the gain or loss (calculated as the difference between the asset's sales price and carrying amount) is recognised in profit or loss in the year of derecognition.

Leasehold improvements that are not economically separable from the assets in use are depreciated over the useful life of the costs incurred, from the moment they are incurred or when the asset become available for use.

Intangible assets

These are identifiable, non-monetary assets without physical substance that are controlled by the entity and from which future economic benefits are expected to flow to the entity. They are initially recognised at cost when this can be reliably determined using the same methods applied to property, plant and equipment.

These assets are subsequently presented net of accumulated amortisation and any impairment losses. Their useful life is reviewed regularly and any changes are applied prospectively. Costs incurred to internally generate an intangible asset are capitalised in line with the provisions of IAS 38.

Their estimated average useful life is between three and ten years.

Gains or losses on the sale of an intangible asset are calculated as the difference between the asset's sales price and its carrying amount. They are recognised in profit or loss at the sales date.

Goodwill

This is the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the assets acquired and liabilities assumed. Goodwill is not amortised but is tested annually for impairment or whenever a trigger event occurs. For the purposes of impairment testing, goodwill is allocated to each of the company's cash-generating units that is expected to benefit from the business combination.

Development expenditure

This is for the development of new products and the improvement of existing products and for the development and improvement of production processes. It is capitalised in accordance with IAS 38 if the innovations introduced create processes that are technically feasible and/or marketable products provided that they are aimed at completing development projects and the resources necessary for the completion and the costs and economic benefits of such innovations can be reliably measured. The expenses that are capitalised include internal and external design costs (including personnel expense and the cost of the services and materials used) reasonably attributable to the projects. As development expenditure is an intangible asset with a finite useful life, it is amortised in line with the period in which the economic benefits are expected to be obtained, generally identified as five years. The expenses are adjusted for impairment losses that could occur after first recognition. Amortisation begins from the moment that the products become available for use. The useful life is reviewed and adjusted in line with the expected future use.

Impairment losses on non-financial assets

Assets with an indefinite useful life are not amortised but are tested for impairment once a year to check whether their carrying amount has been impaired.

The board of directors adopted a policy that defines the criteria for the impairment test, the controls to be carried out to guarantee the reliability of the process and the procedure to approve the test, in line with Consob recommendation no. 0003907 of 15 January 2015.

Amortisable assets are tested for impairment whenever events or circumstances suggest that their carrying amount cannot be recovered (trigger events). In both cases, the impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. If it is not possible to determine an asset's value in use, the recoverable value of the cash-generating unit (CGU) to which the asset belongs is calculated. Assets are grouped into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The company calculates the present value of the estimated future cash flows of the CGU using a discount rate that reflects the time value of money and the risks specific to the asset.

If an impairment loss on an asset other than goodwill subsequently decreases or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimate of its recoverable amount which will not, in any case, exceed the carrying amount the asset would have had if no impairment loss had been recognised.

Reversals of impairment losses are recognised immediately in profit or loss using the model provided for in IAS 16 Property, plant and equipment.

Equity investments

Investments in subsidiaries and associates are recognised as financial assets based on the acquisition cost criterion, including ancillary costs and are adjusted for impairment in accordance with IAS 36. Specifically, if there are indicators of potential impairment losses, an impairment test is carried out.

The carrying amount is adjusted for impairment, the effect of which is recognised in profit or loss as a reduction of the asset. If these losses no longer exist or they decrease, the carrying amount is increased in line with the new recoverable amount, which must not exceed the original cost. The reversal of impairment is recognised in profit or loss.

The fair value of any call/put options for the non-controlling interest in investees are included in the equity investment's carrying amount, as required by the IFRS.

Financial assets

They are initially recognised at their fair value and subsequently measured at amortised cost. Financial assets are initially recognised at their fair value increased, in the case of assets other than those recognised at fair value through profit or loss, by ancillary costs. When subscribed, the company assesses whether a contract includes embedded derivatives. The embedded derivatives are separated from the host contract if this is not measured at fair value when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

The company classifies its financial assets after initial recognition and, when appropriate and permitted, reviews this classification at the reporting date.

It recognises all purchases and sales of financial assets at the transaction date, i.e., the date on which the company assumes the commitment to buy the asset.

All financial assets within the scope of IFRS 9 are recognised at amortised cost or fair value depending on the business model for managing the financial asset and the asset's contractual cash flow characteristics.

Specifically:

- debt instruments held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows and the related cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently recognised at amortised cost;
- debt instruments held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the related cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other debt and equity instruments are subsequently measured at fair value through profit or loss (FVTPL).

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. On the other hand, when an equity instrument measured at FVTOCI is derecognised, the cumulative gain or loss that was previously recognised in other comprehensive income is transferred to retained earnings, without affecting profit or loss.

Debt instruments subsequently measured at amortised cost or FVTOCI are tested for impairment.

Any impairment losses are recognised in profit or loss after use of the fair value reserve if this has been set up. Subsequent reversals of impairment losses are recognised in profit or loss except in the case of equity instruments for which the reversal is recognised in equity.

The company has zero-balance cash pooling contracts with certain European group companies. These instruments are intended to ensure optimal management of cash flows, allowing for the centralised management of the group's financial needs by transferring to a pooler, namely Carel Industries S.p.A., the credit and debit balances of current accounts of the individual group companies. The main aim is to use the cash surplus of one or more group companies to eliminate or reduce the debt exposure of the other companies. Following the transfer of the balances to the pool account, the individual companies must recognise a liability in the case of a negative balance and an asset in the case of a positive balance. Subsequently, the pooler recognises the individual transactions, sending a statement to the group companies on a regular basis. At the agreed expiry, the pooler manages the payment of the assets/liabilities.

The companies that take part in the cash pooling scheme are: CAREL INDUSTRIES S.p.A. (pooler) and its subsidiaries Carel U.K. Ltd, Carel France s.a.s., Carel Deutschland GmbH, Carel Control Iberica Sl; Carl Adriatic D.o.o., Alfaco Polska Sp.z.o.o, HygroMatik GmbH, Recuperator S.p.A. and Enginia S.r.l.

Inventories

They are measured at the lower of purchase and/or production cost, calculated using the weighted average cost method, and net realisable value. Purchase cost comprises all ancillary costs. Production cost includes the directly related costs and a portion of the indirect costs that are reasonably attributable to the products.

Work in progress is measured at average cost considering the stage of completion of the related contracts.

Obsolete and/or slow moving items are written down to reflect their estimated possible use or realisation through an allowance.

The write-down is reversed in subsequent years if the reasons therefor no longer exist.

Trade receivables

They are initially recognised at fair value, which is the same as their nominal amount, and subsequently measured at amortised cost and impaired, if appropriate. Their carrying amount is adjusted to their estimated realisable amount through the loss allowance.

Foreign currency trade receivables are translated into Euros using the transaction-date exchange rate and subsequently retranslated using the closing rate. The exchange gain or loss is recognised in profit or loss.

Cash and cash equivalents

They include cash, i.e., highly liquid investments (maturity of less than three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee benefits

This caption includes the Italian post-employment benefits ("TFR") and other employee benefits covered by IAS 19 Employee benefits. As a defined benefit plan, independent actuaries calculate the TFR at the end of each reporting period. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. These benefits are calculated using the projected unit credit method. Law no. 296/06 changed the Italian post-employment benefits scheme and benefits accrued after 1 January 2007 are now classified as defined contribution plans (using the terminology provided in IAS 19), regardless of whether the employee decides to have them transferred to the INPS (the Italian social security institution) treasury fund or an external pension plan. Benefits vested up until 31 December 2006 continue to be recognised as part of a defined benefit plan and are subject to actuarial valuation, excluding the future salary increase component. The company does not have plan assets. It recognises actuarial gains and losses in the period in which they arise. Pursuant to IAS 19 (revised), they have been recognised directly in other comprehensive income starting from 2015.

Provisions for risks

As required by IAS 37 Provisions, contingent liabilities and contingent assets, the company recognises a provision when (i) it has a present legal or constructive obligation to third parties as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Changes in estimates from one period to another are recognised in profit or loss.

Where the effect of the time value of money is material and the payment dates of the obligation can be estimated reliably, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Any subsequent changes arising from the passage of time are recognised as financial income or expense in the statement of profit or loss.

No provision is made for possible but not probable risks but the company provides adequate disclosure thereon in the notes.

Trade payables and other current liabilities

Trade payables and other current liabilities which fall due within normal trading terms are initially recognised at cost, which equals their nominal amount, and are not discounted. When their due date is longer than normal trading terms, the interest is separated using an appropriate market rate.

Financial liabilities

They are classified as current liabilities unless the company has an unconditional right to defer their payment for at least 12 months after the reporting date. The company removes the financial liability when it is extinguished and the company has transferred all the risks and rewards related thereto. Financial liabilities are initially recognised at their fair value and subsequently measured using the amortised cost method.

Other non-current liabilities

This caption mainly includes the liability for the call option for a non-controlling interest. The call option was initially measured at its fair value at the acquisition date and it is remeasured at each reporting date. Any resulting fair value gains or losses are recognised in profit or loss under financial income or expense.

The other non-current liabilities are initially recognised at cost, which is equal to their nominal amount.

Derivative financial instruments

The company solely uses derivatives to hedge currency risk on foreign currency commercial transactions and interest risk on its medium to long-term debt.

Initial recognition and subsequent measurement is at the derivatives' fair value, applying the following accounting treatments:

Fair value hedge - if a derivative is designated as a hedge of the company's exposure to changes in fair value of a recognised asset or liability that could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss as is the gain or loss on the hedged item.

Cash flow hedge - if a derivative is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income; the cumulative gain or loss is reclassified to profit or loss in the same period during which the hedged forecast cash flows affect profit or loss; the gain or loss on the hedge or the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

When the conditions for application of hedge accounting are no longer met, the company reclassifies the fair value gains or losses on the derivative directly to profit or loss.

Use of estimates

Preparation of the separate financial statements requires management to apply accounting policies and methods that, in certain circumstances, are based on complex and subjective judgements, past experience or assumptions that are considered reliable and realistic at that time depending on the related circumstances. Application of these estimates and assumptions affects the amounts recognised in the statement of financial position, the statement of profit or loss and the statement of cash flows as well as the disclosures. Actual results may differ from those presented in the separate financial statements due to the uncertainty underlying the assumptions and the conditions on which the estimates were based.

The captions that require the greater use of estimates and for which a change in the conditions underlying the assumptions may affect the separate financial statements are:

- **loss allowance:** this allowance comprises management's best estimates about expected credit losses on receivables from end customers. Management estimates the allowance on the basis of the expected credit losses, considering past experience for similar receivables, the performance of past due receivables, assessments of the credit quality and forecasts of economic and market conditions. Management's estimates, which are based on past experience and the market, may be affected by changes in the competitive scenario or the market in which the company operates;
- **allowance for inventory write-down:** slow-moving raw materials and finished goods are tested for obsolescence regularly using historical data and the possibility of their sale at below-market prices. If this test shows the need to write down inventory items, the group sets up an allowance; like for the loss allowance, this allowance is calculated considering past experience and the market. Changes in the

reference scenarios or market trends could significantly modify the criteria used as a basis for the estimates;

- **right-of-use assets:** the recognition of right-of-use assets and the related lease liabilities requires significant management estimates, especially in determining the lease term and the incremental borrowing rate. In determining the lease term, in addition to the contractual deadlines, the company considers any renewal options that it reasonably expects to exercise. The incremental borrowing rate is calculated by considering the type of leased asset, the jurisdiction in which it is acquired and the currency in which the lease is denominated. Any changes in the reference scenarios or market trends could require a review of the above components.

Impairment testing

If there are any internal or external factors that may indicate an impairment loss, the company tests property, plant and equipment, intangible assets and equity investments for impairment. Goodwill is tested for impairment at least once a year, regardless of the occurrence of any trigger events. The company calculates the recoverable amount of the CGU as the value in use using the discounted cash flow method applying assumptions, such as estimates of future increases in sales, operating costs, the growth rate of the terminal value, investments, changes in working capital and the weighted average cost of capital (discount rate).

The value in use may change if the main estimates and assumptions made in the plan change and, hence, the impairment test. Therefore, the realisable value of the recognised assets may also change.

Fair value

IFRS 13 is the only reference source for fair value measurement and the related disclosures when this measurement is required or permitted by another standard. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard replaces and extends the disclosure required about fair value measurement in other standards, including IFRS 7 Financial instruments: disclosures.

IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value in hierarchical order as follows:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs: unobservable inputs for the asset or liability.

The method used to estimate fair value is as follows:

- the fair value of available-for-sale quoted instruments is calculated using quoted prices (level 1);
- the fair value of currency hedges is calculated by discounting the difference between the forward price at maturity and the forward price for the remaining term at the measurement date (the reporting date) at a risk-free interest rate (level 2);
- the fair value of interest rate hedging derivatives is based on broker prices and is calculated considering the present value of the future cash flows discounted using the reporting-date interest rates (level 2).

The fair value of financial instruments not quoted on an active market is calculated in accordance with valuation techniques generally adopted by the financial sector and specifically:

- he fair value of interest rate swaps (IRS) is calculated using the present value of the future cash flows;
- the fair value of forwards to hedge foreign currency risk is calculated using the present value of the difference between the contractual forward exchange rate and the spot exchange rate at the reporting date;
- the fair value of the options to hedge foreign currency risk is calculated using mathematical models that consider the contractual forward exchange rate, the spot exchange rate at the reporting date and the cost incurred to agree such option;
- reference should be made to note [10] for information on the fair value of the short-term investments.

Reference should be made to the specific comments provided in the notes to the assets or liabilities for more information about the assumptions used to determine fair value.

RISKS AND FINANCIAL INSTRUMENTS

The objective of IFRS 7 is to require entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for an entity's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The principles in this standard complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 Financial instruments: presentation and IFRS 9 Financial instruments: recognition and measurement.

This section presents the supplementary disclosures required by IFRS 7.

The accounting policies applied to measure financial instruments are described in the section on the Accounting policies.

The company's operations expose it to a number of financial risks that can affect its financial position, financial performance and cash flows due to the impact of its financial instruments.

These risks include:

a. credit risk;
b. liquidity risk;
c. market risk (currency risk, interest rate risk and other price risk).

The company's board of directors has overall responsibility for the design and monitoring of a financial risk management system. It is assisted by the various departments involved in the operations generating the different types of risk.

The units establish tools and techniques to protect the company against the above risks and/or transfer them to third parties (through insurance policies) and they assess the risks that are neither hedged nor insured pursuant to the guidelines established by the board of directors for each specific risk.

The degree of the company's exposure to the different financial risk categories is set out below.

CREDIT RISK

The company operates on various national markets with a high number of medium and large-sized customers, mostly regional or local distributors. Therefore, it is exposed to credit risk in conjunction with its customers' ability to generate suitable cash flows.

The company's credit risk management policy includes rating its customers, setting purchase limits and taking legal action. It obtains periodic reports to ensure tight control over credit collection.

The company has a credit manager in charge of credit collection on sales made in their markets. Group companies active in the same market (e.g., the Italian companies) exchange information about common customers electronically and coordinate delivery blocks or the commencement of legal action.

The loss allowance is equal to the nominal amount of the uncollectible receivables after deducting the part of the receivables secured with bank collateral. The company analyses all the collateral given to check collectability. Impairment losses are recognised considering past due receivables from customers with financial difficulties and receivables for which legal action has commenced.

Furthermore, the company did not modify payment terms applied to customers or its credit risk management policies, while it prudently reinforced monitoring of credit positions with customers.

The following table provides a breakdown of trade receivables and related loss allowance by ageing bracket:

	31.12.2022		31.12.2021	
(in Euros)	**Trade receivables**	**Loss allowance**	**Trade receivables**	**Loss allowance**
Not yet due	51,883,074	(664,850)	47,306,832	(436,117)
Past due < 6 months	1,894,606	(24,665)	1,643,260	(56,097)
Past due > 6 months and < 12 months	554,226	(89,111)	497,071	(119,014)
Past due > 12 months	1,292	(1,292)	86,948	(86,948)
Total	**54,333,198**	**(779,918)**	**49,534,111**	**(698,176)**

LIQUIDITY RISK

The company has a high level of liquidity and limited net financial debt. During the year, the company had easy access to additional funding, without additional costs. The company has shown itself to be consistently profitable and able to generate significant liquidity. Therefore, it is not believed that liquidity risk was increased by the international situation.

The company mainly deals with well-known and reputable customers. Its policy is to constantly monitor those customers that request payment extensions.

As required by IFRS 7, the next table shows the cash flows of the company's financial liabilities by maturity:

(in Euros)

31.12.2022	TOTAL	"Total cash flows"	Within one year	From one to five years	After five years
- Bank loans and borrowings at amortised cost	50,174,637	52,775,928	-	52,775,928	-
- Amounts due to bondholders	39,467,988	45,213,000	-	3,208,000	42,005,000
- Lease liabilities	14,110,299	14,980,708	-	6,345,579	8,635,129
- Other loans and borrowings at amortised cost	488,543	494,540	-	494,540	-
- Other financial liabilities	1,190,014	1,190,014	-	1,190,014	-
Non-current financial liabilities	**105,431,481**	**114,654,190**	-	**64,014,061**	**50,640,129**
- Bank loans at amortised cost	69,221,440	72,243,597	72,243,597	-	-
- Amounts due to bondholders	113,617	802,000	802,000	-	-
- Lease liabilities	1,569,269	1,747,812	1,747,812	-	-
- Other loans and borrowings at amortised cost	1,627,555	1,632,668	1,632,668	-	-
- Derivatives held for trading at fair value through profit or loss	48,870	48,870	48,870	-	-
- Intragroup financial liabilities	31,433	31,433	31,433	-	-
- Other financial liabilities	11,957,244	12,007,904	12,007,904	-	-
Current financial liabilities	**84,569,428**	**88,514,284**	**88,514,284**	-	-

(in Euros)

31.12.2021	TOTAL	Total cash flows	Within one year	From one to five years	After five years
- Bank loans and borrowings at amortised cost	67,920,086	68,374,540	-	68,374,540	-
- Lease liabilities	12,108,309	12,405,239	-	4,939,399	7,465,840
- Effective designated derivative hedges	108,401	108,401	-	108,401	-
- Other loans and borrowings at amortised cost	681,246	692,355	-	692,355	-
- Other non-current financial liabilities	1,440,014	1,440,014	-	1,000,000	440,014
Non-current financial liabilities	**82,258,056**	**83,020,549**	-	**75,114,695**	**7,905,854**
- Current portion of bank loans at amortised cost	60,196,202	60,531,973	60,531,973	-	-
- Lease liabilities	1,310,656	1,385,118	1,385,118		
- Other loans and borrowings at amortised cost	191,170	197,816	197,816	-	-
- Derivatives held for trading at fair value through profit or loss	40,625	40,625	40,625	-	-

(in Euros)					
31.12.2021	**TOTAL**	**Total cash flows**	**Within one year**	**From one to five years**	**After five years**
- Intragroup financial liabilities	16,343,510	16,367,526	16,367,526	-	-
- Other financial liabilities	18,733	18,733	18,733		
Current financial liabilities	**78,100,896**	**78,541,791**	**78,541,791**	-	-

The next table shows the categorisation of financial assets and liabilities at the reporting date in accordance with IFRS 9 and their fair value:

(in Euros)				**Fair value**	
31.12.2022	**IFRS 9 category**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Intragroup financial assets	Loans and receivables	16,320,089			16,320,089
Effective derivatives	Derivatives	1,044,326		1,044,326	
Other non-current financial assets		**17,364,415**			
Other current financial assets	Available-for-sale financial assets	10,890,653	10,890,653		
Effective derivatives	Derivatives	603,248		603,248	
Derivatives	Financial instruments held for trading	93,813		93,813	
Intragroup financial assets	Loans and receivables	10,195,731			10,195,731
Total		**21,783,445**			
Trade receivables	**Loans and receivables**	**53,553,280**			**53,553,280**
Total financial assets		**92,701,140**			
including:	**Available-for-sale financial assets**	**10,890,653**	**10,890,653**	-	-
	Financial instruments held for trading	**93,813**	-	**93,813**	-
	Derivatives	**1,647,574**	-	**1,647,574**	-
	Loans and receivables	**80,069,100**	-	-	**80,069,100**
Bank loans and borrowings	Financial liabilities at amortised cost	(50,174,637)		(50,174,637)	
Amounts due to bondholders	Financial liabilities at amortised cost	(39,467,988)		(39,467,988)	
Other loans and borrowings	Financial liabilities at amortised cost	(1,678,557)		(488,543)	(1,190,014)
Lease liabilities	Financial liabilities at amortised cost	(14,110,299)			(14,110,299)
Non-current financial liabilities		**(105,431,481)**			
Bank loans	Financial liabilities at amortised cost	(69,221,440)		(69,221,440)	
Amounts due to bondholders	Financial liabilities at amortised cost	(113,617)		(113,617)	
Other loans and borrowings	Financial liabilities at amortised cost	(2,208,988)		(192,703)	(2,016,285)
Lease liabilities	Financial liabilities at amortised cost	(1,569,269)			(1,569,269)
Derivatives	Financial instruments held for trading	(48,870)		(48,870)	
Intragroup financial liabilities	Financial liabilities at amortised cost	(11,407,244)			(11,407,244)
Current financial liabilities		**(84,569,428)**			
Trade payables	**Financial liabilities at amortised cost**	**(61,852,743)**			**(61,852,743)**

(in Euros)				Fair value	
31.12.2022	**IFRS 9 category**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Total financial liabilities		**(251,853,652)**			
including:	**Financial liabilities at amortised cost**	**(251,804,782)**	**-**	**(159,658,928)**	**(92,145,854)**
	Financial instruments held for trading	**(48,870)**	**-**	**(48,870)**	**-**
	Derivatives	**-**	**-**	**-**	**-**

(in Euros)				Fair value	
31.12.2021	**IFRS 9 category**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Intragroup financial assets	Loans and receivables	14,404,493			14,404,493
Derivatives	Financial instruments held for trading	81,766		81,766	
Other non-current financial assets		**14,486,259**			
Derivatives	Financial instruments held for trading	4,621		4,621	
Intragroup financial assets	Loans and receivables	660,779			660,779
Other current financial assets		**665,400**			
Trade receivables	**Loans and receivables**	**48,835,935**			**48,835,935**
Total financial assets		**63,987,594**			
including:	**Financial instruments held for trading**	**86,387**	**-**	**86,387**	**-**
	Loans and receivables	**63,901,207**	**-**	**-**	**63,901,207**
Bank loans and borrowings	Financial liabilities at amortised cost	(67,920,086)		(67,920,086)	
Other loans and borrowings	Financial liabilities at amortised cost	(2,121,260)		(681,246)	(1,440,014)
Non-current lease liabilities	Financial liabilities at amortised cost	(12,108,309)			(12,108,309)
Effective derivatives	Derivatives	(108,401)		(108,401)	
Non-current financial liabilities		**(82,258,056)**			
Current bank loans	Financial liabilities at amortised cost	(60,196,202)		(60,196,202)	
Other loans and borrowings	Financial liabilities at amortised cost	(209,903)		(191,170)	(18,733)
Current lease liabilities	Financial liabilities at amortised cost	(1,310,656)			(1,310,656)
Effective derivatives	Derivatives	(40,625)		(40,625)	
Intragroup financial liabilities	Financial liabilities at amortised cost	(16,343,510)			(16,343,510)
Current financial liabilities		**(78,100,896)**			

Trade payables	Financial liabilities at amortised cost	(52,400,843)			(52,400,843)
Total financial liabilities		(212,759,795)			
including:	Financial liabilities at amortised cost	(212,610,769)	-	(128,988,704)	(83,622,065)
	Derivatives	(149,026)	-	(149,026)	-

MARKET RISK

CURRENCY RISK

As the company sells its products in various countries around the world, it is exposed to the risk deriving from changes in foreign exchange rates. This risk mainly arises on purchases and sales in currencies like the US dollar, the Polish zloty and the Japanese yen.

The company agrees currency hedges to set the exchange rate in line with forecast sales and purchases volumes to protect itself against currency fluctuations with respect to its foreign currency transactions. The hedges are based on the company's net exposure using currency forwards and/or plain vanilla options in line with the group's financial policy. The hedged risk is part of the global risk and the hedges are not speculative.

INTEREST RATE RISK

This is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company is exposed to interest rate risk due to its need to finance its operating activities, both production and financial (the purchase of assets), and to invest its available liquidity. Changes in market interest rates may negatively or positively affect the company's results and, hence, indirectly the cost of and return on financing and investing activities.

The company regularly checks its exposure to interest rate fluctuations and manages such risks through the use of derivatives, in accordance with its risk management policies. With regard to such policies, the use of derivatives is reserved exclusively for the management of interest rate fluctuations connected to cash flows and they are not agreed or held for trading purposes.

It solely uses interest rate swaps (IRS), caps and collars to do so.

The company's debt mainly bears floating interest rates. When deemed significant, the company agrees hedges to neutralise fluctuations in interest rates and agrees a set future expense to cover up to 100% of its future cash outflows.

Given its ample liquidity, it has an immaterial liquidity risk with respect to its short-term deadlines and, therefore, this risk principally refers to its medium to long-term financing.

The derivatives used to hedge such risk are generally cash flow hedges in order to set the interest to be paid on financing and obtain an optimum blend of floating and fixed interest rates applied to its financing.

The counterparties are major banks.

Derivatives are measured at fair value.

OTHER MARKET AND/OR PRICE RISKS

The company is subjected to increasing competitive pressure due to the entry of new players into the OEM market (large international groups) and the development of new organised markets which constantly push prices down, especially in the electronics sector.

Demand for the group's products is also affected by fluctuations affecting the distribution channels of products and applications which, as noted, are mostly the OEM operating indirectly in the construction sector and operators linked to the food distribution sector (for the refrigeration business).

The company protects itself from the business risks deriving from its normal involvement in markets with these characteristics by focusing on technological innovation and geographical diversification and expansion leading to the company gaining international status as it is active on all the continents either directly or through exclusive third party franchisees.

The production sites in Italy, China, Brazil, the United States, Croatia and Germany aim to optimise production. They will also act as potential disaster recovery centres to deal with catastrophes that shut down production at the main site in Italy, where the company has its registered office. The company's strategy is also to base its production near its markets and customers to provide faster time-to-market services and increase its production output to serve the rapidly growing markets.

The continuing production structure reorganisation, the related cost savings, geographical diversification and, last but not least, the company's constant commitment to searching for innovative technological solutions make it easier to be competitive.

CLIMATE CHANGE AND POSSIBLE IMPACT ON THE COMPANY AND CAREL INDUSTRIES GROUP

In 2022, the company continued to focus on achieving the objectives set in its sustainability plan and brought forward some activities planned for the subsequent year

The group revisited its carbon footprint analysis and reporting procedure and reported scope 3 emissions (extended to include various categories) for the first time as well as the scope 1 and 2 emissions already calculated for the past four years for all the inscope companies (less the companies that entered the group in 2022). It reported all indirect emissions of its outbound logistics activities and waste from the production sites, inbound logistics activities, purchased services, packaging, business trips and homework commutes of parent personnel.

The group also completed an expeditious lifecycle assessment (LCA) of one of its key products that contributes to the ongoing ex-tension of the analysis of scope 3 emissions (indirect emissions not directly controllable by the group). This assessment will give a more accurate and extensive snapshot of both consumption and emissions related to production and, more generally, the group's economic activities so that the group can best define future actions to mitigate its carbon footprint.

The company's two new leased buildings housing the new knowledge centre, the new canteen and new offices spaces are classified as A4 and A3 energy efficiency, i.e., ultra-low-energy buildings. They are supplied solely with electrical energy (from renewable sources) as well as generating energy from the solar panels, confirming the company's commitment to reducing its emissions and consumption.

The Group launched a process to analyse risks associated with climate change, which will also enable their monitoring and possible updating as changes, including climatic changes, in terms of timing and magnitude, occur.

In addition to the financial risks identified in the previous sections, the group has preliminarily identified a number of potential risks related to climate change; these include the physical risks associated with an increase in extreme weather events and the transition risks associated with the transition to a low-carbon economy.

These risks, which are reflected, for example, in an increase in energy and transport costs, were also taken into account when drawing up the forward-looking plans that the group prepares to assess its future profitability and investment policy. Indeed, partly in addition to that originally estimated, the group approved the investments for the installation of solar panels on the new leased buildings at the company's headquarters, those of the HygroMatik GmbH, CFM Soğutma ve Otomasyon Anonim Şirketi, Carel Adriatic d.o.o. and Carel Electronic (Suzhou) Co. Ltd.

With regard to physical risks, the group continued to implement its production mirroring strategy launched in connection with the outbreak of the Covid-19 pandemic in order to mitigate potential adverse events.

Lastly, the group aims to capitalise on the opportunities offered by climate change and continued to promote the transition towards sustainable development in its sector, by constantly investing in research and development, as discussed in the specific section of the directors' report, to ensure that its products perform to the highest standards in terms of energy efficiency.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

The changes shown below are calculated using the balances at 31 December 2021 related to the statement of financial position and for 2021 with regard to the statement of profit or loss. As already mentioned, amounts are in Euros.

PROPERTY, PLANT AND EQUIPMENT (NOTE 1)

The following table provides an analysis of the changes in property, plant and equipment over the two years:

(in Euros)	Buildings	Light constructions	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Historical cost	14,800,239	10,709	14,062,725	31,424,890	9,098,002	378,797	69,775,362
Accumulated depreciation and impairment losses	(1,276,630)	(6,757)	(10,485,709)	(26,078,236)	(7,393,260)	-	(45,240,592)
Balance at 31 December 2021	**13,523,609**	**3,952**	**3,577,016**	**5,346,654**	**1,704,742**	**378,797**	**24,534,770**
Changes in 2022							
Investments	938,673	-	2,186,768	2,031,903	2,222,752	458,581	7,838,677
Investments in right-of-use assets	2,856,568	-	-	-	312,229		3,168,797
Restatement of right-of-use assets	505,946	-	-	-	4,524	-	510,470
Reclassifications	102,273	-	139,776	110,580	9,271	(361,900)	-
Termination of investments in right-of-use assets	-	-	-	-	(124,389)	-	(124,389)
Disinvestments - cost	-	-	(44,598)	(607,423)	(230,761)	-	(882,782)
Disinvestments - accumulated depreciation	-	-	26,483	199,883	214,004	-	440,370
Depreciation	(23,640)	(1,071)	(590,904)	(2,373,269)	(498,706)	-	(3,487,590)
Depreciation of right-of-use assets	(1,185,055)	-	-	-	(273,349)	-	(1,458,404)
Termination of investments in right-of-use assets - Acc. depr.	-	-	-	-	124,292	-	124,292
Total changes	**3,194,765**	**(1,071)**	**1,717,525**	**(638,326)**	**1,759,867**	**96,681**	**6,129,441**
Balance at 31 December 2022	**16,718,374**	**2,881**	**5,294,541**	**4,708,328**	**3,464,609**	**475,478**	**30,664,211**
including:							
Historical cost	19,203,699	10,709	16,344,671	32,959,950	11,291,628	475,478	80,286,135
Accumulated depreciation and impairment losses	(2,485,325)	(7,828)	(11,050,130)	(28,251,622)	(7,827,019)	-	(49,621,924)

The variations in the historical cost of buildings refer to:

- new right-of-use assets of €2,857 thousand relating to leases agreed at year end for two new buildings housing a laboratory, a conference room, a canteen and offices;
- restatement of right-of-use assets relating to property leases for the company's production sites (€506 thousand), due to the increase in the lease payments in line with the cost-of-living index;

- leasehold improvements that are not economically separable from the leased buildings, mainly in relation to new leases (€1,021 thousand).

Plant and machinery include generic and specific plant related to production lines for a total of €5,295 thousand. Increases in generic plant include plumbing systems (€591 thousand), electrical systems (€559 thousand) and alarm and data transmission systems (€110 thousand) at the new leased buildings.

The increases in specific plant include a new 3D inspection machine (€58 thousand), two inverter test stations with switch-off systems (€32 thousand), a new welding machine (€22 thousand) and a new aspiration system for the valve line (€14 thousand).

The increase in industrial and commercial equipment mainly relates to testing machines and other production equipment. It relates to a new robotised assembly machine (€335 thousand), a new testing system including software (€66 thousand), a new inspection conveyor system (€63 thousand), a new laser marking system (€46 thousand) and a new coating treatment plant (€41 thousand).

Equipment includes divestments of €600 thousand of obsolete and disused items (€53thousand) and sales of equipment (€547 thousand) to group companies for new production lines.

Increases in other items of property, plant and equipment mainly include new right-of-use assets relating to leased vehicles of €312 thousand, furniture and fittings of €573 thousand, office and electronic machines of €1,551 thousand and telephone systems of €28 thousand, mainly for the new leased buildings.

The decrease is mostly due to the replacement of electronic office equipment (mainly as part of the upgrading of the company's information systems), owned cars, telephone systems and internal means of transport.

Assets under construction include payments on account and self-constructed machinery not yet completed at the reporting date.

Depreciation amounts to €4,946 thousand and was calculated on all depreciable assets at 31 December 2022, applying the criteria and rates indicated in the section on Property, plant and equipment.

The company's property, plant and equipment were not mortgaged or pledged at 31 December 2022. They are suitably hedged for risks deriving from losses and/or damage thereto through insurance policies taken out with leading insurers.

Lastly, in line with previous years, the company did not capitalise borrowing costs.

INTANGIBLE ASSETS (NOTE 2)

The following table provides an analysis of the changes in intangible assets over the two years.

(in Euros)	Development expenditure	Software	Goodwill	Assets under development and payments on account	Other assets	Total
Historical cost	26,139,111	19,117,924	1,618,357	2,235,389	80,216	49,190,997
Accumulated amortisation and impairment losses	(20,629,518)	(15,725,433)	(1,259,765)	-	(69,221)	(37,683,937)
Balance at 31 December 2021	**5,509,593**	**3,392,491**	**358,592**	**2,235,389**	**10,995**	**11,507,060**
Changes in 2022						
Investments	-	3,449,643	-	8,032	-	3,457,675
Internal cost capitalisation	30,597	-	-	-	-	30,597
Reclassifications	1,139,723	845,020	-	(1,984,743)	-	-
Sales	-	-	-	-	-	-
Utilisation of accumulated amortisation	-	-	-	-	-	-
Amortisation	(1,940,750)	(2,186,942)	-	-	(10,995)	(4,138,687)
Impairment losses	-	-	-	-	-	-
Total changes	**(770,430)**	**2,107,721**	**-**	**(1,976,711)**	**(10,995)**	**(650,415)**
Balance at 31 December 2022	**4,739,163**	**5,500,212**	**358,592**	**258,678**	**-**	**10,856,645**
including:						
Historical cost	27,309,431	23,412,587	1,618,357	258,678	80,216	52,679,269
Accumulated amortisation and impairment losses	(22,570,268)	(17,912,375)	(1,259,765)	-	(80,216)	(41,822,624)

Development expenditure: in 2022, the company capitalised development expenditure of €1,171 thousand related to projects developed internally, of which €31 thousand related to 2022 and €1,140 thousand related to projects that were ongoing at the previous year end and were completed in 2022.

Amortisation is applied over the estimated useful life of five years.

Capitalised development expenditure refers entirely to the development of projects for the production of new innovative products or substantial improvements to existing products. The capitalisation is based on feasibility studies and business plans approved by management.

Software refers to management programs and network applications. Investments of the year mainly related to a new product life management system and new implementations of the Oracle management system to support the relevant departments.

Goodwill refers to the goodwill arising on the merger of the wholly-owned Carel Applico S.r.l. on 1 September 2015.

The increase in Assets under development and payments on account refers to the expenditure for the development of innovative products not completed at 31 December 2022.

Lastly, intangible assets were not revalued during the year, nor in previous years and the acquisition cost does not include borrowing costs.

EQUITY INVESTMENTS (NOTE 3)

This caption may be broken down as follows:

(in Euros)	Subsidiaries	Associates and other companies	Total
Balance at 31 December 2021	**152,775,700**	**203,620**	**152,979,320**
Movimenti 2022			
Initial cost:			
Increases	49,422,238	-	49,422,238
Other changes	140,000	(140,000)	-
Impairment gains	864,190	-	864,190
Total changes	**50,426,428**	**(140,000)**	**50,286,428**
Balance at 31 December 2022	**203,202,128**	**63,620**	**203,265,748**

Changes in the carrying amount of equity investments during the year refer to the following investees:

(in Euros)	2022
Subsidiaries	
Arion S.r.l	1,626,333
Sauber S.r.l.	3,205,004
Klingenburg GmbH	3,948,301
Klingenburg International Sp. Z.o.o.	11,844,904
Carel USA Llc	28,797,696
Total increases	**49,422,238**

On 15 April 2022, the company completed the acquisition of an additional 30% of Arion S.r.l., in which it already held a 40% investment. Arion S.r.l. is based on the province of Bergamo and was established by Bridgeport S.p.A. and Carel Industries S.p.A. in 2015. It specialises in the production of sensors for the air-conditioning and refrigeration sectors.

The transaction took effect on 1 April 2022 and the consideration for 30% of its quota capital was €1,626 thousand.

On 12 July 2022, the company acquired 70% of Sauber S.r.l., a company based in Porto Mantovano (MN) which provides on-field services for the installation and servicing of cooling/humidification systems in residential and commercial buildings.

The transaction took effect on 12 July 2022 and the consideration for 70% of its quota capital was €3,205 thousand, of which €300 thousand has been recognised as a financial liability as per the acquisition agreement as a warranty and to cover any possible contractual risks to be borne by the seller. The latter amount will be paid in instalments when certain contractually-agreed events occur. As meeting these conditions is deemed probable, management considers such amount an adjustment of the consideration paid at the acquisition date.

Furthermore, under the acquisition agreement, the interest held by the non-controlling investor is subject to mutual put and call options. Specifically, the company can exercise its call option within 30 days of the approval of Sauber S.r.l.'s financial statements at 31 December 2024. The non-controlling investor's put option can be exercised within 30 days after the 30-day period granted to the company should it not have exercised its call option.

The consideration for both options is calculated using a specific multiple applicable to the investee's average gross operating profit over the three years prior to the year when the option is exercised and adjusted to take into consideration the investee's net financial position.

The company measured the call option at its fair value at the acquisition date and remeasured it at the reporting date. The directors engaged an independent expert to determine such fair value by estimating the most probable scenario in which the option would be exercised, based on a high number of possible gross operating profit and equity value scenarios based respectively on the Bachelier and Black-Scholes frameworks.

The option's acquisition-date fair value of €207 thousand has been recognised under equity investments, concurrently recognising the same amount under other non-current liabilities as a balancing entry. The fair value loss on the liability at the reporting date (€45 thousand) has been recognised under other financial expense.

On 2 September 2022, the company acquired 100% of Klingenburg GmbH (and its subsidiaries), based in Gladbeck (Germany), and Klingenburg International Sp. Z.o.o., based in Świdnica (Poland). The acquirees are market leaders with a wide range of products used mainly for heat recovery in ventilation and humidification systems, adiabatic cooling and air purification. Founded in 1979, the Klingenburg Group is the European leader in the production and sale of rotary and plate heat exchangers. The transaction fits into the company's strategy of advancement through external growth, including through the acquisition of complementary products. It also strengthens the company's position in the air handling units sector, following the acquisitions of Recuperator S.p.A. and Enginia S.r.l, completed in 2018 and 2021, respectively, which were undertaken for the same reason.

The transaction became effective on 2 September 2022 and the company disbursed consideration of €3,948 thousand and €11,845 thousand for Klingenburg GmbH and Klingenburg International Sp. Z.o.o, respectively.

At the reporting date, the company has recognised part of the consideration (€1,435 thousand) as a financial liability as per the acquisition agreement as a warranty and to cover any possible contractual risks to be borne by the seller. This amount will be paid in instalments when certain contractually-agreed events occur. As meeting these conditions is deemed probable, management considers such amount an adjustment of the consideration paid at the acquisition date.

On 1 October 2022, the company injected USD28 million (€28,797 thousand) into Carel USA Llc for a future capital increase to provide the subsidiary with the resources necessary to meet its obligations under a binding agreement, signed on 9 September 2022, for the acquisition, through a vehicle, of Senva Inc.. The acquiree is based in Oregon (US) and specialised in the design and manufacture of a wide range of sensors, with a significant presence in the indoor air quality market.

The transaction became effective on 12 October 2022 and the consideration paid to acquire the business amounted to USD34 million. The contingent consideration of up to USD4 million is due if certain EBITDA milestones are reached. The agreement also provides for an earn-out mechanism for Senva management based on the acquiree's results achieved up until 31 December 2025.

The directors compared the carrying amount of the equity investments to the company's share of each investee's equity. Since the carrying amount of the following equity investments that underwent impairment in previous years exceeded the company's share of their equity, the directors decided to recognise an impairment gain thereon as they believed the investees will continue to recognise a profit in the coming years:

(in Euros)	2022
Subsidiaries	
Carel Controls Iberica SL	624,577
Carel Middle East DWC Llc	194,718
Carel Japan Co Ltd	44,895
Total impairment gains	**864,190**

The directors tested the investments in the subsidiaries HygroMatik GmbH, Recuperator S.p.A., CFM Soğutma ve Otomasyon Anonim Şirketi and Sauber S.r.l, whose carrying amount was €57,216 thousand, €22,044 thousand, €34,497 thousand and €3,205 thousand, respectively, for impairment pursuant to IAS 36, since the current macroeconomic situation that has considerably affected interest rates and the cost of debt was considered a trigger event.

The recoverable amount of equity investments is determined by calculating their value in use.

The methods and assumptions underlying the impairment tests of the CGUs included:

- cash flows as per the business plans, using a three/four-year plan horizon (explicit projections) plus an estimate of the terminal value. Specifically, management used the gross margin based on past performance and its expectations about the future development of the investees' markets to prepare the plans;
- the growth rate (g) to determine the cash flows after the plan horizon, calculated specifically for the individual CGUs subject to analysis;
- the pre-tax WACC rate as the discount rate used to discount operating cash flows. Management calculated the cost of capital using the market returns of the last six months on medium to long-term government bonds of the countries/markets in which the CGUs are based, adjusted by the market risk premium of each country to account for the investment risk.

The main parameters used to test each CGU were as follows:

	Plan horizon	Growth rate	WACC
Recuperator	2023-2026	2.30%	10.50%
HygroMatik	2023-2026	2.00%	8.60%
CFM	2023-2026	3.00%	15.00%
Sauber	2023-2025	1.70%	8.60%

The values in use, calculated using the discounted cash flows, confirm the carrying amount of all three CGUs.

Although the directors believe that the assumptions used are reasonable and represent the most probable scenarios based on the available information, the result of the test could differ should the above assumptions significantly change.

Accordingly, stress tests were carried out, related, in particular, to:

- the gross operating profit estimated over the explicit period of the plans, assuming that the possible deterioration of the macroeconomic scenario will affect that period;
- certain variables, such as government bond yield and market risk premium, used to determine the WACC discount rate.

The following investees pass the stress test even if the gross operating profit decreases or the WACC increases as set out below:

	Gross operating profit +/-	WACC +/-
Recuperator	-60.00%	-1.10%
HygroMatik	>-75%	-1.10%
CFM	-55.00%	-1.50%
Sauber	>-75%	-3.30%

Therefore, there was no need to impair the above equity investments.

At 31 December 2022, the company has not accrued a provision for equity investment risks under the non-current provisions to meet its obligations to recapitalise the investees.

The following table provides a breakdown of the equity investments at the reporting date:

	31.12.2022			31.12.2021		
(in Euros)	Historical cost	Acc. impairment losses	Carrying amount	Historical cost	Acc. impairment losses	Carrying amount
Subsidiaries:						
Recuperator S.p.A.	25,743,625	(3,700,000)	22,043,625	25,743,625	(3,700,000)	22,043,625
Carel Deutschland GmbH	138,049	-	138,049	138,049	-	138,049
Carel Adriatic D.o.o.	7,370,289	-	7,370,289	7,370,289	-	7,370,289
C.R.C S.r.l.	1,600,000	-	1,600,000	1,600,000	-	1,600,000
HygroMatik GmbH	57,216,335	-	57,216,335	57,216,335	-	57,216,335
Carel France Sas	91,469	-	91,469	91,469	-	91,469
Carel South America Ltda	5,396,848	(1,983,740)	3,413,108	5,396,848	(1,983,740)	3,413,108
Carel U.K. Ltd	1,624,603	-	1,624,603	1,624,603	-	1,624,603
Carel Asia Ltd	1,761,498	-	1,761,498	1,761,498	-	1,761,498
Carel Electronic (Suzhou) Co. Ltd	9,276,379	-	9,276,379	9,276,379	-	9,276,379
Carel Controls Iberica SL	4,330,149	-	4,330,149	4,330,149	(624,577)	3,705,572
Carel RUS Llc	160,936		160,936	160,936		160,936
Carel USA Llc	34,264,136		34,264,136	5,466,439		5,466,439
Carel Nordic AB	60,798		60,798	60,798		60,798
Carel Middle East	1,060,614	(766,777)	293,837	1,060,614	(961,495)	99,119
Alfaco Polska Sp.z.o.o.	3,820,413	-	3,820,413	3,820,413	-	3,820,413
Carel Japan Co. Ltd	475,003	-	475,003	475,003	(44,895)	430,108
CFM Sogutma ve Otomasyon A.S.	34,496,960	-	34,496,960	34,496,960	-	34,496,960
Arion S.r.l	1,766,333	-	1,766,333	140,000	-	140,000
Sauber S.r.l.	3,205,004	-	3,205,004			
Klingenburg GmbH	3,948,301	-	3,948,301			
Klingenburg International Sp. Z.o.o.	11,844,903	-	11,844,903			
Total	209,652,645	(6,450,517)	203,202,128	160,230,407	(7,314,707)	152,915,700
Other companies:						
CONAI	45	-	45	45	-	45
SMACT Società Consortile per azioni	51,075	-	51,075	51,075	-	51,075

(in Euros)	31.12.2022 Historical cost	Acc. impairment losses	Carrying amount	31.12.2021 Historical cost	Acc. impairment losses	Carrying amount
Fondazione ITS Academy "Mario Volpato"	12,500	-	12,500	12,500	-	12,500
Total	63,620	-	63,620	63,620	-	63,620
Total equity investments	**209,716,265**	**(6,450,517)**	**203,265,748**	**160,294,027**	**(7,314,707)**	**152,979,320**

The following table provides the information about equity investments at 31 December 2022 required by article 2427 of the Italian Civil Code:

(in Euros)	Registered office	Currency	Share/quota capital (in currency)
Subsidiaries:			
Carel Deutschland GmbH	Frankfurt	EUR	25,565
Carel Adriatic D.o.o.	Labin-HR	HRK	54,600,000
C.R.C S.r.l.	Bologna-IT	EUR	98,800
Carel France Sas	St. Priest, Rhone-FR	EUR	100,000
Carel Sud America Instrumentacao Eletronica Ltda	São Paulo-BR	BRL	31,149,059
Carel U.K. Ltd	Chessington-GB	GBP	350,000
Carel Asia Ltd	Honk Kong-HK	HKD	15,900,000
Carel Electronic (Suzhou) Co. Ltd	Suzhou-RC	CNY	75,019,566
Carel Controls Iberica SL	Barcelona-ES	EUR	3,005
Carel RUS Llc	St. Petersburg-RU	RUB	6,600,000
Carel USA Llc	Wilmington Delaware-USA	USD	33,000,000
Carel Nordic AB	Höganäs-SE	SEK	550,000
Carel Middle East	Dubai-UAE	AED	4,333,878
Alfaco Polska Sp.z.o.o.	Wrocław-PL	PLN	420,000
Recuperator S.p.A.	Rescaldina-IT	EUR	500,000
HygroMatik GmbH	Henstedt-Ulzburg-DE	EUR	639,115
Carel Japan Co. Ltd	Tokyo-JP	JPY	60,000,000
CFM Soğutma ve Otomasyon Anonim Şirketi	Izmir-TR	TRY	2,565,400
Arion S.r.l	Bogare-IT	EUR	100,000
Sauber S.r.l.	Mantova-IT	EUR	100,000
Klingenburg GmbH	Gladbeck-DE	EUR	38,400
Klingenburg International Sp. Z.o.o.	Świdnica-PL	PLN	50,000
Total			
Other companies:			
CONAI		EUR	
SMACT Società Consortile per azioni		EUR	
Fondazione ITS Academy "Mario Volpato"		EUR	
Total			
Total equity investments			

		Investment percentage			
Equity (Euro)	Profit/loss for the year (Euro)	Direct	Indirect	Carrying amount (Euro)	Equity diff % and carrying amount (Euro)
3,544,010	3,398,294	100.00%		138,049	3,405,961
35,023,533	10,081,835	100.00%		7,370,289	27,653,244
6,331,201	1,786,049	100.00%		1,600,000	4,731,201
2,354,277	307,078	100.00%		91,469	2,262,808
8,407,103	1,499,483	53.02%	46,98%	3,413,108	1,044,338
2,793,572	834,976	100.00%		1,624,603	1,168,969
2,900,353	1,091,645	100.00%		1,761,498	1,138,855
57,246,218	12,225,823	100.00%		9,276,379	47,969,839
4,937,372	1,231,800	100.00%		4,330,149	607,223
1,893,791	661,100	99.00%	1,00%	160,936	1,713,917
54,068,853	4,930,312	100.00%		34,264,136	19,804,717
870,654	563,478	100.00%		60,798	809,856
293,837	191,012	100.00%		293,837	-
13,647,248	3,781,544	100.00%		3,820,413	9,826,835
9,439,708	743,392	100.00%		22,043,625	(12,603,917)
7,409,914	3,355,354	100.00%		57,216,335	(49,806,421)
601,780	343,809	100.00%		475,003	126,777
11,358,556	5,963,175	51.00%		34,496,960	(28,704,096)
1,365,573	451,741	70.00%		1,766,333	(810,432)
1,771,019	535,282	70.00%		3,205,004	(1,965,291)
6,268,529	327,304	100.00%		3,948,301	2,320,228
11,485,155	794,545	100.00%		11,844,903	(359,748)
				203,202,128	
				45	-
				51,075	-
				12,500	-
				63,620	
				203,265,748	

OTHER NON-CURRENT ASSETS (NOTE 4)

These amount to €24,148 thousand and can be analysed as follows:

		Variation			
(in Euros)	31.12.2022	Increases	Reclassification	Decreases	31.12.2021
Decreases	16,320,089	2,915,596		(1,000,000)	14,404,493
Imposta sostitutiva per affrancamento	5,244,169		(1,962,649)	-	7,206,818
Altri crediti d'imposta	1,539,500	845,283	(980,577)	(28,947)	1,703,741
Strumenti finanziari derivati designati per la copertura ed efficaci	1,044,326	962,560			81,766
Totale	**24,148,084**	**4,723,439**		**(1,028,947)**	**23,396,818**

Amounts due from subsidiaries refer to:

- the interest-bearing loan of €15,504 thousand granted to Recuperator S.p.A. for a maximum amount of €17.5 million in June 2021, disbursable in instalments and expiring with a bullet repayment in June 2026 . It may be fully or partly prepaid;
- the interest-bearing loan of €816 thousand (original amount €17.5 million) granted to Klingenburg GmbH in December 2022, with quarterly repayments and expiring in December 2027.

Other assets include the substitute tax paid by the company on the higher values allocated and recognised in the consolidated financial statements at 31 December 2018, implicit in the carrying amount of the equity investment, pursuant to article 15.10-bis of Law decree no. 185/2008. The decrease is due to the reclassification of the portion related to 2023 to current assets.

The decrease in other tax assets refers to amounts accrued during the year (Industry 4.0 – Law no. 160/2019"; Maxi-amortisation and depreciation – Law no. 178/2020; Ecobonus – Law no. 296/2006; tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020) that will be offset against other taxes based on the timeframes set by the relevant laws, net of the reclassification of the portion offsettable in 2023 to current assets.

The effective designated derivative hedges recognised under non-current financial assets include the fair value of IRSs signed to hedge the interest rate risk of the loans. Specifically:

(in Euros)

Lender	Instrument	Notional amount	Maturity	Positive fair value
MEDIOBANCA loan	Interest rate swap	20,000,000	29,06,2026	1,044,326
Total				**1,044,326**

DEFERRED TAX ASSETS (NOTE 5)

Deferred tax assets at 31 December 2022 were generated by the temporary differences between the carrying amounts of assets and liabilities and their tax bases calculated with reference to the tax rates expected to be enacted in the years in which the differences will reverse.

The company considered it appropriate to recognise the deferred tax assets arising on the temporary differences indicated below in the separate financial statements, as it is reasonably certain that they will be offset against taxable profits in the years in which the deductible temporary differences will reverse.

	31.12.2022		31.12.2021	
(in Euros)	Tax base	Deferred tax assets	Tax base	Deferred tax assets
Allowance for inventory write-down	3,726,064	894,255	2,482,325	595,758
Loss allowance - trade receivables	84,192	20,206	44,261	10,623
Provision for product warranties	352,032	104,095	294,732	82,230
Provision for complaints	1,500,564	443,716	1,982,436	553,099
Provision for agents' termination indemnity and bonuses	72,468	17,392	74,026	17,766
Unrealised exchange differences	324,956	77,989	437,912	105,099
Deductible cash fees	259,560	62,294	267,507	64,201
Amortisation of goodwill - transfer	61,250	18,111	71,050	19,822
Substitute tax on goodwill (16%)	61,250	9,801	71,050	11,369
Amortisation of goodwill - merger	178,983	52,925	207,620	57,926
Substitute tax on goodwill (12%)	178,983	21,496	207,620	24,932
Amortisation of goodwill - acquisition of business unit	2,954	874	3,427	957
Discounting - Post-employment benefits and post-term of office benefits	-	-	487,581	136,034
Difference between amortisation/depreciation and fiscally-driven amortisation/depreciation	290,495	85,901	293,866	81,990
Fair value changes on derivatives	-	-	149,027	35,766
Total	**7,093,751**	**1,809,055**	**7,074,440**	**1,797,572**

Changes in deferred tax assets are presented in the table below:

(in Euros)	31.12.2022	Recognised in profit or loss	Recognised in other comprehensive income	31.12.2021
Allowance for inventory write-down	894,255	298,497	-	595,758
Loss allowance - trade receivables	20,206	9,583	-	10,623
Provision for product warranties	104,095	21,865	-	82,230
Provision for complaints	443,716	(109,383)	-	553,099
Provision for agents' termination indemnity and bonuses	17,392	(374)	-	17,766
Unrealised exchange differences	77,989	(27,110)	-	105,099
Deductible cash fees	62,294	(1,907)	-	64,201
Amortisation of goodwill - transfer	18,111	(1,711)	-	19,822
Substitute tax on goodwill (16%)	9,801	(1,568)	-	11,369
Amortisation of goodwill - merger	52,925	(5,001)	-	57,926

(in Euros)	31.12.2022	Recognised in profit or loss	Recognised in other comprehensive income	31.12.2021
Substitute tax on goodwill (12%)	21,496	(3,436)	-	24,932
Amortisation of goodwill - acquisition of business unit	874	(83)	-	957
Discounting - Post-employment benefits and post-term of office benefits	-	(149,050)	13,016	136,034
Difference between amortisation/depreciation and fiscally-driven amortisation/depreciation	85,901	3,911	-	81,990
Fair value changes on derivatives	-	-	(35,766)	35,766
Total	**1,809,055**	**34,233**	**(22,750)**	**1,797,572**

TRADE RECEIVABLES (NOTE 6)

These amount to €55,553 thousand (€48,836 thousand at 31 December 2021) and can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Third parties	30,389,504	2,158,494	28,231,010
Subsidiaries	23,921,440	2,642,878	21,278,562
Subsidiaries of parents	7,205	(3,177)	10,382
Related parties	15,049	892	14,157
Total trade receivables	54,333,198	4,799,087	49,534,111
Loss allowance	(779,918)	(81,742)	(698,176)
Total	**53,553,280**	**4,717,345**	**48,835,935**

Trade receivables in foreign currency were retranslated using the closing rate, adjusting the originally-recognised amount.

Trade receivables, net of the loss allowance, refer to the following geographical segments:

(in Euros)	31.12.2022	31.12.2021
Europe, Middle East and Africa	43,923,437	39,118,693
APAC	6,228,811	6,359,828
North America	3,324,967	3,030,918
South America	855,983	1,024,672
Total	**54,333,198**	**49,534,111**

The company does not usually charge default interest on past due receivables. Reference should be made to the section on risks and financial instruments for details of the receivables that are not yet due and/or are past due.

The company's receivables are not particularly concentrated. It does not have customers that individually account for more than 5% of the total receivables at each maturity date.

The loss allowance comprises management's estimates about credit losses on receivables from end customers and the sales network. Management estimates the allowance on the basis of the expected credit losses, considering past experience for similar receivables, current and historical past due amounts, losses and collections, the careful monitoring of credit quality and projections about the economy and market conditions.

Changes in the allowance are shown in the following table:

		Variation			
(in Euros)	**31.12.2022**	**Impairment losses**	**Utilisations**	**Reversals**	**31.12.2021**
Loss allowance	779.918	312.255	(230.513)	-	698.176
Total	**779.918**	**312.255**	**(230.513)**	-	**698.176**

A breakdown of trade receivables due from group companies is as follows.

(in Euros)	31.12.2022	31.12.2021
Arion S.r.l.	611	-
C.R.C. S.r.l.	69,105	141,357
Recuperator S.p.A.	186,905	136,895
Enginia S.r.l. single-member company	30,914	68
Carel U.K. Ltd	1,526,603	1,273,582
Carel France s.a.s.	1,861,632	1,916,828
Carel Asia Ltd	1,617,009	1,470,682
Carel Sud America Instrumentacao Eletronica Ltda	599,624	848,184
Carel USA Llc	3,301,463	2,896,974
Carel Australia Pty. Ltd	1,333	3,708
Carel Deutschland GmbH	576,514	1,172,199
Carel Electronic (Suzhou) Co Ltd	3,432,528	3,359,386
Carel Controls Iberica S.L.	1,768,326	1,861,308
Carel ACR Systems India (Pvt) Ltd	342,133	695,223
Carel Controls South Africa (Pty) Ltd	2,388	12,367
Carel RUS Llc	13,960	97,807
Carel Korea Ltd	148,620	83,000
Carel Nordic AB	1,896	2,500
Carel Japan Co. Ltd	584	37,375
Carel Mexicana S.De.RL	22,183	133,944
Carel Middle East DWC Llc	9,665	82,056
Alfaco Polska Sp.z.o.o	4,606,462	1,344,648
Carel (Thailand) CO Ltd	3,999	-
Carel Adriatic D.o.o.	2,375,473	2,865,234
HygroMatik GmbH	1,666	3,352
Enersol Inc.	1,320	-
CFM Sogutma Ve Otomasyon San.Tic.A.S.	1,418,524	839,885
Subsidiaries	**23,921,440**	**21,278,562**
Eurotest Laboratori S.r.l.	3,644	5,807
Arianna S.p.A.	3,561	4,575
Subsidiaries of parents	**7,205**	**10,382**
RN Real Estate S.r.l	11,623	12,444
Carel Real Estate Adriatic doo	3,426	1,713
Related parties	**15,049**	**14,157**

INVENTORIES (NOTE 7)

These amount to €25,160 thousand. They are comprised as follows, net of the allowance for inventory write-down for slow-moving or obsolete items:

(in Euros)	31.12.2022	Variation	31.12.2021
Raw materials and consumables	24,064,830	5,463,344	18,601,486
Allowance for inventory write-down	(2,877,479)	(1,144,841)	(1,732,638)
Total raw materials, consumable and supplies	21,187,351	4,318,503	16,868,848
Work in progress and semi-finished goods	2,073,746	85,095	1,988,651
Allowance for inventory write-down	(155,719)	25,248	(180,967)
Total work in progress and semi-finished goods	1,918,027	110,343	1,807,684
Finished goods	8,670,692	1,639,841	7,030,851
Allowance for inventory write-down	(692,866)	(124,146)	(568,720)
Total finished goods	7,977,826	1,515,695	6,462,131
Payments on account	85,910	64,082	21,828
Total	**31,169,114**	**6,008,623**	**25,160,491**

Inventories, gross of the allowance for inventory write-down, increased by a total of €7,188 thousand. This was due to the increase in both raw materials and semi-finished products (€5,463 thousand), in order to preempt any critical issues caused by shortages in components, especially electronic materials, which characterised 2022 and is expected to continue in 2023, and in finished goods (€1,640 thousand), in order to meet customer demand.

The company recognised an allowance for inventory write-down to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods. The accrual was recognised in the caption Costs of raw materials, consumables and goods and change in inventories of the statement of profit or loss.

Inventories are not pledged or subject to property rights restrictions.

CURRENT TAX ASSETS (NOTE 8)

The company did not have any tax assets at the reporting date. The prior year end's balances and changes in this caption are as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Variation	-	(1,625,277)	1,625,277
Credito per imposta IRAP	-	(185,524)	185,524
Totale	-	**(1,810,801)**	**1,810,801**

Even though the company solicited payment from the tax authorities of its IRES (corporate income tax) asset of €338 thousand and IRAP (local tax on production) asset of €49 thousand related to the IRES on personnel expense pertaining to 2012, claimed for reimbursement in 2015, the directors prudently elected to fully impair the amounts, recognising the loss under income taxes.

OTHER CURRENT ASSETS (NOTE 9)

These amount to €7,850 thousand (€5,510 thousand at 31 December 2021) and can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Other tax assets	5,588,829	2,204,312	3,384,517
Other assets	2,260,946	135,595	2,125,351
Total	**7,849,775**	**2,339,907**	**5,509,868**

A breakdown of other tax assets at year end is as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
VAT assets	1,949,361	1,622,528	326,833
Substitute tax	1,962,649	-	1,962,649
Tax assets	1,676,819	581,784	1,095,035
Total	**5,588,829**	**2,204,312**	**3,384,517**

VAT assets relate to the accrued VAT asset at the reporting date.

The substitute tax shows the 2023 portion of the substitute tax paid to align the higher carrying amounts recognised at the time of the December 2018 acquisition against consideration of Recuperator S.p.A. (Italy) and HygroMatik GmbH (Germany) with the relevant tax bases, as per article 15-bis of Decree law no. 185/2008, as subsequently amended.

Tax assets are the portion offsettable in 2023 against other taxes and levies of amounts accrued during the year. These include: Industry 4.0 – Law no. 160/2019" (€69 thousand), Maxi-amortisation and depreciation – Law no. 178/2020 (€575 thousand), Ecobonus – Law no. 296/2006" (€9 thousand), tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020 (€889 thousand) and energy and gas tax credit - Law decree no. 144/2022 (€118 thousand).

A breakdown of other assets at year end is as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Other prepayments	1,684,481	30,721	1,653,760
Other amounts due from subsidiaries	313,768	313,768	-
Advances to suppliers	238,791	92,380	146,411
Sundry assets	23,906	(301,274)	325,180
Total	**2,260,946**	**135,595**	**2,125,351**

Prepayments and accrued income refer to income or charges collected/paid before or after the year to which they pertain. They are recognised regardless of the payment or collection date when the related income and charges are common to two or more years and can be allocated over time.

Other prepayments include costs pertaining to the subsequent year including €1,022 thousand for software maintenance instalments, €208 thousand for insurance premiums and €152 thousand for fairs and exhibitions.

Other amounts due from subsidiaries relate to the taxable profits and tax losses, net of withholdings paid and payments on account for IRES purposes, transferred as part of the domestic tax consolidation scheme for 2022-2024 pursuant to article 117 and following articles of the consolidated income tax act. They refer to the following investees:

(in Euros)	31.12.2022
C.R.C. S.r.l.	313,768
Total	**313,768**

Advances to suppliers refer to payments on account for services.

CURRENT FINANCIAL ASSETS (NOTE 10)

These amount to €21,783 thousand (€665 thousand at 31 December 2021) and can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Other financial assets	10,890,654	10,890,654	-
Cash pooling arrangement	9,863,132	9,862,520	612
Derivatives	697,061	692,440	4,621
Subsidiaries	332,598	(167,569)	500,167
Associates	-	(160,000)	160,000
Total	**21,783,445**	**21,118,045**	**665,400**

Other financial assets include available-for-sale securities and temporary deposits of liquidity, including accrued interest income gross of tax withholdings, with major counterparties, aimed at managing part of the company's liquidity. The objective of these financial assets is the collection of contractual cash flows comprising payments of principal and interest at fixed rates at specific maturities.

The cash pooling arrangement includes the credit balances of the cash pooling account related to the cash pooling arrangements regarding the following group companies:

(in Euros)	31.12.2022	31.12.2021
Carel Adriatic Doo	6,102,301	-
Recuperator S.p.A.	3,683,887	-
Carel France s.a.s.	74,444	-
Alfaco Polska Sp.z.o.o.	2,500	612
Total	**9,863,132**	**612**

Derivatives include:

- forwards or currency options agreed to hedge commercial transactions, but that do not qualify for hedge accounting. Fair value gains or losses are recognised in profit or loss. The following table reclassifies derivatives by type of financial instrument

	31.12.2022				31.12.2021			
	Fair value **	Nominal amount **	Currency purchases*	Currency sales*	Fair value **	Nominal amount **	Currency purchases*	Currency sales*
USD options	93,813	4,600,387	-	5,000,000	4,621	3,429,888	-	4,100,000
Total	**93,813**				**4,621**			

* In foreign currency

** in Euros

- IRSs, that are effective and qualify for hedge accounting, signed to hedge interest rate risk on the following:

Lender	Instrument	Notional amount	Maturity	Positive fair value
BNL (BNP Paribas) loan	Interest rate swap	20,000,000	30.04.2023	102,734
UNICREDIT loan	Interest rate swap	20,000,000	30.04.2023	23,994
MEDIOBANCA loan	Interest rate swap	25,000,000	04.08.2023	476,520
Total				**603,248**

Fair value is calculated as follows:

- for interest rate derivatives, as the present value at 31 December 2022 of the future cash flows of each derivative, calculated based on discount factors related to each cash flow and taken from the interest rate curve and the volatility curve on the financial markets at such date;
- for currency derivatives, as the mark to market value at 31 December 2022, calculated based on the exchange rate, the volatility rate and the interest rate on the financial markets at such date;
- for currency forwards, as the mark to market value at 31 December 2022 calculated based on the exchange rate and the interest rates on the relative financial markets at such date.

Amounts due from subsidiaries refer to:

- the current portion (€186 thousand) of the interest-bearing loan of an original amount of €1,000 thousand granted to Klingenburg GmbH in December 2022, expiring in December 2027;
- the residual dividends due from Carel RUS Llc (€147 thousand.

Amounts due from associates relate to a non-interest-bearing loan granted to Arion S.r.l. that was duly repaid during the year

CASH AND CASH EQUIVALENTS (NOTE 11)

This caption comprises temporary liquidity in bank accounts and petty cash and amounts to €38,638 thousand.

(in Euros)	31.12.2022	Variation	31.12.2021
Bank deposits	38,631,363	(15,010,250)	53,641,613
Cash and cash equivalents	7,006	1,705	5,301
Total	**38,638,369**	**(15,008,545)**	**53,646,914**

Cash and cash equivalents are not subject to any obligations or use restrictions by the company.

For more information about changes in such caption, reference should be made to the statement of cash flows.

EQUITY (NOTE 12)

La composizione e le variazioni delle voci del patrimonio netto sono le seguenti:

	31.12.2022	Variation					31.12.2021
(in Euros)		Total changes	Allocation of prior year profit	Reclassification	Dividends	Comprehensive income	
Share capital	10,000,000	-					10,000,000
Share premium reserve	867,350	-					867,350
Revaluation reserves	3,424,658	-					3,424,658
Legal reserve	2,000,000	-					2,000,000
Treasury shares	(339,490)	768,380				768,380	(1,107,870)
Hedging reserve	1,252,157	1,303,275				1,303,275	(51,118)
Other reserves							
- Extraordinary reserve	66,660,574	12,409,586	12,333,525	86,567	(10,506)		54,250,988
- Transfer premium reserve	6,105,327	-					6,105,327
- IFRS FTA reserve	2,145,495	-					2,145,495
- Stock grant reserve	864,932	(446,538)		(86,567)		(359,971)	1,311,470
- Actuarial reserve	59,306	431,020				431,020	(371,714)
Retained earnings	476,149	-	-				476,149
Profit for the year	44,508,486	17,190,039	(12,333,525)		(14,984,922)	44,508,486	27,318,447
Total	**138,024,944**	**31,655,762**	**-**		**(14,995,428)**	**46,651,190**	**106,369,182**

The fully paid-up and subscribed share capital consists of 100,000,000 ordinary shares without a nominal amount for a total of €10,000,000.

The company's shares are not pledged as guarantees or liens.

The share premium reserve includes the carrying amount resulting from the company's merger of the industrial and commercial business units of the former Samos S.r.l. in 2013.

The revaluation reserve includes the revaluation, net of taxes, of property, plant and equipment acquired in 2009 following the transfer of the production business unit from the former parent.

The legal reserve has reached the minimum threshold set by article 2430 of the Italian Civil Code.

Treasury shares number 30,482. In April 2022, the company assigned 70,036 treasury shares upon conclusion of the second vesting period (2019-2021). The related share options had been granted on 1 October 2018. The 18 beneficiaries were approved by the board of directors on 3 March 2022. The shares assigned were measured using the rolling FIFO method.

The company did not repurchase any treasury shares during the year.

The hedging reserve includes the fair value gains or losses, net of deferred taxes, on the effective portion of four IRSs entered into to hedge the interest rate risk of floating-rate non-current loans entered into in 2019, 2020 and 2021. The changes are shown in the following table:

(in Euros)	
31 December 2021	**(51,118)**
Variation	
Fair value gains	1,714,834
Deferred tax	(411,559)
Total	**1,303,275**
31 December 2022	**1,252,157**

The increase in the extraordinary reserve is mainly due to the resolution passed by the shareholders in their meeting of 22 April 2022 which approved the separate financial statements at 31 December 2021.

The dividends were distributed to the beneficiaries of the assigned treasury shares.

The transfer premium reserve includes the residual balance of the reserve set up in May 2009 following the transfer of the operating business unit from the former parent.

The IFRS FTA reserve was set up upon the adoption of the International Financial Reporting Standards on 1 January 2015.

The stock grant reserve includes the reporting-date fair value of the share-based incentive plan approved by the shareholders on 7 September 2018.

The changes are shown in the following table:

(in Euros)	
31 December 2021	**1,311,470**
Variation	
Portion for the year	408,409
Share options vested during the year	(768,380)
Reclassification to income-related reserve	(86,567)
Total	**(446,538)**
31 December 2022	**864,932**

In March 2022, the company's board of directors approved the assignment of treasury shares upon conclusion of the second vesting period (2019-2021). See the comment on treasury shares for more information.

As a result, the company reversed the fair value accumulated in equity for this equity-settled performance plan. The gain between the fair value of the shares assigned, measured using the rolling FIFO method, and their fair value at the grant date was reclassified to an available income-related reserve.

For more information, reference should be made to the section on "Cash-settled and equity-settled payment arrangements" of note [33].

In order to service the incentive plan, the shareholders authorised the repurchase of treasury shares, up to 5,000,000 or 5% of the company's share capital. At the reporting date, the company had repurchased 30,482 treasury shares for €339 thousand.

The actuarial reserve includes the effects of the discounting of the post-employment benefits and post-term of office benefits for directors.

Retained earnings were recognised upon first-time adoption of the IFRS and relate to 2015 and 2016.

Equity captions are broken down by origin, possible use and distribution and their actual use in the past three years below:

TABLE PURSUANT TO ARTICLE 2427.7-BIS OF THE ITALIAN CIVIL CODE

(in Euros)					Use in the past three year	
	Amount	**Possible use**	**Available portion**	**Distributable portion**	**To cover losses**	**Distribution of reserves**
Share capital	10,000,000					
Equity-related reserves:						
Share premium reserve	867,350	A, B, C	867,350	867,350		
Revaluation reserves	3,424,658	A, B, C	3,424,658	3,424,658		
Transfer premium reserve	6,105,327	A, B, C	6,105,327	6,105,327		
Reserve for treasury shares	(339,490)					
Income-related reserves:						
Legal reserve	2,000,000	B	2,000,000			
Extraordinary reserve	66,660,574	A, B, C	66,321,084	61,323,243		
IFRS FTA reserve	2,145,495	B	2,145,495			
Actuarial reserve	59,306		59,306			
Hedging reserve	1,252,157		1,252,157			
Stock grant reserve	864,932	B	864,932			
Retained earnings	476,149	B	476,149			
Total (net of profit for 2022)	**93,516,458**		**83,516,458**	**71,720,578**	-	-
Profit for 2022	44,508,486					
Total equity	**138,024,944**					

Key:

A: share capital increases

B: to cover losses

C: dividends

Pursuant to article 2426.5 of the Italian Civil Code, start-up and capital costs and development expenditure pertaining to more than one year may be recognised as assets with the approval of the board of statutory auditors and they are amortised over not more than five years. Until the amortisation is complete, dividends may only be distributed if there are sufficient available reserves to cover the amount of non-amortised costs.

At 31 December 2022, development expenditure not yet amortised amounts to €4,997,841.

The following table provides an indication of the tax regime for the share capital and reserves at 31 December 2022 in case of their repayment or distribution:

(in Euros)	Non distributable reserves and earnings	Taxable share capital and reserves - company	Taxable share capital and reserves - shareholders	Non-taxable share capital and reserves - company and shareholders	Total
Share capital				10,000,000	10,000,000
Share premium reserve				867,350	867,350
Revaluation reserves				3,424,658	3,424,658
Legal reserve	2,000,000				2,000,000
Treasury shares	(339,490)				(339,490)
Hedging reserve	1,252,157				1,252,157
Other reserves					-
- Extraordinary reserve			66,660,574		66,660,574
- Transfer premium reserve				6,105,327	6,105,327
- IFRS FTA reserve	2,145,495				2,145,495
- Stock grant reserve	864,932				864,932
- Actuarial reserve	59,306				59,306
Retained earnings	476,149				476,149
Total	**6,458,549**	**-**	**66,660,574**	**20,397,335**	**93,516,458**

Earnings per share

Earnings per share were calculated by dividing the profit attributable to the owners of the company by the weighted average number of outstanding ordinary shares. At 31 December 2022, following the above-mentioned repurchase of treasury shares, the weighted average of outstanding ordinary shares was 99,952,008.

Earnings per share and the number of ordinary shares used to calculate basic and diluted earnings per share in accordance with IAS 33 are shown below:

(in Euros)	31.12.2022	31.12.2021
Earnings per share	44,508,486	27,318,447
Average number of ordinary shares	99,952,008	99,882,557
Basic earnings per share	**0.4453**	**0.2735**

The company's basic and diluted earnings per share are the same,

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES (NOTE 13)

Non-current loans and borrowings can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Bank loans and borrowings at amortised cost	50,174,637	(17,745,449)	67,920,086
Amounts due to bondholders	39,467,988	39,467,988	-
Lease liabilities	14,110,299	2,001,990	12,108,309
Other financial liabilities	1,190,014	(250,000)	1,440,014
Other loans and borrowings at amortised cost	488,543	(192,703)	681,246
Effective hedging derivatives	-	(108,401)	108,401
Non-current financial liabilities	**105,431,481**	**23,173,425**	**82,258,056**

Current loans and borrowings can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Bank loans at amortised cost	69,218,767	9,022,565	60,196,202
Cash pooling arrangement	9,718,593	(5,824,405)	15,542,998
Other financial liabilities	2,016,284	1,997,551	18,733
Intragroup loans and borrowings	1,691,325	890,813	800,512
Lease liabilities	1,569,269	258,613	1,310,656
Other loans and borrowings at amortised cost	192,703	1,533	191,170
Amounts due to bondholders	113,617	113,617	-
Derivatives held for trading at fair value through profit or loss	48,870	48,870	-
Effective hedging derivatives	-	(40,625)	40,625
Current financial liabilities	**84,569,428**	**6,468,532**	**78,100,896**

Amounts due to bondholders refer to the issue and placement of non-convertible bonds subscribed by funds managed by Prudential Insurance Company of America ("Pricoa"). Specifically, on 6 May 2022, the company issued two ten-year non-convertible bonds with a nominal amount of €20,000 thousand due in May 2032 and with a five-year interest-only period. These bonds are part of a private shelf agreement whereby the company can ask Pricoa, on an uncommitted basis and over the next three years, to subscribe additional bonds up to a total maximum amount of USD150 million. They are guaranteed by the company and certain subsidiaries.

Fixed interest accrues on these bonds from the subscription date and repayment of principal will take place annually starting from the fifth year on a straightline basis, with the first and last payment dates in May 2028 and May 2032, respectively.

A breakdown of bonds, net of the interest accrued at the end of the year (€114 thousand) and the residual amortised cost by due date is provided below:

LOANS AND BORROWINGS BREAKDOWN AS OF 31ST DECEMBER 2022

(in Euros)	Currency	Original amount	Maturity	Rate	Outstanding liabilities in Euros	Current	Non-current
Senior A bonds	EUR	20,000,000	05/2032	Fixed	19,733,994	-	19,733,994
Senior B bonds	EUR	20,000,000	05/2032	Fixed	19,733,994	-	19,733,994
Total					**39,467,988**	**-**	**39,467,988**

Bonds are unrated and shall not be listed on regulated markets. Compliance with the following covenants is checked every six months:

- net financial debt / gross operating profit (loss) < 3.5x;
- net financial debt / equity < 1.5;
- gross operating profit (loss) / net financial expense > 5x.

At 31 December 2022, such covenants have been respected.

A breakdown of bank loans and borrowings at amortised cost, net of the interest accrued at the end of the year and the residual amortised cost by due date is provided below:

LOANS AND BORROWINGS BREAKDOWN AS OF 31ST DECEMBER 2022

(in Euros)	Currency	Original amount	Maturity	Rate	Outstanding liabilities in Euros	Current	Non-current
Intesa Sanpaolo loan	EUR	6,000,000	01/2023	Fixed	6,000,000	6,000,000	-
Unicredit S.p.A. loan	EUR	20,000,000	04/2023	Fixed	2,222,222	2,222,222	-
Unicredit S.p.A. loan	EUR	20,000,000	04/2023	Floating	3,333,333	3,333,333	-
BNL (BNP Paribas) loan no. 6141372	EUR	20,000,000	04/2023	Floating	10,009,712	10,009,712	-
BNL (BNP Paribas) loan no. 6139218	EUR	30,000,000	05/2023	Floating	4,284,191	4,284,191	-
Mediobanca – Banca di Credito Finanziario S.p.A. loan	EUR	25,000,000	08/2023	Floating	25,115,007	25,115,007	-
Intesa Sanpaolo loan	EUR	10,000,000	03/2024	Fixed	3,770,782	2,513,722	1,257,060
Crédit Agricole FriulAdria S.p.A. loan	EUR	10,000,000	04/2024	Fixed	3,775,726	2,516,210	1,259,516
Mediobanca – Banca di Credito Finanziario S.p.A. loan	EUR	20,000,000	06/2026	Floating	15,716,260	4,444,444	11,271,816
Intesa Sanpaolo loan	EUR	10,000,000	06/2026	Floating	10,011,988	1,666,667	8,345,321
Intesa Sanpaolo loan	EUR	20,000,000	06/2026	Floating	20,023,975	3,333,333	16,690,642
CREDEM loan	EUR	15,000,000	10/2026	Floating	14,986,667	3,636,385	11,350,282
Total					**119,249,863**	**69,075,226**	**50,174,637**

During the year, the company regularly repaid the financing instalments as per the repayment plan. Specifically:
- in June, it took out two 48-month unsecured loans with Intesa Sanpaolo S.p.A. of €20,000 thousand and €10,000 thousand, respectively;
- in September, it obtained a current account facility of €6,000 thousand from Intesa San Paolo S.p.A. expiring in January 2023;
- in October, it took out a 48-month €15,000 thousand unsecured loan with Credem.

The following loans require compliance with covenants:
- Mediobanca (loan of €25,000 thousand, outstanding liability at 31 December 2022 of €25,115 thousand): Net financial debt to gross operating profit (loss) ratio < 3.50 and gross operating profit (loss) to net financial expense ratio > 5.00 based on the figures recognised in the consolidated financial statements;
- BNL – BNP Paribas (original loan of €20,000 thousand, outstanding liability at 31 December 2022 of €10,010 thousand): Net financial debt / gross operating profit (loss) < 3.50 based on the figures recognised in the consolidated financial statements;
- Mediobanca (loan of €20,000 thousand, outstanding liability at 31 December 2022 of €15,716 thousand): Net financial debt / gross operating profit (loss) < 3.50 and gross operating profit (loss) / net financial expense ratio 5.00 based on the figures recognised in the consolidated financial statements;
- Intesa Sanpaolo (original loans of €20,000 thousand and €10,000 thousand, outstanding liability at 31 December 2022 of €20,024 thousand and €10,012 thousand): Net financial debt / gross operating profit (loss) < 3.50 based on the figures recognised in the consolidated financial statements.

At 31 December 2022, such covenants have been respected.

Lease liabilities refer to the lease liabilities recognised following the adoption of IFRS 16.

Other non-current financial liabilities relate to:
- a contingent consideration of €940 thousand due to the non-controlling investor in CFM Sogutma ve Otomasyon A.S. under the agreement for the acquisition of 51% of the investee signed in May 2021. This amount will be paid in instalments when certain contractually-agreed events occur;
- a contingent consideration of €250 thousand due to the non-controlling investor in Sauber S.r.l. for the acquisition of 70% of the investee on 12 July 2022. Reference should be made to note 3 "Equity investments" for more information. The transaction took effect on 12 July 2022 and part of the consideration (€300 thousand) will be paid in instalments when certain contractually-agreed events occur. As meeting these conditions is deemed probable, management considers such amount an adjustment of the consideration paid at the acquisition date.

A breakdown of other loans and borrowings at amortised cost are broken down by due date below:

COMPOSIZIONE FINANZIAMENTI AL 31.12.2022

(in Euros)	Currency	Original amount	Maturity	Rate	Outstanding liabilities in Euros	Current	Non-current
MedioCredito Centrale Progetto Horizon 2020	EUR	1,489,851	06/2026	Fixed	681,246	192,703	488,543
Total					**681,246**	**192,703**	**488,543**

The loan granted by Mediocredito Centrale refers to a research and development project accepted by the Ministry of Economic Development ("MISE") which falls within the scope of the Horizon 2020 EU framework programme.

The cash pooling arrangement includes the debit balances of the cash pooling account related to the cash pooling arrangements regarding the following group companies:

(in Euros)	31.12.2022	31.12.2021
Carel Deutschland GmbH	3,277,110	2,518,941
HygroMatik GmbH	2,404,562	5,949,037
Carel Controls Iberica SL	1,740,867	1,203,133
Enginia S.r.l.	1,396,851	-
Carel U.K. Ltd	899,203	680,473
Carel France s.a.s.	-	2,823,758
Carel Adriatic Doo	-	2,334,058
Recuperator S.p.A.	-	33,598
Total	**9,718,593**	**15,542,998**

Other current financial liabilities mainly relate to:

- a contingent consideration of €1,435 thousand due to the sellers of Klingenburg GmbH and di Klingenburg International Sp. Z.o.o. for the acquisition of 100% of the investees on 2 September 2022. Reference should be made to note 3 "Equity investments" for more information. The transaction took effect on 2 September 2022 and the above amount will be paid in instalments when certain contractually-agreed events occur. As meeting these conditions is deemed probable, management considers such amount an adjustment of the consideration paid at the acquisition date;
- a contingent consideration of €500 thousand due to the non-controlling investor in CFM Sogutma ve Otomasyon A.S. under the agreement for the acquisition of 51% of the investee signed in May 2021. This amount will be paid in instalments when certain contractually-agreed events occur;
- a contingent consideration of €50 thousand due to the non-controlling investor in Sauber S.r.l. for the acquisition of 70% of the investee on 12 July 2022. Reference should be made to note 3 "Equity investments" for more information, The transaction took effect on 12 July 2022 and part of the consideration (€300 thousand) will be paid in instalments when certain contractually-agreed events occur. As meeting these conditions is deemed probable, management considers such amount an adjustment of the consideration paid at the acquisition date.

Intragroup loans and borrowings relate to a 6-month loan obtained from Carel Australia Pty Ltd for an overall amount of AUD2,650 thousand, which is tacitly renewed unless terminated by one of the parties.

The derivatives held for trading at fair value through profit or loss included in current financial liabilities are currency forwards agreed to hedge commercial transactions but which do not qualify for hedge accounting.

The following table reclassifies the derivatives by type of financial instrument:

	31.12.2022				31.12.2021			
(in Euros)	**Fair value ****	**Nominal amount ****	**Currency purchases***	**Currency sales***	**Fair value ****	**Nominal amount ****	**Currency purchases***	**Currency sales***
USD forwards	48,870	885,269	-	1,000,000	-	-	-	-
Total	**48,870**				-			

* In foreign currency

** In Euros

The reporting-date fair value of currency forwards is the market value of each transaction calculated based on the exchange rate and the interest rates on the relative financial markets at such date.

The following tables show changes in current and non-current financial liabilities, comprising lease liabilities (including cash and non-cash changes):

(in Euros)	**31.12.2022**	**Net cash flows**	**Fair value gains or losses**	**Reclassification**	**31.12.2021**
Bank loans and borrowings at amortised cost	50,174,637	36,549,444	-	(54,294,893)	67,920,086
Amounts due to bondholders	39,467,988	39,467,988	-	-	-
Other financial liabilities	1,190,014	250,000		(500,000)	1,440,014
Other loans and borrowings at amortised cost	488,543	-	-	(192,703)	681,246
Effective hedging derivatives	-	-	-	(108,401)	108,401
Non-current financial liabilities	**91,321,182**	**76,267,432**	-	**(55,095,997)**	**70,149,747**

(in Euros)	**31.12.2022**	**Net cash flows**	**Fair value gains or losses**	**Reclassification**	**31.12.2021**
Bank loans and borrowings at amortised cost	69,218,767	(45,272,328)	-	54,294,893	60,196,202
Cash pooling arrangement	9,718,593	(5,824,405)	-	-	15,542,998
Other financial liabilities	2,016,284	1,497,551	-	500,000	18,733
Intragroup loans and borrowings at amortised cost	1,691,325	890,813	-	-	800,512
Other loans and borrowings at amortised cost	192,703	(191,170)	-	192,703	191,170
Amounts due to bondholders	113,617	113,617	-	-	-
Effective hedging derivatives	-	(34,037)	(6,588)		40,625
Derivatives held for trading at fair value through profit or loss	48,870	-	48,870	-	-
Current financial liabilities	**83,000,159**	**(48,819,959)**	**42,282**	**54,987,596**	**76,790,240**

(in Euros)	**31.12.2022**	**Increases**	**Restatement of financial liabilities**	**Repayments**	**Interest**	**Termination of contracts**	**31.12.2021**
Lease liabilities	15,679,568	3,168,796	510,470	(1,506,147)	87,484	-	13,418,965

NON-CURRENT AND CURRENT PROVISIONS FOR RISKS (NOTE 14)

Changes to the **non-current** and **current** provisions for risks can be broken down as follows:

2022 VARIATION							
(in Euros)	31.12.2022	Actuarial gains	Accruals	Reversals	Utilisations	Reclassifications	31.12.2021
Provision for agents' termination benefits	703,046	(132,074)	40,307	-	(20,555)	-	815,368
Provision for product warranties	352,033	-	63,450		(6,150)	-	294,733
Total - non-current	**1,055,079**	**(132,074)**	**103,757**	-	**(26,705)**	-	**1,110,101**
Provision for commercial complaints	1,400,564	-	390,000	(367,053)	(529,819)	-	1,907,436
Total - current	**1,400,564**	-	**390,000**	**(367,053)**	**(529,819)**	-	**1,907,436**
Total provisions for risks	**2,455,643**	**(132,074)**	**493,757**	**(367,053)**	**(556,524)**	-	**3,017,537**

The provision for agents' termination benefits, accrued for the potential risks of the termination of agency contracts, considers the estimated liabilities related to contacts in place at year end.

It is calculated by an independent actuary using the closed group approach in accordance with IAS 37. The assessments were carried out by quantifying future payments through the projection of agency commissions accrued at the assessment date up to the estimated moment (uncertain) in which the contractual relationship will be terminated.

The demographic assumptions were based on the Mortality table RG48 published by the General Accounting Office, the INPS tables split by age and gender for disabilities and the requirements set out by ENASARCO (the Italian social security foundation for business agents and representatives) for the pensionable age.

With regard to the possible termination of agency agreements either by the company or for other causes, the company estimated annual termination rates of 2.50% for voluntary terminations and 2.00% for company reasons based on internal date data.

The financial assumptions essentially relate to the discount rate, which, at 31 December 2022, was deemed to be in line with the Iboxx AA Corporate index with the same term as the closed group subject to assessment, equal to 3.63%.

The provision for product warranties is related to the non-current portion of the liabilities, reasonably estimated based on the guarantees contractually granted to customers and past experience, connected to costs for spare parts and labour that the company may incur in future years for assistance to be provided for products, the sales revenue of which has already been recognised in profit or loss for the year or in previous years.

The provision for commercial complaints refers to the prudent accrual for costs incurred for commercial complaints from customers related to products sold.

The provision increased due to the estimated larger costs that the company might occur on claims with customers.

The use during the year relates to specific customer complaints.

The company revised the estimated costs to be incurred for specific customer complaints and released a portion of the provision.

DEFINED BENEFIT PLANS (NOTE 15)

This caption consists of the company's liability for post-employment benefits and post-term of office benefits for directors. These benefits qualify as defined benefit plans pursuant to IAS 19 and the related liabilities are calculated by an independent actuary applying the closed group approach in accordance with the accrued benefits methodology using the projected unit credit method envisaged in IAS 19.

As described in the Accounting policies, the actuarial gains or losses are recognised in a specific equity reserve through other comprehensive income.

Defined benefit plans and changes therein may be analysed as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Post-employment benefits	3,537,494	(643,306)	4,180,800
Post-term of office benefits for directors	852,052	63,483	788,569
Total	**4,389,546**	**(579,823)**	**4,969,369**

Post-employment benefits at year end were as follows:

(in Euros)	31.12.2022	31.12.2021
Opening balance	**4,180,800**	**4,434,495**
Accruals	2,068,577	1,923,281
Transfers to pension funds	(2,007,271)	(1,895,794)
Interest cost	69,535	24,023
Employee benefits paid	(174,273)	(352,835)
Substitute tax	(61,306)	(27,487)
Actuarial (gains) losses	(538,568)	75,117
Closing balance	**3,537,494**	**4,180,800**

Law no. 296/06 changed the Italian post-employment benefits scheme and they are now classified as defined contribution plans regardless of whether the employee decides to have them transferred to the INPS treasury fund or a supplementary pension plan. Benefits vested up until 31 December 2006 continue to be recognised as part of a defined benefit plan and are subject to actuarial valuation, excluding the future salary increase component.

The post-term of office benefits for directors at year end was as follows:

(in Euros)	31.12.2022	31.12.2021
Opening balance	**788,569**	**706,279**
Accruals	87,444	90,060
Interest cost	14,729	4,088
Benefits paid to directors	-	(23,625)
Actuarial (gains) losses	(38,690)	11,767
Closing balance	**852,052**	**788,569**

For both liabilities the company also performed sensitivity analyses to assess reasonable changes in the main assumptions underlying the calculations. Specifically, it assumed an increase or decrease of 0.25% in the discount rate. The resulting change in the liability would be immaterial.

DEFERRED TAX LIABILITIES (NOTE 16)

Deferred tax liabilities at 31 December 2022 were generated by the temporary differences between the carrying amount of assets and liabilities and their tax base calculated with reference to the tax rates that are expected to be enacted in the years in which the differences will reverse.

The deferred tax liabilities recognised in the separate financial statements refer to the following temporary differences:

	31.12.2022		31.12.2021	
(in Euros)	Tax base	Deferred tax liabilities	Tax base	Deferred tax liabilities
Unrealised exchange differences	837,722	201,053	226,964	54,471
Fair value changes on derivatives	1,647,574	395,417	81,766	19,624
Dividends not collected	8,932	2,144	-	-
Diff. in amort/dep. calculated under IFRS FTA	61,173	18,089	121,839	33,993
Diff. in amort/dep. calculated under IFRS/OIC 2015	183,143	54,154	185,666	51,800
Diff. in amort/dep. calculated under IFRS/OIC 2016	18,053	5,337	31,389	8,757
Discounting of post-employment benefits and post-term of office benefits	284,859	84,233	-	-
Discounting of agents' termination benefits	236,315	69,878	104,241	29,082
Total	**3,277,771**	**830,305**	**751,865**	**197,727**

The changes in deferred tax liabilities were as follows:

(in Euros)	31.12.2022	Recognised in profit or loss	Recognised in other comprehensive income	31.12.2021
Unrealised exchange differences	201,053	146,582	-	54,471
Fair value changes on derivatives	395,417	-	375,793	19,624
Dividends not collected	2,144	2,144	-	-
Diff. in amort/dep. calculated under IFRS FTA	18,089	(15,904)	-	33,993
Diff. in amort/dep. calculated under IFRS/OIC 2015	54,154	2,354	-	51,800
Diff. in amort/dep. calculated under IFRS/OIC 2016	5,337	(3,420)	-	8,757
Discounting of post-employment benefits and post-term of office benefits	84,233	(75,021)	159,254	-
Discounting of agents' termination benefits	69,878	40,796	-	29,082
Total	**830,305**	**97,531**	**535,047**	**197,727**

OTHER NON-CURRENT LIABILITIES (NOTE 17)

These amount to €10,875 thousand and can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Third party options	9,104,885	1,180,820	7,924,065
Other	1,015,602	882,481	133,121
Other deferred income	754,675	754,675	-
Total	**10,875,162**	**2,817,976**	**8,057,186**

Third party options relate to the fair value of the call options on the non-controlling interests in the following investees:

- CFM Sogutma ve Otomasyon A.S.: the derivative's fair value is remeasured at each reporting date and any gains or losses are recognised in profit or loss. The liability was discounted using a rate of 3.8%. At the reporting date, its fair value amounts to €8,853 thousand compared to €7,985 thousand at 31 December 2021, with a fair value loss of €929 thousand recognised under other financial expense;
- Sauber S.r.l.: reference should be made to note 3 Equity investments fore more information. The derivative's fair value is remeasured at each reporting date and any gains or losses are recognised in profit or loss. The liability was discounted using a rate of 3.6%. Its initial carrying amount of €7,985 thousand increased by a fair value loss of €61 thousand, recognised as other financial expense:

Other non-current liabilities relate to the cash award liability to the beneficiaries of the 2021-2025 cash-settled performance plan. For more information, reference should be made to the section on "Cash-settled and equity-settled payment arrangements" of note 33.

Other non-current deferred income refers to the accrued portion of tax assets that will be taken to profit or loss as follows:

Year	Amount
2024	298,719
2025	117,232
2026	85,063
2027	67,055
2028	67,055
2029	58,308
2030	49,781
2031	11,462
Total	**754,675**

TRADE PAYABLES (NOTE 18)

These amount to €61,853 thousand (€52,401 thousand at 31 December 2021) and can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Payments on account from customers	2,588,318	1,364,544	1,223,774
Third parties	37,273,541	6,597,080	30,676,461
Subsidiaries	21,565,435	1,629,824	19,935,611
Associates	-	(454)	454
Subsidiaries of parents	173,684	61,689	111,995
Related parties	251,765	(200,783)	452,548
Total	**61,852,743**	**9,451,900**	**52,400,843**

Payments on account received from customers relate to supply contracts that entail the future provision of services.

Trade payables relate to transactions with suppliers to purchase raw materials, consumables, processing and services. These activities are part of the normal procurement management. The change recognised during the year is related to the normal commercial dynamics combined with business growth.

Trade payables in foreign currency were retranslated using the closing rate, adjusting the originally-recognised amount.

Trade payables refer to the following geographical segments:

(in Euros)	31.12.2022	31.12.2021
Europe, Middle East and Africa	54,088,311	39,586,558
APAC	6,883,438	12,045,837
North America	538,808	473,078
South America	342,186	295,370
Total	**61,852,743**	**52,400,843**

A breakdown of trade payables to group companies is as follows:

(in Euros)	31.12.2022	31.12.2021
Arion S.r.l.	237,672	
C.R.C. S.r.l.	155,255	7,946
Recuperator S.p.A.	-	3,203
Enginia S.r.l.	508	-
Sauber S.r.l.	20	-
Carel U.K. Ltd	238,818	172,186
Carel France Sas	3,279	5,108
Carel Asia Ltd	2,304	15,255
Carel Sud America Instrumentacao Eletronica Ltda	330,313	217,986
Carel USA Llc	226,949	75,761
Carel Australia Pty Ltd	21,153	27,823
Carel Deutschland GmbH	19,161	37,115

(in Euros)	31.12.2022	31.12.2021
Carel Electronic (Suzhou) Co Ltd	6,246,231	11,615,171
Carel Controls Iberica SL	3,000	-
Carel ACR Systems India (Pvt) Ltd	115,559	109,023
Carel Controls South Africa (Pty) Ltd	962	964
Carel RUS Llc	950,050	353,077
Carel Korea Ltd	16,750	9,712
Carel Nordic AB	418,080	397,481
Carel Japan Co. Ltd	5,322	3,545
Carel Mexicana S.De.RL	4,383	4,128
Carel Middle East DWC Llc	274,084	192,086
Alfaco Polska Sp.z.o.o	14,560	-
Carel Adriatic Doo	12,175,582	6,554,419
HygroMatik GmbH.	19,642	11,651
CFM Sogutma ve Otomasyon A.S.	85,798	121,971
Subsidiaries	**21,565,435**	**19,935,611**
Arion S.r.l.		454
Associates	**-**	**454**
Eurotest Laboratori S.r.l.	132,106	96,447
Arianna S.p.A.	-	-
Nastrificio Victor S.p.A.	38,542	9,480
Panther S.r.l	3,036	6,068
Subsidiaries of parents	**173,684**	**111,995**
RN Real Estate S.r.l.	217,406	442,088
Other, minor	34,359	10,460
Related parties	**251,765**	**452,548**

CURRENT TAX LIABILITIES (NOTE 19)

These amount to €382 thousand and can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Variation	99,418	99,418	-
Debiti per imposta IRAP dell'esercizio	282,363	282,363	-
Debiti per imposte anni precedenti	-	(50,982)	50,982
Totale	**381,781**	**330,799**	**50,982**

The IRES and IRAP liabilities result from the calculation of the taxes for 2022.

The IRES liability refers to the domestic tax consolidation scheme and was calculated on the sum of the taxable profits of all participating group companies as per article 117 and following articles of the consolidated income tax act, net of withholdings paid and payments on account.

OTHER CURRENT LIABILITIES (NOTE 20)

These amount to €14,927 thousand and can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Other tax liabilities	1,578,351	(54,016)	1,632,367
Social security contributions	4,031,313	329,047	3,702,266
Other	8,917,525	768,920	8,148,605
Accrued expenses and deferred income	399,504	(540,429)	939,933
Total	**14,926,693**	**503,522**	**14,423,171**

Other tax liabilities can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Withholdings to be paid	1,536,868	(14,770)	1,551,638
Post-employment benefits substitute tax	36,344	(28,121)	64,465
Foreign VAT	-	(16,264)	16,264
Sundry taxes	5,139	5,139	-
Total	**1,578,351**	**(54,016)**	**1,632,367**

Social security contributions can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
INPS	1,480,111	104,434	1,375,677
Social security contributions on deferred remuneration	2,022,959	83,629	1,939,330
ENASARCO	16,377	3,086	13,291
Others	101,453	9,747	91,706
Pension funds	410,413	128,151	282,262
Total	**4,031,313**	**329,047**	**3,702,266**

Other liabilities can be broken down as follows:

(in Euros)	31.12.2022	Variation	31.12.2021
Wages and salaries	8,536,310	461,069	8,075,241
Directors' fees	36,318	(13,283)	49,601
Other amounts due to subsidiaries	310,166	310,166	-
Other sundry amounts	34,731	10,968	23,763
Total	**8,917,525**	**768,920**	**8,148,605**

Wages and salaries include €7,037 thousand related to bonuses and unused holidays at 31 December 2022.

The remaining amount refers to December pay.

Other amounts due to subsidiaries relate to the taxable profits and tax losses, net of withholdings paid and payments on account for IRES purposes, transferred as part of the domestic tax consolidation scheme for 2022-2024 pursuant to article 117 and following articles of the consolidated income tax act. They refer to the following investees:

(in Euros)	31.12.2022
Recuperator S.p.A.	83,305
Enginia S.r.l.	226,861
Total	**310,166**

Accrued expenses and deferred income refer to income or charges collected/paid before or after the year to which they pertain. They are recognised regardless of the payment or collection date when the related income and charges are common to two or more years and can be allocated over time.

Other deferred income of €364 thousand refers to the accrued portion of tax assets that will be taken to profit or loss in the following year.

NOTES TO THE STATEMENT OF PROFIT OR LOSS

REVENUE (NOTE 21)

A breakdown of the caption is as follows:

(in Euros)	2022	Variation	2021
Revenue from sales and services	248,630,782	33,205,822	215,424,960
Total	**248,630,782**	**33,205,822**	**215,424,960**

Revenue from sales and services, shown net of discounts and allowances, essentially relates to the sales of products to third parties and group companies and administration-commercial-financial coordination services provided to group companies. Specifically:

(in Euros)	2022	Variation	2021
Third parties	130,336,900	12,151,298	118,185,602
Intragroup	118,293,882	21,054,524	97,239,358
Total	**248,630,782**	**33,205,822**	**215,424,960**

Reference should be made to the disclosures on related party transactions provided in note 33 for a breakdown of revenue from subsidiaries.

In line with the rise in sales to third parties, intragroup sales were pushed up by the internal demand of the countries in which the group companies operate as distributors.

Revenue from sales of goods and services to third parties amounts to €130,337 thousand, up on €118,186 thousand in 2021. A breakdown of revenue by business segment is as follows:

(in Euros)	2022	2021
HVAC	89,157,340	75,889,227
REF	40,232,121	40,482,412
Non-core revenue	947,439	1,813,963
Total	**130,336,900**	**118,185,602**

Revenue from sales and services may be broken down by geographical segment as follows:

(in Euros)	2022	"Breakdown %"	2021	"Breakdown %"
Europe, Middle East and Africa	211,816,196	85.19%	184,843,569	85.80%
APAC	23,088,499	9.29%	16,951,305	7.87%
North America	10,172,633	4.09%	9,858,393	4.58%
South America	3,553,454	1.43%	3,771,693	1.75%
Total	**248,630,782**	**100.00%**	**215,424,960**	**100.00%**

An analysis of the revenue trend is provided in the directors' report.

OTHER REVENUE (NOTE 22)

A breakdown of the caption is as follows:

(in Euros)	2022	Variation	2021
Grants related to income	1,346,053	(67,623)	1,413,676
Licence fees	5,091,368	1,065,262	4,026,106
Sundry cost recoveries	2,935,571	1,094,663	1,840,908
Compensation	160,646	152,549	8,097
Company canteen cost recovery	86,809	(3,396)	90,205
Other revenue and income	79,016	9,945	69,071
Total	**9,699,463**	**2,251,400**	**7,448,063**

Grants related to income relate to the tax assets accrued during the year (Industry 4.0 – Law no. 160/2019; Maxi-amortisation and depreciation – Law no. 178/2020; Ecobonus – Law no. 296/2006; tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020, energy and gas tax credit - Law decree no. 144/2022 and Law no. 176/2022) and taken to profit or loss based on the relevant expense caption.

Licence fees relate to royalties only received from group companies.

Sundry cost recoveries mainly relate to the reimbursement of transport costs by third parties and group companies.

COSTS OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGE IN INVENTORIES (NOTE 23)

A breakdown of the caption is as follows:

(in Euros)	2022	Variation	2021
Purchases of raw materials, supplies and goods	(143,512,647)	(23,985,935)	(119,526,712)
Purchases of consumables	(2,095,610)	(456,440)	(1,639,170)
Change in raw materials and goods	4,318,503	(1,255,540)	5,574,043
Change in finished goods and semi-finished products	1,626,038	846,427	779,611
Total	**(139,663,716)**	**(24,851,488)**	**(114,812,228)**

Costs of raw materials, consumables and goods refer to goods purchased for the company's normal production activities and can be broken down as follows:

(in Euros)	2022	Variation	2021
Purchases of raw materials and semi-finished goods	(72,057,214)	(11,344,690)	(60,712,524)
Purchases of goods held for resale	(67,670,452)	(11,388,677)	(56,281,775)
Purchases of other materials	(4,111,483)	(1,351,037)	(2,760,446)
Total	**(143,839,149)**	**(24,084,404)**	**(119,754,745)**
Returns, markdowns, bonuses and discounts	326,502	98,469	228,033
Total purchases of raw materials, consumables, supplies and goods	**(143,512,647)**	**(23,985,935)**	**(119,526,712)**

The intragroup purchases of raw materials, consumables, supplies and goods amount to €61,081 thousand in 2022 (€47,967 thousand in 2021).

The increase in costs for raw materials, consumables, supplies and goods is proportionate to the sales trend and the rise in the price of raw materials used in the various production cycles due to inflation and shortages, which had an adverse affect during the year.

The change in raw materials and goods refers to the acquisition of goods that will mostly be transformed rather than used, net of write-downs made to reflect obsolescence and the reduced usability of the products.

The change in finished goods and semi-finished products can be broken down as follows:

(in Euros)	2022	Variation	2021
Work in progress	(41,205)	42,649	(83,854)
Semi-finished goods	151,548	148,231	3,317
Finished goods	1,515,695	655,547	860,148
Total	**1,626,038**	**846,427**	**779,611**

SERVICES (NOTE 24)

A breakdown of the caption is as follows:

(in Euros)	2022	Variation	2020
Services	(34,757,648)	(5,552,569)	(29,205,079)
Use of third party assets	(1,079,908)	(154,913)	(924,995)
Total	**(35,837,556)**	**(5,707,482)**	**(30,130,074)**

A breakdown of services is as follows:

(in Euros)	2022	Variation	2020
Consultancies	(5,800,025)	(1,568,626)	(4,231,399)
Agency contracts	(5,674,931)	(654,549)	(5,020,382)
Transport	(5,313,462)	(449,257)	(4,864,205)
Maintenance and repairs	(5,159,297)	(1,087,165)	(4,072,132)
Outsourcing	(3,675,176)	203,745	(3,878,921)
Personnel expense and temporary staff	(1,657,809)	(462,923)	(1,194,886)
Fees to directors, statutory auditors and independent auditors	(1,613,120)	(26,999)	(1,586,121)
Utilities	(1,318,240)	(561,257)	(756,983)
Other services	(1,037,372)	22,651	(1,060,023)
Insurance	(965,162)	(250,055)	(715,107)
Marketing and advertising	(783,298)	(514,751)	(268,547)
Certifications	(779,571)	271,432	(1,051,003)
Business trips and travel	(739,577)	(507,770)	(231,807)
Telephone and connections	(241,608)	31,955	(273,563)
Total	**(34,758,648)**	**(5,553,569)**	**(29,205,079)**

Almost all service costs increased over the previous year. The main increases related to consultancies for mergers and acquisitions, maintenance and repairs for the use of software licences, temporary work, which, however, translated into a reduction in outsourcing costs., utilities, due to the rise in energy prices caused by the international economic and political situation, and trade fairs and travel, due to the restart of these activities following the post-pandemic lifting of Covid-19 restrictions.

Intragroup services totalled €6,365 thousand (€5,800 thousand in 2021), including agency and sales assistance services of €4,830 thousand, transport and shipping services of €242 thousand, administrative services of €479 thousand and software development services of €443 thousand.

Finally, during the year, the company incurred costs for non-recurring services of €2,900 thousand related to assistance with mergers and acquisitions.

A breakdown of costs for the use of third party assets is as follows:

(in Euros)	2022	Variation	2021
Building lease payments	(2,129)	(2,129)	-
Car lease payments	(296,739)	(36,745)	(259,994)
Royalties on patents and trademarks	(396,739)	(120,464)	(276,275)
Other payments for the use of third party assets	(384,301)	4,425	(388,726)
Total	**(1,079,908)**	**(154,913)**	**(924,995)**

Car lease payments mainly include the related ancillary costs.

Other payments for the use of third party assets mostly relate to the lease of internal means of transport and electronic office equipment which are exempted from the application of IFRS 16 as they are short-term or low value leases.

Building leases relate entirely to group companies.

CAPITALISED DEVELOPMENT EXPENDITURE (NOTE 25)

This caption refers to expenditure for the year related to development projects capitalised under intangible assets and amortised over five years for projects completed by the reporting date or recognised as assets under development if not yet completed. The remainder relates to equipment and machinery constructed internally and recognised under property, plant and equipment.

A breakdown of the caption is as follows:

(in Euros)	2022	Variation	2021
Development expenditure	38,628	(798,603)	837,231
Self-constructed industrial and commercial equipment	30,081	(19,679)	49,760
Total	**68,709**	**(818,282)**	**886,991**

The decrease compared to 2021 is mainly due to the lack of electronic components that made it necessary to partly redesign some product groups to ensure their availability on the market. This chip pivoting required a strong involvement of the entire R&D department.

PERSONNEL EXPENSE (NOTE 26)

A breakdown of personnel expense is as follows:

(in Euros)	2022	Variation	2020
Wages and salaries	(37,439,336)	(2,426,286)	(35,013,050)
Social security contributions	(9,977,739)	(434,451)	(9,543,288)
Defined benefit plans	(2,068,577)	(124,641)	(1,943,936)
Total	**(49,485,652)**	**(2,985,378)**	**(46,500,274)**

Wages and salaries include the entire personnel expense for employees, including merit increases, equity-settled and cash-settled payment arrangements, promotions, unused holidays and accruals based on laws and national labour agreements. €2,713 thousand relates to temporary staff (€2,353 thousand in 2021).

Social security contributions refer to social insurance and supplementary contributions, net of exemptions, and accident insurance. The increase is directly related to changes in wages and salaries.

Defined benefit plans relate to the service cost accrued under IAS 19.

The workforce at 31 December 2022 and changes therein during the year are as follows:

Position	31.12.2021	Hires	Departures	Promotions	31.12.2022	2022 average	2021 average
Managers	27	2	(2)	2	29	27	25
Junior managers	59	3	(4)	1	59	61	60
White collars	380	53	(44)	(1)	388	382	381
Blue collars	231	31	(11)	(2)	249	248	212
Total	**697**	**89**	**(61)**	-	**725**	**718**	**678**

OTHER EXPENSE, NET (NOTE 27)

A breakdown of the caption is as follows:

(in Euros)	2022	Variation	2021
Gains on the sale of non-current assets	36,013	(36,388)	72,401
Prior year income	1,202,008	674,349	527,659
Other income	**1,238,021**	**637,961**	**600,060**
Losses on the sale of non-current assets	(4,179)	(2,696)	(1,483)
Prior year expense	(253,327)	(125,636)	(127,691)
Other taxes and duties	(244,501)	(126,813)	(117,688)
Impairment losses on loans and receivables	(312,255)	(21,309)	(290,946)
Accrual to the provisions for risks	(453,450)	209,387	(662,837)
Membership fees	(195,802)	(37,033)	(158,769)
Indemnities and compensation	(24,833)	(24,679)	(154)
Other costs	(20,805)	(16,101)	(4,704)
Other expense	**(1,509,152)**	**(144,880)**	**(1,364,272)**
Other expense, net	**(271,131)**	**493,081**	**(764,212)**

Prior year income relates to the non-existent liabilities and the recognition of income pertaining to previous years, €831 thousand of which is taxable and €371 thousand of which is not taxable. The latter figure include the release of provisions for risks and charges of €342 thousand.

Prior year expense relates to the non-existent assets and the recognition of expense pertaining to previous years.

The accruals to the provisions for risks mainly relate to the prudent accrual for costs to be incurred for complaints from customers about products sold (€390 thousand).

Finally, during the year, the company incurred costs for non-recurring other taxes and duties of €118 thousand related to assistance with mergers and acquisitions.

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES (NOTE 28)

A breakdown of the caption is as follows:

(in Euros)	2022	Variation	2021
Amortisation	(4,138,687)	(248,452)	(3,890,235)
Depreciation	(4,945,993)	(311,072)	(4,634,921)
Total	**(9,084,680)**	**(559,524)**	**(8,525,156)**

Depreciation includes €1,458 thousand (2021: €1,435 thousand) related to the right-of-use assets recognised under property, plant and equipment following the adoption of IFRS 16.

Reference should be made to that set out in the Accounting policies for information about amortisation, depreciation and impairment losses.

PROVENTI / (ONERI) FINANZIARI (NOTA 29)

A breakdown of the caption is as follows:

(in Euros)	2022	Variation	2021
Income from investments in subsidiaries	28,799,973	19,660,155	9,139,818
Interest on loans granted to subsidiaries	193,181	93,175	100,006
Other financial income	310,877	219,198	91,679
Financial income	**29,304,031**	**19,972,528**	**9,331,503**
Interest and other financial expense to subsidiaries	(145,220)	(31,261)	(113,959)
Interest and other financial expense to others	(3,208,458)	(1,789,879)	(1,418,579)
Financial expense	**(3,353,678)**	**(1,821,140)**	**(1,532,538)**
Net financial income	**25,950,353**	**18,151,388**	**7,798,965**

Income from investments in subsidiaries refers to dividends resolved during the year amounting to:

- €8,109 thousand from Carel Electronic (Suzhou) Co Ltd, entirely collected;
- €6,543 thousand from HygroMatik GmbH, entirely collected;
- €3,500 thousand from Carel Deutschland GmbH, entirely collected;
- €3,341 thousand from CFM Soğutma ve Otomasyon Anonim Şirketi, entirely collected;
- €1,895 thousand from Carel USA Llc, entirely collected;
- €1,503 thousand from Carel UK Ltd, entirely collected;
- €1,500 thousand from Carel France Sas, entirely collected;
- €1,015 thousand from Carel Asia Ltd, entirely collected;
- €570 thousand from Carel Nordic AB, entirely collected;
- €500 thousand from C.R.C S.r.l., entirely collected;
- €324 thousand from Carel RUS Llc, partly collected (€145 thousand).

Interest on loans granted to subsidiaries chiefly relates to interest accrued on the loan granted to Recuperator S.p.A..

Other financial income can be broken down as follows:

(in Euros)	2022	Variation	2021
"Interest income from securities classified as current assets which are not equity investments"	60,315	42,527	17,788
Interest income from cash pooling with subsidiaries	183,423	183,411	12
Bank interest income	30,626	25,282	5,344
Gains on derivatives	36,513	(31,859)	68,372
Other interest income	-	(163)	163
Total	**310,877**	**219,198**	**91,679**

- Interest income from securities classified as current assets which are not equity investments refers to interest accrued on available-for-sale securities and temporary deposits of liquidity with major counterparties, aimed at managing part of the company's liquidity. The objective of these financial assets is the collection of contractual cash flows comprising payments of principal and interest at fixed rates at specific maturities.
- Interest income from cash pooling relates to the interest accrued on the credit balance of the cash pooling account in place with group companies.
- Gains on derivatives relate to the fair value gains on currency derivatives that do not qualify for hedge accounting.

Interest and other financial expense to subsidiaries mainly refer to interest accrued on the cash pooling account overrun in place with group companies.

Interest and other financial expense to others are as follows:

(in Euros)	2022	Variation	2021
Interest and other financial expense on current bank loans and borrowings	-	47	(47)
Interest and other financial expense on non-current bank loans and borrowings	(1,682,670)	(672,264)	(1,010,406)
Losses on forwards	(4,621)	5,879	(10,500)
Lease interest expense	(87,484)	131,624	(219,108)
Losses on derivatives	(973,566)	(929,487)	(44,079)
Discounting expense on liabilities	(84,264)	(56,152)	(28,112)
Bank charges and fees	(229,423)	(123,823)	(105,600)
Fair value losses on financial assets	(145,500)	(145,500)	-
Other interest expense	(930)	(203)	(727)
Total financial expense	**(3,208,458)**	**(1,789,879)**	**(1,418,579)**

- Interest and other financial expense on non-current bank loans and borrowings include €561 thousand on bonds issued during the year. Reference should be made to note [13] for more details.
- Losses on derivatives relate to:
  - the fair value loss of €928 thousand on the call option on the non-controlling interests in CFM Sogutma ve Otomasyon A.S.;
  - the fair value loss of €45 thousand accrued on the liability for the call option for the non-controlling interest in Sauber S.r.l. from its initial recognition to the reporting date. Reference should be made to note [3] Equity investments for more details.
- Fair value losses on financial assets relate to available-for-sale securities.

NET EXCHANGE LOSSES(NOTE 30)

A breakdown of exchange gains and losses is as follows:

(in Euros)	2022	Variation	2021
Realised exchange gains	2,299,452	816,882	1,482,570
Unrealised exchange gains	1,079,958	765,460	314,498
Exchange gains	**3,379,410**	**1,582,342**	**1,797,068**
Realised exchange losses	(3,463,351)	(2,419,072)	(1,044,279)
Unrealised exchange losses	(652,877)	(47,405)	(605,472)
Exchange losses	**(4,116,228)**	**(2,466,477)**	**(1,649,751)**
Net exchange losses	**(736,818)**	**(884,135)**	**147,317**
Net realised exchange losses	*(1,163,899)*	*(1,602,190)*	*438,291*
Net unrealised exchange gains	*427,081*	*718,055*	*(290,974)*

Exchange gains and losses are part of the company's normal performance.

Unrealised exchange gains and losses mainly relate to the US dollar, the Japanese yen and the Polish zloty.

Net unrealised exchange gains totalled €427 thousand (net unrealised exchange losses of €291 thousand in 2021).

As part of the allocation of the profit for 2022, the company shall accrue the net unrealised exchange gains in a specific undistributable reserve pursuant to article 2426-bis of the Italian Civil Code.

NET IMPAIRMENT GAINS ON FINANCIAL ASSETS (NOTE 31)

Net impairment gains of €864 thousand relate to:

- the €624 thousand impairment gain on the investment in Carel Controls Iberica SL. An impairment loss had been recognised since the carrying amount was deemed not to be recoverable given the investee's performance and expected profitability. The profits achieved in the past few years have enabled the investee to pay dividends to the company and to increase its equity. Consequently, the company recognised an impairment gain equal to the difference between the carrying amount of the investment, net of impairment losses, and its share of the investee's equity;
- the €195 thousand impairment gain on the investment in the subsidiary Carel Middle East DWC Llc. An impairment loss had been recognised since the carrying amount was deemed not to be recoverable given the investee's performance and expected profitability. In 2022, the investee reported a profit for the year. Consequently, the company recognised an impairment gain equal to the difference between the carrying amount of the investment, net of impairment losses, and its share of the investee's equity;
- the €45 thousand impairment gain on the investment in Carel Japan Co. Ltd. An impairment loss was recognised in previous years as a result of the losses made by the investee. Under the new business plan, the investee has increased its profitability, as confirmed by the profits of the past three years and, consequently, its equity. Therefore, the company recognised an impairment gain equal to the difference between the carrying amount of the investment, net of impairment losses, and its share of the investee's equity.

Note [3] provides more details about the effects of equity-accounting.

INCOME TAXES (NOTE 32)

A breakdown of income taxes is as follows:

(in Euros)	2022	Variation	2021
Current taxes	(4,074,552)	(1,264,724)	(2,809,828)
Substitute tax	(1,962,649)	-	(1,962,649)
Change in deferred tax assets	34,233	(68,553)	102,786
Change in deferred tax liabilities	(97,531)	(160,096)	62,565
Prior year taxes	475,041	480,823	(5,782)
Total	**(5,625,458)**	**(1,012,550)**	**(4,612,908)**

With regard to deferred taxes, reference should be made to the Accounting policies and the information provided about deferred tax assets (note 5) and deferred tax liabilities (note 16).

A reconciliation of the theoretical and effective tax expense is provided below:

(in Euros)	2022	2021
Profit before tax	50,133,944	31,931,355
Theoretical IRES	**12,032,147**	**7,663,525**
Lower taxes:		
- ACE	(56,713)	(177,280)
- other prior-year income	(896)	(16,272)
- personnel expense and supplementary pension funds	(73,552)	(74,778)
- dividends from equity investments and gains on the sale of investments	(6,689,060)	(2,095,879)
- maxi-and hyper-amortisation and depreciation	(219,277)	(282,713)
- amortisation of goodwill	(2,960,237)	(2,957,526)
- impairment gain on equity investments	(207,406)	(229,681)
- patent box	(141,660)	-
- use of provisions for risks and charges	(222,785)	(180,518)
- tax asset on research and development	(323,053)	(338,994)
- other	(364,643)	(187,620)
Higher taxes:		
- undeductible amortisation/depreciation	39,886	89,516
- accruals to provisions	131,574	169,704
- prior year expense	33,085	7,214
- write-down of inventories	304,557	115,316
- other undeductible costs	110,301	84,396
- other	213,408	163,130
- unused tax withholdings	1,634,054	440,733
- substitute tax	1,962,649	1,962,649
Total income taxes (IRES)	**5,202,379**	**4,154,922**
IRAP	**834,822**	**617,555**
Prior year taxes	**(475,041)**	**5,782**
Deferred taxes	**63,298**	**(165,351)**
TOTAL INCOME TAXES	**5,625,458**	**4,612,908**

OTHER INFORMATION (NOTE 33)

Impacts of the Russia-Ukraine conflict

2022 was affected by the Russia-Ukraine conflict, which is still ongoing and has somewhat reduced the expectations of growth mainly for the Eurozone.

The company operates in Russia and Ukraine with two commercial companies. However, exposure in both markets is limited and consolidated revenue in both areas is less than 5% of the group's total. At the reporting date, the impact of the conflict on the company's financial performance was not serious nor was it required to impair its current assets. The group's non-current assets are not significant either in absolute value or as a percentage of the group's non-current assets.

Effects of the Covid-19 pandemic on the company and the Carel Industries Group

The Covid-19 pandemic did not have a significant effect on the company in 2022. There were further waves of Covid-19 in China, especially in the area where the subsidiary Carel Electronic (Suzhou) Co. Ltd. is located. This meant that the subsidiary was affected by several lockdowns but was, however, able to continue to operate and make its customary contribution to the group's production.

Agreement on the calculation of the economic contribution for the direct use of intangible assets

The application for renewal of the scheme for 2020 and following four years presented in October 2019 and repeated when filing the 2020 tax return is still pending with the relevant regional tax office to date.

Domestic tax consolidation scheme

The company and its subsidiary Recuperator S.p.A., C.R.C S.r.l. and Enginia S.r.l. opted to join the domestic tax consolidation scheme provided for by article 117 and following articles of the consolidated income tax act as they met all the relevant requirements of such legislation as well as those of the decree of the Italian Ministry of the Economy and Finance dated 1 March 2018. The scheme is governed by individual master agreements between the company and each subsidiary.

The company is the tax consolidator and it would file a single tax return for the group of companies participating in the scheme, which thus benefits from the possibility of offsetting taxable profits with tax losses in a single tax return.

Each participating company transfers its taxable profit or tax loss for the year to the tax consolidator, which recognises an asset or a liability, respectively, with the transferor at an amount equal to the corporate income tax or benefit actually payable/offsettable calculated at group level. In turn, the transferor recognises a liability or an asset, respectively, with the company.

Equity-settled and cash-settled payment arrangements

The 2018-2022 equity-settled performance plan resolved by the shareholders on 7 September 2018 is an equity-settled incentive plan, with the free assignment of shares to members of boards of directors and/or company employees. The plan is divided into three rolling cycles (vesting periods), each lasting three years (2018-2020, 2019-2021 and 2020-2022), at the end of which the shares are distributed, after checking that the performance objectives have been reached and based on the date of the board of directors' resolution.

The number of shares assigned is subject to achieving performance objectives based on adjusted gross operating profit or loss and cash conversion ratios. The performance objectives are independent of one another and are calculated separately for each vesting period.

On 4 March 2022, the company's board of directors approved the assignment of treasury shares upon conclusion of the second vesting period (2019-2021). It had granted 62,946 share options with a fair value of €855 thousand on 2 October 2019 for this vesting period.

In April, it assigned 70,039 treasury shares to 18 beneficiaries for a total of €768 thousand. The gain of €87 thousand between the fair value of the shares assigned, measured using the rolling FIFO method, and their fair value at the grant date was reclassified to an available income-related reserve.

In accordance with IFRS 2 Share-based payments, the fair value of the shares calculated at the grant date applying the Black-Scholes method is recognised in profit or loss as personnel/directors expense, on a systematic basis over the vesting period with a balancing entry in equity.

In 2022, the company recognised an expense of €408 thousand in profit or loss and the same amount was also recognised as an increase in equity. This amount represents the amount attributable to the third vesting period of the plan (2020-2022), the fair value of which amounts to €865 thousand.

In March 2021, the company's board of directors approved:

- the regulation for an equity-settled incentive plan involving the free assignment of the company's ordinary shares, the 2021-2025 equity-settled performance plan (the LTI share plan);
- the regulation for the 2021-2025 cash-settled performance plan (the LTI cash plan).

Both plans are reserved for the executive directors, key management personnel and employees of the company and its subsidiaries who play a key role in achievement of the group's objectives. The company's shareholders approved the plans in April 2021.

The term, vesting periods (three rolling cycles), beneficiaries and performance objectives (cumulative adjusted gross operating profit (loss) for each vesting period (weight of 50%), cash conversion - average value of the vesting periods (weight of 30%), ESG targets - average achievement of a number of sustainability indicators (weight of 20%)) are the same for both plans.

On 10 November 2022, the company's board of directors resolved to execute the LTI cash plan for the 2022-2024 vesting period (similarly to its decision taken for the 2021-2023 vesting period one year earlier) as this plan is less complicated compared to the operating and tax management of the LTI share plan, both for the company and its beneficiaries. The board of directors also established the percentage of gross annual remuneration for the cash benefit for each beneficiary for a total of approximately €1,770 thousand.

The cash to be actually paid to each beneficiary will be calculated at the end of the 2022-2024 vesting period considering whether they have met the performance objectives established in the plan's regulation.

Pursuant to IAS 19 Employee benefits, cash-settled incentive plans qualify as defined benefit plans and, therefore, the liability was calculated by an independent actuary using the projected unit credit method as required by the standard. This method determines the average present value of the obligations accrued for the service provided by the beneficiary up to the valuation date.

The company recognised a cost of €882 thousand in profit or loss in 2022 and a similar amount under other non-current liabilities at 31 December 2022.

Treasury shares

On 22 April 2020, the shareholders resolved, inter alia, to authorise the board of directors to use the treasury shares already repurchased in line with previous authorisations and to be repurchased for the purposes of:

- complying with obligations arising from equity-settled incentive plans for the company's directors and/or employees;
- carrying out transactions to support market liquidity;
- undertaking sale, exchange, trade-in, contribution transactions or other acts of disposal of treasury shares that fall within the company's development goals.

The repurchase of treasury shares can take place in one or more transactions of up to a maximum of 5,000,000 shares, equal to 5% of the company's share capital, within the limits of its distributable profits and the available reserves as shown in the most recently approved financial statements, over a period of 18 months from the date of the meeting.

In April, the company assigned 70,039 treasury shares for a total of €768 thousand upon conclusion of the second vesting period (2018-2021) for share options assigned on 1 October 2018.

The company did not repurchase any treasury shares during the year.

At the reporting date, the company had repurchased 30,482 treasury shares, equal to 0.0305% of its share capital, for a total of €339 thousand.

Segment reporting

Under IFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Based on the company's internal reporting system, the business activities from which it earns revenue and incurs expenses and the operating results which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and to assess its performance, the company has not identified individual operating segments but is an operating segment as a whole.

Fees paid to directors, statutory auditors and key management personnel

The fees paid, net of expenses, to directors, statutory auditors and key management personnel during the year were as follows:

(in Euros)	2022	2021
Directors		
- Remuneration and fees	1,549,112	1,445,000
- Other non-monetary benefits	22,055	23,039
- Fair value of share-based payments	173,637	174,934
Total directors	**1,744,804**	**1,642,973**
Statutory auditors		
- Fixed fees and fees for participation in committees	90,000	90,000
Total statutory auditors	**90,000**	**90,000**
Key management personnel		
- Remuneration and fees	1,355,370	1,337,809
- Other non-monetary benefits	17,968	21,263
- Fair value of share-based payments	182,301	181,530
Total key management personnel	**1,555,639**	**1,540,602**

Information pursuant to article 149-duodecies of Consob's Issuer Regulation

The following table highlights the fees pertaining to the year for audit and non-audit services provided by the independent auditors:

(in Euro)	2022	2021
Audit	238.763	238.310
Attestation services	45.000	44.000
Total	**283.763**	**282.310**

Transparency obligations required by Law no. 124/2017

(Annual market and competition law)

In 2022, other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020, Industry 4.0 - Law no. 160/2019, maxi-amortisation and depreciation - Law no. 178/2020, Ecobonus - Law no. 296/2006 Energy and gas tax credit - Law decree no. 144/2022 and Law decree no. 176/2022 due for the year, the company did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are not consideration, remuneration or compensation from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017.

Off-statement of financial position commitments and guarantees

At the reporting date, the company has issued sureties of €3,261 thousand, including €133 thousand in favour of subsidiaries.

In order to limit the administrative requirements for some investees, the company has acted as guarantor of the liabilities to third parties recognised in the financial statements of the subsidiaries Carel Deutschland GmbH and HygroMatik GmbH, as required by applicable local regulations.

Indirect investees

A breakdown of the indirect investees at 31 December 2022 is as follows:

(in Euros)	Registered office	Parent	Currency
Subsidiaries:			
Enginia S.r.l.	Trezzo Sull'Adda-IT	Recuperator S.p.A.	EUR
Carel Australia Pty. Ltd	SYDNEY-AU	Carel Electronic (Suzhou) Co Ltd	AUD
Carel ACR Systems India (Pvt) Ltd	MUMBAI-IN	Carel Electronic (Suzhou) Co Ltd Carel France s.a.s.	INR
Carel Controls South Africa (Pty) Ltd	JOHANNESBURG-ZA	Carel Electronic (Suzhou) Co Ltd	ZAR
Carel HVAC&R Korea Ltd	SEOUL-KR	Carel Electronic (Suzhou) Co Ltd	KRW
Carel South East Asia Pte. Ltd.	SINGAPORE-SG	Carel Asia Ltd	SGD
Carel Mexicana S.De.RL	Guerra, Tlalpan-MX	Carel USA Llc	MXN
Carel (Thailand) CO Ltd	BANGKOK-TH	Carel Electronic (Suzhou) Co Ltd Carel Australia Pty. Ltd	THB
Carel Ukraine Llc	Kiev-UA	Alfaco Polska Sp.z.o.o.	UAH
Enersol Inc.	Beloeil (Quebec)-CA	Carel USA Llc	CAD
Klingenburg USA, LLC	Raleigh-USA	Klingenburg GmbH	USD
Klingenburg UK Ltd	Folkstone (Kent)-GB	Klingenburg GmbH	GBP
Klingenburg Iberica SLU	Madrid-ES	Klingenburg GmbH	EUR
Senva Inc	Beaverton-USA	Carel USA Llc	USD

Related party transactions

In order to satisfy the disclosure requirement of article 2427.1.22-bis of the Italian Civil Code, we note the following:

d. intragroup and related party transactions performed during the year gave rise to commercial, financial and consulting relationships and were carried out on an arm's-length basis, in the economic interests of the individual companies involved;

e. the interest rates and conditions applied to intragroup financial transactions are in line with market conditions.

The table below provides assets, liabilities, revenue and costs related to transactions with related parties performed in 2022.

31.12.2022	Assets and liabilities			
(in Euros)	Loan assets	"Trade receivables/ Other assets"	Financial liabilities	"Trade payables/ Other liabilities"
Subsidiaries				
Arion S.r.l.	-	611	-	237,672
C.R.C S.r.l.	-	380,469	-	152,851
Recuperator S.p.A.	19,188,380	186,905	-	83,305
Enginia S.r.l.	-	30,914	1,396,852	227,370
Sauber S.r.l.	-	-	-	20
Carel U.K. Ltd	-	1,526,603	899,203	238,818
Carel France s.a.s.	74,444	1,861,632	-	3,279

Share capital (foreign currency)	Equity (deficit) (Euros)	Profit (loss) for the year (Euros)	Indirect investment
10,400	6,812,675	812,102	100.00%
100	4,734,954	755,747	100.00%
1,665,340	1,356,360	269,342	99.99%
			0.01%
4,000,000	2,820,647	887,257	100.00%
550,500,000	220,217	152,932	100.00%
100,000	435,184	38,375	100.00%
12,441,149	1,017,092	149,880	100.00%
16,000,000	1,726,263	318,849	79.994%
			0.006%
700,000	(111,796)	(60,170)	100.00%
100	560,467	170,242	100.00%
699,671	121,660	6,087	100.00%
100	48,234	154,661	100.00%
3,500	(630,273)	10,708	100.00%
-	5,563,058	31,285	100.00%

Revenue and costs								
Sale of products	Sale of services	Other revenue	Purchases of goods and materials	Services	Other purchases	Income from equity investments	Financial income	Financial expense
122	-	611	2,335,775	10,776	-	-	-	-
148,793	42,486	6,035	255,096	-	-	500,000	833	-
4,146	241,196	21,917	2	1,093	-	-	198,098	6
4,500	34,500	19,019	-	-	-	-	-	508
1,815	2,275	15	20	1,715	-	-	-	-
8,178,482	301,323	205,711	102,957	479,675	-	1,502,664	-	5,359
14,102,043	53,085	352,724	3,794	-	-	1,500,000	11	12,015

31.12.2022	Assets and liabilities			
(in Euros)	Loan assets	"Trade receivables/ Other assets"	Financial liabilities	"Trade payables/ Other liabilities"
Carel Asia Ltd	-	1,617,009	-	2,304
Carel Sud America Instrumentacao Eletronica Ltda	-	599,624	-	330,313
Carel USA Llc	-	3,301,463	-	226,948
Carel Australia Pty. Ltd	-	1,333	1,691,325	21,153
Carel Deutschland GmbH	-	576,514	3,277,110	19,161
Carel Electronic (Suzhou) Co Ltd	-	3,432,528	-	6,246,231
Carel Controls Iberica S.L.	-	1,768,326	1,740,867	3,000
Carel ACR Systems India (Pvt) Ltd	-	342,133	-	115,559
Carel Controls South Africa (Pty) Ltd	-	2,388	-	962
Carel RUS Llc	146,639	13,960	-	950,050
Carel Korea Ltd	-	148,620	-	16,750
Carel Nordic AB	-	1,896	-	418,080
Carel Japan Co. Ltd	-	584	-	5,322
Carel Mexicana S.De.RL	-	22,183	-	4,383
Carel Middle East DWC Llc	-	9,665	-	274,084
Alfaco Polska Sp.z.o.o.	2,500	4,606,462	-	14,560
Carel (Thailand) CO Ltd	-	3,999	-	-
Carel Adriatic D.o.o.	6,102,301	2,375,473	-	12,175,582
HygroMatik GmbH	-	1,666	2,404,562	19,641
Enersol Inc.	-	1,320	-	-
CFM Sogutma Ve Otomasyon	-	1,418,525	-	85,798
Klingenburg GmbH	1,001,556	-	-	-
Total subsidiaries	**26,515,820**	**24,232,805**	**11,409,919**	**21,873,196**
Subsidiaries of parents				
Eurotest Laboratori S.r.l.	-	3,643	-	132,106
Arianna S.p.A.	-	3,561	-	-
Nastrificio Victor S.p.A.	-	-	-	38,542
Panther S.r.l.	-	-	-	3,036
Total subsidiaries of parents	**-**	**7,204**	**-**	**173,684**
Related parties				
RN Real Estate S.r.l.	-	11,623	15,106,812	217,406
Other, minor	-	3,426	1,740,014	34,359
Total related parties	**-**	**15,049**	**16,846,826**	**251,765**
TOTAL	**26,515,820**	**24,255,058**	**28,256,745**	**22,298,645**

Events after the reporting date

The earthquake in Turkey, which affected a large area in this country, has not impacted the company's employees or physical structures. There is no information currently available that would indicate that this tragic event may have a significant impact on the local investee's performance.

On 21 February 2023, the company signed a binding agreement to acquire 100% of Eurotec Ltd, a long-

Revenue and costs								
Sale of products	**Sale of services**	**Other revenue**	**Purchases of goods and materials**	**Services**	**Other purchases**	**Income from equity investments**	**Financial income**	**Financial expense**
8,924,944	17,450	3,013	23,635	-	-	1,015,125	-	-
1,792,693	120,644	881	862,216	163,743	-	-	-	-
9,243,268	499,567	1,756,796	311,573	262,606	-	1,895,016	-	29,330
-	15,996	-	-	-	7,908	-	-	36,907
25,323,156	59,906	439,181	23,464	2,500	-	3,500,000	-	40,993
8,277,978	611,766	1,777,897	17,006,692	456,668	-	8,108,574	-	-
11,990,412	52,584	196,903	3,912	85	2,697	-	-	10,468
1,358,402	16,465	-	14,087	333,344	-	-	-	-
-	27,996	-	6	-	-	-	-	-
31,538	10,640	-	-	933,657	-	323,829	-	-
483,209	62,037	-	11,878	-	-	-	-	-
14,774	21,546	2,386	-	1,831,906	-	570,017	-	-
250,023	127	-	2,364	-	-	-	-	-
403,960	9,870	-	-	-	-	-	-	-
417	37,050	50	316	1,005,857	-	-	-	-
13,140,644	36,899	1,636	-	-	-	-	62	14,560
-	15,996	-	-	-	-	-	-	-
7,106,987	787,507	2,717,423	40,299,414	274,083	17,124	-	176,044	68,905
709,958	20,020	56,948	79,105	1,763	-	6,543,536	-	37,549
-	7,685	-	-	-	-	-	-	-
3,679,922	-	-	-	248,187	54,488	3,341,211	-	-
-	-	-	-	-	-	-	1,556	-
115,172,186	**3,106,616**	**7,559,146**	**61,336,306**	**6,007,658**	**82,217**	**28,799,972**	**376,604**	**256,600**
68	5,004	2,117	-	309,986	770	-	-	-
-	5,004	-	-	-	-	-	-	-
-	-	-	72,037	-	-	-	-	-
-	-	-	9,085	-	-	-	-	-
68	**10,008**	**2,117**	**81,122**	**309,986**	**770**	**-**	**-**	**-**
-	5,004	9,588	-	-	2,129	-	-	63,864
-	-	1,713	5,621	47,265	-	-	-	-
-	**5,004**	**11,301**	**5,621**	**47,265**	**2,129**	**-**	**-**	**63,864**
115,172,254	**3,121,628**	**7,572,564**	**61,423,049**	**6,364,909**	**85,116**	**28,799,972**	**376,604**	**320,464**

standing distributor and system integrator in Auckland, New Zealand, with revenue of approximately €6 million.

No other significant events have taken place since the reporting date.

Outlook

The strong geopolitical instability that characterised 2022 was mainly caused by the Russia-Ukraine war which broke out in an already complicated situation after two years of the Covid-19 pandemic and significant tensions in the global supply chain. These events triggered inflationary pressures not seen for decades (Eurozone +9.2%, US +8.0%). The repercussions are not easily decipherable but may hold back global growth in 2023.

Turning to Carel, the data centres and indoor air quality segments continue to grow strongly and the heat pump segment is also very dynamic, bolstered by the global megatrends of energy efficiency and electrification as well as, in Europe, the need to limit its reliance on gas. The refrigeration segment is increasingly sensitive to macroeconomic change and may grow at a slower pace in the short term compared to the last few years, although this segment is also subject to secular trends led by stringent regulations (e.g., F-gas in Europe).

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Calling of the shareholders' meeting and proposed allocation of the profit for the year

Dear shareholders,

Carel Industries S.p.A.'s separate financial statements as at and for the year ended 31 December 2022 show a profit of €44,508,486.

It should be noted that:

- the legal reserve has reached the limit set by article 2430 of the Italian Civil Code.;
- the unrealised exchange gains at year end exceeded the losses by €427,081 thousand and, therefore, the company shall accrue a specific undistributable reserve of the same amount pursuant to article 2426.8-bis of the Italian Civil Code;
- unamortised development expenditure at 31 December 2022 amounts to €4,997,841 and, therefore, pursuant to article 2426.5 of the Italian Civil Code, until amortisation is complete, dividends may only be distributed if there are sufficient available reserves to cover the amount of unamortised costs.

We invite you to approve the separate financial statements:

- and to allocate the profit for the year as follows:
  - €427,081 to the undistributable reserve for unrealised exchange gains;
  - as dividends to shareholders equal to €0.18 per each share outstanding at the ex-dividend date, excluding treasury shares. Total dividends are estimated at €17,994,513.24, taking into account the shares outstanding at 2 March 2023 (99,969,518);
  - to pay dividends of €0.18 per share, before tax withholdings, with an ex-dividend date of 18 June 2023, with record date, pursuant to article 83-terdecies of the consolidated finance act, of 19 June 2023 and payment date of 20 June 2023;
  - the remainder to the extraordinary reserve.

Francesco Nalini

CEO

Statement on the separate financial statements pursuant to article 154-bis of Legislative decree no. 58/1998 and article 81-ter of Consob regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented.

1. The undersigned Francesco Nalini, as chief executive officer, and Nicola Biondo, as manager in charge of financial reporting of CAREL Industries S.p.A., also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting policies adopted for the preparation of the separate financial statements at 31 December 2022:

- are adequate in relation to the company's characteristics and
- have been effectively applied during the year.

2. There is nothing to report.
3. Moreover, they state that:

3.1. the separate financial statements at 31 December 2022:

a) have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) are consistent with the accounting ledgers and records;

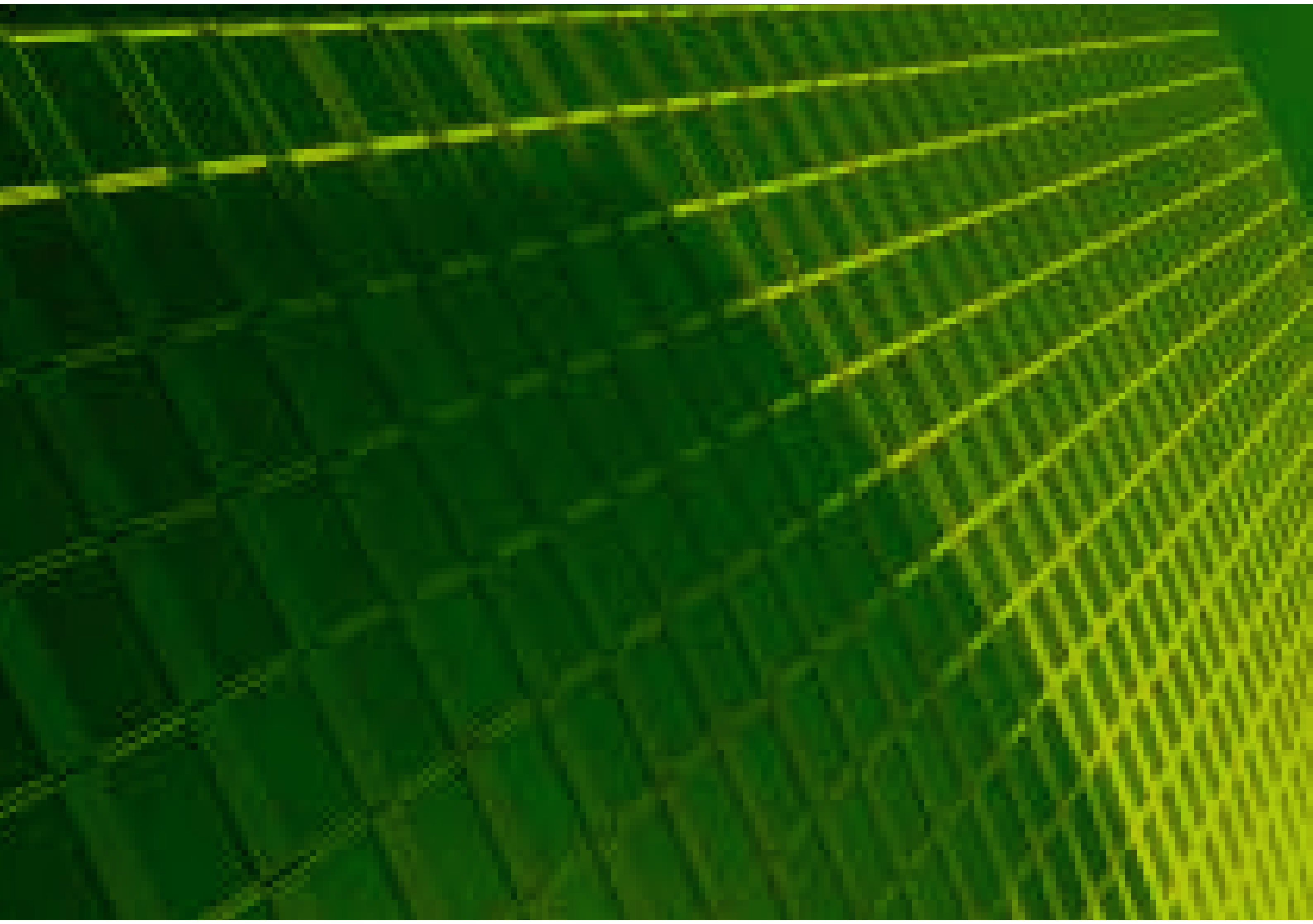
c) are suitable to give a true and fair view of the financial position, financial performance and cash flows of the issuer.

3.2. The directors' report contains a reliable analysis of the performance and results, the position of the issuer and group companies included in the consolidation scope and a description of the main risks and uncertainties to which the group is exposed.

3.3. The english version of the separate financial statements of Carel Industries constitute a non-official version with regard to the provisions of the Commission Delegated Regulation (EU) 2019/815.

Brugine, 2 March 2023

Chief executive officer	Manager in charge of financial reporting
Francesco Nalini	Nicola Biondo



Annexes to the separate financial statements as at and for the year ended

at 31 December 2022

INDEPENDENT AUDITORS' REPORT

Deloitte.

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Italia

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Carel Industries S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Carel Industries S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment of the equity investments Recuperator S.p.A. Hygromatik Gmbh and CFM Sogutma ve Otomasyon Anonim Sirketi (CFM)	
Description of the key audit matter	Thefinancial statements as at 31 December 2022 include in “Equity investments” the investments in Recuperator S.p.A., Hygromatik GmbH and CFM Sogutma ve Otomasyon Anonim Sirketi (CFM Sogutma) for an amount respectively of Euro 22 million, Euro 57,2 million and Euro 26,5 million. As required by IAS 36 “impairment of assets”, the Directors identified potential loss indicator in consideration of the current macroeconomics context and trends in interest rates, has been identified as “trigger event”, and as a consequence they performed the impairment test as at 31 December 2022, in order to test the carrying values related to the equity investments. In the disclosure, the Directors explain the main assumptions applied in performing the test and provide the break-even analysis in relation to the main key factors of the impairment test to evaluate the degree of sensitivity of the test to the changes in the key variables. The Directors explain that the process of performing the impairment test is complex and is based on assumptions related, among others, to the expectations in term of cash flows for the CGU and the determination of appropriate discount rates (WACC) and long-term growth (g-rate). The Directors report, also, that the assumptions used are reasonable and are the most likely scenarios based on the information available, but the output of the impairment test may be different if any of the assumptions change significantly. We have considered the significance of the amount of the equity investments in Recuperator S.p.A., Hygromatik GmbH and CFM Sogutma, the subjectivity of the estimates underlying the determination of cash flows for the subsidiaries and the key variables of the impairment test. As a result we have assessed that the impairment test represents a key audit matter for the audit of the Carel Industries financial statements. Note 3 of the financial statements provides disclosure on impairment tests and the effects of sensitivity analysis resulting from the changes in the key variables used in performing the impairment test.
Audit procedures performed	As part of our audit, among others, we performed the following audit procedures, supported by the experts belonging to our network: • understanding of the process and of the relevant controls designed and implemented by the Directors in relation to the process of performing and approving the impairment test;

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- analysis of the main assumptions adopted to prepare the expectations in terms of cash flows, also using industry data, and obtaining information from the Directors;
- analysis of the actual results, obtained by the subsidiaries, compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process;
- analysis of the reasonableness of the discount rates (WACC) and long-term growth (g-rate);
- test of the accuracy of the determination of the carrying value of the subsidiaries and comparison with the recoverable value resulting from the impairment test;
- examination of the sensitivity analysis prepared by the Directors.

Finally we verified the appropriateness and the compliance of the disclosure on the impairment test to the requirements of IAS 36

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Carel Industries S.p.A. appointed us on 13 April, 2018 as auditors of the Company for the years from 31 December 2018 to 31 December 2026.

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We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Carel Industries S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements as at 31 December 2022 to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at 31 December 2022 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 [and art. 123-bis, paragraph 4, of Legislative Decree 58/98]

The Directors of Carel Industries S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Carel Industries S.p.A. as at 31 December 2022, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations [and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98] with the financial statements of Carel Industries S.p.A. as at 31 December 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Carel Industries S.p.A. as at 31 December 2022 and are prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, 29 March 2023

As disclosed by the Directors on page 89, the accompanying financial statements of Carel Industries S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815.

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

EMARKET SDIR CERTIFIED

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