



CAREL INDUSTRIES S.P.A.

(Translation from the Italian original which remains the definitive version)

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS REGARDING THE FIRST ITEM
ON THE AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING CONVENED,
IN ORDINARY AND EXTRAORDINARY SESSION, FOR 14 SEPTEMBER 2023 IN A
SINGLE CALL**

*drafted pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998
("Consolidated Law on Finance") and Article 72 of the Regulations adopted by CONSOB with
resolution No. 11971 of 14 May 1999 ("Issuers' Regulations"), as amended*

Explanatory report of the Board of Directors of CAREL Industries S.p.A., drafted pursuant to Articles 125-*ter* of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented ("Consolidated Law on Finance") and 72 of the Regulations adopted by Consob Resolution No. 11971 of 14 May 1999, as subsequently amended and supplemented ("Issuers' Regulations"), in accordance with the indications contained in Schedule 2 of Annex 3A of the aforementioned Issuers' Regulations.

Dear Shareholders,

this report illustrates the proposal that the Board of Directors of CAREL Industries S.p.A. (hereinafter "**CAREL**" or the "**Company**" or the "**Issuer**") intends to submit for your approval in relation to the first item on the agenda of the Extraordinary Shareholders' Meeting to be held in a single call on 14 September 2023, at 10:00 a.m. in Via Ardoneghe 15, Brugine (PD) - Italy.

First item on the agenda (Extraordinary Part):

Proposal to increase the share capital, against payment and in divisible form, up to a maximum overall amount of Euro 200,000,000.00 (including any share premium), through the issuance of ordinary shares, to be offered in option to the Company's Shareholders pursuant to Article 2441, paragraph 1, of the Italian Civil Code; related amendments to Article 5 of the By-Laws; related and consequent resolutions.

This explanatory report of the Board of Directors (the "**Report**") has been prepared pursuant to Article 125-*ter* of the Consolidated Law on Finance and Article 72 of the Issuers' Regulation, in accordance with the indications contained in Schedule 2 of Annex 3A of the aforesaid Issuers' Regulation, in order to illustrate to the Shareholders the proposal to increase CAREL's share capital, against payment and in divisible form, up to a maximum overall amount of Euro 200,000,000.00 (including any share premium), through the issue of ordinary shares, to be offered in option to the Company's Shareholders pursuant to Article 2441, paragraph 1, of the Italian Civil Code, as mentioned in the first item on the agenda in ordinary session (the "**Capital Increase**").

The report is made available to the public at the Company's registered office, on its website at www.carel.it, Investor Relations/Shareholders' Meetings/Shareholders' Meeting 14 September 2023, and at the centralised storage mechanism authorised by CONSOB named "eMarket Storage" (www.emarketstorage.it) within the terms and in the manner provided for by applicable regulations.

1. Reasons and purpose for the Capital Increase

The proposal relating to the Capital Increase that is the subject of this report is part of the

broader strategy of growth by external lines (which has seen the completion by the Company of no. 11 acquisitions since the 2018 listing and, in particular, the recent acquisition of a controlling participation in the Norwegian-registered company Kiona Holding AS (the "Transaction"), *holding* company of a group active in the so-called "proptech" sector (the "Target Company").

In particular, as well-known, on 24 July 2023, definitive agreements were signed governing the terms and conditions for the acquisition of a participation representing 82.4% of the share capital of the Target Company.

The closing of the Transaction is expected around the end of August.

In addition, in the context of the Transaction, the Company signed with Mediobanca – Banca di Credito Finanziario S.p.A. ("Mediobanca") a loan agreement (the "Loan Agreement") relating to a credit line, for a maximum total amount of Euro 200,000,000.00 (the "Loan"), to be used, *inter alia*, to pay the purchase price of the aforesaid shareholding in the Target Company and, in general, the costs connected with the Transaction (for further information in relation to the foregoing, reference should be made to the press releases issued by the Issuer on 24 July 2023 and made available, *inter alia*, on the Company's *website* at www.carel.it, Investor Relations/Financial Press Releases section).

The Loan Agreement provides, *inter alia*, that the Loan shall be repaid in advance by the Company upon the occurrence of certain events, including the completion by the Issuer of a divisible capital increase for a maximum total amount of Euro 200,000,000.00.

Although it is envisaged that the Capital Increase, therefore, will also be used to repay the aforesaid Loan in advance and in full, from a strategic point of view, the Capital Increase submitted to the Extraordinary Shareholders' Meeting and the use of the proceeds deriving therefrom will allow the Company to maintain a flexible capital structure so as to allow the Company to pursue future growth opportunities, also by external lines.

2. Statement analysing the composition of the Company's short-term and medium/long-term net financial debt

The financial resources deriving from the Capital Increase are immediately allocated to the reduction of the Company's indebtedness – deriving, *inter alia*, from the Loan Agreement – through an increase in the value of the Issuer's shareholders' equity for a maximum total amount of Euro 200,000,000.00, from which the costs directly attributable to the Capital Increase shall be deducted.

3. Information on the results of the last financial year and general information on the performance of the current financial year

For a complete description of the Company's operating performance, reference should be made to the Annual Financial Report as of 31 December 2022 (which includes the annual

financial statements, the Board of Directors' Report on Operations and the certification of the financial statements pursuant to Article 154-*bis* of the Consolidated Law on Finance, together with the relevant reports of the Board of Statutory Auditors and the Independent Auditors), approved by the Board of Directors on 2 March 2023, as well as to what is indicated in the Interim Financial Report as at 30 June 2023 (which includes the Half-Yearly Report on Operations, the Abbreviated Consolidated Interim Financial Statements, the attestation of the Abbreviated Consolidated Interim Financial Statements pursuant to Article 154-*bis* of the Consolidated Law on Finance, together with the Independent Auditors' report), available on the Company's website at www.carel.it, Investor Relations/Financial Statements section.

On 21 April 2023, CAREL's Shareholders' Meeting approved the Company's financial statements for the year ended 31 December 2022.

The Interim Report as at 30 June 2023 was instead approved by the Issuer's Board of Directors on 3 August 2023.

4. Possible guarantee and/or placement syndicate

On 19 July 2023, the Company's Board of Directors approved the signing of a pre-underwriting agreement with Mediobanca, in its capacity as Sole Global Coordinator and Sole Bookrunner for the Capital Increase, concerning, *inter alia*, Mediobanca's commitment to enter into an underwriting agreement with the Company, at terms and conditions in line with market practice for similar transactions, close to the launch of the rights offering for the subscription of any ordinary shares resulting from the Capital Increase eventually remaining unsubscribed at the end of the offer on the Stock Exchange of the unexercised rights.

The pre-underwriting agreement was signed by CAREL and Mediobanca on 24 July 2023.

5. Any other forms of placement envisaged

Since this is an offer in option pursuant to Article 2441, paragraph 1, of the Italian Civil Code, the shares resulting from the Capital Increase will be offered directly by the Company. At present, there are no other forms of placement.

6. Criteria for determining the issue price of new shares

The issue price of the new ordinary shares will be determined by the Company's Board of Directors, taking into account, among other things, the market conditions in general and the share price trend, as well as the Issuer's economic, equity and financial performance and development prospects, and considering international market practice for similar transactions.

More specifically, the issue price will be determined, close to the start of the rights offering period of the Capital Increase, by applying, in accordance with market practice for similar

transactions, a discount on the Theoretical Ex Rights Price (TERP) of the ordinary shares, calculated in accordance with current methodologies, on the basis of the stock exchange prices on the day of said determination or, if not available, of the previous trading day .

7. Shareholders who have expressed willingness to subscribe

As at the date of this Report, the Company's shareholders, Luigi Rossi Luciani S.a.p.a. and Athena S.p.A., have expressed their intention to support the Capital Increase and are expected to subscribe their share partially, for a total amount of approximately Euro 50,000,000.00.

8. Planned period for the execution of the Capital Increase

Subject to the issuance of the necessary authorisations by the competent authorities and to market conditions, it is expected that the offer of the newly issued shares in option to shareholders can be completed indicatively by the end of this year.

9. Date of accrual of newly issued CAREL shares

The newly issued ordinary shares from the Capital Increase shall have regular dividend rights. Ordinary shares shall give their holders equal rights with respect to the outstanding ordinary shares of the Company on the date of their issuance.

10. Economic and financial effects

The Capital Increase will result in an increase in the value of the Company's net assets up to a maximum total amount of Euro 200,000,000.00, from which the costs directly attributable to the Capital Increase shall be deducted.

The net proceeds deriving from the Capital Increase will therefore be used to reduce the Company's indebtedness, arising, *inter alia*, from the Loan Agreement.

11. Dilutive effects

Since this is a capital increase in option, there are no dilutive effects in terms of percentage shareholding in the share capital *vis-à-vis* the Company's shareholders who will decide to subscribe to newly issued shares based on their option rights.

Since the issue price of the new shares, the number of shares to be issued and the relevant option ratio have not yet been determined, and will only be determined close to the execution of the Capital Increase, it is currently neither possible to determine, nor to formulate an estimate of the dilutive effect on the unit value of the shares for shareholders who do not exercise, in whole or in part, their option rights.

12. Amendments to the By-laws and Right of Withdrawal

In connection with the foregoing, the following is the current text of Article 5 of the By-laws assuming the approval of the proposed resolution set forth in the first item of the agenda of the Extraordinary Shareholders' Meeting to be held, in a single call, on 14 September 2023, together with the comparison column relating to the proposed amendments (the amendments are shown in bold).

Current text	Proposed text
Share capital amounts to €10,000,000.00 (ten million) and is divided into 100,000,000 (one hundred million) shares with no indication of par value (" Shares ").	<i>(Unchanged)</i>
Shares are subject to the dematerialisation procedures pursuant to Articles 83- <i>bis</i> and following of Legislative Decree no. 58/1998 (the " Consolidated Law on Finance ").	<i>(Unchanged)</i>
Shares grant the same administrative and equity rights established by the law and by these Articles of Association, except as provided for by Article 13 below (<i>Shares with increased voting rights</i>).	<i>(Unchanged)</i>
	On 14 September 2023, the Extraordinary Shareholders' Meeting resolved to increase the Company's share capital, against payment and in divisible form, up to a maximum overall amount of Euro 200,000,000.00 (two hundred million) (including any share premium) to be executed through the issuance of ordinary shares with no par value, regular dividend rights and with the same characteristics as those in circulation, to be offered in option to the Company's shareholders, in proportion to the number of shares held, pursuant to Article 2441, paragraph 1, of the Italian Civil Code, to be paid in cash, providing that if the capital increase is not

	<p>fully subscribed by the deadline of 31 July 2024, granted for its subscription, the share capital shall be deemed to be increased by an amount equal to the subscriptions received as at such date.</p> <p>Furthermore, the same Extraordinary Shareholders' Meeting also resolved to grant the Board of Directors the broadest powers to: (i) determine, in compliance with the above terms, the timing of the rights offering, proceeding to its filing with the Register of Companies as well as the timing of the offer on the stock market of any unopted rights; (ii) determine, close to the start of the period of the rights offering relating to the capital increase, the number of shares to be issued, the option ratio and the issue price (accounting parity and share premium), taking into account, among other things, and for the purpose of determining the issue price, the market conditions in general and the share price trend, as well as the Company's economic, equity and financial performance and its development prospects and considering the market practice for similar transactions, including the possibility of applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to the current methodologies, based on the stock exchange prices on the day of said determination or, if not available, of the previous trading day; (iii) to determine the final amount of the capital increase within the maximum amount resolved upon herein; (iv) to determine any other element necessary to execute the capital increase and to carry out any formalities and/or fulfilments required by applicable laws and regulations for the execution of the capital increase and so that the newly issued shares deriving from said capital increase are offered to those entitled thereto and are admitted to listing on Euronext Milan, Euronext STAR Milan Segment, organised and managed by Borsa Italiana S.p.A.</p>
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Please note that, following the execution of the Capital Increase, the By-laws will be amended solely for the purpose of: (a) updating the share capital and the number of shares into which it is divided; and (b) deleting the description of the shareholders' resolution referred to in this Report.

13. Right of withdrawal

Pursuant to and for the purposes of point 3 of Schedule 3 of Annex 3A of the Issuers' Regulations, the Board of Directors hereby states that it believes that the proposed amendments to Article 5 of the By-laws do not give rise to the right of withdrawal pursuant to Article 2437 of the Italian Civil Code for shareholders who did not take part in the resolution in question, since the prerequisites set forth by the law and the By-laws for the right of withdrawal are not met.

14. Proposed resolution

Dear Shareholders, we invite you to adopt the following resolution:

"The Shareholders' Meeting of CAREL Industries S.p.A., in extraordinary session,

RESOLVES

1. *to increase the share capital against payment up to a maximum overall amount of Euro 200,000,000.00 (two hundred million) (including any share premium), to be executed in divisible form, through the issuance of ordinary shares with no par value, regular dividend rights and with the same characteristics as those in circulation, to be offered in option to the Company's shareholders in proportion to the number of shares held, pursuant to Article 2441, paragraph 1, of the Italian Civil Code, to be paid in cash, providing that if the capital increase is not fully subscribed by the deadline of 31 July 2024, granted for its subscription, the share capital shall be deemed to be increased by an amount equal to the subscriptions received by such date;*
2. *to vest the Board of Directors with the broadest powers to: (i) determine, in compliance with the above terms, the timing of the rights offering, proceeding to its filing with the Register of Companies as well as the timing of the offer on the stock market of any unopted rights; (ii) determine, close to the start of the period of the rights offering relating to the capital increase, the number of shares to be issued, the option ratio and the issue price (accounting parity and share premium), taking into account, among other things, and for the purpose of determining the issue price, the market conditions in general and the share price trend, as well as the Company's economic, equity and financial performance and its development prospects and considering the market practice for similar transactions, including the possibility of applying a discount on the theoretical ex-rights price (Theoretical Ex Right Price – "TERP") of the ordinary shares,*

calculated according to the current methodologies, based on the stock exchange prices on the day of said determination or, if not available, of the previous trading day; (iii) to determine the final amount of the capital increase within the maximum amount resolved upon herein; (iv) to determine any other element necessary to implement the capital increase and to carry out any formalities and/or fulfilments required by applicable laws and regulations for the execution of the capital increase and so that the newly issued shares deriving from said capital increase are offered to those entitled thereto and are admitted to listing on Euronext Milan, Euronext STAR Milan Segment, organised and managed by Borsa Italiana S.p.A.;

3. *to approve the consequent amendments to Article 5 of the Articles of Association with the following wording:*

"Article 5) Share capital and shares:

1. *Unchanged.*

2. *Unchanged.*

3. *Unchanged.*

4. *On 14 September 2023, the Extraordinary Shareholders' Meeting resolved to increase the Company's share capital against payment, in divisible form, up to a maximum overall amount of Euro 200,000,000.00 (two hundred million euros) (including any share premium), to be executed through the issuance of ordinary shares with no par value, regular dividend rights and with the same characteristics as those in circulation, to be offered in option to the Company's shareholders, in proportion to the number of shares held, pursuant to Article 2441, paragraph 1, of the Italian Civil Code, to be paid in cash, providing that if the capital increase is not fully subscribed by the deadline of 31 July 2024, granted for its subscription, the share capital shall be deemed to be increased by an amount equal to the subscriptions collected by that date.*

Furthermore, the same Extraordinary Shareholders' Meeting also resolved to grant the Board of Directors the broadest powers to: (i) determine, in compliance with the above terms, the timing of the rights offering, proceeding to its filing with the Register of Companies as well as the timing of the offer on the stock market of any unopted rights; (ii) determine, close to the start of the period of the rights offering relating to the capital increase, the number of shares to be issued, the option ratio and the issue price (accounting parity and share premium), taking into account, among other things, and for the purpose of determining the issue price, the market conditions in general and the share price trend, as well as the Company's economic, equity and financial performance and its development prospects and considering the market practice for similar transactions, including the possibility of applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to the current methodologies, based on the stock exchange prices on the day of said determination or, if not available, of the previous trading day; (iii) to determine the final amount of the capital increase within the maximum amount resolved upon herein; (iv) to

determine any other element necessary to implement the capital increase and to carry out any formalities and/or fulfilments required by applicable laws and regulations for the execution of the capital increase and so that the newly issued shares deriving from said capital increase are offered to those entitled thereto and are admitted to listing on Euronext Milan, Euronext STAR Milan Segment, organised and managed by Borsa Italiana S.p.A.;

4. *To vest the directors Luigi Rossi Luciani, Francesco Nalini e Luigi Nalini, severally and not jointly, with the right to sub-delegate, within the limits of the law, all and any powers and authority to do whatever is necessary or even just appropriate to implement, in full and in each and every part, the resolutions passed, including also the right to introduce in the resolution itself, and in accordance with its substance, all amendments, additions or deletions that are deemed necessary or even just appropriate or that may be required by the competent authorities at the time of authorisation and registration, as well as to carry out the necessary formalities to ensure that all resolutions adopted today obtain the approvals required by law and to put into place, in general, all that is necessary for the complete execution of the resolutions themselves, with all and any powers necessary and appropriate for this purpose, none excluded and without exception, including the power to request the admission to listing of the shares to be issued and to proceed with the filing and publication of the certification required by Article 2444 of the Italian Civil Code and the power to file, from time to time, with the Register of Companies, pursuant to Article 2436 of the Italian Civil Code, the text of the Articles of Association updated in terms of the amount of share capital and number of shares".*

Brugine, 4 August 2023

 Chairman of the Board of Directors
 Luigi Rossi Luciani