

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

Carel Industries Group

**2023 Interim financial report
30th September 2023**



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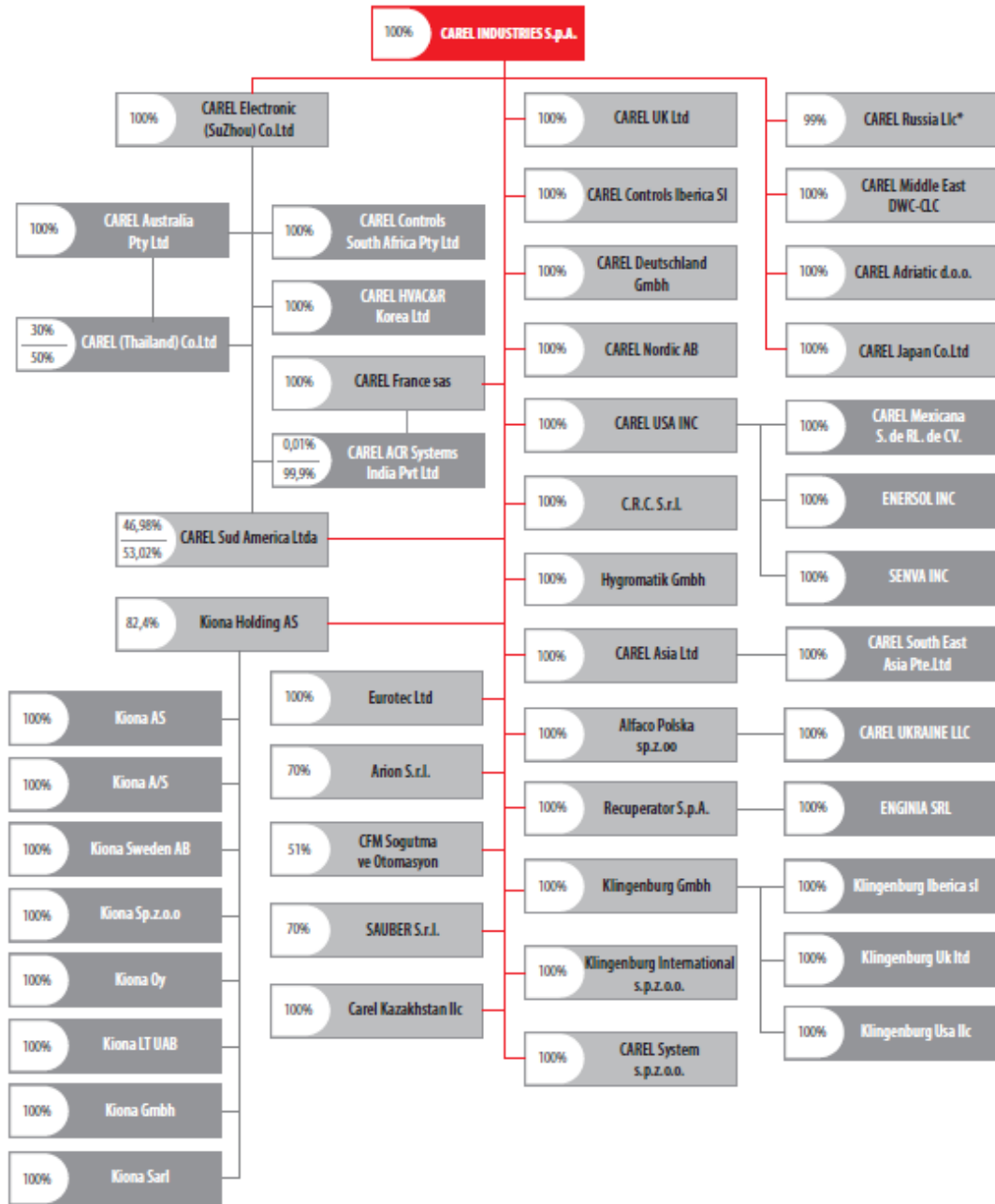
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Corporate bodies

<i>Board of directors</i>	Chairperson Executive deputy chairperson Chief executive officer Executive director Independent director Independent director Independent director	Luigi Rossi Luciani Luigi Nalini Francesco Nalini Carlotta Rossi Luciani Cinzia Donalisio Marina Manna Maria Grazia Filippini
<i>Board of statutory auditors</i>	Chairperson Standing statutory auditor Standing statutory auditor Alternate statutory auditor Alternate statutory auditor	Paolo Prandi Saverio Bozzolan Claudia Civolani Fabio Gallio Camilla Menini
<i>Independent auditors</i>	Deloitte & Touche S.p.A.	
<i>Audit, risk and sustainability committee</i>	Chairperson Member Member	Marina Manna Cinzia Donalisio Maria Grazia Filippini
<i>Remuneration committee</i>	Chairperson Member Member	Cinzia Donalisio Marina Manna Maria Grazia Filippini
<i>Supervisory body as per Leg. dec. no. 231/2001</i>	Chairperson Member Member	Alberto Berardi Arianna Giglio Alessandro Grassetto

Group structure

The following graph shows the group's structure at 30 September 2023:



*=1% held by Carel France sas

Carel Industries Group

Directors' report

Group performance

STATEMENT OF PROFIT OR LOSS

The statement of profit or loss for the first nine months of 2023 compared with the corresponding period of the previous year is as follows:

Statement of profit or loss

(€'000)	First nine months of 2023	First nine months of 2022	% First nine months of 2023	% First nine months of 2022
Revenue	497,213	401,076		
Other revenue	3,712	3,179	0.7%	0.8%
Costs of raw materials, consumables and goods and changes in inventories	(217,123)	(183,684)	(43.7%)	(45.8%)
Services	(62,535)	(49,674)	(12.6%)	(12.4%)
Capitalised development expenditure	813	482	0.2%	0.1%
Personnel expense	(109,301)	(83,767)	(22.0%)	(20.9%)
Other expense, net	(2,074)	(1,694)	(0.4%)	(0.4%)
Amortisation, depreciation and impairment losses	(23,137)	(17,033)	(4.7%)	(4.2%)
OPERATING PROFIT	87,568	68,885	17.6%	17.2%
Net financial expense	(5,919)	(2,189)	(1.2%)	(0.5%)
Net exchange losses	(893)	(549)	(0.2%)	(0.1%)
Fair value gain (loss) on options	-	-		
Share of profit of equity-accounted investees	292	2,361	0.1%	0.6%
PROFIT BEFORE TAX	81,048	68,508	16.3%	17.1%
Income taxes	(19,325)	(14,236)	(3.9%)	(3.5%)
PROFIT FOR THE PERIOD	61,724	54,271	12.4%	13.5%
Non-controlling interests	2,645	1,635	0.5%	0.4%
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	59,079	52,636	11.9%	13.1%

CONSOLIDATED REVENUE

	First nine months of 2023	First nine months of 2022	Variation %	FX variation % *
Consolidated revenue				
Revenue	497,213	401,076	24.0%	25.7%

The group's revenue for the first nine months of 2023 increased by 24.0% on the corresponding period of 2022, reaching €497,213 thousand (first nine months of 2022: €401.076 thousand). Calculated at constant exchange rates, the increase would have been 25.7%.

The revenue was attributable to both the ongoing surge in demand and the contribution of the new companies acquired during the year. A breakdown of revenue by geographical segment is as follows:

Revenue by geographical segment	First nine months of 2023	First nine months of 2022	Variation %	FX variation % *
Europe, Middle East and Africa	348,176	284,871	22.2%	22.5%
APAC	67,408	57,641	16.9%	24.7%
North America	71,475	48,935	46.1%	48.9%
South America	10,155	9,629	5.5%	5.0%
Total	497,213	401,076	24.0%	25.7%

* The FX variation % is calculated as the percentage of change at constant exchange rates, i.e., using those at 30 September 2022.

The geographical segments reflect the geographical location of the countries in which the revenue is earned considering the group's marketing strategies.

All geographical segments contributed to the growth in consolidated revenue in the first nine months of 2023, with double-digit increases in EMEA (Europe, Middle East and Africa), APAC (Asia-Pacific) and North America.

A breakdown of revenue by market is as follows:

	First nine months of 2023	First nine months of 2022	Variation %	FX variation %
HVAC revenue	361,239	267,870	34.9%	36.4%
REF revenue	133,681	129,955	2.9%	4.8%
Total core revenue	494,920	397,826	24.4%	26.1%
Non-core revenue	2,293	3,251	(29.4%)	(26.5%)
Total revenue	497,213	401,076	24.0%	25.7%

The HVAC market remains strong and continues to grow thanks to solid global trends. In particular data centres and indoor air quality solutions drove the growth in the residential segment; in this segment the strong growth registered in the first six months of the year, was consolidated in the third quarter. Such trends influenced the results mainly in Europe and North America.

The refrigeration market continued to record a certain weakness in final demand, which had already characterised the first semester of the year. This is mainly due to the end operators' decision to prudently postpone investments. Despite the unfavourable market trends, the group's performance was positive in the first nine months of the year thanks to the easing of tensions caused by the shortage of materials.

MAIN FINANCIAL INDICATORS

The main financial indicators for the first nine months of 2023 compared with the corresponding period of the previous year are set out below:

	First nine months of 2023	First nine months of 2022	Variation	Variation %
EBITDA ⁽¹⁾	110,705	85,918	24,786	28.8%
EBITDA % ⁽²⁾	22.3%	21.4%	n.a.	3.9%
ADJUSTED EBITDA ⁽³⁾	113,023	87,689	25,334	28.9%
ADJUSTED EBITDA % ⁽⁴⁾	22.7%	21.9%	n.a.	4.0%
Profit for the period	61,724	54,271	7,452	13.7%

(1) EBITDA is not identified as an accounting measure under the IFRS, but the group calculates EBITDA as the sum of the profit before tax, the share of profit (loss) of equity-accounted investees, exchange differences, net financial income (expense) and amortisation, depreciation and impairment losses. It uses EBITDA to assess its operating performance.

(2) The EBITDA % is the ratio of EBITDA to revenue.

(3) Adjusted EBITDA is not identified as an accounting measure under the IFRS but is commonly used by both management and investors to evaluate the operating performance of the company and group. Adjusted EBITDA is EBITDA plus costs taken from the consolidated financial statements prepared in accordance with the IFRS integrated by the notes thereto.

(4) The adjusted EBITDA % is the ratio of adjusted EBITDA to revenue.

The group's EBITDA % for the first nine months of 2023 was 22.3%, up on the same period of the previous year (21.4%). In absolute terms, EBITDA amounted to €110,705 thousand (+28.8% compared to the same period of the previous year). The rise in EBITDA is mainly due to the operating leverage and the acquisitions which took place in the second half of 2022 and became fully operative in the first nine months of 2023.

Costs of raw materials and goods and changes in inventories rose in absolute terms as a result of the increase in revenue, but dropped as a percentage thereof (from 45.8% to 43.7%) although some difficulties in obtaining certain components continue.

Personnel expense increased in absolute terms due to the rise in the number of employees over the past 12 months, specifically following the acquisitions that took place in the second half of 2022. As a percentage of revenue it came to 22.0% (first nine months of 2022: 20.9%).

Group Adjusted EBITDA amounted to €113,023 thousand compared to €87,689 thousand for the first nine months of 2022. The adjusted costs chiefly refer to consultancy costs for M&A activities (€2,318 thousand).

Amortisation and depreciation amounted to €23,137 thousand (first nine months of 2022: €17,033 thousand). Of this amount €5,392 thousand (first nine months of 2022: €3,701 thousand) refers to the amortisation of gains allocated upon consolidation of the companies acquired in previous years.

Net financial expense amounted to €5,919 thousand (first nine months of 2022: €2,189 thousand). The increase is mainly attributable to higher interest expense on loans and interest expense on options on non-controlling interests and earn-out.

The group tax rate is 23.8%, up from 20.8% at 30 September 2022. The increase is mainly due to the different contribution percentage of some countries.

Profit amounted to €61,724 thousand compared to €54,271 thousand in the corresponding period of the previous year showing an increase of 13.7%.

MAIN STATEMENT OF FINANCIAL POSITION INDICATORS

The main statement of financial position indicators at 30 September 2023 compared with those at 31 December 2022 are set out below:

Statement of financial position (€'000)	First nine months of 2023	31.12.2022 restated(*)	Variation %
Non-current assets ⁽⁵⁾	492,426	313,282	57.2%
Net working capital ⁽⁶⁾	109,579	85,899	27.6%
Defined benefit plans	(8,171)	(8,129)	0.5%
Net invested capital ⁽⁷⁾	593,834	391,053	51.9%
Equity	184,313	221,247	(16.7)%
Options on non-controlling interests and earn-out	144,198	73,965	95.0%
Net financial debt	265,322	95,841	176.8%
Total	593,834	391,053	51.9%

(*) data have been restated from what was approved by the board of directors as of March 2, 2023 with reference to data as of December 31, 2022; see the note Consolidation Area for more details.

- (5) Net non-current assets is the sum of property, plant and equipment, intangible assets, equity-accounted investments and other non-current assets less other non-current liabilities.
- (6) Net working capital is the sum of trade receivables, inventories, tax assets, other current assets, deferred tax assets, trade payables, current tax liabilities, other current liabilities, deferred tax liabilities and provisions for risks.
- (7) Net invested capital is the sum of (i) net non-current assets, (ii) net working capital and (iii) defined benefit plans.

Non-current assets increased by €179,144 thousand on 31 December 2022, mainly due to the allocation of the acquisition of Kiona (and its related companies) entered into the group's perimeter from 1 September 2023. Reference should be made to note 2 for more information.

Investments in property, plant and equipment amounted to €12,030 thousand compared to €13,381 thousand in the first nine months of 2022. The main investments related to the expansion of the group's production capacity for specific products for heat pump applications (inverters and programmable controls). Significant investments were made, with positive ESG impacts, related to the installation of solar panels in Croatia, China and Germany. Intangible assets increased by €2,920 thousand (€2,000 thousand in the first nine months of 2022) net of goodwill and intangibles derived from the consolidation of Eurotec and Kiona Holding As.

The breakdown of investments by geographical segment, net of right-of-use assets and goodwill, is as follows:

Investments (€'000)	First nine months of 2023	First nine months of 2022	Variation
Europe, Middle East and Africa	11,924	12,780	(856)
APAC	2,216	2,005	211
North America	742	285	457
South America	68	313	(245)
Total investments	14,950	15,382	(432)

Net working capital increased from €85,899 thousand at 31 December 2022 to €109,579 thousand at 30 September 2023. This increase was mainly due to trade receivables which rose by €20,403 thousand chiefly as a result of sales volumes and higher inventories (+€23,308 thousand) which were necessary to support the organic growth of the period.

Options on non-controlling interests and earn-out increased mainly due to the recognition of the put/call option against 17.6% of the capital held by third parties of Kiona Holding As, as described in note 2 to the condensed interim consolidated financial statements to which reference should be made for additional information.

The net financial debt amounted to €265,322 thousand compared to €95,841 thousand at 31 December 2022, as shown below:

	First nine months of 2023	31.12.2022
Non-current financial liabilities	119,611	94,177
Current financial liabilities	226,251	78,526
Non-current lease liabilities	26,907	27,216
Current lease liabilities	7,216	5,434
Cash and cash equivalents	(110,133)	(96,636)
Current financial assets	(4,530)	(12,875)
Net financial debt	265,322	95,841
Net financial debt (excluding the effects of IFRS 16)	231,199	63,191

The net financial debt is mainly comprised of:

- current and non-current bank loans and borrowings totalling €276.4 million (€121.7 million at 31 December 2022);
- current and non-current amounts due to bondholders totalling €59.8 million (€39.6 million at 31 December 2022);
- current and non-current other loans and borrowings totalling €1.6 million (€1.6 million at 31 December 2022);
- current and non-current financial liabilities related to acquisitions totalling €7.3 million (€9.6 million at 31 December 2022);
- current and non-current lease liabilities totalling €34.1 million (€32.7 million at 31 December 2022);
- cash and cash equivalents totalling €110.1 million;
- current financial assets totalling €4.5 million.

At 30 September 2023, 61% of cash and cash equivalents and current financial assets were held by Italian group companies and approximately 14% by the American subsidiaries. The remaining amount was split among the other group companies.

During the period, dividends of €17,999 thousand were also distributed (30 September 2022: €14,995 thousand).

Reference should be made to the consolidated statement of cash flows for more information on changes in such caption.

Mergers & Acquisitions

Acquisition of Kiona Group

In August 2023, the parent completed the acquisition of 82.4% of Kiona Holging As, a leading Norway-based Software as a Service (“SaaS”) provider of prop-tech (property technologies) solutions for energy consumption optimization and building digitalization in retail & industrial refrigeration, public, commercial and multi-residential facilities.

Kiona Holding As fully controls 8 companies presiding over major markets and concentrated mainly in northern Europe.

On December 2022 the company generated revenue of total € 21.7 million and EBITDA worth approximately €2.2 million (€ 4.83 million is the EBTDA ADJUSTED, net of costs related mainly to the M&A activities). For additional information about the assets acquired and the liabilities assumed at the acquisition date reference should be made to the Consolidation scope section of the notes for further information.

The transaction became effective on 1 September 2023 and the consideration for the 82.4% share capital amounted to €164.8 million. At the same time, the parent company provided the necessary funding to Kiona Holding SA for the full repayment of financial debts held by it totalling €14,806 thousand. The purchase agreement also stipulates that the interest held by the minority shareholder is subject to reciprocal call and put options. These options were measured at their fair value as of the

acquisition date; the liability thus determined amounts to approximately € 67.5 million and is recognized under Other Non-current Liabilities.

In accordance with IFRS 3, the purchase price allocation procedure is currently underway. Reference should be made to the Consolidation scope section of the notes for further information.

At the acquisition date, the company had 153 employees.

Acquisition of Eurotec Ltd

In March 2023 the parent completed the acquisition of 100% of Eurotec Ltd., a New Zealand company based in Auckland which is a long-standing distributor and system integrator.

Over the past twelve months, the company generated revenue and EBITDA worth approximately €6.8 million and €0.7 million, respectively. Its net financial position amounted to roughly €0.2 million. For additional information about the assets acquired and the liabilities assumed at the acquisition date, reference should be made to the Consolidation scope section of the notes. The transaction became effective on 1 March 2023 and the consideration for the entire share capital amounted to €4.1 million, including the earn-out.

In accordance with IFRS 3 the purchase price allocation procedure is currently underway. Reference should be made to the Consolidation scope section of the notes for further information.

At the acquisition date the company had 27 employees.

Eurotec contributed revenue of approximately €3.8 million in the first nine months of 2023 (1 March 2023 - 30 September 2023).

HUMAN RESOURCES

The workforce increased by 313 employees at 30 September 2023 and is broken down by geographical segment as follows:

	First nine months of 2023	31.12.2022	Variation
Europe, Middle East and Africa	1,893	1,652	241
APAC	408	357	51
North America	256	232	24
South America	62	58	4
Total workforce	2,619	2,299	320

MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

Risks connected to general economic conditions

The group's financial position, economic performance and cash flows may be influenced by a number of factors related to the general macroeconomic backdrop, such as changes in GDP, the cost of raw materials and the level of business confidence in the various countries in which the group operates.

Significant macroeconomic events, such as a generalised and significant increase in the price of the main raw materials, a considerable drop in demand in one of the group's main new markets, a lingering uncertainty and volatility on financial and capital markets, a negative interest rate trend and unfavourable exchange rate fluctuations in the group's main currencies, may negatively affect the group's outlook and operations, in addition to its performance figures and financial position.

The effects of such macroeconomic context may inevitably also have an impact on the other risks described below.

Risks connected to the performance of the reference market

The markets in which the group operates may be influenced to varying degrees by often unpredictable cyclical expansion and resizing. The ways in which the main customers absorb these fluctuations in demand and reflect them through the entire production chain may have a significant impact on procurement policies and inventories management and, as a result, on working capital needs and the ability to adequately absorb fixed costs.

In the first nine months of 2023 demand for Carel Group products was particularly positive despite the continuing shortage of certain components and the ongoing conflict between Russia and Ukraine. The dynamics of the different markets, in terms of both their geographical size and product families, including legislative measures, were closely monitored, both in order to adjust commercial, procurement and production policies and to identify opportunities to develop new products.

Liquidity risk

The group's debt partly bears floating interest rates. 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. When deemed significant, the group agrees hedging instruments to neutralise interest rate fluctuations.

Credit risk

The group's credit risk management policy includes rating its customers, setting purchase limits and taking legal action. It prepares periodic reports to ensure tight control over credit collection. Each group company has a credit manager in charge of credit collection on sales made in their markets. Coordination between the companies is based on the electronic exchange of information about common customers and the coordination of 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 secured with bank collateral. Impairment losses are recognised considering past due receivables from customers with financial difficulties and receivables for which legal action has commenced. The group mainly deals with well-known and reputable customers. Its policy is to constantly monitor those customers that request payment extensions.

As already mentioned, the group has not recorded significant changes in credit management and related risks.

Risks related to the supply chain

Inadequate management of the group's strategic suppliers with reference to quality controls, delivery times and requested production flexibility would result in the risk of potential operating inefficiencies and inability to satisfy customers' needs.

In order to tackle this risk, Carel subjects its suppliers to an initial evaluation, followed by regular subsequent evaluations, particularly strategic suppliers. This evaluation measures their suitability in terms of technological and production capacity, overall quality of processes and products, ISO standards quality certifications, business and financial situation and compliance with standards of ethical behaviour.

Outlook

Just like during the first six months of the year, the third quarter was again characterised by strong geopolitical instability mainly due to the conflict between Russia and Ukraine and trade tensions between the US and China. In economic terms, although July, August and September saw a progressive slowdown in Euro area inflation, the latter still remains above 4%. The monetary tightening by the ECB and the FED through raising interest rates also continued. These elements are having a negative impact, especially in Europe, on current and expected growth.

In relation to the shortage of electronic material that has characterised the supply chain over recent past, the third quarter of 2023 saw a further gradual improvement, the benefits of which, however, vary according to individual segments of reference.

Turning our attention to CAREL, the performance recorded in the first nine months of the year in the HVAC market was particularly positive. In the July-September period, though, the heat pump sector, despite the presence of a solid structural trend, witnessed a deceleration in the growth due to a series of contingent factors, including: a certain regulatory opacity at the European level (linked to the lengthy process of discussion and approval of the proposals to revise Regulation (EU) No. 517/2014 on fluorinated gases, the Fgas regulation) and at the local level (again linked to the troubled process of the recently passed German regulation on building airconditioning and the subsidy scheme for heat pumps); the often-mentioned deterioration of the macroeconomic scenario; a particularly high level of inventories of finished products along the supply chain. Turning to refrigeration, the weak trend recorded during the first half of this year essentially also characterised the third quarter.

Taking the above into account and excluding any further worsening of the economic scenario, the Group expects total revenue of approximately 646m€ for FY 2023 with a +2%/-2% variability on this central value following the significant volatility present today on the market that could lead to the postponement of some deliveries to 2024. Profitability for the whole of 2023, understood as the ratio of Adjusted EBITDA to revenue (Adjusted EBITDA margin), is expected to be between 20.5% - 21.5%.

Carel Industries Group Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2023 and notes thereto

Statement of financial position

(€'000)	Note	First nine months of 2023	31.12.2022 restated (*)
Property, plant and equipment	1	113,287	109,687
Intangible assets	2	369,346	194,428
Equity-accounted investments	3	1,754	1,446
Other non-current assets	4	9,735	9,769
Deferred tax assets	5	11,314	7,745
Non-current assets		505,437	323,075
Trade receivables	6	114,096	93,692
Inventories	7	130,054	106,745
Current tax assets	8	1,558	2,777
Other current assets	9	19,340	17,446
Current financial assets	10	4,530	12,875
Cash and cash equivalents	11	110,133	96,636
Current assets		379,711	330,172
TOTAL ASSETS		885,148	653,247
Equity attributable to the owners of the parent	12	170,487	205,378
Equity attributable to non-controlling interests	13	13,826	15,868
Total equity		184,313	221,247
Non-current financial liabilities	14	146,518	121,392
Provisions for risks	15	4,875	5,577
Defined benefit plans	16	8,171	8,129
Deferred tax liabilities	17	17,247	18,242
Other non-current liabilities	18	145,895	76,013
Non-current liabilities		322,706	229,354
Current financial liabilities	14	233,468	83,960
Trade payables	19	77,316	77,174
Current tax liabilities	20	10,562	4,987
Provisions for risks	15	4,431	4,301
Other current liabilities	21	52,353	32,226
Current liabilities		378,129	202,647
TOTAL LIABILITIES AND EQUITY		885,148	653,247

(*) data have been restated from what was approved by the board of directors as of March 2, 2023 with reference to data as of December 31, 2022; see the note Consolidation Area for more details.

Statement of profit or loss

(€'000)	Note	First nine months of 2023	First nine months of 2022
Revenue	22	497,213	401,076
Other revenue	23	3,712	3,179
Costs of raw materials, consumables and goods and changes in inventories	24	(217,123)	(183,684)
Services	25	(62,535)	(49,674)
Capitalised development expenditure	26	813	482
Personnel expense	27	(109,301)	(83,767)
Other expense, net	28	(2,074)	(1,694)
Amortisation, depreciation and impairment losses	29	(23,137)	(17,033)
OPERATING PROFIT		87,568	68,885
Net financial expense	30	(5,919)	(2,189)
Net exchange losses	31	(893)	(549)
Fair value gains (loss) on options	32	-	-
Share of profit of equity-accounted investees	33	292	2,361
PROFIT BEFORE TAX		81,048	68,508
Income taxes	34	(19,325)	(14,236)
PROFIT FOR THE PERIOD		61,724	54,271
Non-controlling interests		2,645	1,635
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT		59,079	52,636

Statement of comprehensive income

(€'000)		First nine months of 2023	First nine months of 2022
PROFIT FOR THE PERIOD		61,724	54,271
Items that may be subsequently reclassified to profit or loss:			
- Fair value gains (losses) on hedging derivatives net of the tax effect		(666)	1,370
- Exchange differences		(7,189)	8,282
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial gains (losses) on employee benefits net of the tax effect		(9)	556
Comprehensive income		53,860	64,479
attributable to:			
- Owners of the parent		51,622	62,501
- Non-controlling interests		2,239	1,978
Earnings per share			
Earnings per share (in Euros)	12	0.59	0.53

Statement of cash flows

(€'000)	Note	First nine months of 2023	First nine months of 2022
Profit for the period		61,724	54,271
Adjustments for:			
Amortisation, depreciation and impairment losses	29	23,137	17,033
Accruals to/utilisations of provisions		5,870	2,691
Other income and expense		7,258	467
Income taxes	34	19,325	14,236
Changes in working capital:			
Change in trade receivables and other current assets		(12,979)	(23,163)
Change in inventories	7	(26,141)	(22,622)
Change in trade payables and other current liabilities		(2,315)	2,438
Change in non-current assets		53	(2,625)
Change in non-current liabilities		-	1,486
Cash flows from operating activities		75,931	44,211
Net interest paid		(3,771)	(1,263)
Income taxes paid		(15,940)	(11,587)
Net cash flows from operating activities		56,220	31,361
Investments in property, plant and equipment	1	(12,030)	(13,381)
Investments in intangible assets	2	(2,920)	(2,002)
Disinvestments of financial assets	10	8,000	(543)
Disinvestments of property, plant and equipment and intangible assets		336	71
Interest collected		1,633	67
Investments in equity-accounted investees	3	-	-
Business combinations net of cash acquired	2	(181,612)	(10,934)
Cash flows used in investing activities		(186,593)	(26,722)
Repurchase of treasury shares		(1,042)	-
Dividend distributions	12	(17,999)	(14,995)
Dividends distributed to non-controlling interests		(2,411)	(2,344)
Investments in current financial assets		-	(2,812)
Increase in financial liabilities	14	235,361	87,420
Decrease in financial liabilities	14	(63,968)	(61,398)
Decrease in lease liabilities	14	(5,413)	(3,781)
Cash flows from (used in) financing activities		144,528	2,090
Change in cash and cash equivalents		14,155	6,729
Cash and cash equivalents - opening balance		96,636	100,625
Exchange differences		(658)	2,331
Cash and cash equivalents - closing balance		110,133	109,685

	Share capital	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Profit for the period/ year	Equity	Equity att. to non-controlling interests	Total equity
Statement of changes in equity										
Balance at 01.01.2022	10,000	2,000	3,853	(51)	17,079	73,011	49,059	154,952	14,923	169,875
Owner transactions										
Allocation of prior year profit	-	-	-	-	27,145	21,914	(49,059)	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-
Defined benefit plans	-	-	-	-	306	-	-	306	-	306
Repurchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividend distributions	-	-	-	-	(14,995)	-	-	(14,995)	(2,344)	(17,339)
Options on non-controlling interests	-	-	-	-	(3,000)	-	-	(3,000)	-	(3,000)
Change in consolidation scope	-	-	-	-	-	-	-	-	1,151	1,151
Total owner transactions	10,000	2,000	3,853	(51)	26,535	94,925	-	137,263	13,730	150,993
Profit for the period	-	-	-	-	-	-	52,636	52,636	1,635	54,271
Other comprehensive income	-	-	7,939	1,370	556	-	-	9,865	343	10,208
Comprehensive income	-	-	7,939	1,370	556	-	52,636	62,501	1,978	64,479
Balance at 30.09.2022	10,000	2,000	11,792	1,319	27,092	94,925	52,636	199,764	15,709	215,473
Balance at 01.01.2023	10,000	2,000	5,848	1,252	29,232	94,925	62,124	205,379	15,868	221,247
Owner transactions										
Allocation of prior year profit	-	-	-	-	44,504	17,620	(62,124)	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-
Defined benefit plans	-	-	-	-	-	-	-	-	-	-
Repurchase of treasury shares	-	-	-	-	(1,042)	-	-	(1,042)	-	(1,042)
Dividend distributions	-	-	-	-	(17,999)	-	-	(17,999)	(2,411)	(20,410)
Options on non-controlling interests	-	-	-	-	(67,475)	-	-	(67,475)	-	(67,475)
Change in consolidation scope	-	-	-	-	-	-	-	-	(1,869)	(1,869)
Total owner transactions	10,000	2,000	5,848	1,252	(12,780)	112,544	-	118,864	11,588	130,452
Profit for the period	-	-	-	-	-	-	59,079	59,079	2,645	61,724
Other comprehensive expense	-	-	(6,783)	(666)	(9)	-	-	(7,458)	(406)	(7,864)
Comprehensive income	-	-	(6,783)	(666)	(9)	-	59,079	51,622	2,239	53,861
Balance at 30.09.2023	10,000	2,000	(935)	586	(12,789)	112,544	59,079	170,487	13,827	184,313

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Content and format of the condensed interim consolidated financial statements

Carel Industries S.p.A. (the “parent”) heads the group of the same name and has its registered office in Via Dell’Industria 11, Brugine (PD). It is a company limited by shares and its tax code and VAT number is 04359090281. It is included in the Padua company register.

The group provides control instruments to the air-conditioning (HVAC) and commercial and industrial refrigeration (REF) markets and also produces air humidification systems. It has 15 production sites and 36 commercial companies which serve all the main markets.

The IFRS condensed interim consolidated financial statements at 30 September 2023 refer to the period from 1 January 2023 to 30 September 2023.

The Carel Group adopted the IFRS endorsed by the European Union for the first time on 1 January 2015.

The parent’s board of directors approved the condensed interim consolidated financial statements at 30 September 2023 on 31 October 2023.

The condensed interim consolidated financial statements include the results of the parent and its subsidiaries, based on their updated accounting records.

Statement of compliance and basis of preparation

The condensed interim consolidated financial statements at 30 September 2023 have been prepared in compliance with IAS 34 Interim financial reporting issued by the International Accounting Standard Board (IASB) and adopted by the European Union. Pursuant to IAS 34, these notes have been prepared in a condensed format and do not include all the disclosures required for annual financial statements. They solely provide information about those captions that, due to their size, content or changes therein during the period, are key to an understanding of the group’s financial position, economic performance and cash flows. Therefore, these condensed interim consolidated financial statements shall be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2022. The condensed interim consolidated financial statements include the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes, which are an integral part thereof.

The condensed interim consolidated financial statements were prepared in thousands of Euro, which is the group’s functional and presentation currency. There may be rounding differences when items are added together as the individual items are calculated in Euros.

The condensed interim consolidated financial statements have been prepared on a going concern basis, considering the group’s financial soundness, performance for the period and outlook, in addition to its available resources, which are sufficient to cover any contractual commitments and strategic needs.

Preparation of condensed interim consolidated financial statements under the IFRS requires management to make judgements and estimates that affect the amounts presented therein and in the notes. Actual results may differ from these judgements.

During the first nine months of 2023, the group completed the purchase price allocation (“PPA”) procedures for its investments in Senva, acquired on 12 October 2022, and in Klingenburg GmbH and Klingenburg International S.p.z.o.o., acquired on 2 September 2022, compared to the consolidated financial statements as at and for the year ended 31 December 2022 approved on 2 March 2023. Upon consolidation of the equity investments and at 31 December 2022, the following amounts were provisionally allocated:

- 12,326 thousand usd to the Senva earn-out;
- 1,874 thousand euro to the provisions for risks and charges of Klingenburg GmbH and Klingenburg International S.p.z.o.o.

Following more thorough analyses of Senva’s outlook and a more precise measurement of Klingenburg’s risks, the group allocated the following amounts:

- 21,666 thousand usd to the Senva earn-out;
- 5,900 thousand euro to the provisions for risks and charges of Klingenburg GmbH and Klingenburg International S.p.z.o.o.

The differences arising upon completion of the PPA procedure, amounting to €8,757 thousand and €4,026 thousand for Senva and Klingenburg GmbH and Klingenburg International S.p.z.o.o, respectively, have been recognised as goodwill.

The statement of financial position and the notes thereto approved by the board of directors on 2 March 2023 have been restated in accordance with IFRS 3 Business combinations. The restated captions are summarized as follows:

Statement of financial position (€'000)	Restated		Variation
	31.12.2022	31.12.2022	
Intangible assets	194,428	181,645	12,783
Non-current provisions for risks	5,577	4,451	1,126
Other non-current liabilities	76,013	67,256	8,757
Current provisions for risks	4,301	1,401	2,900

Consolidation scope

The condensed interim consolidated financial statements include the financial statements at 30 September 2023 of the parent Carel Industries S.p.A. and its Italian and foreign subsidiaries.

Subsidiaries are those entities over which the parent has control, as defined in IFRS 10 Consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its

power over the investee. The financial statements of the subsidiaries are consolidated starting from the date when control exists until when it ceases to exist.

Note [35] *Other information* lists the entities included in the consolidation scope at 30 September 2023.

During the first nine months of 2023, the scope of consolidation included:

- Eurotec Ltd was consolidated on a line-by-line basis;
- Kiona Group was consolidated on a line-by-line basis;
- Carel Kazakhstan Llc. wholly-owned by Carel Industries S.p.A., was incorporated;
- Carel Sitemis S.p.z.o.o. wholly-owned by Carel Industries S.p.A., was incorporated. At the reporting date this company was not yet operational.

Information on this acquisition is provided below.

Information on the acquisition of Eurotec

In March 2023, the parent acquired 100% of Eurotec Ltd., a long-standing distributor of Carel products which operates in New Zealand.

The transaction is part of a long tradition of consolidating the Group's presence in the geographical areas of reference through the acquisition (and development) of a direct sales force, in line with CAREL sales processes and its long term with a significant share of its Customers.

The entire share capital was acquired for a total consideration of €4,115 thousand (including an earn-out of €575 thousand).

The Carel Industries Group acquired control on 1 March 2023 and thus has included the investee in the consolidation scope since such date.

As the assets acquired and liabilities assumed are a business, the transaction is considered a business combination in accordance with IFRS 3. Allocation of the consideration is still provisional. The definitive allocation of the acquisition price will be made within 12 months of the acquisition.

The assets acquired and liabilities assumed are detailed below:

Eurotec	Acquisition-date carrying amount	Allocation	Acquisition-date fair value
Property, plant and equipment	117	475	592
Intangible assets	-	1,315	1,315
Deferred tax assets	51	-	51
Non-current assets	168	1,790	1,958
Trade receivables	792	-	792
Inventories	1,739	-	1,739
Current tax assets	23	-	23
Current financial assets	-	-	-
Cash and cash equivalents	7	-	7
Current assets	2,561	-	2,561
TOTAL ASSETS	2,730	1,790	4,520
Non-current financial liabilities	-	(229)	(229)
Deferred tax liabilities	-	(368)	(368)
Non-current liabilities	-	(597)	(597)

Current financial liabilities	(42)	(246)	(288)
Trade payables	(385)	-	(385)
Tax liabilities	(6)	-	(6)
Other current liabilities	(303)	-	(303)
Current liabilities	(735)	(246)	(981)
TOTAL LIABILITIES	(735)	(843)	(1,579)

When allocating the acquisition price, the group recognised €1,315 thousand attributable to customer lists in addition to the relevant deferred tax. The difference, €1,173 thousand, between the consideration paid, the assets acquired and the liabilities assumed were provisionally allocated to goodwill due to the expected future benefits in terms of improved margins from the inclusion of the distributor in the scope of consolidation.

Information on the acquisition of Kiona

On 31 August 2023, the parent completed its acquisition of 82.4% of Kiona Holding AS, a Norwegian prop-tech company that is a leading provider of Software as a Service (SaaS) solutions. The acquire entirely controls eight companies operating in the main target markets and mostly concentrated in northern Europe.

The transaction serves as a strategic move to further strengthen Group positioning as a global leader in the HVAC-R industry, addressing the increasing digitalization and shift towards servitization of the sector.

The 82.4% stake was acquired for a cash consideration of NOK1,831,210 thousand (the equivalent of €164,840 thousand).

Furthermore, under the acquisition agreement, the interest held by the non-controlling investor is subject to mutual put and call options. Specifically, the non-controlling investor's put option can be exercised within 30 days of approval of the Kiona Group's consolidated financial statements at 31 December 2026 for all of the company's remaining shares (i.e., 17.6%) at an amount calculated using a specific multiple applicable to the group's average EBITDAC (equal to earn before interests, taxes, depreciation, amortization and costs capitalized during the period) for the three years prior to the year when the put option is exercised and adjusted to take into consideration the group's net financial position. The group can exercise its call option within 30 days after the put option has expired.

With reference to the option, the Group has recorded a liability corresponding to the fair value of the amount expected to be paid to the minority shareholder at the acquisition date, estimated on the basis of the 2024-2026 business plan approved between the parties at the date of the acquisition. The directors were supported in the determination of this value by an independent expert.

The liability was discounted at 3.86% to approximate the cost of the debtor's debt. It is measured at each subsequent reporting date with any fair value gains or losses taken to profit or loss. At 31 August 2023 the option values 67.5 million euro.

Given that the risks and rewards on the 17.6% held by the non-controlling investor remain attributable to it, at the acquisition date, the liability reduced the equity attributable to the owners of the parent. The

respective portions of gains and losses for the year are regularly allocated to the non-controlling investor.

The Carel Industries Group acquired control of Kiona on 1 September 2023, which derives from an analysis of the Kiona Group's governance structure and shareholder agreements in effect up to the date of exercise of the put/call options; Kiona results are therefore included in the consolidation scope since such date. Directors, as a result of the analyses performed on the shareholders' agreement signed with the non-controlling interests, including those related to reserved council matters, conclude that the requirements set out by IFRS 10 for the acquisition of control are met.

As the assets acquired and liabilities assumed are a business, the transaction is considered a business combination in accordance with IFRS 3. Allocation of the consideration at 30 September 2023 is still provisional as provided for by this standard.

The assets acquired and liabilities assumed are detailed below:

Kiona Group	Acquisition-date carrying amount
Property, plant and equipment	2,426
Intangible assets	32,363
Equity-accounted investments	1
Other non-current assets	85
Deferred tax assets	2,068
Non current assets	36,943
Trade receivables	4,576
Inventories	1,529
Other current assets	3,697
Cash and cash equivalents	1,597
Current assets	11,398
TOTAL ASSETS	48,342
Non-current financial liabilities	(16,332)
Deferred tax liabilities	(1,099)
Non-current liabilities	(17,432)
Current financial liabilities	(526)
Trade payables	(1,108)
Tax liabilities	(168)
Other current liabilities	(17,036)
Current liabilities	(18,839)
TOTAL LIABILITIES	(36,270)

The difference between the consideration paid, the assets acquired and the liabilities assumed has been provisionally allocated to goodwill. The group has identified the following intangible assets to which the consideration transferred was allocated:

- technology, i.e., the Kiona Group's four software platforms that optimize energy efficiency of buildings;
- the Kiona trademark;

- customer lists.

At the reporting date, the group is still in the process of measuring the above assets in view of the complexity of the aforementioned evaluation processes, the corporate structure of the Kiona Group, which consists of nine companies, and the limited time interval since the date of acquisition.

Mediobanca loan agreement

The group financed its acquisition of Kiona Holding SA by taking out a loan from Mediobanca Banca di Credito Finanziario S.p.A. on 24 July 2023. The loan amounts to €180,000 thousand, has a term of six months, is extendible at the parent's request for another six months and bears variable interest at the 1-month Euribor plus a spread. The loan agreement does not provide for any financial covenants. The reimbursement is planned through the raise of capital as described below.

Capital increase

At their extraordinary meeting of 14 September 2023, the parent's shareholders approved the board of directors' proposed share capital increase of a maximum of €200,000 thousands (including any share premium), to be carried out by issuing ordinary shares without a nominal amount, with regular dividend rights and the same characteristics as the outstanding shares. The parent's shareholders will have the right of first refusal for the newly-issued shares in proportion to their investment percentage. The increase aims at providing the Carel Group with a flexible financial structure consistent with its growth plans.

Mediobanca Banca di Credito Finanziario S.p.A. signed a pre-underwriting agreement pursuant to which it undertook to enter into a guarantee agreement, subject to the signing of an irrevocable commitment by major shareholders Luigi Rossi Luciani S.p.A. and Athena S.p.A. to subscribe the amount of capital increase due to them, for the subscription of any new shares remaining unsubscribed at the end of the stock market auction of unopted rights.

Basis of consolidation

The condensed interim consolidated financial statements at 30 September 2023 include the financial statements of Carel Industries S.p.A. and the Italian and foreign entities over which it has direct or indirect control. Specifically, the consolidation scope includes:

- the subsidiaries, over which the parent has control as defined by IFRS 10 Consolidated financial statements; these companies are consolidated on a line-by-line basis;
- the associates, over which the parent has the power to exercise significant influence over their financial and operating policies despite not having control; investments in these companies are measured using the equity method.

The parent adopted the following consolidation criteria:

- assets, liabilities, revenue and expenses of the consolidated entities are consolidated using the line-by-line approach where the carrying amount of the parent's investments therein is eliminated against its share of the investee's equity. Any differences are treated in accordance with IFRS 10 Consolidated financial statements and IFRS 3 Business combinations. The portions attributable to

non-controlling interests are recognised at the fair value of the assets acquired and liabilities assumed without recognising goodwill;

- the group companies are excluded from the consolidation scope when control thereover ceases to exist and any effects of exclusion are recognised as owner transactions in equity;
- intragroup receivables and payables, revenue and expenses and all significant transactions are eliminated, including intragroup dividends. Unrealised profits and gains and losses on intragroup transactions are also eliminated;
- equity attributable to non-controlling interests is presented separately under equity; their share of the profit or loss for the period is recognised in the statement of profit or loss;
- the financial statements of the consolidated foreign entities using a functional currency other than the Euro are translated into Euros using the average exchange rate for the nine months for the statement of profit or loss captions and the closing rate for the statement of financial position captions. Any differences between these exchange rates or due to changes in the exchange rates at the start and end of the period are recognised under equity.

Accounting policies

In preparing these condensed interim consolidated financial statements, the group applied the same accounting policies as those adopted in drafting the consolidated financial statements at 31 December 2022, to which reference should be made, with the exception of that set out in the following paragraph with regard to new standards.

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023

The group applied the following standards, amendments and interpretations for the first time starting from 1 January 2023:

- On 18 May 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts. The adoption of this standard and the related amendment had no impact on the Group's consolidated 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 became effective on 1 January 2023.
The adoption of this amendment did not affect the group's consolidated 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 became effective on 1 January 2023. The adoption of these amendments did not affect the group's consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EU

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 group's consolidated 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 consolidated financial statements.
- On 23 May 2023, the IASB published International tax reform – Pillar two model rules (Amendments to IAS 12) which introduces a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and targeted disclosure requirements for affected entities. The temporary exception applies immediately while the remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The directors do not expect these amendments to significantly affect the group's consolidated financial statements.
- On 25 May 2023, the IASB published Supplier finance arrangements (Amendments to IAS 7 and IFRS 7) to add disclosure requirements for reverse factoring arrangements that enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk. The amendments are effective for reporting periods beginning on or after 1 January 2024, but earlier application is permitted. The directors do not expect these amendments to significantly affect the group's consolidated financial statements.

Translation of foreign currency financial statements and transactions

The main exchange rates (against €1) used to translate the foreign currency financial statements at 30 September 2023, 31 December 2022 and 30 September 2022 are set out below:

	Average rate		Closing rate	
	First nine months of 2023	First nine months of 2022	30.09.2023	31.12.2022
Pound sterling	0.871	0.847	0.865	0.887
Hong Kong dollar	8.486	8.333	8.296	8.316
Brazilian real	5.425	5.463	5.307	5.639
US dollar	1.083	1.064	1.059	1.067
Australian dollar	1.621	1.504	1.634	1.569
Chinese renminbi (yuan)	7.624	7.019	7.735	7.358
Indian rupee	89.231	82.298	88.017	88.171
South African rand	19.887	16.952	19.981	18.099
Russian ruble*	90.465	75.069	103.163	75.655
South Korean won	1,410.250	1,348.790	1,425.260	1,344.090
Mexican peso	19.280	21.554	18.503	20.856
Swedish krona	11.479	10.527	11.533	11.122
Japanese yen	149.652	135.968	158.100	140.660
Polish zloty	4.582	4.672	4.628	4.681
Thai baht	37.392	36.787	38.679	36.835
Croatian kuna	n.a.	7.534	n.a.	7.537
UAE dirham	3.978	3.907	3.891	3.917
Singapore dollar	1.452	1.463	1.444	1.430
Norwegian krone	11.348	10.007	11.254	10.514
Swiss franc	0.977	1.012	0.967	0.985
Ukrainian hryvnia	39.612	32.933	38.741	39.037
Canadian dollar	1.458	1.364	1.423	1.444
Turkish lira	24.149	16.880	29.051	19.965
New Zealand dollar	1.755	n.a.	1.758	n.a.
Kazakhstani tenge	491.010	n.a.	503.320	n.a.

* The average rate for the first nine months of 2023 and the closing rate at 30 September 2023 are those provided by the Central Bank of the Russian Federation.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

[1] PROPERTY, PLANT AND EQUIPMENT

At 30 September 2023 property, plant and equipment amounted to €113,287 thousand compared to €109,687 thousand at 31 December 2022. The following table provides a breakdown of the caption and the changes of the period.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
31 December 2022	63,067	23,425	11,737	8,249	3,209	109,687
- Historical cost	79,399	52,287	53,746	24,113	3,209	212,755
- Accumulated depreciation	(16,332)	(28,862)	(42,009)	(15,865)	-	(103,068)
Changes in 2023						
- Investments	1,128	3,505	2,914	2,240	2,243	12,030
- Investments in right-of-use assets	2,475	48	33	1,239	-	3,795
- Business combinations (historical cost)	147	90	729	682	-	1,649
- Business combinations (right-of-use assets)	3,006	-	-	131	-	3,137
- Reclassifications (historical cost)	(35)	1,689	728	12	(2,587)	(194)
- Impairment losses	-	-	-	-	-	-
- Sales (historical cost)	-	(1,046)	(715)	(879)	(81)	(2,721)
- Sales - Right-of-use assets (historical cost)	(1,017)	-	-	(451)	-	(1,468)
- Exchange differences on historical cost	(463)	(53)	(476)	(85)	(9)	(1,086)
- Exchange differences on accumulated depreciation	70	19	277	53	-	418
- Exchange differences on right-of-use assets	(6)	2	-	36	-	32
- Depreciation	(1,162)	(3,247)	(3,248)	(1,431)	-	(9,088)
- Depreciation of right-of-use assets	(4,130)	(3)	(82)	(893)	-	(5,108)
- Business combinations (accumulated depreciation)	(99)	(62)	(412)	(529)	-	(1,101)
- Business combinations right-of-use (accumulated depreciation)	(667)	-	-	-	-	(667)
- Reclassifications (accumulated depreciation)	48	56	65	21	-	190
- Restatement of right-of-use assets	(54)	-	-	(35)	-	(89)
- Sales (accumulated depreciation)	(0)	993	578	814	-	2,385
- Sales - Right-of-use assets (accumulated depreciation)	1,020	-	-	466	-	1,486
Total	259	1,991	391	1,393	(434)	3,600
Balance at 30 September 2023	63,325	25,416	12,128	9,642	2,775	113,287
including:						
- Historical cost	84,578	56,522	56,959	27,005	2,775	227,839
- Accumulated depreciation	(21,252)	(31,106)	(44,831)	(17,363)	-	(114,553)

Investments in the first nine months of 2023 were mainly focused on expanding the group's production capacity for specific products for heat pump applications (inverters and programmable controls) and were concentrated in Croatia, Italy and China

Significant investments were made, with positive ESG impacts, related to the installation of solar panels in Croatia, China and Germany.

Business combinations refer to the consolidation of Eurotec and Kiona Holding As.

The group did not capitalise borrowing costs, in line with previous years.

[2] INTANGIBLE ASSETS

At 30 September 2023 this caption amounted to €369,346 thousand compared to €194,428 thousand at the end of 2022. The following table presents changes in these assets:

	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
31 December 2022 Restated	5,508	16,715	101,393	69,929	883	194,428
- Historical cost	28,485	38,696	101,393	82,153	883	251,610
- Accumulated amortisation	(22,977)	(21,981)	-	(12,224)	-	(57,182)
Changes in 2023						
- Investments	99	2,003	-	49	770	2,920
- Business combinations (historical cost)	5,789	26	179,577	1,315	-	186,707
- Reclassifications (historical cost)	744	79	-	-	(825)	(2)
- Sales (historical cost)	-	(1)	-	-	-	(1)
- Exchange differences on historical cost	82	(468)	(1,681)	(1,769)	(28)	(3,865)
- Exchange differences on accumulated amortisation	(23)	17	-	(8)	-	(14)
- Amortisation	(1,678)	(3,049)	-	(4,211)	-	(8,938)
- Business combinations (accumulated amortisation)	(1,895)	-	-	-	-	(1,895)
- Reclassifications (accumulated amortisation)	-	9	-	(4)	-	6
Total	3,117	(1,385)	177,896	(4,628)	(83)	174,918
Balance at 30 September 2023	8,625	15,331	279,289	65,301	801	369,346
including:						
- Historical cost	35,198	40,334	279,289	81,747	801	437,369
- Accumulated amortisation	(26,573)	(25,004)	-	(16,446)	-	(68,023)

Investments amounted to €2,920 thousand. They were mainly concentrated at the parent and were related to the capitalisation of software and development projects, some of which are completed and others are under way.

As a result of the acquisition of Eurotec, the group recognised intangible assets related to the customer list and goodwill for a total of €1,315 thousand and €1,173 thousand, respectively.

As a result of the acquisition of Kiona Holding As, the group recognised provisionally goodwill amounting to € 178,403 thousand.

Amortisation amounted to €8,938 thousand, of which €5,392 thousand refers to the allocation of the gain generated by the first-time consolidation of the companies acquired.

During the period, the directors did not detect any trigger events that would require testing the recoverability of such amounts recognised at 30 September 2023.

Senva allocation

During the first nine months of 2023, the allocation of the gain generated by the acquisition of Senva Inc in the second half of 2022 was updated. Specifically, compared to the amount provisionally recognised at 31 December 2022, the earn-out at 30 September 2023 amounts to USD22,464 thousand (USD12,326 thousand at 31 December 2022). Therefore, the allocated goodwill was increased by the same amount. This change reflects a more accurate analysis of the future scenarios, related to the mathematical model used, underlying the calculation of the earn-out. The amount so determined turns out to be the best estimate of the liability. The allocation thus determined is final.

Klingenburg Group allocation

During the first nine months of 2023, the allocation of the differential between the consideration paid for the Klingenburg Group and the related consolidated equity was updated. Compared to the provisional allocation at 31 December 2022, the risk provisions were increased by approximately €4 million against risks deemed probable and more accurately determined after the acquisition. Consequently, the positive amount generated by the comparison of the consideration paid with the adjusted equity of the above captions was allocated to goodwill for a total of approximately €4 million. This amount reflects the acquired companies' ability to generate production and strategic synergies with the other Carel group companies operating in the indoor air quality segment. The amount so determined turns out to be the best estimate of the liability. The allocation thus determined is final.

[3] EQUITY-ACCOUNTED INVESTMENTS

At 30 September 2023, this caption amounts to €1,754 thousand, compared to €1,446 thousand at 31 December 2022. During the period, the investment in Free Polska s.p.z.o.o. increased by a total of €292 thousand.

[4] OTHER NON-CURRENT ASSETS

At 30 September 2023 these amount to €9,735 thousand, compared to €9,769 thousand at 31 December 2022. They mainly refer to the payment of taxes on the amounts allocated to intangible assets and goodwill arising from the allocation of the acquisition price of Enginia, Recuperator and HygroMatik, totalling €8,796 thousand.

The residual balance of this caption mainly relates to guarantee deposits.

[5] DEFERRED TAX ASSETS

At 30 September 2023, deferred tax assets amount to €11,314 thousand compared to €7,745 thousand at 31 December 2022. The group has recognised deferred tax assets and liabilities on temporary differences between the carrying amount of assets and liabilities and their tax base.

CURRENT ASSETS

[6] TRADE RECEIVABLES

At 30 September 2023 this caption amounts to €114,096 thousand compared to €93,692 thousand at 31 December 2022. It may be analysed as follows:

	30.09.2023	31.12.2022
Gross trade receivables	116,352	95,534
Loss allowance	(2,256)	(1,841)
Trade receivables	114,096	93,692

The next table breaks down gross trade receivables by geographical segment:

	30.09.2023	31.12.2022
Europe, Middle East and Africa	85,806	69,250
APAC	13,499	11,856
North America	13,788	11,724
South America	3,259	2,704
Total	116,352	95,534

The group does not usually charge default interest on past due receivables. A breakdown of the receivables that are not yet due and/or are past due with the relevant loss allowance is as follows:

	30.09.2023		31.12.2022	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not yet due	106,643	(1,487)	85,875	(1,306)
Past due < 6 months	9,127	(268)	8,663	(153)
Past due > 6 months	161	(89)	639	(179)
Past due > 12 months	420	(412)	357	(204)
Total	116,352	(2,256)	95,534	(1,841)

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

The loss allowance comprises management's estimates about credit losses on receivables from end customers and the sales network. It recognises the resulting impairment losses in Other expense, net.

[7] INVENTORIES

At 30 September 2023 this caption amounts to €130,054 thousand compared to €106,745 thousand at 31 December 2022. It may be analysed as follows:

	30.09.2023	31.12.2022
Raw materials	76,652	65,498
Allowance for inventory write-down	(7,372)	(4,406)
Semi-finished products and work in progress	7,368	6,130
Finished goods	62,512	45,503
Allowance for inventory write-down	(9,341)	(6,366)
Payments on account	234	388
Total	130,054	106,745

The group 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 statement of profit or loss caption Costs of raw materials, consumables and goods and change in inventories.

[8] CURRENT TAX ASSETS

This caption includes direct tax assets which amounted to €1,558 thousand at 30 September 2023 compared to €2,777 thousand at 31 December 2022.

[9] OTHER CURRENT ASSETS

At 30 September 2023 this caption amounts to €19,340 thousand compared to €17,446 thousand at 31 December 2022. It may be analysed as follows:

	30.09.2023	31.12.2022
Payments on account to suppliers	1,654	1,547
Other tax assets	6,515	7,739
VAT assets	2,182	4,441
Prepayments and accrued income	7,557	2,693
Other	1,433	1,025
Total	19,340	17,446

[10] CURRENT FINANCIAL ASSETS

At 30 September 2023, this caption amounts to €4,530 thousand compared to €12,875 thousand at 31 December 2022. It may be analysed as follows:

	30.09.2023	31.12.2022
Investment in bond securities	2,879	2,855
Derivatives	908	1,791
Other financial assets	744	230
Deposit accounts	-	8,000
Total	4,530	12,875

Investment in bond securities refer to investments, with major counterparties, aimed at managing part of the group'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 or the sales of the assets.

The derivatives are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. Fair value gains and losses are recognised in profit or loss. More information is available in the paragraph on financial instruments in note [34] Other information.

The deposit accounts recognised at 31 December 2022 expired during the period. No new deposit accounts were agreed during the first nine months of 2023.

[11] CASH AND CASH EQUIVALENTS

At 30 September 2023 this caption amounts to €110,133 thousand compared to €96,636 thousand at 31 December 2022. The caption includes €25,277 thousands related to short-term time deposits held as a temporary liquidity investment. Reference should be made to the statement of cash flows for details of changes in the group's cash and cash equivalents and to the directors' report for the geographical breakdown.

	30.09.2023	31.12.2022
Current accounts and post office deposits	110,085	96,599
Cash	48	37
Total	110,133	96,636

Current accounts and post office deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to immaterial currency risk.

At 30 September 2023 the group's current account credit balances were not pledged in any way.

EQUITY AND NON-CURRENT LIABILITIES

[12] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The parent's fully paid-up and subscribed share capital consists of 100,000,000 ordinary shares.

Equity may be analysed as follows:

	30.09.2023	31.12.2022
Share capital	10,000	10,000
Legal reserve	2,000	2,000
Translation reserve	(934)	5,849
Hedging reserve	585	1,252
Other reserves	(12,788)	29,233
Retained earnings	112,545	94,921
Profit for the period/year	59,079	62,124
Total	170,487	205,378

The hedging reserve includes the fair value gains and losses on interest rate hedges.

A resolution to distribute a dividend of €0.18 per share, totalling €17,999 thousand, was made on 21 April 2023. Other reserves changed mainly as a result of the recognition of the put call liability that arose from the consolidation of Kiona Holding AS and amounted to €73,739 thousand, the recognition of which resulted in the related reduction of group shareholders' equity.

In April 2023 the parent assigned 64,127 treasury shares for a total of €1,220 thousand, measured using the FIFO method, to complete the third cycle of shares assigned on 2 December 2019 related to the 2020-2022 performance period.

For the purposes of the performance share plan, in March 2023, the parent acquired an additional 40,000 treasury shares totalling €1,042 thousand. The carrying amount of treasury shares in portfolio was subsequently reduced, with the reserve for long-term incentive plans set up in previous years also reduced by the same amount as balance. The difference between the accrual to such reserve and the carrying amount of the assigned shares was taken to the distributable income-related reserves.

The number of treasury shares in portfolio at 30 September 2023 was 6,355. At 30 September 2023 there was no performance share plan.

At 30 September 2023 following the above-mentioned acquisitions and assignment of treasury shares, the weighted average of outstanding ordinary shares was 99,981,158.

The earnings per share were therefore as follows:

	First nine months of 2023	First nine months of 2022
Number of shares (in thousands)	99,981	99,970
Profit for the period (in thousands of Euros)	59,079	52,636
Earnings per share (in Euros)	0.59	0.53

As of 30 September, there were no dilutive effects on earnings per share.

[13] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 30 September 2023, this caption amounts to €13,826 thousand compared to €15,868 thousand at 31 December 2022 and comprises the non-controlling interests in Carel Thailand Co. Ltd (20%), CFM (49%), Arion S.r.l. (30%), Sauber S.p.A. (30%) and Kiona Group As (17.6%).

	30.09.2023	Profit for the period	Other comprehensive expense	Dividends distributed	Change in consolidation scope	31.12.2022
Equity attributable to non-controlling interests	13,826	2,645	(406)	(2,411)	(1,869)	15,868

[14] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

These captions may be analysed as follows:

	30.09.2023	31.12.2022
Bank loans and borrowings at amortised cost	57,434	51,784
Amounts due to bondholders	59,424	39,468
Lease liabilities	26,907	27,216
Other loans and borrowings at amortised cost	392	489
Other financial liabilities	2,362	2,436
Non-current financial liabilities	146,518	121,392

	30.09.2023	31.12.2022
Bank loans at amortised cost	218,406	69,716
Lease liabilities	7,216	5,434
Amounts due to bondholders	367	114
Bank borrowings at amortised cost	1,008	901
Derivatives held for trading at fair value through profit or loss	579	236
Other loans and borrowings at amortised cost	194	162
Other financial liabilities	5,697	7,397
Current financial liabilities	233,468	83,960

As reported in the scope of consolidation note, in order to finalize the acquisition of the equity investment in Kiona Holding As, the Parent Company signed on July 24, 2023 a loan agreement with Mediobanca Banca di Credito Finanziario S.p.A for a total amount of 180,000 thousand euros; the loan has a term of 6 months, extendable upon request by the Parent Company for an additional 6 months, with a variable interest rate calculated on Euribor 1 month plus spread and does not include any financial parameter. In order to repay the subscribed loan, the Parent Company has approved a capital increase, as shown below in the consolidation area note.

There are financial parameters (covenants) on some current and non-current bank loans with semi-annual tracking. At 30 June 2023 the covenants on certain current and non-current bank borrowings were complied with.

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”). In March 2023 the parent issued an additional tranche of bonds with a nominal amount of €20,000 thousand. They are guaranteed by the parent and certain subsidiaries.

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

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

At 30 June 2023 such covenants were complied with.

Other current and non-current financial liabilities includes amounts due to the non-controlling investors in CFM and in Sauber and the residual amounts due the former investors in Senva as deferred consideration upon acquisition in accordance with the relevant acquisition contracts.

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

The derivatives included under current financial liabilities are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. More information is available in the paragraph on financial instruments in note 34 Other information. The effective designated derivative hedges include the fair value of IRS agreed to hedge interest rate risk.

The following tables show changes in current and non-current financial liabilities:

€'000	30.09.2023	Net cash flows	Reclassification	Non-monetary changes(*)	Change in consolidation scope	Exchange difference	31.12.2022
Bank loans	218,406	132,317	15,338	1,035	-	-	69,716
Amounts due to bondholders	367	(114)	-	367	-	-	114
Bank borrowings	1,008	66	-	-	41	-	901
Other loans and borrowings	194	(65)	97	-	-	-	162
Derivatives	579	-	-	343	-	-	236
Other financial liabilities	5,697	(2,221)	550	-	-	(29)	7,397
Current financial liabilities	226,251	129,983	15,985	1,745	41	(29)	78,526

(*) The column 'Non-cash changes' includes interest accrued on loans and bonds and not yet paid, the effect of amortised cost on them, and the change in FV of derivative instruments.

€'000	30.09.2023	Net cash flows	Reclassification	Exchange difference	31.12.2022
Bank loans	57,434	20,988	(15,338)	-	51,784
Amounts due to bondholders	59,424	19,955	-	-	39,468
Other loans and borrowings	392	-	(97)	-	489
Other financial liabilities	2,362	467	(550)	9	2,436
Non Current financial liabilities	119,611	41,410	(15,985)	9	94,177

€'000	30.09.2023	Increase	Restatement of financial liabilities	Repayments	Interest	Exchange difference	Change in consolidation scope	31.12.2022
Lease liabilities	34,123	3,795	28	(5,413)	610	(64)	2,517	32,650

It is specified that the "Net cash flow" column represents the algebraic sum of financial liability accruals and repayments that occurred during the period.

A breakdown of net financial debt calculated in accordance with ESMA guideline no. 32-382-1138 of 4 March 2021 is provided below:

€'000	30.09.2023	31.12.2022 Restated
Cash	84,856	96,636
Cash equivalents	25,277	8,000
Other current financial assets	4,530	4,875
Cash and cash equivalents (A+ B + C)	114,663	109,512
Current loans and borrowings	188,358	8,502
Current portion of non-current loans and borrowings	45,109	75,344
Current financial debt (E + F)	233,468	83,847
Current net financial position (G - D)	118,805	(25,665)
Non-current loans and borrowings	87,094	81,924
Debt instruments	59,424	39,582
Trade payables and other non-current financial liabilities	21,767	20,313
Non-current financial debt (I + J + K)	168,285	141,819
Net financial debt (H + L)	287,090	116,154

As also required by Consob warning no. 5/21 of 29 April 2021, it is noted that the group has recognised a liability subject to conditions related to the option for the non-controlling interests in CFM, Sauber and Kiona for an amount of €53,506 thousands, €1,250 thousands and € 67,674 thousands respectively.

In compliance with such notice, it is noted that the group recognised accruals for defined benefit plans of €8,171 thousand (note 16) and provisions for risks and charges of €4,875 thousand (note 15)

[15] PROVISIONS FOR RISKS

At 30 September 2023 provisions amount to €9,306 thousand compared to €9,878 thousand at 31 December 2022 as follows:

	30.09.2023	31.12.2022 Restated
Provision for agents' termination benefits	802	725
Provision for legal and tax risks	113	826

Provision for commercial complaints	94	33
Provision for product warranties	719	980
Other provisions	3,147	3,014
Total - non-current	4,875	5,577
Provision for commercial complaints	1,531	1,401
Other provisions	2,900	2,900
Total - current	4,431	4,301
Total	9,306	9,878

The provisions for product warranties and commercial complaints were set up to cover liabilities arising on product defects which entail the repair or replacement of the defective parts or payment of a cash compensation to the customer. The directors estimated the provisions based on available information and past experience.

[16] DEFINED BENEFIT PLANS

This caption mainly consists of the group's liability for post-employment benefits and post-term of office benefits for directors recognised by the Italian group entities. These benefits qualify as defined benefit plans pursuant to IAS 19 and the related liabilities are calculated by an independent actuary. The remainder of the caption comprises employee benefits recognised by the foreign group companies which are immaterial both individually and collectively.

[17] DEFERRED TAX LIABILITIES

At 30 September 2023 deferred tax liabilities amount to €17,247 thousand compared to €18,242 thousand at 31 December 2022. They mainly refer to the deferred taxes on the allocation of the gains arising upon the first-time consolidation of the companies acquired in prior years.

[18] OTHER NON-CURRENT LIABILITIES

This caption amounts to €145,895 thousand and may be analysed as follows:

- €53,506 thousand related to the liability measured at fair value resulting for the put and call options on the non-controlling interest in CFM;
- €21,204 thousand related to the earn-out liability for the acquisition of Senva. As described in note 2, this liability was updated during the first nine months of 2023 compared to the amount provisionally recognised at 31 December 2022. For additional information, reference should be made to note 2;
- €1,250 thousand related to the liability measured at fair value resulting for the put and call options on the non-controlling interest in Sauber;
- €563 thousand related to the earn-out liability for the acquisition of Eurotec;
- €67,674 thousand related to the liability measured at fair value resulting for the put and call options on the non-controlling interest in Kiona Holding As.

[19] TRADE PAYABLES

At 30 September 2022 trade payables amount to €77,316 thousand compared to €77,174 thousand at 31 December 2022. They included payables for materials and services.

Trade payables arise as a result of the different payment terms negotiated with the group's suppliers, which differ from country to country.

[20] CURRENT TAX LIABILITIES

At 30 September 2023 this caption amounts to € 10,562 thousand compared to €4,987 thousand at 31 December 2022. It entirely consists of direct income tax liabilities. The change during the period was mainly related to the calculation of current taxes for the period in accordance with IAS 34.

[21] OTHER CURRENT LIABILITIES

Other current liabilities are broken down in the following table:

	30.09.2023	31.12.2022
Social security contributions	4,539	5,654
Tax withholdings	2,946	2,084
Other current tax liabilities	812	552
VAT liabilities	3,378	2,409
Wages and salaries, bonuses and holiday pay	23,175	18,485
Other	17,504	3,042
Total	52,353	32,226

The caption mostly includes personnel-related liabilities (wages and salaries, tax withholdings and social security contributions) and tax liabilities, specifically VAT liabilities. The item increased mainly due to the consolidation of Kiona Holding AS and its subsidiaries, which, in this item, recognize deferred revenues accounted for in compliance with IFRS15 accounting standard.

Notes to the statement of profit or loss

[22] REVENUES

Revenues amounts to €497,213 thousand compared to €401,076 thousand for the corresponding period of 2022 (+24%). It is shown net of discounts and allowances.

Revenue generated by services amounts to €11,262 thousand compared to €5,353 thousand for the first nine months of 2022 as a result of the contribution of the recently acquired companies Sauber, Klingenburg and Kiona. A breakdown of revenue by market is as follows:

	First nine months of 2023	First nine months of 2022	Variation %
HVAC	361,239	267,870	34.9%
REF	133,681	129,955	2.9%
Total core revenue	494,920	397,826	24.4%
Non-core revenue	2,293	3,251	(29.4%)
Total revenue	497,213	401,076	24.0%

(*) No Core Revenues refers to revenues outside the core business, i.e. from the sale of products outside the applications of the HVAC and Refrigeration reference markets.

There are no group entities that individually contribute more than 10% to the group's revenue.

A breakdown of revenue by geographical segment is as follows:

	First nine months of 2023	First nine months of 2022	Variation %
Europe, Middle East and Africa	348,176	284,871	22.2%
APAC	67,408	57,641	16.9%
North America	71,475	48,935	46.1%
South America	10,155	9,629	5.0%
Total revenue	497,213	401,076	24.0%

Reference should be made to the directors' report for an analysis of trends in revenue.

[23] OTHER REVENUE

Other revenue amounts to €3,712 thousand an increase on the €3,179 thousand balance for the corresponding period of 2022. The caption may be broken down as follows:

	First nine months of 2023	First nine months of 2022	Variation %
Grants related to income	401	104	>100%
Sundry cost recoveries	2,485	1,861	33.6%
Other revenue and income	825	1,215	(32.1%)
Total	3,712	3,179	16.7%

Sundry cost recoveries mostly refer to transport and other costs.

Other revenue and income principally comprise amounts charged to suppliers and customers.

[24] COSTS OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGES IN INVENTORIES

This caption amounts to €217,123 thousand compared to €183,684 thousand in the first nine months of 2022. A breakdown of the caption is as follows:

	First nine months of 2023	First nine months of 2022	Variation %
Costs of raw materials, consumables and goods and changes in inventories	(217,123)	(183,684)	18.2%
% of revenue	(43.7%)	(45.8%)	(4.7%)

[25] SERVICES

The group incurred costs of €62,535 thousand for services in the first nine months of 2023, up 25.9% on the corresponding period of the previous year. A breakdown of the caption is as follows:

	First nine months of 2023	First nine months of 2022	Variation %
Transport	(15,337)	(15,881)	(3.4%)
Consultancies	(10,584)	(7,020)	50.8%
Business trips and travel	(3,914)	(2,429)	61.2%
Use of third party assets	(1,801)	(1,607)	12.1%
Maintenance and repairs	(7,492)	(5,365)	39.7%
Marketing and advertising	(2,542)	(1,294)	96.5%
Outsourcing	(3,056)	(2,241)	36.4%
Agency commissions	(1,870)	(1,545)	21.0%
Utilities	(2,944)	(2,378)	23.8%
Fees to directors, statutory auditors and independent auditors	(2,006)	(1,767)	13.5%
Insurance	(1,778)	(1,419)	25.4%
Telephone and connections	(923)	(737)	25.2%
Other services	(8,288)	(5,993)	38.3%
Total	(62,535)	(49,674)	25.9%

[26] CAPITALISED DEVELOPMENT EXPENDITURE

This caption amounts to €813 thousand compared to € 482 thousand in the first nine months of 2022. It is entirely related to development projects capitalised under intangible assets. The group incurred research and development expenditure of €17,927 thousand and €14,487 thousand in the first nine months of 2023 and 2022, respectively (3.6% as a percentage of revenue for the first nine months of 2023). Only the amounts described above can be capitalised.

[27] PERSONNEL EXPENSE

This caption amounts to €109,301 thousand for the first nine months of 2023 compared to €83,767 thousand for the corresponding period of the previous year. A breakdown of this caption and of the workforce by employee category is as follows:

	First nine months of 2023	First nine months of 2022	Variation %
Wages and salaries, including bonuses and accruals	(87,182)	(65,683)	32.7%
Social security contributions	(17,054)	(14,160)	20.4%
Defined benefit plans	(2,325)	(2,376)	(2.1%)
Other costs	(2,741)	(1,548)	77.0%
Total	(109,301)	(83,767)	30.5%

	First nine months of 2023	First nine months of 2022
Managers	82	65
White collars	1,573	1,271
Blue collars	964	859
Total	2,619	2,195

[28] OTHER EXPENSE NET

This caption amounts to €2,074 thousand for the first nine months of 2023 compared to €1,694 thousand for the corresponding period of the previous year. It may be broken down as follows:

	First nine months of 2023	First nine months of 2022	Variation %
Gains on the sale of non-current assets	63	26	>100%
Prior year income	569	972	(41.5%)
Other income	632	998	(36.7%)
Losses on the sale of non-current assets	(18)	(6)	>100%
Prior year expense	(239)	(189)	26.0%
Other taxes and duties	(1,112)	(1,070)	3.9%
Impairment losses on loans and receivables	(546)	(509)	7.4%
Accrual to the provisions for risks	(103)	(543)	(81.0%)
Credit losses	(5)	(26)	(79.3%)
Other costs	(683)	(349)	95.9%
Other expense	(2,706)	(2,692)	0.5%
Other expense, net	(2,074)	(1,694)	22.5%

[29] AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

This caption amounts to €23,137 thousand for the first nine months of 2023 compared to €17,033 thousand in the first nine months of the previous year. This increase was mainly due to higher amortisation and depreciation arising from the purchase price allocation made upon consolidation of companies acquired in previous years.

	First nine months of 2023	First nine months of 2022	Variation %
Amortisation	(8,938)	(6,664)	34.1%
Depreciation	(14,199)	(10,368)	37.0%
Total	(23,137)	(17,033)	35.8%

[30] NET FINANCIAL EXPENSE

Net financial expense for the first nine months of 2023 came to €5,919 thousand compared to €2,189 thousand for the corresponding period of 2022, as follows:

	First nine months of 2023	First nine months of 2022	Variation %
Gains on financial assets	822	162	>100%
Interest income	373	68	>100%
Gains on derivatives	-	50	(100%)
Other financial income	438	24	>100%
Dividends received	-	30	(100%)
Financial income	1,633	333	>100%
Bank interest expense	(2,521)	(447)	>100%
Lease interest expense	(657)	(372)	76.5%
Other interest expense	(1,136)	(357)	>100%
Losses on derivatives	(32)	(226)	(85.7%)
Other financial expense	(1,189)	(494)	>100%
Net fair value gains (losses) on financial assets and liabilities	24	(188)	(112.8%)
Interest expense on options on non-controlling interests	(2,040)	(439)	>100%
Financial expense	(7,552)	(2,523)	>100%
Net financial expense	(5,919)	(2,189)	>100%

The item increased mainly due to interest expenses related to the liability for options on minority interests as well as other interest expenses that include costs related to the bond loan and the loan taken out with Mediobanca S.p.A.

[31] NET EXCHANGE LOSSES

This caption shows net exchange losses of €893 thousand for the first nine months of 2023 compared to €549 thousand for the corresponding period of 2022, as follows:

	First nine months of 2023	First nine months of 2022	Variation %
Exchange losses	(8,051)	(10,276)	(21.7%)
Exchange gains	7,158	9,727	(26.4%)
Net exchange losses	(893)	(549)	62.5%

[32] FAIR VALUE (GAIN) LOSS ON OPTIONS

This caption is unchanged.

[33] SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEEES

This caption shows a profit of €292 thousand and includes the revaluation of the associate Free Polska.

[34] INCOME TAXES

This caption amounts to €19,325 thousand for the first nine months of 2023 compared to €14,236 thousand for the corresponding period of 2022. Income taxes were calculated based on the average tax expense determined on the basis of the actual annual tax rate in accordance with the provisions of IAS 34.

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 group'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 group has not identified individual operating segments but is an operating segment as a whole.

[35] OTHER INFORMATION

Financial instruments

The group is active on international markets and, hence, is exposed to currency and interest rate risks. Specifically the currencies generating these risks are the US dollar, the Japanese yen, the Australian dollar and the Chinese renminbi.

The group has a hedging policy to mitigate the risks, which involves the use of derivatives, options and forwards, mostly with maturities of less than one year. Transactions in place at the reporting date involving currency hedging transactions are as follows:

	30.09.2023			
	Purchases *	Sales *	Positive fair value **	Negative fair value **
Forwards				
CNY/USD	-	1,470	6	-
USD/CNY	-	12,000	-	(574)
JPY/EUR	-	38,610	-	(1)
ZAR/USD	-	11,000	20	(4)
EUR/CNY	-	2,000	31	-
THB/USD	-	9,000	16	-
USD/INR	120	-	65	-
Total forwards	120	74,080	138	(579)
Options				
JPY/EUR	100,000	-	-	-
Total options	100,000	-	-	-
Total	100,120	74,080	138	(579)

(*) Amount in thousands of local currency.

(**) Amount in thousands of Euros.

The next table provides information about the interest rate swaps hedging the related risk:

	Notional amount	Floating interest rate	Fixed interest rate	Maturity	Fair value 30.09.2023
Mediobanca	20,000	3m Euribor > -0.6375% / -0.6375% if 3m Euribor < -0.6375%	-0.31%	26/06/2026	770

Derivatives hedging foreign currency assets and liabilities are recognised at fair value with any gains or losses recognised in profit or loss. They are natural hedges of the related risks, which are recognised pursuant to IFRS 9.

Categories of financial instruments and fair value hierarchy

The next table shows the financial assets and liabilities recognised in accordance with IFRS 7, broken down by the categories established by IFRS 9 and their fair value:

30.09.2023	IFRS 9 category	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Derivatives	FVTPL	908	n.a.	908	n.a.
Available-for-sale securities	FVTPL	2,879	2,879	n.a.	n.a.
Other financial assets	Financial assets at amortised cost	744	n.a.	n.a.	n.a.
Current financial assets		4,530			
Trade receivables	Financial assets at amortised cost	114,096	n.a.	n.a.	n.a.
Total financial assets		118,626			
	FVTPL	3,786			
	Financial assets at amortised cost	114,839			
Bank loans and borrowings	Financial liabilities at amortised cost	57,434	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	59,424	n.a.	n.a.	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	392	n.a.	n.a.	n.a.
Lease liabilities	Financial liabilities at amortised cost	26,907	n.a.	n.a.	n.a.
Other financial liabilities	Financial liabilities at amortised cost	2,362	n.a.	n.a.	n.a.
Non-current financial liabilities		146,518			
Bank borrowings	Financial liabilities at amortised cost	1,008	n.a.	n.a.	n.a.
Bank loans	Financial liabilities at amortised cost	218,406	n.a.	n.a.	n.a.
Lease liabilities	Financial liabilities at amortised cost	7,216	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	367	n.a.	n.a.	n.a.
Derivatives	FVTPL	579	n.a.	579	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	194	n.a.	n.a.	n.a.
Other current financial liabilities	Financial liabilities at amortised cost	5,697	n.a.	n.a.	n.a.
Current financial liabilities		233,468			
Trade payables	Financial liabilities at amortised cost	77,316	n.a.	n.a.	n.a.
Other non/current liabilities (*)	FVTPL	144,198	n.a.	n.a.	144,198
Total		601,499			
	Financial liabilities at amortised cost	456,722			
	FVTPL	144,777			

(*) The item does not include €1,697 thousand related to the non-current portion of deferred income over several years, not in scope IFRS7.

Related party transactions

During the period the group carried out commercial transactions with related parties as follows:

30.09.2023	Trade receivables	Loan assets	Trade payables	Financial liabilities	Revenue	Financial income	Costs	Financial expense
Free Polska s.p.z.o.o.	39	-	(641)	-	9	0	(7,338)	-
Total associated	39	-	(641)	-	9	-	(7,338)	-
RN Real Estate Srl	2	-	(393)	(14,877)	4	-		(123)
Carel Real Estate Adratic d.o.o.	-	-	(31)	(1,880)	-	-	(1)	(55)
Murat Cem Ozdemir	-	-		(1,054)	-	-	(25)	(22)
Altre	44	-	(727)	(1,601)	192	-	(413)	(6)
Total other related parties	46	-	(1,151)	(19,412)	196	-	(439)	(206)
Total	85	-	(1,792)	(19,412)	205	-	(7,777)	(206)

All the related party transactions take place on an arm's length basis.

Financial liabilities with Murat Cem Ozdemir mainly refer to the outstanding amount due to the non-controlling investor in CFM to acquire the investment, the last payment will expire in May 2027.

The figures in the above table are calculated in accordance with IFRS 16. The rent paid to RN Real Estate S.r.l. and Carel Real Estate Adriatic d.o.o. during the period amount respectively to €1,217 thousand and €178 thousand.

Others include the earn-out pertaining to a related party of Eurotec and financial liabilities with the non-controlling investor in Sauber as well as financial liabilities related to lease payments accounted for in accordance with IFRS16 of Kiona and its subsidiaries.

List of investees included in the condensed interim consolidated financial statements and other investees

The following table shows the investees directly and indirectly controlled by the parent as well as all the legally-required disclosures necessary to prepare the condensed interim consolidated financial statements:

	Registered office	Country	Currency	Share Capital/quota at	Share Capital/quota at	Investment %		Consolidation method	Profit for the period	Profit for the period
				31.12.2022	30.09.2023	30.09.2023	Share/quota holder		30.09.2023	31.12.2022
EURO										
Parent:										
Carel Industries S.p.A	Bugine (Padova)	Italy	Euro	10,000,000	10,000,000				42,148,600	47,510,497
Consolidated investees:										
C.R.C. S.r.l.	Bologna	Italy	Euro	98,800	98,800	100%	Carel Industries S.p.A.	line by line	1,421,453	1,786,049
Carel Deutschland GmbH	Frankfurt	Germany	Euro	25,565	25,565	100%	Carel Industries S.p.A.	line by line	2,718,630	3,398,294
Carel France Sas	St. Priest, Rhone	France	Euro	100,000	100,000	100%	Carel Industries S.p.A.	line by line	1,262,169	307,078
Carel U.K. Ltd	London	GB	Pound Sterling	350,000	350,000	100%	Carel Industries S.p.A.	line by line	630,487	834,976
Carel Sud America Instrumentacao Eletronica Ltda	San Paolo	Brazil	Real	31,149,059	31,149,059	53,02% 46,98%	Carel Industries S.p.A. Carel Electronic Suzhou Ltd	line by line	905,723	1,499,483
Carel Usa Inc	Pennsylvania	USA	Us Dollar	33,000,000	33,000,000	100%	Carel Industries S.p.A.	line by line	7,174,539	4,930,312
Carel Asia Ltd	Hong Kong	Honk Kong	Hong Kong Dollar	15,900,000	15,900,000	100%	Carel Industries S.p.A.	line by line	787,269	1,091,645
Carel HVAC&R Korea Ltd	Seul	South Korea	South Korean Won	550,500,000	550,500,000	100%	Carel Electronic Suzhou Ltd	line by line	488,157	152,932
Carel South East Asia Pte. Ltd.	Singapore	Singapore	Singapore dollar	100,000	100,000	100%	Carel Asia Ltd	line by line	31,553	38,375
Carel Australia PTY Ltd	Sydney	Australia	Australian Dollar	100	100	100%	Carel Electronic Suzhou Ltd	line by line	383,457	755,747
Carel Electronic Suzhou Ltd	Suzhou	People's Republic of China	Renminbi	75,019,566	75,019,566	100%	Carel Industries S.p.A.	line by line	14,080,587	12,225,823
Carel Controls Iberica SI	Barcelona	Spain	Euro	3,005	3,005	100%	Carel Industries S.p.A.	line by line	1,366,273	1,231,800
Carel Controls South Africa (Pty) Ltd	Johannesburg	South Africa	Rand	4,000,000	4,000,000	100%	Carel Electronic Suzhou Ltd	line by line	528,926	887,257
Carel ACR System India (Pvt) Ltd	Mumbai	India	Rupee	1,665,340	1,665,340	0,01% 99,99%	Carel France Sas Carel Electronic Suzhou Ltd	line by line	361,768	269,342
Carel RUS Llc	St. Petersburg	Russia	Ruble	6,600,000	6,600,000	99% 1%	Carel Industries S.p.A. Carel France Sas	line by line	(1,016,896)	661,100
Carel Nordic AB	Hoganas	Sweden	Swedish Krona	550,000	550,000	100%	Carel Industries S.p.A.	line by line	768,826	563,478
Carel Middle East	Dubai	Dubai	Dirham	4,333,877	4,333,877	100%	Carel Industries S.p.A.	line by line	190,802	191,012
Carel Mexicana, S. DE R.L. DE C.V.	Guerra, Tlalpan	Mexico	Peso	12,441,149	12,441,149	100%	Carel Usa LCC	line by line	(280,117)	149,880
Carel Adriatic D.o.o.	Rijeka	Croatia	Kuna	54,600,000	54,600,000	100%	Carel Industries S.p.A.	line by line	5,456,260	10,081,835
Carel (Thailand) Co. Ltd.	Bangkok	Thailand	Baht	16,000,000	16,000,000	50% 30%	Carel Electronic Suzhou Ltd Carel Australia PTY Ltd	line by line	298,961	318,849
Alfaco Polska Sp.z.o.o.	Wroclaw	Poland	Zloty	420,000	420,000	100%	Carel Industries S.p.A.	line by line	2,557,680	3,781,544
Carel Japan	Tokyo	Japan	Yen	60,000,000	60,000,000	100%	Carel Industries S.p.A.	line by line	191,789	343,809
Recuperator	Rescaldina (MI)	Italy	Euro	500,000	500,000	100%	Carel Industries S.p.A.	line by line	48,737	743,392
Hygromatik G.m.b.H.	Hamburg	Germany	Euro	639,115	639,115	100%	Carel Industries S.p.A.	line by line	2,540,472	3,355,354
Carel Ukraine LLC	Kiev	Ukraine	UAH	700,000	700,000	100%	Alfaco Polska Zoo	line by line	110,990	(60,170)
Enersol	Beloil	Canada	CAD	100	100	100%	Carel Usa Inc	line by line	(226,757)	170,242
CFM Sogutma Ve Otomasyon	Izmir	Turkey	EUR	2,473	2,473	51%	Carel Industries S.p.A.	line by line	6,547,407	5,963,175
Enginia Srl	Trezzo Sull'Adda (MI)	Italy	EUR	10,400	10,400	100%	Recuperator S.p.A.	line by line	1,446,807	812,102
Arion S.r.l.	Bolgare (BG)	Italy	Euro	100,000	100,000	70%	Carel Industries S.p.A.	line by line	275,372	451,741
Sauber S.r.l.	Mantova (MN)	Italia	EUR	100,000	100,000	100%	Carel Industries S.p.A.	line by line	(819,698)	535,282
Klingenburg GmbH	Gladbeck	Germany	EUR	38,400	38,400	100%	Carel Industries S.p.A.	line by line	546,179	327,304
Klingenburg Usa LLC	RALEIGH	USA	USD	699,671	699,671	100%	Carel Industries S.p.A.	line by line	(120,254)	6,087
Klingenburg Uk Ltd	Folkestone	GB	GBP	100	100	100%	Carel Industries S.p.A.	line by line	270,056	154,661
Klingenburg Iberica Slu	Madrid	Spain	EUR	3,500	3,500	100%	Carel Industries S.p.A.	line by line	(25,307)	10,707
Klingenburg International Sp. z o.o.	Swidnica	Poland	PLN	50,000	50,000	100%	Carel Industries S.p.A.	line by line	1,193,989	794,545
Serva Inc.	Oregon	USA	USD	-	-	100%	Carel Usa Inc	line by line	589,026	31,285
Eurotec Ltd	Auckland	New Zealand	NZD	n.a.	450,000	100%	Carel Industries S.p.A.	line by line	251,529	n.a.
Carel Kazakhstan	Almaty	Kazakistan	KZT	n.a.	10,000	100%	Carel Industries S.p.A.	line by line	467,707	n.a.
Kiona Holding AS	Trondheim	Norway	NOK	n.a.	666,401	82.4%	Carel Industries S.p.A.	line by line	(28,242)	n.a.
Carel Systems SP ZOO	Varsavia	Poland	PLN	n.a.	100,000	100%	Carel Industries S.p.A.	line by line	(46)	n.a.

Events after the reporting date

There are no significant events after the end of the period.

Statement on the condensed interim consolidated financial statements pursuant to article 154-bis of Legislative decree no. 58/98 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 condensed interim consolidated financial statements at 30 September 2023:
 - are adequate in relation to the group's characteristics and
 - have been effectively applied during the reporting period.
2. There is nothing to report in this respect.
3. Moreover, they state that
 - 3.1 the condensed interim consolidated financial statements:
 - 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 and the group of companies included in the consolidation scope.
 - 3.2 The directors' report includes a reliable analysis of the key events of the period and their impact on the condensed interim consolidated financial statements, as well as a description of the main risks and uncertainties for the last quarter of the year and information about significant related party transactions.

Brugine, 31 October 2023

Chief executive officer

Manager in charge of financial reporting

Francesco Nalini

Nicola Biondo

Independent auditors' report



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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying consolidated interim financial statements of Carel Industries S.p.A. and subsidiaries (the "Carel Group"), which comprise the statement of financial position as of September 30, 2023 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the nine month period then ended, and the related explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the Carel Group as at September 30, 2023 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Other Matter

The consolidated interim financial statements for the period ended as of September 30, 2022 have not been audited or reviewed.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
November 6, 2023

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.