SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

CONTENTS

CORPORATE BODIES

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

(*) appointed by the shareholders on 14 September 2023.

SEPARATE FINANCIAL STATEMENTS AND NOTES THERETO

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF FINANCIAL POSITION

(in Euros)	NOTE	31.12.2023	31.12.2022
Property, plant and equipment	1	34,804,514	30,664,211
Intangible assets	2	10,766,366	10,856,645
Equity investments	3	386,674,659	203,265,748
Other non-current assets	4	37,199,253	24,148,084
Deferred tax assets	5	3,163,322	1,809,055
Non-current assets		**472,608,114**	**270,743,743**
Trade receivables	6	56,097,211	53,553,280
Inventories	7	33,602,400	31,169,114
Current tax assets	8	1,658,017	-
Other current assets	9	7,788,315	7,849,775
Current financial assets	10	11,721,622	21,783,445
Cash and cash equivalents	11	91,619,429	38,638,369
Total current assets		**202,486,994**	**152,993,983**
TOTAL ASSETS		**675,095,108**	**423,737,726**
Equity	12	359,041,056	138,024,944
Equity		**359,041,056**	**138,024,944**
Non-current financial liabilities	13	131,713,125	105,431,481
Provisions for risks	14	1,284,506	1,055,079
Defined benefit plans	15	4,318,847	4,389,546
Deferred tax liabilities	16	577,108	830,305
Other non-current liabilities	17	17,139,948	10,875,162
Non-current liabilities		**155,033,534**	**122,581,573**
Current financial liabilities	13	60,726,077	84,569,428
Trade payables	18	66,800,047	61,852,743
Current tax liabilities	19	-	381,781
Provisions for risks	14	2,949,857	1,400,564
Other current liabilities	20	30,544,537	14,926,693
Current liabilities		**161,020,518**	**163,131,209**
TOTAL LIABILITIES AND EQUITY		**675,095,108**	**423,737,726**

STATEMENT OF PROFIT OR LOSS

(in Euros)	NOTE	2023	2022
Revenue	21	285,268,391	248,630,782
Other revenue	22	9,605,403	9,699,463
Costs of raw materials, consumables and goods and change in inventories	23	(158,970,064)	(139,663,716)
Services	24	(41,997,979)	(35,837,556)
Capitalised development expenditure	25	881,984	68,709
Personnel expense	26	(53,654,187)	(49,485,652)
Other expense, net	27	(1,360,817)	(271,131)
Amortisation, depreciation and impairment losses	28	(10,525,112)	(9,084,680)
OPERATING PROFIT		**29,247,619**	**24,056,219**
Net financial income	29	17,483,827	25,950,353
Net exchange gains (losses)	30	193,045	(736,818)
Net impairment gains on financial assets	31	2,287,870	864,190
PROFIT BEFORE TAX		**49,212,361**	**50,133,944**
Income taxes	32	(4,697,812)	(5,625,458)
PROFIT FOR THE YEAR		**44,514,549**	**44,508,486**

STATEMENT OF COMPREHENSIVE INCOME

(in Euros)	NOTE	2023	2022
PROFIT FOR THE YEAR		**44,514,549**	**44,508,486**
Items that may be subsequently reclassified to profit or loss:			
Fair value gains (losses) on hedging derivatives	12	(1,130,686)	1,714,834
Related tax	12	271,364	(411,559)
Total items that may be subsequently reclassified to profit or loss		**(859,322)**	**1,303,275**
Items that may not be subsequently reclassified to profit or loss:			
IAS 19 - Actuarial gains (losses) on post-employment benefits	12	(112,993)	538,568
Related tax	12	33,412	(146,238)
IAS 19 - Actuarial gains (losses) on post-term of office benefits for directors	12	12,404	38,690
Total items that may not be subsequently reclassified to profit or loss		**(67,177)**	**431,020**
COMPREHENSIVE INCOME		**43,588,050**	**46,242,781**

STATEMENT OF CASH FLOWS

(in Euros)	NOTE	2023	2022
Profit for the year		44,514,549	44,508,486
Adjustments for:			
Amortisation, depreciation and impairment losses	28 / 31	8,237,242	8,220,491
Accruals to provisions		7,477,990	3,061,031
Non-monetary net financial income		(17,530,432)	(26,862,881)
Income taxes	32	4,697,812	2,989,596
Gains on the sale of non-current assets		(26,919)	(31,833)
		47,370,242	**31,884,890**
Changes in working capital:			
Change in trade receivables and other current assets		(4,303,534)	(4,959,319)
Change in inventories	7	(5,740,128)	(7,252,362)
Change in trade payables and other current liabilities		5,498,956	9,414,163
Change in non-current assets		790,455	(962,561)
Change in non-current liabilities		(182,406)	252,537
Cash flows from operating activities		**43,433,585**	**28,377,348**
Net interest paid		(6,241,999)	(1,304,416)
Income taxes paid		(3,100,445)	(755,394)
Net cash flows from operating activities		**34,091,141**	**26,317,538**
Investments in property, plant and equipment	1	(8,701,999)	(7,838,677)
Investments in intangible assets	2	(4,596,159)	(3,488,272)
Disinvestments of property, plant and equipment and intangible assets		58,178	474,342
Investments in investees		(169,689,810)	(47,480,132)
Cash flows used in investing activities		**(182,929,790)**	**(58,332,739)**
Capital increases		196,468,844	-
Repurchase of treasury shares		(1,041,927)	-
Dividend distributions	12	(17,998,856)	(14,995,428)
Dividends collected	29	29,826,749	28,621,339
Interest collected		1,678,380	431,392
Increase in financial liabilities		261,655,241	106,976,136
Decrease in financial liabilities		(259,256,272)	(81,141,995)
Decrease in lease liabilities		(1,871,413)	(1,506,147)
Increase in financial assets		(19,584,695)	(23,038,808)
Decrease in financial assets		11,943,658	1,660,167
Cash flows from financing activities		**201,819,709**	**17,006,656**
Change in cash and cash equivalents		**52,981,060**	**(15,008,545)**
Cash and cash equivalents - opening balance		**38,638,369**	**53,646,914**
Cash and cash equivalents - closing balance	11	**91,619,429**	**38,638,369**

STATEMENT OF CHANGES IN EQUITY

(in Euros)	Share capital	Legal reserve	Hedging reserve	Actuarial reserve	Income-related reserves and other reserves	Equity-related reserves	IFRS reserve	Treasury shares	Stock grant reserve	Retained earnings	Profit for the year	Total
31 December 2021	**10,000,000**	**2,000,000**	**(51,118)**	**(371,714)**	**54,250,988**	**10,397,335**	**2,145,495**	**(1,107,870)**	**1,311,470**	**476,149**	**27,318,447**	**106,369,182**
Allocation of prior year profit												
- dividend distributions					(10,506)						(14,984,922)	(14,995,428)
- other allocations					12,420,092				(86,567)		(12,333,525)	-
Movements in stock grant reserve									(359,971)			(359,971)
Repurchase of treasury shares								-				-
Assignment of treasury shares								768,380				768,380
Profit for the year											44,508,486	44,508,486
Other comprehensive income			1,303,275	431,020							-	1,734,295
31 December 2022	**10,000,000**	**2,000,000**	**1,252,157**	**59,306**	**66,660,574**	**10,397,335**	**2,145,495**	**(339,490)**	**864,932**	**476,149**	**44,508,486**	**138,024,944**
Share capital increase	1,249,921					195,218,924						196,468,845
Allocation of prior year profit												
- dividend distributions					(11,543)						(17,987,313)	(17,998,856)
- other allocations					26,521,173				-	-	(26,521,173)	-
Movements in stock grant reserve									(864,932)			(864,932)
Repurchase of treasury shares								(1,041,927)				(1,041,927)
Assignment of treasury shares					(355,304)			1,220,236				864,932
Profit for the year											44,514,549	44,514,549
Other comprehensive expense			(859,322)	(67,177)							-	(926,499)
31 December 2023	**11,249,921**	**2,000,000**	**392,835**	**(7,871)**	**92,814,900**	**205,616,259**	**2,145,495**	**(161,181)**	**-**	**476,149**	**44,514,549**	**359,041,056**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

CONTENT AND FORMAT OF THE SEPARATE FINANCIAL STATEMENTS

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

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

These separate financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and cover the year from 1 January to 31 December 2023.

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

The company's board of directors approved the separate financial statements at 31 December 2023 on 6 March 2024.

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

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The separate financial statements at 31 December 2023 were prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission with the procedure set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

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

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

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

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

FINANCIAL STATEMENTS SCHEDULES

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

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

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

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

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

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

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

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

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

BUSINESS COMBINATIONS

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

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

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

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

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

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

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

RELEVANT INFORMATION ON ACCOUNTING PRINCIPLES APPLIED BY THE COMPANY

The separate financial statements at 31 December 2023 were prepared in accordance with the IFRS issued by the IASB, endorsed by the European Commission and applicable at the reporting date. They are presented in Euros, which is the company's functional currency, i.e., the currency of the primary economic environment in which it mainly operates. Amounts are rounded to the nearest unit.

The separate financial statements at 31 December 2023 present the company's financial position and performance, in accordance with the IFRS.

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

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

Following its decision to adopt the IFRS starting from the separate financial statements at 31 December 2017, the company referred to the standards applicable from 1 January 2017 to prepare its separate financial statements at 31 December 2023, in accordance with the provisions of IFRS 1.

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

The company 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 will supersede **IFRS 4 Insurance contracts**. The standard is applicable by those entities that apply **IFRS 9 Financial instruments** and **IFRS 15 Revenue from contracts with customers**.
- 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 entities account for deferred tax on transactions that can give rise to equal amounts of assets and liabilities such as leases and decommissioning obligations.
- 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 to IAS 1 require entities to indicate the material information about the accounting policies. 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 entities distinguish changes in accounting estimates from changes in accounting policies.
- 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 (effective in Italy at 31 December 2023 and applicable from 1 January 2024) and targeted disclosure requirements for affected entities.
  The company has no obligation to recognize and disclose deferred tax assets and liabilities related to the Pillar Two Model Rules.

The company applied the amendments starting from 1 January 2023. The adoption of these standards and amendments did not affect the separate financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU BUT NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE COMPANY AT 31 DECEMBER 2023

The following IFRS accounting standards, amendments and interpretations have been endorsed by the European Union but are not yet mandatorily applicable and have not been adopted early by the company at the reporting date:

- 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 also improve the information that an entity must provide when its right to defer settlement of a liability for at least 12 months is subject to meeting certain parameters (i.e., covenants).
  The amendments became effective on 1 January 2024, but earlier application was allowed. The directors do not expect these amendments to significantly affect the company's separate financial statements.
- On 22 September 2022, the IASB published **Lease liability in a sale and leaseback (Amendments to IFRS 16)**. They require a seller-lessee to subsequently measure lease liabilities

arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments became effective on 1 January 2024 but earlier application was allowed. The directors do not expect these amendments to significantly affect the 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 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 will significantly affect the company's separate financial statements.
- On 15 August 2023, the IASB issued **Lack of exchangeability (Amendments to IAS 21)** to require an entity to apply a consistent methodology to determine whether a currency is exchangeable into another and, when this is not possible, how to determine the exchange rate to be used and the related disclosures. The amendments are effective for reporting periods beginning on or after 1 January 2025, but earlier application is permitted.
  The directors do not expect the amendment will significantly affect the company's separate financial statements.
- On 30 January 2014, the IASB published **IFRS 14 Regulatory deferral accounts** that allows first-time adopters to continue to recognise amounts relating to rate regulation activities under the previous reporting standards. Since the company is not a first-time adopter, the standard is not applicable to it.

BASIS OF MEASUREMENT

Revenue and costs

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

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

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

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

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

Interest

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

Dividends

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

Income taxes

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

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

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

Translation criteria

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

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

Property, plant and equipment

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

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

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

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

Category of assets	Rate
Buildings:	
- Light constructions	10.00%
- Industrial buildings	3.00%
Plant and machinery:	
- Generic plant	10.00%
- Automatic operating machinery	10.00%-15.50%
Industrial and commercial equipment	25.00%
Other items of property, plant and equipment:	
- Office furniture and equipment	12.00%-20,00%
- Hardware	20.00%
- Cars	25.00%
- Telecommunication systems	20.00%
- Other items of property, plant and equipment	20.00%
- Right-of-use assets	Contract term

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

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

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

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

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

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

Intangible assets

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

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

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

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

Goodwill

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

Development expenditure

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

Impairment losses on non-financial assets.

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

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

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

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

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

Equity investments

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

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

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

Financial assets

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

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

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

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

Specifically:

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

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

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

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

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

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

Inventories

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

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

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

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

Trade receivables

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

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

Cash and cash equivalents

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

Employee benefits

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

Provisions for risks

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

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

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

Trade payables and other current liabilities

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

Financial liabilities

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

Other non-current liabilities

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

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

Derivative financial instruments

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

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

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

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

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

Use of estimates

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

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

- **Allowance for inventory write-down**: slow-moving raw materials and finished goods are tested for obsolescence regularly using historical data and the possibility of their sale at below-market prices. If this test shows the need to write down inventory items, the group sets up an allowance; like for the loss allowance, this allowance is calculated considering past experience and the market. Changes in the reference scenarios or market trends could significantly modify the criteria used as a basis for the estimates.
- **Leases**: the recognition of right-of-use assets and the related lease liabilities requires significant management estimates, especially in determining the lease term and the incremental borrowing rate. In determining the lease term, in addition to the contractual deadlines, the company considers any renewal options that it reasonably expects to exercise. The incremental borrowing rate is calculated by considering the type of leased asset, the jurisdiction in which it is acquired and the currency in which the lease is denominated. Any changes in the reference scenarios or market trends could require a review of the above components.
- **Impairment testing**: if there are any internal or external factors that may indicate an impairment loss, the company tests property, plant and equipment, intangible assets and equity investments for impairment. Goodwill is tested for impairment at least once a year, regardless of the occurrence of any trigger events. The company calculates the recoverable amount of the CGU as the value in use using the discounted cash flow method applying assumptions, such as estimates of future increases in sales, operating costs, the growth rate of the terminal value, investments, changes in working capital and the weighted average cost of capital (discount rate).
  The value in use may change if the main estimates and assumptions made in the plan change and, hence, the impairment test. Therefore, the realisable value of the recognised assets may also change.
- **Fair value**: IFRS 13 is the only reference source for fair value measurement and the related disclosures when this measurement is required or permitted by another standard. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard replaces and extends the disclosure required about fair value measurement in other standards, including IFRS 7 Financial instruments: disclosures.

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

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

  The method used to estimate fair value is as follows:

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

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

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

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

RISKS AND FINANCIAL INSTRUMENTS

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

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

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

This section presents the supplementary disclosures required by IFRS 7.

The accounting policies applied to measure financial instruments are described in the Basis of measurement section.

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

These risks include:

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

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

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

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

CREDIT RISK

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

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

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

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

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

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

	31.12.2023		31.12.2022	
(in Euros)	**Trade receivables**	**Loss allowance**	**Trade receivables**	**Loss allowance**
Not yet due	31,771,968	(828,210)	29,650,338	(664,850)
Past due < 6 month	1,454,385	(145,291)	720,128	(96,030)
Past due > 6 month and < 12 month	-	-	19,038	(19,038)
Past due > 12 month	1,630	(1,630)	-	-
Total third parties	**33,227,983**	**(975,131)**	**30,389,504**	**(779,918)**
Total intragroup	**23,844,359**	**-**	**23,943,694**	**-**
Total	**57,072,342**	**(975,131)**	**54,333,198**	**(779,918)**

LIQUIDITY RISK

The company has a high level of liquidity and limited net financial debt. During the year, the company had access to additional funding to support its acquisitions and also increased its share capital. It has shown itself to be consistently profitable and able to generate significant liquidity. Therefore, it is not believed that liquidity risk was increased by the international situation.

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

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

(in Euros)

31.12.2023	TOTAL	Total cash flows	Within one year	From one to five years	After five years
- Bank loans and borrowings at amortised cost	57,979,918	59,797,558	-	59,797,558	-
- Amounts due to bondholders	59,427,259	68,741,000	-	14,407,800	54,333,200
- Lease liabilities	13,571,639	14,317,184	-	6,838,506	7,478,678
- Other loans and borrowings at amortised cost	294,295	296,724	-	296,724	-
- Other financial liabilities	440,014	440,014	-	440,014	-
Non-current financial liabilities	**131,713,125**	**143,592,480**	**-**	**81,780,602**	**61,811,878**
- Bank loans at amortised cost	31,510,823	34,836,526	34,836,526	-	-
- Amounts due to bondholders	371,005	1,622,000	1,622,000	-	-
- Lease liabilities	1,728,489	1,909,795	1,909,795	-	-
- Other loans and borrowings at amortised cost	194,248	197,816	197,816	-	-
- Other financial liabilities	26,921,512	26,970,396	26,970,396	-	-
Current financial liabilities	**60,726,077**	**65,536,533**	**65,536,533**	**-**	**-**

(in Euros)

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

The next table shows the financial assets and liabilities recognised in accordance with IFRS 7, broken down by the categories established by IFRS 9 at 31 December 2023 and their fair value:

(in Euros)			Fair value		
31.12.2023	**IFRS 9 category**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Intragroup financial assets	Financial assets at amortised cost	32,697,723	n.a.	n.a.	n.a.
Effective derivatives	FVTPL	516,888		516,888	
Other non-current financial assets		**33,214,611**			
Securities at FVTPL	FVTPL	3,086,331	3,086,331		
Intragroup financial assets	Financial assets at amortised cost	8,617,392	n.a.	n.a.	n.a.
Other current financial assets		**11,703,723**			
Trade receivables	Financial assets at amortised cost	**56,097,211**	n.a.	n.a.	n.a.
Total financial assets		**101,015,545**			
including:	**FVTPL**	**3,603,219**	**3,086,331**	**516,888**	**-**
	Financial assets at amortised cost	**97,412,326**	n.a.	n.a.	n.a.
Bank loans and borrowings	Financial liabilities at amortised cost	(57,979,918)	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	(59,427,260)	n.a.	n.a.	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	(734,308)	n.a.	n.a.	n.a.
Lease liabilities	Financial liabilities at amortised cost	(13,571,639)	n.a.	n.a.	n.a.
Non-current financial liabilities		**(131,713,125)**			
Bank loans	Financial liabilities at amortised cost	(31,510,822)	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	(371,006)	n.a.	n.a.	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	(944,248)	n.a.	n.a.	n.a.
Lease liabilities	Financial liabilities at amortised cost	(1,728,489)	n.a.	n.a.	n.a.
Intragroup financial liabilities	Financial liabilities at amortised cost	(26,171,512)	n.a.	n.a.	n.a.
Current financial liabilities		**(60,726,077)**			
Trade payables	Financial liabilities at amortised cost	**(66,800,047)**	**n.a.**	**n.a.**	n.a.
Total financial liabilities		**(259,239,249)**			
including:	**Financial liabilities at amortised cost**	**(259,239,249)**	**n.a.**	**n.a.**	**n.a.**

(in Euros)			Fair value		
31.12.2022	**IFRS 9 category**	**Carrying amount**	**Level 1**	**Livel 2**	**Livel 3**
Intragroup financial assets	Financial assets at amortised cost	16,320,089	n.a.	n.a.	n.a.
Effective derivatives	FVTPL	1,044,326		1,044,326	
Other non-current financial assets		**17,364,415**			
Securities at a FVTPL	FVTPL	10,890,653	10,890,653		
Effective derivatives	FVTPL	603,248		603,248	
Derivatives	FVTPL	93,813		93,813	
Intragroup financial assets	Financial assets at amortised cost	10,195,731	n.a.	n.a.	n.a.
Other current financial assets		**21,783,445**			
Trade receivables	Financial assets at amortised cost	**53,553,280**	**n.a.**	**n.a.**	n.a.
Total financial assets		**92,701,140**			
including:	**FVTPL**	**12,632,040**	**10,890,653**	**1,741,387**	**-**
	Financial assets at amortised cost	**80,069,100**	**n.a.**	**n.a.**	n.a.
Bank loans and borrowings	Financial liabilities at amortised cost	(50,174,637)	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	(39,467,988)	n.a.	n.a.	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	(1,678,557)	n.a.	n.a.	n.a.
Lease liabilities	Financial liabilities at amortised cost	(14,110,299)	n.a.	n.a.	n.a.
Non-current financial liabilities		**(105,431,481)**			
Bank loans	Financial liabilities at amortised cost	(69,221,440)	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	(113,617)	n.a.	n.a.	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	(2,208,988)	n.a.	n.a.	n.a.
Lease liabilities	Financial liabilities at amortised cost	(1,569,269)	n.a.	n.a.	n.a.
Derivatives	FVTPL	(48,870)		(18,870)	
Intragroup financial liabilities	Financial liabilities at amortised cost	(11,407,244)	n.a.	n.a.	n.a.
Current financial liabilities		**(84,569,428)**			
Trade payables	Financial liabilities at amortised cost	**(61,852,743)**	**n.a.**	**n.a.**	n.a.
Total financial liabilities		**(251,853,652)**			
including:	**Financial liabilities at amortised cost**	**(251,804,782)**	**n.a.**	**n.a.**	**n.a.**
	FVTPL	**(48,870)**	**-**	**(18,870)**	**-**

MARKET RISK

CURRENCY RISK

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

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

INTEREST RATE RISK

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

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

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

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

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

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

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

The counterparties are major banks.

Derivatives are measured at fair value.

OTHER MARKET AND/OR PRICE RISKS

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

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

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

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

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

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

In 2023, the company was particularly focused on addressing the challenges posed by climate change, implementing the projects set out in its 2021-2024 sustainability plan.

It improved its carbon footprint analysis and reporting procedure, concentrating on the emissions along the Carel value chain (scope 3 emissions). During the year, the company extended the analysis to include all scope 3 categories deemed applicable and relevant at the reporting date. In addition, the reporting scope was the same as the consolidation scope (excluding the companies acquired in 2023).

2023 was the third year the group reported its KPIs (turnover, capex and opex) in accordance with the Green Taxonomy Regulation. It continues to pursue its climate mitigation strategy, as better defined in the Delegated Acts issued by the European Commission. Its findings confirm those of 2022. More information is available in the group's consolidated non-financial statement.

In order to develop a medium- to long-term strategic vision that integrates the risks and opportunities related to climate change, strengthening its resilience, in 2023, as part of its risk assessment, the group consolidated the process of identifying, assessing and managing climate risks by conducting qualitative-quantitative analyses of climate scenarios, updating and supplementing the preliminary qualitative assessments conducted in previous years.

The company will continue to identify and assess the new risks and opportunities related to climate change as they materialise, by refreshing its procedures annually in order to increasingly raise awareness about climate issues.

The company referred to the recommendations of the Task Force on Climate Related Disclosure (TCFD) to classify climate change risks. The TCFD divides climate-related risks into two macro-categories, both of which can substantially affect company performances and the operating environment: transition risks related to the transition to a lower-carbon economy and physical risks related to the physical impacts of climate change.

In addition to the financial risks listed in the previous paragraphs, the company has therefore identified and assessed specific risks related to climate change. Transition risks include changes in policies to promote the transition to a lower-carbon economy, both related to products (e.g., regulations on refrigerant gases, energy efficiency, ecodesign, etc.) and carbon pricing (e.g., the Carbon Border Adjustment Mechanism (CBAM), the EU Emission Trading System 2 (EU ETS 2)), and the increased cost and difficulty of procuring certain raw materials. In order to mitigate these risks, the main potential impacts of which are identified as increased operating and procurement costs, potential penalties for non-compliance products, and the potential loss of market share, the Group constantly monitors current regulations and invests in research and development to both adapt its products and services to the new regulations and to constantly improve the efficiency of its products by reducing the energy required for their use. As far as the company is concerned, 50001 certification has been obtained. Finally, the Group is actively engaged in defining a decarbonisation strategy in order to reduce its environmental impact.

The company has identified improved energy efficiency in its buildings, self-generation and purchase of energy from renewable sources and the sale of products in line with national and international energy efficiency and decarbonisation policies as climate-related opportunities.

To identify the climate-related physical risks, the company investigated its exposure to physical risk factors of all its facilities (production sites, warehouses and commercial branches) and quantified the potential negative impacts resulting from the occurrence of a selection of risk events at the production sites. These analyses showed that the impacts on the occurrence of acute weather events examined ranged from medium/low to marginal.

The section Climate Change Risks in the Non-Financial Statement 2023 describes the above analyses and results in more detail.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

The changes shown below are calculated using the balances at 31 December 2022 related to the statement of financial position and for 2022 with regard to the statement of profit or loss. As already mentioned, amounts are in Euros.

PROPERTY, PLANT AND EQUIPMENT (NOTE 1)

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

(in Euros)	Buildings	Light constructions	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Historical cost	19,203,699	10,709	16,344,671	32,959,950	11,291,628	475,478	80,286,135
Accumulated depreciation and impairment losses	(2,485,325)	(7,828)	(11,050,130)	(28,251,622)	(7,827,019)	-	(49,621,924)
Balance at 31 December 2022	**16,718,374**	**2,881**	**5,294,541**	**4,708,328**	**3,464,609**	**475,478**	**30,664,211**
Changes in 2023							
Investments	828,926	2,680	1,781,122	2,883,097	1,654,991	1,551,183	8,701,999
Investments in right-of-use assets	-	-	-	-	543,747		543,747
Restatement of right-of-use assets	748,680	-	-	-	18,097	-	766,777
Reclassifications	-	-	27,951	325,263	80,766	(433,980)	-
Termination of investments in right-of-use assets	-	-	-	-	(235,717)	-	(235,717)
Disinvestments - cost	-	-	(793,543)	(78,527)	(638,380)	-	(1,510,450)
Disinvestments - accumulated depreciation	-	-	793,543	56,880	636,754	-	1,487,177
Depreciation	(64,081)	(676)	(841,183)	(2,333,033)	(765,493)	-	(4,004,466)
Depreciation of right-of-use assets	(1,534,191)	-	-	-	(300,017)	-	(1,834,208)
Termination of investments in right-of-use assets - Acc. depr.	-	-	-	-	225,444	-	225,444
Total changes	**(20,666)**	**2,004**	**967,890**	**853,680**	**1,220,192**	**1,117,203**	**4,140,303**
Balance at 31 December 2023	**16,697,708**	**4,885**	**6,262,431**	**5,562,008**	**4,684,801**	**1,592,681**	**34,804,514**
including:							
Historical cost	20,781,305	13,389	17,360,201	36,089,783	12,715,132	1,592,681	88,552,491
Accumulated depreciation and impairment losses	(4,083,597)	(8,504)	(11,097,770)	(30,527,775)	(8,030,331)	-	(53,747,977)

The variations in the historical cost of buildings refer to:
- construction of a new parking lot (€719 thousand) on municipal land (to compensate for the costs for the construction of two new buildings housing a laboratory, a conference room, a canteen and offices that the company leases from the related company RN Real Estate S.r.l.). The agreement with the public body provides for the company's employees' exclusive use of part of the parking lot (1,100 square meters) for 25 years;
- restatement of right-of-use assets relating to property leases for the company's production sites (€749 thousand), due to the increase in the lease payments in line with the cost-of-living index;
- leasehold improvements that are not economically separable from the leased buildings where the company operates (€109 thousand).

Plant and machinery include generic and specific plant related to production lines for a total of €6,262 thousand. Increases in generic plant include connection of buildings in use to a new generator set (€31 thousand), a new air conditioning system for the valve department (€62 thousand) and a new fire detection system (€33 thousand).
The increases in specific plant include a new 3D inspection machine (€59 thousand), a new robotic welding cell (€127 thousand), a new welding machine (€155 thousand) and new technological equipment (€501 thousand).

The increase in industrial and commercial equipment mostly relates to testing machines and other production equipment. Specifically, it comprises costs for new accessorised robots (€295 thousand), a compact inverter test station (€227 thousand), a coating dispensing machine (€133 thousand), laboratory test cabin (€137 thousand) and a new induction heating and melting system (€200 thousand).

Increases in other items of property, plant and equipment mainly include new right-of-use assets relating to leased vehicles of €562 thousand, new furniture and fittings of €450 thousand, office and electronic equipment of €1,265 thousand and telephone systems of €6 thousand.
The decrease in the same caption is mostly due to the replacement of electronic office equipment (mainly as part of the upgrading of the company's information systems), company cars, telephone systems and internal means of transport.

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

Depreciation amounts to €5,839 thousand and was calculated on all depreciable assets at 31 December 2023, applying the criteria and rates indicated in the section on Property, plant and equipment.

The company's property, plant and equipment were not mortgaged or pledged at 31 December 2023. They are suitably hedged for risks deriving from losses and/or damage thereto through insurance policies taken out with leading insurers.

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

INTANGIBLE ASSETS (NOTE 2)

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

(in Euros)	Development expenditure	Software	Goodwill	Assets under development and payments on account	Other assets	Total
Historical cost	27,309,431	23,412,587	1,618,357	258,678	80,216	52,679,269
Accumulated amortisation and impairment losses	(22,570,268)	(17,912,375)	(1,259,765)	-	(80,216)	(41,822,624)
Balance at 31 December 2022	**4,739,163**	**5,500,212**	**358,592**	**258,678**	**-**	**10,856,645**
Changes in 2023						
Investments	-	2,728,904	-	1,867,255	-	4,596,159
Internal cost capitalisation	-	-	-	-	-	-
Reclassifications	258,678	-	-	(258,678)	-	-
Sales	-	-	-	-	-	-
Amortisation	(1,879,221)	(2,807,217)	-	-	-	(4,686,438)
Total changes	**(1,620,543)**	**(78,313)**	**-**	**1,608,577**	**-**	**(90,279)**
Balance at 31 December 2023	**3,118,620**	**5,421,899**	**358,592**	**1,867,255**	**-**	**10,766,366**
including:						
Historical cost	27,568,109	26,141,491	1,618,357	1,867,255	80,216	57,275,428
Accumulated amortisation and impairment losses	(24,449,489)	(20,719,592)	(1,259,765)	-	(80,216)	(46,509,062)

Development expenditure: in 2023, the company capitalised development expenditure of €258 thousand related to projects developed internally that were ongoing at the previous year end and were completed in 2023.

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

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

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

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

The increase in assets under development and payments on account may be analysed as follows:

- development of innovative products still in progress at the reporting date (€854 thousand);
- payments on account to suppliers for the implementation and launch of new management software (€1,013 thousand).

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

EQUITY INVESTMENTS (NOTE 3)

This caption may be broken down as follows:

(in Euros)	Subsidiaries	Associates and other companies	Total
Balance at 31 December 2022	**203,202,128**	**63,620**	**203,265,748**
Changes in 2023			
Initial cost			
Increases	181,099,541	21,500	181,121,041
Impairment gains	2,287,870	-	2,287,870
Total changes	**183,387,411**	**21,500**	**183,408,911**
Balance at 31 December 2023	**386,589,539**	**85,120**	**386,674,659**

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

(in Euros)	2023
Subsidiaries	
Kiona Holding AS	176,271,520
Eurotec Limited	4,114,528
Carel System Spzoo	713,473
Carel Kazakhstan Llc	20
Associates and other companies	
Fondazione ITS Academy "Mario Volpato"	1,500
Fondazione di comunita della Saccisica	20,000
Total increases	**181,101,041**

On 9 March 2023, the company completed the acquisition of 100% of Eurotec Limited, a distributor and system integrator based in Auckland in New Zealand.
The transaction became effective on 1 March 2023 and the consideration for the entire share capital amounted to €4,115 thousand, including the earn-out.

On 30 March 2023, the company incorporated Carel Kazakhstan Llc, a Kazakh company based in Almaty, in order to expand its distribution capacity in Eastern European markets. It paid up the newco's entire share capital of an amount equivalent to €20.

On 17 July 2023, the company set up Carel Systems Sp.zo.o., a Polish company based in Warsaw, in order to expand the Group's production capacity.
In addition to paying up the newco's entire share capital of an amount equivalent to €22 thousand, on 4 December, the company subscribed and paid up the entire approved capital increase by waiving its right to repayment of an outstanding loan of amount equivalent to €691 thousand.

On 31 August 2023, the company finalised the acquisition of 82.4% of Kiona Holding AS, a leading Norwegian Software as a Service (SaaS) provider of prop-tech services for energy consumption optimisation and building digitalisation in the commercial and industrial refrigeration sector, as well as in the multi-residential, commercial and public sectors.
Kiona Holding AS wholly controls eight companies with a foothold in the main outlet markets concentrated mostly in northern Europe.
The transaction took effect on 1 September 2023 and the consideration for 82.4% of its share capital was NOK1,831.2 million (€164,840 thousand). As part of the acquisition, the company provided Kiona Holding AS with a loan of NOK171.2 million (€14,806 thousand), which was necessary to allow it to fully repay its loans and borrowings.

Under the acquisition agreement, the 17.6% investment held by the non-controlling investors is subject to mutual put and call options. Specifically, the company can exercise its call option within 30 days of the

approval of Kiona Holding As' financial statements at 31 December 2026. The company's call option can be exercised within 30 days after the expiry of the period granted to the non-controlling investors, should they not have exercised their put option.
The consideration for both options is calculated using a specific multiple applicable to the investee's average gross operating profit over the three years prior to the year when the option is exercised and adjusted to take into consideration the investee's net financial position.
The company measured the call option at its fair value at the acquisition date and remeasured it at the reporting date. The directors engaged an independent expert to determine such fair value by estimating the most probable scenario in which the option would be exercised, based on a high number of possible gross operating profit and equity value scenarios based respectively on the Bachelier and Black-Scholes frameworks.
The option's acquisition-date fair value of NOK132.4 million (€11,431 thousand) has been recognised under equity investments, concurrently recognising the same amount under other non-current liabilities as a balancing entry. The fair value and exchange losses on the liability at the reporting date (€2,262 thousand and €345 thousand, respectively) have been recognised under other financial expense and exchange gains (losses), respectively.
The company financed its acquisition of Kiona Holding AS 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 company's request for another six months and bears floating interest. The loan agreement does not provide for any financial covenants. The loan was fully repaid in December, when the capital increase was completed.

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

(in Euros)	**2023**
Subsidiaries	
Carel Middle East DWC Llc	330,980
Carel Sud America Instrumentacao Eletronica Ltda	1,956,890
Total impairment gains	**2,287,870**

The directors tested the investments in the subsidiaries Recuperator S.p.A., whose carrying amount was €22,044 thousand, for impairment pursuant to IAS 36, since they saw the existence of a trigger event.

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

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

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

	Plan horizon	Growth rate	WACC
Recuperator S.p.A.	2024-2027	2.10%	10.10%

The value in use, calculated using the discounted cash flows, confirm the carrying amount the CGU.

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

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

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

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

Subsidiaries	EBITDA +/-	WACC +/-
Recuperator S.p.A.	-20,00%	0,50%

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

At 31 December 2023, the company has not accrued a provision for equity investment risks under the non-current provisions to meet its obligations to recapitalise the investees.

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

	31.12.2023			31.12.2022		
(in Euros)	Historical cost	Acc. impairment losses	Carrying amount	Historical cost	Acc. impairment losses	Carrying amount
Subsidiaries:						
Recuperator S.p.A.	25,743,625	(3,700,000)	22,043,625	25,743,625	(3,700,000)	22,043,625
Carel Deutschland Gmbh	138,049	-	138,049	138,049	-	138,049
Carel Adriatic d.o.o.	7,370,289	-	7,370,289	7,370,289	-	7,370,289
C.R.C S.r.l.	1,600,000	-	1,600,000	1,600,000	-	1,600,000
HygroMatik Gmbh	57,216,335	-	57,216,335	57,216,335	-	57,216,335
Carel France Sas	91,469	-	91,469	91,469	-	91,469
Carel Sud America Ltda	5,396,848	(26,850)	5,369,998	5,396,848	(1,983,740)	3,413,108
Carel U.K. Ltd	1,624,603	-	1,624,603	1,624,603	-	1,624,603
Carel Asia Ltd	1,761,498	-	1,761,498	1,761,498	-	1,761,498
Carel Electronic (Suzhou) Co. Ltd	9,276,379	-	9,276,379	9,276,379	-	9,276,379
Carel Controls Iberica SL	4,330,149	-	4,330,149	4,330,149	-	4,330,149
Carel RUS Llc	160,936		160,936	160,936		160,936
Carel Usa Llc	34,264,136		34,264,136	34,264,136		34,264,136
Carel Nordic AB	60,798		60,798	60,798		60,798
Carel Middle East	1,060,614	(435,797)	624,817	1,060,614	(766,777)	293,837
Alfaco Polska Sp.z.o.o.	3,820,413	-	3,820,413	3,820,413	-	3,820,413
Carel Japan Co. Ltd	475,003	-	475,003	475,003	-	475,003
CFM Sogutma ve Otomasyon A.S.	34,496,960	-	34,496,960	34,496,960	-	34,496,960
Arion S.r.l	1,766,333	-	1,766,333	1,766,333	-	1,766,333
Sauber S.r.l	3,205,004	-	3,205,004	3,205,004	-	3,205,004
Klingenburg GmbH	3,948,301	-	3,948,301	3,948,301	-	3,948,301
Klingenburg International Sp. Z.o.o.	11,844,903	-	11,844,903	11,844,903	-	11,844,903
Eurotec Limited	4,114,529	-	4,114,529		-	-
Carel Kazakhstan Llc	20		20			-
Kiona Holding AS	176,271,519	-	176,271,519		-	-
Carel System Spzoo	713,473		713,473			-
Total	390,752,186	(4,162,647)	386,589,539	209,652,645	(6,450,517)	203,202,128
Other companies:						
CONAI	45	-	45	45	-	45
Smact Società Consortile per azioni	51,075	-	51,075	51,075	-	51,075
Fondazione ITS Academy "Mario Volpato"	14,000	-	14,000	12,500	-	12,500
Fondazione di comunita della Saccisica	20,000	-	20,000		-	-
Total	85,120	-	85,120	63,620	-	63,620
Total equity investments	**390,837,306**	**(4,162,647)**	**386,674,659**	**209,716,265**	**(6,450,517)**	**203,265,748**

The following table provides the information about equity investments at 31 December 2023 required by article 2427 of the Italian Civil Code:

(in Euros)	Registered office	Currency	Share/quota capital (in currency)	Equity (Euro)	Profit/loss for the year (Euro)	Investment percentage		Carrying amount (Euro)	Equity diff. % and carrying amount (Euro)
						Direct	Indirect		
Subsidiaries:									
Carel Deutschland GmbH	Francoforte-DE	EUR	25,565	3,010,583	2,866,574	100.00%		138,049	2,872,534
Carel Adriatic d.o.o.	Labin-HR	EUR	7,246,665	44,669,199	9,636,367	100.00%		7,370,289	37,298,910
C.R.C S.r.l.	Bologna-IT	EUR	98,800	8,066,179	1,728,866	100.00%		1,600,000	6,466,179
Carel France Sas	St. Priest, Rhone-FR	EUR	100,000	3,258,918	904,779	100.00%		91,469	3,167,449
Carel Sud America Instrumentacao Eletronica Ltda	San Paolo-BR	BRL	31,149,059	10,128,250	1,277,793	53.02%	46.98%	5,369,998	-
Carel U.K. Ltd	Chessington-GB	GBP	350,000	3,721,111	869,313	100.00%		1,624,603	2,096,508
Carel Asia Ltd	Honk Kong-HK	HKD	15,900,000	2,481,974	1,063,520	100.00%		1,761,498	720,476
Carel Electronic (Suzhou) Co. Ltd	Suzhou-RC	CNY	75,019,566	49,313,272	16,390,647	100.00%		9,276,379	40,036,893
Carel Controls Iberica SL	Barcellona (ES)	EUR	3,005	5,647,418	1,210,054	100.00%		4,330,149	1,317,269
Carel RUS Llc	St. Petersburg-RU	RUB	6,600,000	250,378	(1,069,689)	99.00%	1.00%	160,936	86,938
Carel Usa Llc	Wilmington Delaware-USA	USD	33,000,000	62,102,701	10,130,071	100.00%		34,264,136	27,838,565
Carel Nordic AB	Höganäs-SE	SEK	550,000	1,269,442	862,677	100.00%		60,798	1,208,644
Carel Middle East	Dubai-UAE	AED	4,333,878	624,817	348,673	100.00%		624,817	-
Alfaco Polska Sp.z.o.o.	Wrocław-PL	PLN	420,000	17,093,240	2,259,714	100.00%		3,820,413	13,272,827
Recuperator S.p.A.	Rescaldina-IT	EUR	500,000	9,792,760	381,206	100.00%		22,043,625	(12,250,865)
HygroMatik GmbH	Henstedt-Ulzburg-DE	EUR	639,115	10,657,822	3,247,908	100.00%		57,216,335	(46,558,513)
Carel Japan Co. Ltd	Tokyo-JP	JPY	60,000,000	744,335	194,943	100.00%		475,003	269,332
CFM Soğutma ve Otomasyon Anonim Şirketi	Izmir-TR	EUR	78,565	12,060,484	8,893,241	51.00%		34,496,960	(28,346,113)
Arion S.r.l	Bogare-IT	EUR	100,000	1,624,683	256,112	70.00%		1,766,333	(629,055)
Sauber S.r.l	Mantova-IT	EUR	100,000	1,267,372	(468,430)	70.00%		3,205,004	(2,317,844)
Klingenburg GmbH	Gladbeck-DE	EUR	38,400	6,697,445	428,916	100.00%		3,948,301	2,749,144
Klingenburg International Sp. Z.o.o.	Świdnica-PL	PLN	50,000	12,894,269	561,209	100.00%		11,844,903	1,049,366
Eurotec Limited	Auckland-NZ	NZD	450,000	2,234,586	271,293	100.00%		4,114,529	(1,879,943)
Carel Kazakhstan Llc	Almaty-KZ	KZT	10,000	517,355	526,674	100.00%		20	517,335
Kiona Holding AS	Trondheim-NO	NOK	666,401	13,939,259	(1,466,019)	82.40%		176,271,519	(164,785,570)
Carel System Spzoo	Warszawa-PL	PLN	100,000	699,517	(14,189)	100.00%		713,473	(13,956)
Total								386,589,539	
Other companies:									
CONAI		EUR						45	-
SMACT Società Consortile per azioni		EUR						51,075	-
Fondazione ITS Academy "Mario Volpato"		EUR						14,000	-
Fondazione di comunita della Saccisica		EUR						20,000	-
Total								85,120	
Total equity investments								386,674,659	

OTHER NON-CURRENT ASSETS (NOTE 4)

These amount to €37,199 thousand and can be analysed as follows:

		Variation			
(in Euros)	**31.12.2023**	**Increases**	**Reclassification**	**Decreases**	**31.12.2022**
Subsidiaries	32,679,826	16,569,526	(191,892)		16,320,089
Substitute tax	3,281,519		(1,962,650)	-	5,244,169
Other tax assets	721,020	346,938	(1,091,486)	(73,932)	1,539,500
Effective hedging derivatives	516,888			(527,438)	1,044,326
Total	**37,199,253**	**16,916,464**		**(601,370)**	**24,148,084**

Amounts due from subsidiaries refer to:

- the interest-bearing loan of €15,504 thousand granted to Recuperator S.p.A. for a maximum amount of €17.5 million in June 2021, disbursable in instalments and expiring with a bullet repayment in June 2026. It may be fully or partly prepaid;
- the interest-bearing loan of €624 thousand (original amount €1,000 thousand) granted to Klingenburg GmbH in December 2022, with quarterly repayments and expiring in December 2027;
- the interest-bearing loan of €887 thousand (original amount €887 thousand) granted to Sauber S.r.l. in March 2023 and expiring with a bullet repayment in June 2025;
- the €15,665 thousand loan granted to Kiona AS in August 2023 upon completion of the acquisition of the equity investment. This interest-bearing loan is denominated in Norwegian Krones (original amount of €171 million) and the company may request its bullet repayment after 31 December 2027.

Other assets include the substitute tax paid by the company on the higher values allocated and recognised in the consolidated financial statements at 31 December 2018, implicit in the carrying amount of the equity investment, pursuant to article 15.10-bis of Law decree no. 185/2008. The decrease is due to the reclassification of the portion related to 2024 to current assets.

The decrease in other tax assets refers to amounts accrued during the year (Industry 4.0 – Law no. 160/2019; Maxi-amortisation and depreciation – Law no. 178/2020; Ecobonus – Law no. 296/2006; tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020) that will be offset against other taxes based on the timeframes set by the relevant laws, net of the reclassification of the portion offsettable in 2024 to current assets.

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

(in Euros)

Lender	Instrument	Notional amount	Maturity	Positive fair value
MEDIOBANCA loan	Interest rate swap	20,000,000	29.06.2026	516,888
Total				**516,888**

DEFERRED TAX ASSETS (NOTE 5)

Deferred tax assets at 31 December 2023 were generated by the temporary differences between the carrying amounts of assets and liabilities and their tax bases calculated with reference to the tax rates expected to be enacted in the years in which the differences will reverse.

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

	31.12.2023		31.12.2022	
(in Euros)	Tax base	Deferred tax assets	Tax base	Deferred tax assets
Allowance for inventory write-down	7,032,906	1,687,897	3,726,064	894,255
Loss allowance - trade receivables	-	-	84,192	20,206
Provision for product warranties	500,000	147,850	352,032	104,095
Provision for complaints	3,049,857	901,843	1,500,564	443,716
Provision for agents' termination indemnity and bonuses	72,468	17,392	72,468	17,392
Unrealised exchange differences	618,766	148,504	324,956	77,989
Deductible cash fees	350,323	84,077	259,560	62,294
Amortisation of goodwill - transfer	51,450	15,213	61,250	18,111
Substitute tax on goodwill (16%)	51,450	8,233	61,250	9,801
Amortisation of goodwill - merger	150,346	44,457	178,983	52,925
Substitute tax on goodwill (12%)	150,346	18,052	178,983	21,496
Amortisation of goodwill - acquisition of business unit	2,481	734	2,954	874
Difference between amortisation/depreciation for IFRS and tax pu	301,219	89,070	290,495	85,901
Total	**12,331,612**	**3,163,322**	**7,093,751**	**1,809,055**

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

(in Euros)	31.12.2023	Recognised in profit or loss	Recognised in other comprehensive income	31.12.2022
Allowance for inventory write-down	1,687,897	793,642	-	894,255
Loss allowance - trade receivables	-	(20,206)	-	20,206
Provision for product warranties	147,850	43,755	-	104,095
Provision for complaints	901,843	458,127	-	443,716
Provision for agents' termination indemnity and bonuses	17,392	-	-	17,392
Unrealised exchange differences	148,504	70,515	-	77,989
Deductible cash fees	84,077	21,783	-	62,294
Amortisation of goodwill - transfer	15,213	(2,898)	-	18,111
Substitute tax on goodwill (16%)	8,233	(1,568)	-	9,801
Amortisation of goodwill - merger	44,457	(8,468)	-	52,925
Substitute tax on goodwill (12%)	18,052	(3,444)	-	21,496
Amortisation of goodwill - acquisition of business unit	734	(140)	-	874
Difference between amortisation/depreciation for IFRS and tax purposes	89,070	3,169	-	85,901
Total	**3,163,322**	**1,354,267**	**-**	**1,809,055**

TRADE RECEIVABLES (NOTE 6)

These amount to €56,097 thousand (€55,553 thousand at 31 December 2022) and can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Third parties	33,227,983	2,838,479	30,389,504
Parents	-	-	-
Subsidiaries	23,815,500	(105,940)	23,921,440
Associates		-	
Subsidiaries of parents	8,150	945	7,205
Related parties	20,709	5,660	15,049
Total trade receivables	57,072,342	2,739,144	54,333,198
Loss allowance	(975,131)	(195,213)	(779,918)
Total	**56,097,211**	**2,543,931**	**53,553,280**

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

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

(in Euros)	31.12.2023	31.12.2022
Europe, Middle East and Africa	44,525,393	43,923,437
APAC	7,569,098	6,228,811
North America	3,765,179	3,324,967
South America	1,212,672	855,983
Total	**57,072,342**	**54,333,198**

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

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

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

Changes in the allowance are shown in the following table:

(in Euros)	31.12.2023	Variation			31.12.2022
		Impairment losses	Utilisations	Reversals	
Loss allowance - trade receivables	975,131	199,358	(4,145)	-	779,918
Total	**975,131**	**199,358**	**(4,145)**	**-**	**779,918**

A breakdown of trade receivables from group companies is as follows:

(in Euros)	31.12.2023	31.12.2022
Arion S.r.l.	1,632	611
C.R.C. S.r.l.	59,007	69,105
Recuperator S.p.A.	181,023	186,905
Enginia Srl Unipersonale	60,345	30,914
Sauber S.r.l.	83,442	-
Carel U.K. Ltd	1,366,492	1,526,603
Carel France s.a.s.	1,372,588	1,861,632
Carel Asia Ltd	1,424,518	1,617,009
Carel Sud America Instrumentacao Eletronica Ltda	958,039	599,624
Carel Usa Llc	3,430,713	3,301,463
Carel Australia Pty. Ltd	1,418	1,333
Carel Deutschland GmbH	2,059,965	576,514
Carel Electronic (Suzhou) Co Ltd	4,580,986	3,432,528
Carel Controls Iberica S.L.	1,627,733	1,768,326
Carel ACR Systems India (Pvt) Ltd	404,764	342,133
Carel Controls South Africa (Pty) Ltd	4,172	2,388
Carel Rus Llc	13,960	13,960
Carel Korea Ltd	58,685	148,620
Carel Nordic AB	8,418	1,896
Carel Japan Co. Ltd	106,434	584
Carel Mexicana S.De.RL	332,511	22,183
Carel Middle East DWC Llc	1,752	9,665
Alfaco Polska Sp.z.o.o	3,015,135	4,606,462
Carel (Thailand) CO Ltd	4,002	3,999
Carel Adriatic D.o.o.	1,991,698	2,375,473
HygroMatik GmbH	24,747	1,666
Enersol Inc	1,955	1,320
CFM Sogutma Ve Otomasyon San.Tic.A.S.	566,887	1,418,524
Klingenburg GmbH	24,000	-
Klingenburg International Sp Z.o.o.	20,286	-
Kiona Holding AS	26,159	-
Carel System Spzoo	2,034	-
Subsidiaries	**23,815,500**	**23,921,440**
Eurotest Laboratori S.r.l.	4,580	3,644
Arianna S.p.A.	3,570	3,561
Subsidiaries of parents	**8,150**	**7,205**
RN Real Estate S.r.l	19,208	11,623
Carel Real Estate Adriatic doo	1,501	3,426
Related parties	**20,709**	**15,049**

INVENTORIES (NOTE 7)

These amount to €33,602 thousand. They are comprised as follows, net of the allowance for inventory write-down for slow-moving or obsolete items:

(in Euros)	31.12.2023	Variation	31.12.2022
Raw materials and consumables	25,324,864	1,260,034	24,064,830
Allowance for inventory write-down	(5,444,230)	(2,566,751)	(2,877,479)
Total raw materials, consumable and supplies	19,880,634	(1,306,717)	21,187,351
Work in progress and semi-finished goods	1,806,234	(267,512)	2,073,746
Allowance for inventory write-down	(194,564)	(38,845)	(155,719)
Total work in progress and semi-finished goods	1,611,670	(306,357)	1,918,027
Finished goods	13,503,578	4,832,886	8,670,692
Allowance for inventory write-down	(1,394,112)	(701,246)	(692,866)
Total finished goods	12,109,466	4,131,640	7,977,826
Payments on account	630	(85,280)	85,910
Total	**33,602,400**	**2,433,286**	**31,169,114**

Inventories, gross of the allowance for inventory write-down, increased by a total of €5,825 thousand. This was due to the increase in both raw materials and semi-finished products (€1,260 thousand), in order to support volume increases and pre-empt any critical issues caused by shortages in components, especially electronic materials, which characterised 2023, and in finished goods (€4,833 thousand), in order to keep up with the organic growth.

The group recognised an allowance for obsolete or slow-moving items to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods. The write-downs were recognised in the caption Costs of raw materials, consumables and goods and change in inventories of the statement of profit or loss.

Inventories are not pledged or subject to property rights restrictions.

CURRENT TAX ASSETS (NOTE 8)

These amount to €1,658 thousand and can be broken down as follows:

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

(in Euros)	31.12.2023	Variation	31.12.2022
IRES	1,460,429	1,460,429	-
IRAP	197,588	197,588	-
Total	**1,658,017**	**1,658,017**	**-**

The IRES (corporate income tax) and IRAP (local tax on production) assets arise from the calculation of the taxes.
The IRES asset refers to the domestic tax consolidation scheme and was calculated on the sum of the taxable profits of all participating group companies as per article 117 and following articles of the Consolidated Income Tax Act, net of withholdings paid and payments on account.

With reference to IRES assets of €338 thousand and IRAP assets of €49 thousand related to the IRES on personnel expense pertaining to 2012, claimed for reimbursement in 2015, which the company had prudently elected to fully impair, during the year, the tax authorities reimbursed the company IRES of

€336 thousand, plus the accrued legal interest. Therefore, the company recognised an impairment gain on an accruals basis under income taxes.

OTHER CURRENT ASSETS (NOTE 9)

These amount to €7,788 thousand (€7,850 thousand at 31 December 2022) and can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Other tax assets	4,269,484	(1,319,345)	5,588,829
Other assets	3,518,831	1,257,885	2,260,946
Total	**7,788,315**	**(61,460)**	**7,849,775**

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

(in Euros)	31.12.2023	Variation	31.12.2022
VAT assets	875,975	(1,073,386)	1,949,361
Substitute tax	1,962,650	1	1,962,649
Tax assets	1,430,859	(245,960)	1,676,819
Total	**4,269,484**	**(1,319,345)**	**5,588,829**

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

The substitute tax shows the 2024 portion of the substitute tax paid to align the higher carrying amounts recognised at the time of the December 2018 acquisition against consideration of Recuperator S.p.A. (Italy) and HygroMatik GmbH (Germany) with the relevant tax bases, as per article 15.10-bis of Decree law no. 185/2008, as subsequently amended.

Tax assets are the portion offsettable in 2024 against other taxes and levies of amounts accrued during the year. These include Industry 4.0 – Law no. 160/2019 (€19 thousand), Maxi-amortisation and depreciation – Law no. 178/2020 (€643 thousand), Ecobonus – Law no. 296/2006 (€9 thousand) and tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020 and Law no. 178/2020 (€760 thousand).

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

(in Euros)	31.12.2023	Variation	31.12.2022
Other prepayments	2,982,455	1,297,974	1,684,481
Other amounts due from subsidiaries	363,075	49,307	313,768
Advances to suppliers	166,958	(71,833)	238,791
Sundry assets	6,343	(17,563)	23,906
Total	**3,518,831**	**1,257,885**	**2,260,946**

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

Other prepayments include costs pertaining to the subsequent year including €1,469 thousand for software maintenance instalments, €638 thousand for insurance premiums and €193 thousand for fairs and exhibitions.

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

(in Euros)	31.12.2023
C.R.C. S.r.l.	42,979
Enginia S.r.l.	320,096
Total	**363,075**

Advances to suppliers refer to payments on account for services.

CURRENT FINANCIAL ASSETS (NOTE 10)

These amount to €11,722 thousand (€21,783 thousand at 31 December 2022) and can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Other financial assets	3,086,333	(7,804,321)	10,890,654
Cash pooling arrangement	6,644,951	(3,218,181)	9,863,132
Derivatives	-	(697,061)	697,061
Subsidiaries	1,990,338	1,657,740	332,598
Total	**11,721,622**	**(10,061,823)**	**21,783,445**

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

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

(in Euros)	31.12.2023	31.12.2022
Carel Adriatic Doo	3,547,830	6,102,301
Recuperator S.p.A.	1,513,395	3,683,887
Carel France s.a.s.	-	74,444
Alfaco Polska Sp.z.o.o.	536,565	2,500
Klingenburg International Sp Z.o.o.	1,047,161	
Total	**6,644,951**	**9,863,132**

Amounts due from subsidiaries refer to:
- the current portion (€193 thousand) of the interest-bearing loan of an original amount of €1,000 thousand granted to Klingenburg GmbH in December 2022, expiring in December 2027;
- the €1,779 thousand loan granted to Kiona AS in October 2023, which was due in December 2023. This interest-bearing loan denominated in Norwegian Krone (original amount NOK20 million) was fully repaid in the first few months of 2024;
- the interest of €18 thousand accrued on the loan granted to Sauber S.r.l. in March 2023 (original amount €887 thousand) and expiring with a bullet repayment in June 2025.

CASH AND CASH EQUIVALENTS (NOTE 11)

This caption comprises temporary liquidity in bank accounts and petty cash and amounts to €91,619 thousand.

(in Euros)	31.12.2023	Variation	31.12.2022
Bank deposits	91,610,932	52,979,569	38,631,363
Cash and cash equivalents	8,497	1,491	7,006
Total	**91,619,429**	**52,981,060**	**38,638,369**

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

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

EQUITY (NOTE 12)

Equity is comprised as follows and underwent the following changes:

		Variation					
(in Euros)	31.12.2023	Total changes	Allocation of prior year profit	Reclassification	Dividends	Comprehensive income	31.12.2022
Share capital	11,249,921	1,249,921				1,249,921	10,000,000
Share premium reserve	196,086,274	195,218,924				195,218,924	867,350
Revaluation reserves	3,424,658	-					3,424,658
Legal reserve	2,000,000	-					2,000,000
Treasury shares	(161,181)	178,309		355,304		(176,995)	(339,490)
Hedging reserve	392,835	(859,322)				(859,322)	1,252,157
Other reserves							
- Extraordinary reserve	92,387,819	25,727,245	26,094,092	(355,304)	(11,543)		66,660,574
- Transfer premium reserve	6,105,327	-					6,105,327
- Reserve for unrealised exchange gains	427,081	427,081	427,081	-			-
- IFRS FTA reserve	2,145,495	-		-			2,145,495
- Stock grant reserve	-	(864,932)		-		(864,932)	864,932
- Actuarial reserve	(7,871)	(67,177)				(67,177)	59,306
Retained earnings	476,149	-	-	-			476,149
Profit for the year	44,514,549	6,063	(26,521,173)		(17,987,313)	44,514,549	44,508,486
Total	**359,041,056**	**221,016,112**	**-**	**-**	**(17,998,856)**	**239,014,968**	**138,024,944**

Following the completion of the capital increase (see the comments in the Share capital increase paragraph of note 33), the fully-paid up share capital amounts to €11,249,921 and consists of 112,499,205 shares without a nominal amount.
The company's shares are not pledged as guarantees or liens.

The share premium reserve is composed as follows:

- the carrying amount of €867 thousand resulting from the company's merger of the industrial and commercial business units of the former Samos S.r.l. in 2013;
- the portion (€195,219 thousand) of the proceeds from the capital increase allocated to share premium, adjusted by the transaction costs and proceeds, net of tax, which are recognised directly in equity in accordance with IAS 32.
  The transaction costs, for €5,587 thousand, mostly comprise fees paid to the legal and accounting experts and other professionals, as well as fees due to Borsa Italiana. The transaction proceeds, for €548 thousand, relate to the sale of the rights of first refusal that were not exercised during the offering period.

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

As a result of the capital increase, the legal reserve has reached the minimum threshold set by article 2430 of the Italian Civil Code.

Treasury shares number 6,355.
In March, the company repurchased 40,000 treasury shares within the limits and for the purposes resolved by the shareholders at their meeting of 22 April 2022.
In April, it assigned 64,217 treasury shares upon completion of the third vesting period (2020-2022). The related share options had been granted on 1 October 2018. The 20 beneficiaries were approved by the board of directors on 2 March 2023. The shares assigned were measured using the rolling FIFO method.

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

(in Euros)	
31 December 2022	**1,252,157**
Variation	
Fair value losses	(1,130,686)
Deferred tax	271,364
Total changes	**(859,322)**
31 December 2023	**392,835**

The increase in the extraordinary reserve is mainly due to the resolution passed by the shareholders in their meeting of 21 April 2023 which approved the separate financial statements at 31 December 2022. The dividends were distributed to the beneficiaries of the assigned treasury shares.

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

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

At 31 December 2023, the company does not have incentive plans involving the free assignment of the company's ordinary shares. The changes are shown in the following table:

(in Euros)	
31 December 2022	**864,932**
Variation	
Share options vested during the year	(864,932)
Total	**(864,932)**
31 December 2023	**-**

In March, the company's board of directors approved the assignment of treasury shares upon conclusion of the third vesting period (2020-2022). See the comment on treasury shares for more information.
As a result, the company reversed the fair value accumulated in equity for this equity-settled performance plan.
For more information, reference should be made to the section on "Cash-settled and equity-settled payment arrangements" of note [33].
In order to service the incentive plan, the shareholders authorised the repurchase of treasury shares, up to 5,000,000 or 5% of the company's share capital.

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

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

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

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

(in Euros)					Use in the past three years	
	Amount	**Possible use**	**Available portion**	**Distributable portion**	**To cover losses**	**Distribution of reserves**
Share capital	11,249,921					
Equity-related reserves:						
Share premium reserve	196,086,274	A, B, C	196,086,274	196,086,274		
Revaluation reserves	3,424,658	A, B, C	3,424,658	3,424,658		
Transfer premium reserve	6,105,327	A, B, C	6,105,327	6,105,327		
Reserve for treasury shares	(161,181)					
Income-related reserves:						
Legal reserve	2,000,000	B	2,000,000			
Extraordinary reserve	92,387,819	A, B, C	92,226,638	88,253,496		
Reserve for unrealised exchange gains	427,081	A, B	427,081			
IFRS FTA reserve	2,145,495	B	2,145,495			
Actuarial reserve	(7,871)		(7,871)			
Hedging reserve	392,835		392,835			
Stock grant reserve	-	B	-			
Retained earnings	476,149	B	476,149			
Total (net of profit for 2023)	**314,526,507**		**303,276,586**	**293,869,755**	**-**	**-**
Profit for 2023	44,514,549					
Total equity	**359,041,056**					

Key:

A: share capital increases B: to cover losses C: dividends

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

At 31 December 2023, development expenditure not yet amortised amounts to €3,973,142.

The following table provides an indication of the tax regime for the share capital and reserves at 31 December 2023 in case of their repayment or distribution:

(in Euros)	Non distributable reserves and earnings	Taxable share capital and reserves - company	Taxable share capital and reserves - shareholders	Non-taxable share capital and reserves - company and shareholders	Total
Share capital				11,249,921	11,249,921
Share premium reserve				196,086,274	196,086,274
Revaluation reserves				3,424,658	3,424,658
Legal reserve	2,000,000				2,000,000
Treasury shares	(161,181)				(161,181)
Hedging reserve	392,835				392,835
Other reserves					-
- Extraordinary reserve			92,387,819		92,387,819
- Reserve for unrealised exchange gains			427,081		427,081
- Transfer premium reserve				6,105,327	6,105,327
- IFRS FTA reserve	2,145,495				2,145,495
- Stock grant reserve					-
- Actuarial reserve	(7,871)				(7,871)
Retained earnings	476,149				476,149
Total	**4,845,427**	**-**	**92,814,900**	**216,866,180**	**314,526,507**

Earnings per share

Earnings per share were calculated by dividing the profit attributable to the owners of the company by the weighted average number of outstanding ordinary shares. At 31 December 2023, following the above-mentioned repurchase of treasury shares and the capital increase, the weighted average of outstanding ordinary shares was 101,025,880.

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

(in Euros)	31.12.2023	31.12.2022
Earnings per share	44,514,549	44,508,486
Average number of ordinary shares	101,025,880	99,952,008
Basic earnings per share	**0.4406**	**0.4453**

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

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES (NOTE 13)

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

(in Euros)	31.12.2023	Variation	31.12.2022
Amounts due to bondholders	59,427,260	19,959,272	39,467,988
Bank loans and borrowings at amortised cost	57,979,918	7,805,281	50,174,637
Lease liabilities	13,571,639	(538,660)	14,110,299
Other financial liabilities	440,014	(750,000)	1,190,014
Other loans and borrowings at amortised cost	294,294	(194,249)	488,543
Total	**131,713,125**	**26,281,644**	**105,431,481**

Current loans and borrowings can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Bank loans at amortised cost	31,508,243	(37,710,524)	69,218,767
Cash pooling arrangement	24,542,046	14,823,453	9,718,593
Other financial liabilities	750,000	(1,266,284)	2,016,284
Intragroup loans and borrowings	1,632,046	(59,279)	1,691,325
Lease liabilities	1,728,489	159,220	1,569,269
Other loans and borrowings at amortised cost	194,248	1,545	192,703
Amounts due to bondholders	371,005	257,388	113,617
Derivatives held for trading at fair value through profit or loss		(48,870)	48,870
Total	**60,726,077**	**(23,843,351)**	**84,569,428**

Amounts due to bondholders refer to the issue and placement of non-convertible bonds subscribed by funds managed by Prudential Insurance Company of America (Pricoa). Specifically, in March 2023, the company issued ten-year non-convertible bonds with a nominal amount of €20,000 thousand due in March 2033 and with a five-year interest-only period. Like the previous issues, these bonds are part of a private shelf agreement whereby the company can ask Pricoa, on an uncommitted basis and over the next three years, to subscribe additional bonds up to a total maximum amount of USD150 million. They are guaranteed by the company and certain subsidiaries.
Fixed interest accrues on these bonds from the subscription date and repayment of principal will take place annually starting from the fifth year on a straight-line basis, with the first and last payment dates in May 2028 and March 2033, respectively.

A breakdown of bonds, net of the interest accrued at the end of the year (€371 thousand) and the residual amortised cost by due date is provided below:

LOANS AND BORROWINGS BREAKDOWN AS OF 31ST DECEMBER 2023

(in Euros)

31/12/2023	Currency	Original amount	Maturity	Rate	Outstanding liabilities in Euros	Current	Non-current
Senior A bonds	EUR	20,000,000	05/2032	Fixed	19,770,057	-	19,770,057
Senior B bonds	EUR	20,000,000	05/2032	Fixed	19,770,058	-	19,770,058
Senior C bonds	EUR	20,000,000	03/2033	Fixed	19,887,145	-	19,887,145
Total					**59,427,260**	**-**	**59,427,260**

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 31 December 2023, such covenants were complied with.

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

LOANS AND BORROWINGS BREAKDOWN AS OF 31ST DECEMBER 2023

(in Euros)

31/12/2023	Currency	Original amount	Maturity	Rate	Outstanding liabilities in Euros	Current	Non-current
Intesa San Paolo loan	EUR	10,000,000	03/2024	Fixed	1,261,501	1,261,501	-
Crédit Agricole FriulAdria S.p.A. loan	EUR	10,000,000	04/2024	Fixed	1,263,638	1,263,638	-
Mediobanca – Banca di Credito Finanziario S.p.A. loan	EUR	20,000,000	06/2026	Floating	11,260,110	4,444,444	6,815,666
Intesa San Paolo loan	EUR	10,000,000	06/2026	Floating	8,383,482	3,333,333	5,050,149
Intesa San Paolo loan	EUR	20,000,000	06/2026	Floating	16,766,969	6,666,667	10,100,302
CREDEM loan	EUR	10,000,000	07/2026	Floating	8,687,763	3,243,659	5,444,104
Intesa San Paolo loan	EUR	5,000,000	08/2026	Floating	4,999,505	1,818,182	3,181,323
Intesa San Paolo loan	EUR	15,000,000	08/2026	Floating	14,998,515	5,454,545	9,543,970
Cassa Depositi e Prestiti loan	EUR	10,000,000	08/2026	Floating	9,988,609	-	9,988,609
CREDEM loan	EUR	15,000,000	10/2026	Floating	11,486,516	3,630,721	7,855,795
Total					**89,096,608**	**31,116,690**	**57,979,918**

During the year, the company regularly repaid the financing instalments as per the repayment plan. Specifically:

- in July, it completed its acquisition of Kiona Holding AS by taking out a loan from Mediobanca Banca di Credito Finanziario S.p.A.. The loan amounts to €180,000 thousand, has a term of six months, is extendible at the company's request for another six months and bears variable interest. The loan agreement does not provide for any financial covenants. The loan was fully repaid in December, when the capital increase was completed;
- in July, it took out a 36-month €10,000 thousand unsecured loan from Credem;
- in August, it took out two 36-month unsecured loans from Intesa Sanpaolo S.p.A. of €10,000 thousand and €5,000 thousand, respectively;
- in October, it took out a 34-month €10,000 thousand unsecured loan from Cassa Depositi e Prestiti.

The following loans require compliance with covenants:

- Mediobanca (loan of €20,000 thousand, outstanding liability at 31 December 2023 of €11,260 thousand): Net financial debt / gross operating profit (loss) < 3.50 and gross operating profit (loss) / net financial expense ratio 5.00 based on the figures recognised in the consolidated financial statements;
- Intesa Sanpaolo (original loans of €20,000 thousand and €10,000 thousand, outstanding liability at 31 December 2023 of €16,767 thousand and €8,383 thousand): Net financial debt / gross operating profit (loss) < 3.50 based on the figures recognised in the consolidated financial statements.
- Intesa Sanpaolo (original loans of €15,000 thousand and €5,000 thousand, outstanding liability at 31 December 2023 of €14,999 thousand and €4,999 thousand): Net financial debt / gross operating profit (loss) < 3.50 based on the figures recognised in the consolidated financial statements.
- Cassa Depositi e Prestiti (loan of €10,000 thousand, outstanding liability at 31 December 2023 of €9,989 thousand): Net financial debt / gross operating profit (loss) < 3.50 and gross operating profit (loss) / equity ratio < 1.5 based on the figures recognised in the consolidated financial statements.

At 31 December 2023, such covenants were complied with.

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

Other non-current financial liabilities include the contingent consideration of €440 thousand due to the non-controlling investor in CFM Sogutma ve Otomasyon A.S. under the agreement for the acquisition of 51% of the investee signed in May 2021. This amount will be paid in instalments when certain contractually-agreed events occur.

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

LOANS AND BORROWINGS BREAKDOWN AS OF 31ST DECEMBER 2023

(in Euros)

31.12.2023	Currency	Original amount	Maturity	Rate	Outstanding liabilities in	Current	Non-current
MedioCredito Centrale Progetto Horizon 2020	EUR	1,489,851	06/2026	Fixed	488,542	194,248	294,294
Total					**488,542**	**194,248**	**294,294**

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

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

(in Euros)	31.12.2023	31.12.2022
Carel Deutschland GmbH	1,889,436	3,277,110
HygroMatik GmbH	4,853,622	2,404,562
Carel Controls Iberica SL	3,384,104	1,740,867
Enginia S.r.l.	4,249,899	1,396,851
Carel U.K. Ltd	826,682	899,203
Carel France s.a.s.	1,538,651	-
Klingenburg International Sp. Z.o.o.	7,799,652	
Total	**24,542,046**	**9,718,593**

Other current financial liabilities relate to:

- contingent consideration of €500 thousand due to the non-controlling investor of CFM Sogutma ve Otomasyon A.S. under the agreement for the acquisition of 51% of the investee signed in May 2021. This amount will be paid in instalments when certain contractually-agreed events occur;
- contingent consideration of €250 thousand due to the non-controlling investor of Sauber S.r.l under the agreement for the acquisition of 70% of the investee signed in July 2022. Of this amount, €300 thousand will be paid in instalments when certain contractually-agreed events occur.

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

At the reporting date, there are no derivatives held for trading at fair value through profit or loss.

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

(in Euros)	31.12.2023	Net cash flows	Fair value gains or losses	Reclassification	31.12.2022
Bank loans and borrowings at amortised cos	57,979,918	28,324,118	-	(20,518,837)	50,174,637
Amounts due to bondholders	59,427,260	19,959,272	-	-	39,467,988
Other financial liabilities	440,014	-	-	(750,000)	1,190,014
Other loans and borrowings at amortised co:	294,294	-	-	(194,249)	488,543
Non-current financial liabilities	**118,141,486**	**48,283,390**	**-**	**(21,463,086)**	**91,321,182**

(in Euros)	31.12.2023	Net cash flows	Fair value gains or losses	Reclassification	31.12.2022
Bank loans and borrowings at amortised cost	31,508,243	(58,229,361)	-	20,518,837	69,218,767
Cash pooling arrangement	24,542,046	14,823,453	-	-	9,718,593
Other financial liabilities	750,000	(2,016,284)	-	750,000	2,016,284
Intragroup loans and borrowings at amortised cost	1,632,046	(59,279)	-	-	1,691,325
Other loans and borrowings at amortised cost	194,248	(192,704)	-	194,249	192,703
Amounts due to bondholders	371,005	257,388	-	-	113,617
Derivatives held for trading at fair value through profit or loss	-	-	(48,870)	-	48,870
Current financial liabilities	**58,997,588**	**(45,416,787)**	**(48,870)**	**21,463,086**	**83,000,159**

(in Euros)	31.12.2023	Increases	Restatement of financial liabilities	Repayments	Interest	Termination of contracts	31.12.2022
Lease liabilities	**15,300,128**	**544,809**	**765,715**	**(1,876,686)**	**189,434**	**(2,712)**	**15,679,568**

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

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

		Variation					
(in Euros)	31.12.2023	Actuarial losses	Accruals	Reversals	Utilisations	Reclassifications	31.12.2022
Provision for agents' termination benefit:	784,506	25,432	82,243	-	(26,215)	-	703,046
Provision for product warranties	500,000	-	162,767		(14,800)	-	352,033
Total - non-current	**1,284,506**	**25,432**	**245,010**	**-**	**(41,015)**	**-**	**1,055,079**
Provision for commercial complaints	2,949,857	-	1,984,975	(206,940)	(228,742)	-	1,400,564
Total - current	**2,949,857**	**-**	**1,984,975**	**(206,940)**	**(228,742)**	**-**	**1,400,564**
Total	**4,234,363**	**25,432**	**2,229,985**	**(206,940)**	**(269,757)**	**-**	**2,455,643**

The provision for agents' termination benefits, accrued for the potential risks of the termination of agency contracts, considers the estimated liabilities related to contacts in place at year end.
It is calculated by an independent actuary using the closed group approach in accordance with IAS 37. The assessments were carried out by quantifying future payments through the projection of agency commissions accrued at the assessment date up to the estimated moment (uncertain) in which the contractual relationship will be terminated.
The demographic assumptions were based on the Mortality table RG48 published by the General Accounting Office, the INPS tables split by age and gender for disabilities and the requirements set out by ENASARCO (the Italian social security foundation for business agents and representatives) for the pensionable age.

With regard to the possible termination of agency agreements either by the company or for other causes, the company estimated annual termination rates of 2.50% for voluntary terminations and 2.00% for company reasons based on internal date data.
The financial assumptions essentially relate to the discount rate, which, at 31 December 2023, was deemed to be in line with the Iboxx AA Corporate index with the same term as the closed group subject to assessment, equal to 3.08%.

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

The provision for commercial complaints refers to the prudent accrual for costs to be incurred for commercial complaints from customers related to products sold.
The provision increased due to the estimated larger costs that the company might occur on claims with customers.
The use during the year relates to specific customer complaints.
The company revised the estimated costs to be incurred for specific customer complaints and released a portion of the provision.

DEFINED BENEFIT PLANS (NOTE 15)

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

As described in the Accounting policies (basis of measurement section), the actuarial gains or losses are recognised in a specific equity reserve through other comprehensive income.

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

(in Euros)	**31.12.2023**	**Variation**	**31.12.2022**
Post-employment benefits	3,363,512	(173,982)	3,537,494
Post-term of office benefits for directors	955,335	103,283	852,052
Total	**4,318,847**	**(70,699)**	**4,389,546**

Post-employment benefits at year end were as follows:

(in Euros)	**31.12.2023**	**31.12.2022**
Opening balance	**3,537,494**	**4,180,800**
Accruals	2,135,057	2,068,577
Transfers to pension funds	(2,123,058)	(2,007,271)
Interest cost	121,150	69,535
Employee benefits paid	(408,126)	(174,273)
Substitute tax	(11,998)	(61,306)
Actuarial (gains) losses	112,993	(538,568)
Closing balance	**3,363,512**	**3,537,494**

Law no. 296/06 changed the Italian post-employment benefits scheme and they are now classified as defined contribution plans regardless of whether the employee decides to have them transferred to the

INPS treasury fund or a supplementary pension plan. Benefits vested up until 31 December 2006 continue to be recognised as part of a defined benefit plan and are subject to actuarial valuation, excluding the future salary increase component.

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

(in Euros)	31.12.2023	31.12.2022
Opening balance	**852,052**	**788,569**
Accruals	84,042	87,444
Interest cost	31,645	14,729
Actuarial losses	(12,404)	(38,690)
Closing balance	**955,335**	**852,052**

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

DEFERRED TAX LIABILITIES (NOTE 16)

Deferred tax liabilities at 31 December 2023 were generated by the temporary differences between the carrying amount of assets and liabilities and their tax base calculated with reference to the tax rates that are expected to be enacted in the years in which the differences will reverse.

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

	31.12.2023		31.12.2022	
(in Euros)	Tax base	Deferred tax liabilities	Tax base	Deferred tax liabilities
Unrealised exchange differences	1,176,157	282,278	837,722	201,053
Fair value changes on derivatives	516,888	124,053	1,647,574	395,417
Dividends not collected	-	-	8,932	2,144
Diff. in amort/dep. calculated under IFRS FTA	10,212	3,019	61,173	18,089
Diff. in amort/dep. calculated under IFRS/OIC 2015	181,505	53,670	183,143	54,154
Diff. in amort/dep. calculated under IFRS/OIC 2016	15,713	4,646	18,053	5,337
Discounting of post-employment benefits and post-term of office benefits	159,233	47,085	284,859	84,233
Discounting of agents' termination benefits	210,883	62,357	236,315	69,878
Total	**2,270,591**	**577,108**	**3,277,771**	**830,305**

The changes in deferred tax liabilities were as follows:

(in Euros)	31.12.2023	Recognised in profit or loss	Recognised in other comprehensive income	31.12.2022
Unrealised exchange differences	282.278	81.225	-	201.053
Fair value changes on derivatives	124.053	-	(271.364)	395.417
Dividends not collected	-	(2.144)	-	2.144
Diff. in amort/dep. calculated under IFRS FTA	3.019	(15.070)	-	18.089
Diff. in amort/dep. calculated under IFRS/OIC 2015	53.670	(484)	-	54.154
Diff. in amort/dep. calculated under IFRS/OIC 2016	4.646	(691)	-	5.337
Discounting of post-employment benefits and post-term of office benefits	47.085	(3.736)	(33.412)	84.233
Discounting of agents' termination benefits	62.357	(7.521)	-	69.878
Total	**577.108**	**51.579**	**(304.776)**	**830.305**

OTHER NON-CURRENT LIABILITIES (NOTE 17)

These amount to €17,140 thousand and can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Call options on non-controlling interests and earn-out	15,397,196	6,292,311	9,104,885
Other	1,099,773	84,171	1,015,602
Other deferred income	642,979	(111,696)	754,675
Total	**17,139,948**	**6,264,786**	**10,875,162**

Call options on non-controlling interests and earn-out relate to the fair value of the call options on the non-controlling interests and the contingent consideration for the acquisition of non-controlling interests in the following investees:

- Sauber S.r.l.: the derivative is remeasured at each reporting date and any resulting fair value gains or losses are recognised in profit or loss. The liability was discounted at 2.38% to approximate the cost of the company's debt. At the reporting date, its fair value amounts to €793 thousand compared to €252 thousand at 31 December 2022, with a fair value loss of €541 thousand recognised under other financial expense;
- Kiona Holding SA: reference should be made to note [3] Equity investments for more details. The derivative is remeasured at each reporting date and any resulting fair value gains or losses are recognised in profit or loss. The liability was discounted at 3.21% to approximate the cost of the company's debt. The option's initial carrying amount of NOK132.4 million (€11,431 thousand) was decreased by a fair value loss of NOK25.4 million (€2,262 thousand) and an exchange loss of €345 thousand on the liability at the reporting date, which have been recognised under other financial expense and exchange gains (losses), respectively;
- Eurotec Limited: upon the investee's achievement of certain performance targets over the March 2023-2026 three-year period, the company shall pay an earn out of €566 thousand to one of the investee's former owners.

Finally, the derivative for the put and call options on non-controlling interests in CFM Sogutma ve Otomasyon A.S, whose fair value amounted to €8,853 thousand at 31 December 2022, has been reclassified to other current liabilities given that the non-controlling investor can exercise its put option from 2024.

Other non-current liabilities relate to the cash award liability to the beneficiaries of the 2021-2025 cash-settled performance plan.

		Variation		
(in Euros)	31.12.2023	Accruals	Reclassifications	31.12.2022
2021-2025 LTI cash plan - 2021-2023 vesting period	-	-	(887,539)	887,539
2021-2025 LTI cash plan - 2022-2024 vesting period	957,325	829,262	-	128,063
2021-2025 LTI cash plan - 2023-2025 vesting period	142,448	142,448	-	-
Total	**1,099,773**	**971,710**	**(887,539)**	**1,015,602**

The debt related to the 2021-2023 vesting period has been reclassified to other current liabilities given that it will be settled during 2024.

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

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

(in Euros)

Year:	Amount
2025	189,624
2026	157,455
2027	74,095
2028	74,095
2029	65,347
2030	56,821
2031	18,502
2032	7,040
Total	**642,979**

TRADE PAYABLES (NOTE 18)

These amount to €66,800 thousand (€61,853 thousand at 31 December 2022) and can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Payments on account from customers	1,649,873	(938,445)	2,588,318
Third parties	38,876,461	1,602,920	37,273,541
Subsidiaries	25,533,568	3,968,133	21,565,435
Subsidiaries of parents	630,331	456,647	173,684
Related parties	109,814	(141,951)	251,765
Total	**66,800,047**	**4,947,304**	**61,852,743**

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

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

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

Trade payables refer to the following geographical segments:

(in Euros)	31.12.2023	31.12.2022
Europe, Middle East and Africa	56,543,882	54,088,311
APAC	8,726,986	6,883,438
North America	1,268,946	538,808
South America	260,233	342,186
Total	**66,800,047**	**61,852,743**

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

(in Euros)	31.12.2023	31.12.2022
Arion S.r.l.	125,841	237,672
C.R.C. Srl	15,719	155,255
Recuperator S.p.A..	4,472	-
Enginia Srl	-	508
Sauber Srl	164,370	20
Carel U.K. Ltd	300,041	238,818
Carel France Sas	7,549	3,279
Carel Asia Ltd	56,108	2,304
Carel Sud America Instrumentacao Eletronica Ltda	210,111	330,313
Carel Usa Llc	610,422	226,949
Carel Australia Pty Ltd	24,441	21,153
Carel Deutschland GmbH	5,281	19,161
Carel Electronic (Suzhou) Co Ltd	8,305,839	6,246,231
Carel Controls Iberica Sl	29,811	3,000
Carel ACR Systems India (Pvt) Ltd	122,584	115,559
Carel Controls South Africa (Pty) Ltd	856	962
Carel Rus Llc	16,393	950,050
Carel Korea Ltd	14,687	16,750
Carel Nordic AB	458,367	418,080
Carel Japan Co. Ltd	8,243	5,322
Carel Mexicana S.De.RL	4,231	4,383
Carel Middle East DWC Llc	339,530	274,084
Alfaco Polska Sp.z.o.o	17,559	14,560
Carel Adriatic Doo	14,311,514	12,175,582
HygroMatik GmbH.	13,938	19,642
CFM Sogutma ve Otomasyon A.S.	153,159	85,798
Klingenburg GmbH	2,549	-
Klingenburg International Sp Z.o.o.	22,336	-
Carel Kazakhstan Llc	187,617	-
Subsidiaries	**25,533,568**	**21,565,435**
Eurotest Laboratori S.r.l.	79,274	132,106
Nastrificio Victor S.p.A.	27,602	38,542
Panther S.r.l	2,938	3,036
Subsidiaries of parents	**109,814**	**173,684**
RN Real Estate S.r.l.	610,193	217,406
Other, minor	20,138	34,359
Related parties	**630,331**	**251,765**

CURRENT TAX LIABILITIES (NOTE 19)

At 31 December 2023, this caption was nil. It changed as follows during the year:

(in Euros)	31.12.2023	Variation	31.12.2022
IRES	-	(99,418)	99,418
IRAP	-	(282,363)	282,363
Total	**-**	**(381,781)**	**381,781**

OTHER CURRENT LIABILITIES (NOTE 20)

These amount to €30,545 thousand and can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Other tax liabilities	1,932,029	353,678	1,578,351
Social security contributions	4,785,790	754,477	4,031,313
Call options on non-controlling interests and earn-out	12,635,801	12,635,801	-
Other	10,549,508	1,631,983	8,917,525
Accrued expenses and deferred income	641,409	241,905	399,504
Total	**30,544,537**	**15,617,844**	**14,926,693**

Other tax liabilities can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Withholdings to be paid	1,932,029	395,161	1,536,868
Post-employment benefits substitute tax	-	(36,344)	36,344
Sundry taxes	-	(5,139)	5,139
Total	**1,932,029**	**353,678**	**1,578,351**

Social security contributions can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
INPS	1,654,916	174,805	1,480,111
Social security contributions on deferred remuneration	2,205,124	182,165	2,022,959
Social security contributions on LTI plan benefits	363,096	363,096	-
ENASARCO	18,475	2,098	16,377
Others	109,187	7,734	101,453
Pension funds	434,992	24,579	410,413
Total	**4,785,790**	**754,477**	**4,031,313**

Call options on non-controlling interests and earn-out relate to the fair value of the call options on the non-controlling interests in CFM Sogutma ve Otomasyon A.S..

As disclosed in note [17], the liability for the put and call options on non-controlling interests in CFM has been reclassified to Other current liabilities given that the non-controlling investor can exercise its put option in 2024

The derivative is remeasured at each reporting date and any resulting fair value gains or losses are recognised in profit or loss. The liability was discounted at 2.2% to approximate the cost of the company's debt. At the reporting date, its fair value amounts to €12,636 thousand compared to €8,853 thousand at 31 December 2022, with a fair value loss of €3,783 thousand recognised under other financial expense.

Other liabilities can be broken down as follows:

(in Euros)	31.12.2023	Variation	31.12.2022
Wages and salaries	8,989,966	453,656	8,536,310
LTI cash plan - employees	1,227,791	1,227,791	
Directors' fees	45,170	8,852	36,318
LTI cash plan - directors	189,644	189,644	
Other amounts due to subsidiaries	74,802	(235,364)	310,166
Other sundry amounts	22,135	(12,596)	34,731
Total	**10,549,508**	**1,631,983**	**8,917,525**

Wages and salaries include €7,422 thousand related to bonuses and unused holidays at 31 December 2023. The remaining amount refers to December pay.

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

(in Euros)	31.12.2023
Recuperator S.p.A.	74,802
Total	**74,802**

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

Other deferred income of €371 thousand refers to the accrued portion of tax assets that will be taken to profit or loss in the following year.

NOTES TO THE STATEMENT OF PROFIT OR LOSS

REVENUE (NOTE 21)

A breakdown of the caption is as follows:

(in Euros)	2023	Variation	2022
Revenue from sales and services	285,268,391	36,637,609	248,630,782
Total	**285,268,391**	**36,637,609**	**248,630,782**

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

(in Euros)	2023	Variation	2022
Third parties	152,009,412	21,672,512	130,336,900
Intragroup	133,258,979	14,965,097	118,293,882
Total	**285,268,391**	**36,637,609**	**248,630,782**

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

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

Revenue from sales of goods and services to third parties amounts to €152,009 thousand, up on the €130,337 thousand in 2022. A breakdown of revenue by business segment is as follows:

(in Euros)	2023	2022
HVAC revenue	108,294,025	89,157,340
REF revenue	42,896,198	40,232,121
Non-core revenue	819,189	947,439
Total	**152,009,412**	**130,336,900**

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

(in Euros)	2023	Breakdown %	2022	Breakdown %
Europe, Middle East and Africa	242,745,784	85.09%	211,816,196	85.19%
APAC	25,228,643	8.84%	23,088,499	9.29%
North America	12,144,442	4.26%	10,172,633	4.09%
South America	5,149,522	1.81%	3,553,454	1.43%
Total	**285,268,391**	**100.00%**	**248,630,782**	**100.00%**

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

OTHER REVENUE (NOTE 22)

A breakdown of the caption is as follows:

(in Euros)	2023	Variation	2022
Grants related to income	1,045,987	(300,066)	1,346,053
Licence fees	6,038,227	946,859	5,091,368
Sundry cost recoveries	2,214,887	(720,684)	2,935,571
Compensation	18,068	(142,578)	160,646
Company canteen cost recovery	116,999	30,190	86,809
Other revenue and income	171,235	92,219	79,016
Total	**9,605,403**	**(94,060)**	**9,699,463**

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

Licence fees relate to royalties only received from group companies.

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

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

A breakdown of the caption is as follows:

(in Euros)	2023	Variation	2022
Purchases of raw materials, supplies and goods	(159,442,857)	(15,930,210)	(143,512,647)
Purchases of consumables	(2,045,773)	49,837	(2,095,610)
Change in raw materials and goods	(1,306,717)	(5,625,220)	4,318,503
Change in finished goods and semi-finished products	3,825,283	2,199,245	1,626,038
Total	**(158,970,064)**	**(19,306,348)**	**(139,663,716)**

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

(in Euros)	2023	Variation	2022
Purchases of raw materials and semi-finished goods	(75,741,798)	(3,684,584)	(72,057,214)
Purchases of goods held for resale	(79,772,772)	(12,102,320)	(67,670,452)
Purchases of other materials	(4,122,240)	(10,757)	(4,111,483)
Total	**(159,636,810)**	**(15,797,661)**	**(143,839,149)**
Returns, markdowns, bonuses and discounts	193,953	(132,549)	326,502
Total purchases of raw materials, consumables, supplies and goods	**(159,442,857)**	**(15,930,210)**	**(143,512,647)**

The intragroup purchases of raw materials, consumables, supplies and goods amount to €72,053 thousand in 2023 (€61,081 thousand in 2022).

The increase in costs for raw materials, consumables, supplies and goods is proportionate to the sales trend and the rise in the price of raw materials used in the various production cycles due to inflation and ongoing difficulties in obtaining certain components.

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

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

(in Euros)	2023	Variation	2022
Work in progress	(16,192)	25,013	(41,205)
Semi-finished goods	(290,165)	(441,713)	151,548
Finished goods	4,131,640	2,615,945	1,515,695
Total	**3,825,283**	**2,199,245**	**1,626,038**

SERVICES (NOTE 24)

A breakdown of the caption is as follows:

(in Euros)	2023	Variation	2022
Services	(41,074,118)	(6,316,470)	(34,757,648)
Use of third party assets	(923,861)	156,047	(1,079,908)
Total	**(41,997,979)**	**(6,160,423)**	**(35,837,556)**

A breakdown of services is as follows:

(in Euros)	2023	Variation	2022
Agency contracts	(6,718,236)	(1,043,305)	(5,674,931)
Maintenance and repairs	(6,502,942)	(1,343,645)	(5,159,297)
Consultancies	(6,077,549)	(277,524)	(5,800,025)
Transport	(5,551,450)	(237,988)	(5,313,462)
Outsourcing	(5,011,174)	(1,335,998)	(3,675,176)
Personnel expense and temporary staff costs	(2,214,948)	(557,139)	(1,657,809)
Fees to directors, statutory auditors and independent auditor	(1,726,290)	(113,170)	(1,613,120)
Utilities	(1,591,724)	(273,484)	(1,318,240)
Other services	(1,251,673)	(214,301)	(1,037,372)
Insurance	(1,193,075)	(227,913)	(965,162)
Marketing and advertising	(1,076,225)	(292,927)	(783,298)
Business trips and travel	(1,059,438)	(319,861)	(739,577)
Certifications	(799,324)	(19,753)	(779,571)
Telephone and connections	(300,070)	(58,462)	(241,608)
Total	**(41,074,118)**	**(6,315,470)**	**(34,758,648)**

Service costs increased compared to the previous year. The main increases related to maintenance and repairs for the use of software licences, agency costs, due to the increase in sales, outsourcing costs and temporary work, due to the organic growth during the year, utilities, due to the rise in energy prices caused by the international economic and political situation, and trade fairs and travel.

Intragroup services totalled €7,243 thousand (€6,365 thousand in 2022), including agency and sales assistance services of €5,560 thousand, transport and shipping services of €223 thousand, administrative services of €760 thousand and software development services of €405 thousand.

Finally, during the year, the company incurred costs for non-recurring services of €2,471 thousand related to assistance with mergers and acquisitions.

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

(in Euros)	2023	Variation	2022
Building lease payments		2,129	(2,129)
Car lease payments	(355,532)	(58,793)	(296,739)
Royalties on patents and trademarks	(273,558)	123,181	(396,739)
Other payments for the use of third party assets	(294,771)	89,530	(384,301)
Total	**(923,861)**	**156,047**	**(1,079,908)**

Car lease payments mainly include the related ancillary costs.

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

CAPITALISED DEVELOPMENT EXPENDITURE (NOTE 25)

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

A breakdown of the caption is as follows:

(in Euros)	2023	Variation	2022
Development expenditure	854,523	815,895	38,628
Self-constructed industrial and commercial equipment	27,461	(2,620)	30,081
Total	**881,984**	**813,275**	**68,709**

In 2023, the company launched new product development projects while it scaled back the activities that had been necessary due to the lack of electronic components to partly redesign some product groups and ensure their availability on the market. This chip pivoting had required a strong involvement of the entire R&D department.

PERSONNEL EXPENSE (NOTE 26)

A breakdown of personnel expense is as follows:

(in Euros)	2023	Variation	2022
Wages and salaries	(40,425,161)	(2,985,825)	(37,439,336)
Social security contributions	(11,093,969)	(1,116,230)	(9,977,739)
Defined benefit plans	(2,135,057)	(66,480)	(2,068,577)
Total	**(53,654,187)**	**(4,168,535)**	**(49,485,652)**

Wages and salaries include the entire personnel expense for employees, including merit increases, equity-settled and cash-settled payment arrangements, promotions, unused holidays and accruals based on laws and national labour agreements. €3,042 thousand relates to temporary staff (€2,713 thousand in 2022).

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

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

The workforce at 31 December 2023 and changes therein during the year are as follows:

	31.12.2022	Hires	Departures	Promotions	31.12.2023	2023 average	2022 average
Managers	27	1	(2)	-	26	26	27
Junior managers	62	2	-	9	73	68	61
White collars	388	78	(45)	(2)	419	404	382
Blue collars	248	7	(10)	(7)	238	242	248
Total	**725**	**88**	**(57)**	**-**	**756**	**740**	**718**

OTHER EXPENSE, NET (NOTE 27)

A breakdown of the caption is as follows:

(in Euros)	2023	Variation	2022
Gains on the sale of non-current assets	28.518	(7.495)	36.013
Prior year income	1.595.019	393.011	1.202.008
Other income	**1.623.537**	**385.516**	**1.238.021**
Losses on the sale of non-current assets	(1.600)	2.579	(4.179)
Prior year expense	(249.297)	4.030	(253.327)
Other taxes and duties	(133.249)	111.252	(244.501)
Impairment losses on loans and receivables	(199.358)	112.897	(312.255)
Accrual to the provisions for risks	(2.147.742)	(1.694.292)	(453.450)
Membership fees	(225.767)	(29.965)	(195.802)
Indemnities and compensation	-	24.833	(24.833)
Other costs	(27.341)	(6.536)	(20.805)
Other expense	**(2.984.354)**	**(1.475.202)**	**(1.509.152)**
Other expense, net	**(1.360.817)**	**(1.089.686)**	**(271.131)**

Prior year income relates to non-existent liabilities and the recognition of income pertaining to previous years, €447 thousand of which is taxable and €1,148 thousand of which is not taxable. The latter figure includes the release of provisions for risks and charges of €207 thousand.

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

The accruals to the provisions for risks mainly relate to the prudent accrual for costs to be incurred for complaints from customers about products sold (€1,985 thousand).

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES (NOTE 28)

A breakdown of the caption is as follows:

(in Euros)	2023	Variation	2022
Amortisation	(4,686,438)	(547,751)	(4,138,687)
Depreciation	(5,838,674)	(892,681)	(4,945,993)
Total	**(10,525,112)**	**(1,440,432)**	**(9,084,680)**

Depreciation includes €1,834 thousand (2022: €1,458 thousand) related to the right-of-use assets recognised under property, plant and equipment following the adoption of IFRS 16.

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

NET FINANCIAL INCOME (NOTE 29)

A breakdown of the caption is as follows:

(in Euros)	2023	Variation	2022
Income from investments in subsidiaries	29,826,749	1,026,776	28,799,973
Interest on loans granted to subsidiaries	706,075	512,894	193,181
Other financial income	1,185,882	875,005	310,877
Financial income	**31,718,706**	**2,414,675**	**29,304,031**
Interest and other financial expense to subsidiaries	(182,250)	(37,030)	(145,220)
Interest and other financial expense to others	(14,052,629)	(10,844,171)	(3,208,458)
Financial expense	**(14,234,879)**	**(10,881,201)**	**(3,353,678)**
Net financial income	**17,483,827**	**(8,466,526)**	**25,950,353**

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

- €20,485 thousand from Carel Electronic (Suzhou) Co Ltd, entirely collected;
- €3,400 thousand from Carel Deutschland GmbH, entirely collected;
- €3,380 thousand from CFM Soğutma ve Otomasyon Anonim Şirketi, entirely collected;
- €1,363 thousand from Carel Asia Ltd, entirely collected;
- €500 thousand from Carel Controls Iberica SL, entirely collected;
- €486 thousand from Carel Nordic AB, entirely collected;
- €213 thousand from Carel Rus LLC, entirely collected;

Interest on loans granted to subsidiaries chiefly relates to interest accrued on the loan granted to Kiona Holding SA (€456 thousand) and Recuperator S.p.A. (€194 thousand).

Other financial income can be broken down as follows:

(in Euros)	2023	Variation	2022
Interest income on current financial assets	790,506	730,191	60,315
Interest income from cash pooling with subsidiaries	153,586	(29,837)	183,423
Bank interest income	98,892	68,266	30,626
Gains on derivatives	-	(36,513)	36,513
Fair value gains on financial assets	72,000	72,000	-
Other interest income	70,898	70,898	-
Total	**1,185,882**	**875,005**	**310,877**

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

- Interest income from cash pooling relates to the interest accrued on the credit balance of the cash pooling account in place with group companies.
- Fair value gains on financial assets relate to available-for-sale securities.

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

Interest and other financial expense to others are as follows:

(in Euros)	2023	Variation	2022
Interest and other financial expense on current and non-current bank loans and borrowings	(6,873,883)	(5,191,213)	(1,682,670)
Losses on forwards	(17,600)	(12,979)	(4,621)
Lease interest expense	(191,722)	(104,238)	(87,484)
Losses on derivatives	(6,586,166)	(5,612,600)	(973,566)
Discounting expense on liabilities	(152,795)	(68,531)	(84,264)
Bank charges and fees	(230,447)	(1,024)	(229,423)
Fair value gains on financial assets	-	145,500	(145,500)
Other interest expense	(16)	914	(930)
Total	**(14,052,629)**	**(10,844,171)**	**(3,208,458)**

- Interest and other financial expense on current and non-current loans and borrowings include €1,554 thousand on bonds issued (€561 thousand in 2022). The rise is due to both an increase in the underlying liability and the longer period of utilisation of the loans.
  They also include interest of €2,619 thousand on the loan granted by Mediobanca Banca di Credito Finanziario S.p.A. in July (original amount of €180,000 thousand) to complete the acquisition of the investment in Kiona Holding AS, which was fully repaid in December, when the capital increase was carried out.
  Reference should be made to note [13] for more details.
- Losses on derivatives relate to:
  - the fair value loss of €3,783 thousand on the call option on the non-controlling interests in CFM Sogutma ve Otomasyon A.S.;
  - the fair value loss of €541 thousand on the call option on the non-controlling interests in Sauber S.r.l.;
  - the fair value loss of €2,262 thousand accrued on the liability for the call option for the non-controlling interest in Kiona Holding AS from its initial recognition to the reporting date.
    Reference should be made to note [3] Equity investments for more details.

NET EXCHANGE GAINS (NOTE 30)

A breakdown of exchange gains and losses is as follows:

(in Euros)	2023	Variation	2022
Realised exchange gains	3,071,465	772,013	2,299,452
Unrealised exchange gains	1,473,368	393,410	1,079,958
Exchange gains	**4,544,833**	**1,165,423**	**3,379,410**
Realised exchange losses	(3,388,797)	74,554	(3,463,351)
Unrealised exchange losses	(962,991)	(310,114)	(652,877)
Exchange losses	**(4,351,788)**	**(235,560)**	**(4,116,228)**
Net exchange gains	**193,045**	**929,863**	**(736,818)**
Net realised exchange gains (losses)	*(317,332)*	*846,567*	*(1,163,899)*
Net unrealised exchange gains	*510,377*	*83,296*	*427,081*

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

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

Net unrealised exchange gains total €510 thousand (net unrealised exchange gains of €427 thousand in 2022).

Therefore, as part of the allocation of the profit for 2023, the company is required to accrue €83 thousand to a specific undistributable reserve pursuant to article 2426.8-bis of the Italian Civil Code which was set up for the allocation of the profit for 2022.

NET IMPAIRMENT GAINS ON FINANCIAL ASSETS (NOTE 31)

Net impairment gains of €2,288 thousand relate to:

- the €1,957 thousand impairment gain on the investment in Carel Sud America Instrumentacao Eletronica Ltda. An impairment loss had been recognised since the carrying amount was deemed not to be recoverable given the investee's performance and expected profitability. Based on the investee's positive performance of the last three years, the company recognised an impairment gain equal to the difference between the carrying amount of the investment, net of impairment losses, and its share of the investee's equity;
- the €331 thousand impairment gain on the investment in the subsidiary Carel Middle East DWC Llc. An impairment loss had been recognised since the carrying amount was deemed not to be recoverable given the investee's performance and expected profitability. In 2023, the investee reported a profit for the year. Consequently, the company recognised an impairment gain equal to the difference between the carrying amount of the investment, net of impairment losses, and its share of the investee's equity;

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

INCOME TAXES (NOTE 32)

A breakdown of income taxes is as follows:

(in Euros)	2023	Variation	2022
Current taxes	(4,186,676)	(112,124)	(4,074,552)
Substitute tax	(1,962,649)	-	(1,962,649)
Change in deferred tax assets	1,354,267	1,320,034	34,233
Change in deferred tax liabilities	(51,579)	45,952	(97,531)
Prior year taxes	148,825	(326,216)	475,041
Total	**(4,697,812)**	**927,646**	**(5,625,458)**

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

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

(in Euros)	2023	2022
Profit before tax	49,212,361	50,133,944
Theoretical IRES	**11,810,967**	**12,032,147**
Lower taxes:		
- ACE	(114,943)	(56,713)
- other prior-year income	(279,896)	(896)
- personnel expense and supplementary pension funds	(135,997)	(73,552)
- dividends from equity investments and gains on the sale of equity investr	(6,889,804)	(6,689,060)
- maxi-and hyper-amortisation and depreciation	(105,094)	(219,277)
- amortisation of goodwill	(2,960,237)	(2,960,237)
- impairment gain on equity investments	(549,089)	(207,406)
- patent box	(604,416)	(141,660)
- use of provisions for risks and charges	(58,450)	(222,785)
- tax asset on research and development	(224,157)	(323,053)
- other	(341,434)	(364,643)
Higher taxes:		
- undeductible amortisation/depreciation	25,500	39,886
- accruals to provisions	515,458	131,574
- prior year expense	4,295	33,085
- write-down of inventories	793,642	304,557
- other undeductible costs	118,324	110,301
- other	220,724	213,408
- unused tax withholdings	2,064,603	1,634,054
- substitute tax	1,962,649	1,962,649
Total income taxes (IRES)	**5,252,645**	**5,202,379**
IRAP	**896,680**	**834,822**
Prior year taxes	**(148,825)**	**(475,041)**
Deferred taxes	**(1,302,688)**	**63,298**
TOTAL INCOME TAXES	**4,697,812**	**5,625,458**

OTHER INFORMATION (NOTE 33)

Share capital increase

At their extraordinary meeting of 14 September 2023, the company's shareholders approved the board of directors' proposed share capital increase of a maximum of €200,000 thousand (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 company'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.
Since this is a rights issue, shareholders that have subscribed newly issued shares by exercising their rights of first refusal are not affected by dilutive effects, i.e., their existing investments in the company have not been diluted.

The shareholders gave the board of directors the widest powers to determine, close to the start of the rights offering period, the number of new shares, the rights ratio and, for the calculation of the issue price, to take into account, inter alia, the general market conditions and the share price trend, as well as the company's financial position, performance and cash flows and its business outlook. Given the international market practice for similar transactions, the board may also consider the possibility of applying a discount to the theoretical price.

On 8 November 2023, the main shareholders Luigi Rossi Luciani S.a.p.a. and Athena FH S.p.A. made an irrevocable and unconditional commitment, without any joint or several liability, to subscribe a portion of the capital increase to which they are entitled for a total amount of approximately €50,000 thousand.

On 15 November 2023, Consob (the Italian commission for listed companies and the stock exchange) authorised the publication of the prospectus relating to the offer and admission to trading on the regulated Euronext Milan market organised and managed by Borsa Italiana S.p.A. of the Carel shares arising from the divisible capital increase against payment, for a total maximum amount of €200 million (including any share premium), as resolved by the shareholders in their extraordinary meeting of 14 September 2023.

The company has signed an underwriting agreement with Mediobanca Banca di Credito Finanziario S.p.A. and Goldman Sachs International (underwriting syndicate) at terms and conditions in line with market practice for similar transactions. It covers, inter alia, the latter's commitment to acquire any unsubscribed new shares at the end of the rights offering period.

On 16 November 2023, the company's board of directors defined, inter alia, the final terms of issuance of the new shares, setting (i) the offering price at €16.00 per new share, i.e., €0.10 as the share capital and €15.90 as the premium (the subscription price incorporates a discount of 23.73% compared to the theoretical price calculated on the basis of the stock market reference price of Carel Industries shares on 16 November 2023); (ii) the rights ratio calculated on the basis of the offering price as one new share for every eight Carel Industries shares held.
Therefore, the number of new shares offered under the rights issue was 12,499,205 for a total offering value of €199,987 thousand.

During the rights offering period, which began on 20 November 2023 and ended on 4 December 2023, 99,238,448 rights were exercised for the subscription of 12,404,806 new shares, equal to 99.2% of the total number of new shares offered, for a total value of €198,476,896.
During the stock exchange session held on 6 December 2023, all remaining 755,192 rights unexercised during the rights offering period were sold. This led to the subscription of 94,399 newly issued ordinary shares.
Taking into account the 12,404,806 shares already subscribed during the rights offering period, a total of 12,499,205 shares were subscribed, equal to 100% of the shares offered as part of the capital increase, for a total value of €199,987,280.

On 7 December 2023, the capital increase to be achieved with the issuance of 12,499,205 new ordinary shares for €199,987,280, including €1,249,920.50 to be recognised as share capital, was successfully concluded.

As a result of this transaction, the new share capital amounts to €11,250 thousand, is fully paid up and consists of 112,499,205 shares without a nominal amount. Net of post-tax transaction costs and proceeds, the company's equity increased by €196,469 thousand.

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

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

Domestic tax consolidation scheme

The company and its subsidiaries Recuperator S.p.A., C.R.C. S.r.l. and Enginia S.r.l. opted to join the domestic tax consolidation scheme provided for by article 117 and following articles of the consolidated income tax act for 2022-2024 as they met all the relevant requirements of such legislation as well as those of the decree of the Italian Ministry of the Economy and Finance dated 1 March 2018. The scheme is governed by individual master agreements between the company and each subsidiary.

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

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

Equity-settled and cash-settled payment arrangements

Equity-settled performance plan

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

The number of shares allocated is subject to achieving performance objectives based on adjusted EBITDA and cash conversion ratios. The performance objectives are independent of one another and will be calculated separately for each vesting period.

On 2 March 2023, the company's board of directors approved the assignment of treasury shares upon conclusion of the third vesting period (2020-2022). It had granted 55,384 share options with a fair value of €865 thousand on 19 November 2020 for this vesting period.

In April, it assigned 64,127 treasury shares to 20 beneficiaries for a total of €1,220 thousand. The loss of €355 thousand between the fair value of the shares assigned, measured using the rolling FIFO method, and their fair value at the grant date, was reclassified to an available income-related reserve.

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

At 31 December 2023, the company does not have equity-settled incentive plans.

Cash-settled performance plan

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

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

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

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

On 16 November 2023, the company's board of directors resolved to execute the LTI cash plan for the 2023-2025 vesting period (similarly to its decision taken for the 2021-2023 and 2022-2024 vesting periods) as this plan is less complicated compared to the operating and tax management of the LTI share plan, both for the company and its beneficiaries. The board of directors also established the percentage of gross annual remuneration for the cash benefit for each beneficiary for a total of approximately €1,950 thousand.

The cash to be actually paid to each beneficiary will be calculated at the end of the 2023-2025 vesting period considering whether they have met the performance objectives established in the plan's regulation.

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

The company recognised a cost of €1,865 thousand in profit or loss in 2023 for the three vesting periods.

Treasury shares

On 22 April 2022, the shareholders resolved, inter alia, to authorise the board of directors to use the treasury shares already repurchased in line with previous authorisations and to be repurchased for the purposes of:

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

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

In March, the company repurchased 40,000 treasury shares for €1,042 thousand, within the limits and for the purposes resolved by the shareholders at their meeting of 22 April 2022.
In April, the company assigned 64,127 treasury shares for a total of €1,220 thousand upon conclusion of the third vesting period (2020-2022) for share options assigned on 1 October 2018.

At the reporting date, the company had repurchased 6,335 treasury shares, equal to 0.0056% of its share capital, for a total of €161 thousand.

Segment reporting

Under IFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Based on the 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.

Fees paid to directors, statutory auditors and key management personnel

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

(in Euros)	2023	2022
Directors		
- Remuneration and fees	1,521,655	1,549,112
- Other non-monetary benefits	25,322	22,055
- Fair value of share-based payments	-	173,637
Total	**1,546,977**	**1,744,804**
Statutory auditors		
- Fixed fees and fees for participation in committees	90,000	90,000
Total	**90,000**	**90,000**
Key management personnel		
- Remuneration and fees	1,522,719	1,355,370
- Other non-monetary benefits	21,864	17,968
- Fair value of share-based payments	-	182,301
Total	**1,544,583**	**1,555,639**

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

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

(in Euros)	2023	2022
Audit	259,549	238,763
Attestation services	49,290	45,000
Other services	361,000	-
Total	**669,839**	**283,763**

Transparency obligations required by Law no. 124/2017

(Annual market and competition law)

In 2023, other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020, Industry 4.0 - Law no. 160/2019, maxi-amortisation and depreciation - Law no. 178/2020, Ecobonus - Law no. 296/2006, Energy and gas tax credit - Law decree no. 144/2022 and Law decree no. 176/2022 due for the year, the company did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are not consideration, remuneration or compensation from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017.

Off-statement of financial position commitments and guarantees

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

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

Indirect investees

A breakdown of the indirect investees at 31 December 2023 is as follows:

(in Euros)	Registered office	Parent	Currency	Share/quota capital (local currency)	Equity (deficit) (Euros)	Profit (loss) for the year (Euros)	Indirect investment
Subsidiaries:							
Enginia S.r.l.	Trezzo Sull'Adda-IT	Recuperator S.p.A.	EUR	10,400	8,449,479	1,658,837	100.00%
Carel Australia Pty. Ltd	SYDNEY-AU	Carel Electronic (Suzhou) Co Ltd	AUD	100	5,162,838	591,182	100.00%
Carel ACR Systems India (Pvt) Ltd	MUMBAI-IN	Carel Electronic (Suzhou) Co Ltd	INR	1,665,340	1,886,569	550,167	99.99%
		Carel France s.a.s.					0.01%
Carel Controls South Africa (Pty) Ltd	JOHANNESBURG-ZA	Carel Electronic (Suzhou) Co Ltd	ZAR	4,000,000	3,243,293	748,870	100.00%
Carel HVAC&R Korea Ltd	SEOUL-KR	Carel Electronic (Suzhou) Co Ltd	KRW	550,500,000	693,139	493,838	100.00%
Carel South East Asia Pte. Ltd.	SINGAPORE-SG	Carel Asia Ltd	SGD	100,000	466,925	40,610	100.00%
Carel Mexicana S.De.RL	Guerra, Tlalpan-MX	Carel Usa Llc	MXN	12,441,149	941,215	(187,146)	100.00%
Carel (Thailand) CO Ltd	BANGKOK-TH	Carel Electronic (Suzhou) Co Ltd	THB	16,000,000	2,087,343	416,564	50.00%
		Carel Australia Pty. Ltd					30.00%
Carel Ukraine Llc	Kiev-UA	Alfaco Polska Sp.z.o.o.	UAH	700,000	11,525	122,614	100.00%
Enersol Inc	Beloeil (Quebec)-CA	Carel Usa Llc	CAD	100	332,904	(220,539)	100.00%
Klingenburg USA, LLC	Raleigh-USA	Klingenburg GmbH	USD	699,671	(10,833)	(131,077)	100.00%
Klingenburg UK Ltd	Folkstone (Kent)-GB	Klingenburg GmbH	GBP	100	462,016	412,434	100.00%
Klingenburg Iberica SLU	Madrid-ES	Klingenburg GmbH	EUR	3,500	291,429	921,702	100.00%
Senva Inc	Beaverton-USA	Carel Usa Llc	USD	-	25,105,975	(2,814,679)	100.00%
Kiona GmbH	Berlin-DE	Kiona Holding AS	EUR	25,000	25,490	(323,463)	100.00%
Kiona A/S - Denmark	Copenhagen-DK	Kiona Holding AS	DKK	500,000	102,427	15,191	100.00%
Kiona AS	Trondheim-NO	Kiona Holding AS	NOK	100,000	2,937,308	1,844,032	100.00%
Kiona LT UAB	Kaunas-LT	Kiona Holding AS	EUR	2,500	18,046	736	100.00%
Kiona Oy	Helsinki-FI	Kiona Holding AS	EUR	2,500	236,177	6,904	100.00%
Kiona Sarl	Givisiez-CH	Kiona Holding AS	CHF	20,000	59,159	21,939	100.00%
Kiona Sp Zoo	Gdansk-PL	Kiona Holding AS	PLN	500,000	56,039	3,705	100.00%
Kiona Sweden AB	Kungsbacka-SE	Kiona Holding AS	SEK	200,000	3,487,533	(207,279)	100.00%

Related party transactions

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

a. intragroup and related party transactions performed during the year gave rise to commercial, financial and consulting relationships and were carried out on an arm's-length basis, in the economic interests of the individual companies involved;
b. the interest rates and conditions applied to intragroup financial transactions are in line with market conditions.

The table below provides assets, liabilities, revenue and costs related to transactions with related parties performed in 2023.

31.12.2023	**Assets and liabilities**				**Revenue and costs**								
(in Euros)	**Loan assets**	**Trade receivables/ Other assets**	**Financial liabilities**	**Trade payables/ Other financial liabilities**	**Sale of products**	**Sale of services**	**Other revenue**	**Purchases of goods and materials**	**Services**	**Other purchases**	**Income from equity investments**	**Financial income**	**Financial expense**
Subsidiaries													
Arion S.r.l.	-	1,632	-	125,841	305	5,016	611	1,995,719	-	-	-	-	-
C.R.C S.r.l.	-	101,986	-	15,719	116,350	36,511	5,036	323,066	3,140	-	-	-	-
Recuperator S.p.A.	17,017,888	181,023	-	74,803	-	242,016	21,792	-	1,099	-	-	203,836	-
Enginia S.r.l.	-	380,441	4,249,899	4,472	-	134,016	19,566	-	-	-	-	-	12,919
Sauber S.r.l.	904,563	83,442	-	164,370	66,882	15,000	26	5,700	21,421	-	-	25,038	-
Carel U.K. Ltd	-	1,366,492	826,682	300,041	9,534,018	346,174	176,815	164,003	428,886	-	-	-	5,454
Carel France s.a.s.	-	1,372,588	1,538,651	7,549	13,666,092	56,740	341,665	25,973	-	-	-	65	6,518
Carel Asia Ltd	-	1,424,518	-	56,108	8,742,818	10,826	2,439	53,720	357	37,411	1,363,141	-	-
Carel Sud America Instrumentacao Eletronica Ltda	-	958,039	-	210,111	3,130,586	127,741	127	763,715	194,835	-	-	-	-
Carel Usa Llc	-	3,430,713	-	610,422	11,174,912	496,275	1,057,341	1,440,940	326,631	-	-	-	57,893
Carel Australia Pty. Ltd	-	1,418	1,632,046	24,441	2,922	17,016	-	-	-	9,636	-	-	48,923
Carel Deutschland GmbH	-	2,059,965	1,889,436	5,281	31,245,828	120,336	425,052	29,227	1,171	33,801	3,400,000	-	35,030
Carel Electronic (Suzhou) Co Ltd	-	4,580,986	-	8,305,839	9,224,492	523,301	2,032,871	20,456,876	449,549	-	20,484,790	-	-
Carel Controls Iberica S.L.	-	1,627,733	3,384,105	29,811	14,726,130	52,674	323,564	2,500	78,239	-	500,000	-	14,110
Carel ACR Systems India (Pvt) Ltd	-	404,764	-	122,584	1,556,600	16,062	-	-	455,276	-	-	-	-
Carel Controls South Africa (Pty) Ltd	-	4,172	-	856	-	27,118	-	-	-	-	-	-	-
Carel Rus Llc	-	13,960	-	16,393	-	-	933,657	-	-	-	213,467	-	-
Carel Korea Ltd	-	58,685	-	14,688	619,525	12,081	-	8,959	-	-	-	-	-
Carel Nordic AB	-	8,418	-	458,367	16,778	29,516	1,367	690	2,292,657	-	485,651	-	-
Carel Japan Co. Ltd	-	106,434	-	8,243	519,775	260	-	5,483	-	-	-	-	-
Carel Mexicana S.De.RL	-	332,511	-	4,231	457,236	7,861	104	-	-	-	-	-	-
Carel Middle East DWC Llc	-	1,752	-	339,530	1,742	7,008	224	-	1,159,889	-	-	-	-
Alfaco Polska Sp.z.o.o.	536,565	3,015,135	-	17,560	13,357,092	71,630	2,167	1,760	-	-	-	15,483	17,558
Carel (Thailand) CO Ltd	-	4,002	-	-	-	16,008	-	-	-	-	-	-	-
Carel Adriatic d.o.o.	3,547,830	1,991,698	-	14,311,514	7,512,709	888,177	3,021,177	47,039,009	377,289	17,124	-	121,046	42,345
HygroMatik GmbH	-	24,747	4,853,622	13,938	665,449	30,520	59,340	145,831	1,100	2,280	-	-	18,530
Carel Ukraine Llc	-	-	-	-	-	-	-	-	-	-	-	-	-
Enersol Inc.	-	1,955	-	-	4,586	3,275	-	-	-	-	-	-	-
CFM Sogutma Ve Otomasyon	-	566,887	-	153,159	3,559,824	-	925	-	464,302	-	3,379,700	-	-
Klingenburg GmbH	816,864	24,000	-	2,549	25,124	7,500	-	-	3,216	-	-	28,346	-
Klingenburg International Sp Z.o.o.	-	20,286	6,752,491	22,336	15,500	-	-	626	336	-	-	6,962	40,684
Senva Inc.	-	-	-	-	-	-	13,702	3,062	-	-	-	-	-
Eurotec Ltd	-	-	-	-	-	-	-	-	-	-	-	348	-
Carel Kazakhstan Llc	-	-	-	187,617	-	-	-	-	754,456	-	-	167	-
Kiona Holding AS	17,444,243	26,159	-	-	-	-	-	-	-	-	-	456,335	-
Carel System Spzoo	-	2,034	-	-	-	-	-	-	-	-	-	2,035	-
Total subsidiaries	**40,267,953**	**24,178,575**	**25,126,932**	**25,608,373**	**129,943,275**	**3,300,658**	**8,439,568**	**72,466,859**	**7,013,849**	**100,252**	**29,826,749**	**859,661**	**299,964**
Subsidiaries of parents													
Eurotest Laboratori S.r.l.	-	4,580	-	79,274	-	5,016	3,050	-	170,478	440	-	-	-
Arianna S.p.A.	-	3,570	-	-	-	5,016	-	-	-	-	-	-	-
Nastrificio Victor S.p.A.	-	-	-	27,603	-	-	-	77,025	-	-	-	-	-
Panther S.r.l.	-	-	-	2,938	-	-	-	10,489	-	-	-	-	-
Total subsidiaries of parents	**-**	**8,150**	**-**	**109,815**	**-**	**10,032**	**3,050**	**87,514**	**170,478**	**440**	**-**	**-**	**-**
Related parties													
RN Real Estate S.r.l.	-	19,208	14,473,625	610,193	-	5,016	17,168	-	-	-	-	-	161,571
Other, minor	-	1,501	1,190,014	585,592	-	-	1,501	6,692	58,849	-	-	-	-
Total related parties	**-**	**20,709**	**15,663,639**	**1,195,785**	**-**	**5,016**	**18,669**	**6,692**	**58,849**	**-**	**-**	**-**	**161,571**
TOTAL	**40,267,953**	**24,207,434**	**40,790,571**	**26,913,973**	**129,943,275**	**3,315,706**	**8,461,287**	**72,561,065**	**7,243,176**	**100,692**	**29,826,749**	**859,661**	**461,535**

Events after the reporting date

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

Outlook

2023 saw strong geopolitical instability mainly due to the war between Russia and Ukraine, the outbreak of the Israeli-Palestinian conflict as well as trade tensions between the United States and China. In macroeconomic terms, inflation issues dominated the entire year although the downward trajectory was particularly steep in the Eurozone, falling from +8.6% in January to +2.9% in December. As part of the measures taken to counter inflation, the European Central Bank (ECB) has continued its restrictive monetary policy introduced in 2022, which has raised benchmark rates to above 4.0%. The Federal Reserve followed suit, setting its benchmark rates in a range of 5.25% to 5.50%. These measures are having a significant impact on growth projections, especially in the Eurozone, with decelerating domestic demand.

With respect to the shortage of electronic equipment that characterised the supply chain between 2021 and 2022, this situation firstly eased significantly and was subsequently substantially resolved in 2023, aided by the European economy's slowdown.

Turning to Carel, during the year, it performed very well in the HVAC segment, especially in certain market niches such as data centre cooling and certain innovative industrial applications. With regard to the heat pump sector, after two consecutive years of growth above 30%, Europe has seen a sharp deceleration, mainly since the second half of 2023, due to a number of contingent reasons, including a lack of transparency about regulations at European level (linked to the lengthy process of discussion and approval of the revision of Regulation (EU) no. 517/2014 on fluorinated gases - the F-Gas Regulation) and local level (again linked to the difficult progress of the recently passed German legislation covering building air conditioning and the heat pump subsidy scheme), the oft-mentioned deterioration of the macroeconomic scenario and the high level of finished goods inventories in the supply chain. Turning to refrigeration, this sector's weak performance seen during the first nine months of 2023 was substantially repeated in the fourth quarter.

The early months of 2024 essentially confirmed the dynamics of the last few months of 2023. Given this trend, the group expects to close the first quarter of 2024 with total revenue not far to that earned for the last quarter of 2023. It expects to see a gradual upturn in its performance as the year continues, fuelled by a number of situations such as the recovery of the investment cycle in the refrigeration sector (the first modest signs of which are already visible), the utilisation of accumulated inventories in the heat pump supply chain and an improvement in the European macroeconomic scenario (interest rates).

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

Dear shareholders,

Carel Industries S.p.A.'s separate financial statements as at and for the year ended 31 December 2023 show a profit of €44,514,549.

It should be noted that:

- as a result of the capital increase, the legal reserve has not reached the threshold set by article 2430 of the Italian Civil Code;
- the unrealised exchange gains at year end exceeded the losses by €510,377 thousand and, therefore, the company is required to adjust the specific undistributable reserve pursuant to article 2426.8-bis of the Italian Civil Code;

- unamortised development expenditure at 31 December 2023 amounts to €3,973,142 and, therefore, pursuant to article 2426.5 of the Italian Civil Code, until amortisation is complete, dividends may only be distributed if there are sufficient available reserves to cover the amount of unamortised costs.

We invite you to approve the separate financial statements

- and to allocate the profit for the year as follows:
  - €249,984 to the legal reserve;
  - €83,296 to the undistributable reserve for unrealised exchange gains;
  - as dividends to shareholders equal to €0.19 per share outstanding at the ex-dividend date, excluding treasury shares. Total dividends are estimated at €21,373,641.50, taking into account the shares outstanding at 6 March 2024 (112,492,850);
  - to pay dividends of €0.19 per share, before tax withholdings, with an ex-dividend date of 24 June 2024, with record date, pursuant to article 83-terdecies of the Consolidated Income Tax Act, of 25 June 2024 and payment date of 26 June 2024;
  - the remainder to the extraordinary reserve.

Francesco Nalini

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CEO

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

1. The undersigned Francesco Nalini, as chief executive officer, and Nicola Biondo, as manager in charge of financial reporting of Carel Industries S.p.A., considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting policies adopted for the preparation of the separate financial statements at 31 December 2023:
   - are adequate in relation to the company's characteristics and
   - have been effectively applied during the year.
2. There is nothing to report.
3. Moreover, they state that:

   3.1 the separate financial statements at 31 December 2023:
   a. have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b. are consistent with the accounting ledgers and records;
   c. are suitable to give a true and fair view of the financial position, financial performance and cash flows of the issuer.

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

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

Brugine, 6 March 2024

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

ANNEXES TO THE SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte & Touche S.p.A.
Via N. Tommaseo, 78/C int. 3
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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Carel Industries S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

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Impairment test of the equity investment in Recuperator S.p.A.	
Description of the key audit matter	The financial statements as at 31 December 2023 include in "Equity Investments" the investment in Recuperator S.p.A for an amount of Euro 22 million. As required by IAS 36 "impairment of assets", the Directors identified potential loss indicator defined as "trigger event", and as a consequence they performed the impairment test as at 31 December 2023, in order to test the carrying value related to the equity investment. In the disclosure, the Directors explain the main assumptions applied in performing the test and provide the break-even analysis in relation to the main key factors of the impairment test to evaluate the degree of sensitivity of the test to the changes in the key variables. The Directors explain that the process of performing the impairment test is based on assumptions related, among others, to the expectations in term of cash flows for the CGU and the determination of appropriate discount rates (WACC) and long-term growth (g-rate). The Directors report, also, that the assumptions used are reasonable and are the most probable scenarios based on the information available, but the output of the impairment test may be different if any of the assumptions change significantly. We have considered the significance of the amount of the equity investment in Recuperator S.p.A., the subjectivity of the estimates underlying the determination of cash flows for the subsidiary and the key variables of the impairment test. As a result we have assessed that the impairment test represents a key audit matter for the audit of the Carel Industries financial statements. Note 3 of the financial statements provides disclosure on impairment test and the effects of sensitivity analysis resulting from the changes in the key variables used in performing the impairment test.
Audit procedures performed	As part of our audit, among others, we performed the following audit procedures, supported by the experts belonging to our network: • understanding of the process and of the relevant controls designed and implemented by the Directors in relation to the process of performing and approving the impairment test; • analysis of the main assumptions adopted to prepare the expectations in terms of cash flow, also using industry data, and obtaining information from the Directors; • analysis of the actual results, obtained by the subsidiary, compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process; • analysis of the reasonableness of the discount rates (WACC) and long-term growth (g-rate); • test of the accuracy of the determination of the carrying value of the subsidiary and comparison with the recoverable value resulting from the impairment test; • examination of the sensitivity analysis prepared by the Directors. Finally we verified the appropriateness and the compliance of the disclosure on the impairment test to the requirements of IAS 36.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The Shareholders' Meeting of Carel Industries S.p.A. has appointed us on 13 April 2018 as auditors of the Company for the years from31 December 2018 to 31 December 2026.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Carel Industries S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements as at 31 December 2023, to be included in the annual financial report.

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We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.
In our opinion, the financial statements as at 31 December 2023 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

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

The Directors of Carel Industries S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Carel Industries S.p.A. as at 31 December 2023, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Carel Industries S.p.A. as at 31 December 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Carel Industries S.p.A. as at 31 December 2023 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
March 26, 2024

As disclosed by the Directors on page 75, the accompanying financial statements of Carel Industries S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815.

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

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