Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	983 190 510
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	KIONA HOLDING AS
Forretningsadresse:	Leirfossvegen 27 7038 TRONDHEIM

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Janita M. Bakeng
Dato for fastsettelse av årsregnskapet:	25.06.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 05.08.2025

Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		38 199 430	40 833 014
Annen driftsinntekt			200
Sum inntekter		**38 199 430**	**40 833 214**
Kostnader			
Lønnskostnad		1 406 938	2 468 984
Avskrivning på varige driftsmidler og immaterielle eiendeler		17 354 752	15 323 130
Annen driftskostnad		44 104 359	33 808 353
Sum kostnader		**62 866 049**	**51 600 467**
Driftsresultat		**-24 666 619**	**-10 767 253**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap		4 308 000	
Renteinntekt fra foretak i samme konsern		39 326	60 714
Annen renteinntekt		9 706 852	3 175 697
Annen finansinntekt		23 659	
Sum finansinntekter		**14 077 837**	**3 236 411**
Rentekostnad til foretak i samme konsern		26 976 879	17 096 409
Annen rentekostnad		15 931 750	2 370 776
Annen finanskostnad		4 808	73 117
Sum finanskostnader		**42 913 437**	**19 540 302**
Netto finans		**-28 835 600**	**-16 303 891**
Ordinært resultat før skattekostnad		**-53 502 219**	**-27 071 144**
Skattekostnad på ordinært resultat		-11 022 278	-5 957 246
Ordinært resultat etter skattekostnad		**-42 479 941**	**-21 113 898**
Årsresultat		**-42 479 941**	**-21 113 898**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-42 479 941	-21 113 899

Resultatregnskap

Beløp i: NOK	Note	2023	2022
Sum overføringer og disponeringer		**-42 479 941**	**-21 113 899**

Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utvikling		45 079 851	42 485 588
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter		9 546 104	13 688 643
Utsatt skattefordel		24 744 492	13 722 214
Sum immaterielle eiendeler		**79 370 447**	**69 896 445**
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende		1 993 520	1 316 604
Sum varige driftsmidler		**1 993 520**	**1 316 604**
Finansielle anleggsmidler			
Investering i datterselskap		400 790 930	391 702 864
Lån til foretak i samme konsern			16 685 817
Sum finansielle anleggsmidler		**400 790 930**	**408 388 681**
Sum anleggsmidler		**482 154 897**	**479 601 730**
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		746 642	728 498
Konsernfordringer		37 829 920	17 117 195
Sum fordringer		**38 576 562**	**17 845 693**
Sum omløpsmidler		**38 576 562**	**17 845 693**
SUM EIENDELER		**520 731 459**	**497 447 423**

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Balanse

Beløp i: NOK	Note	2023	2022
Innskutt egenkapital			
Selskapskapital		666 401	666 401
Beholdning av egne aksjer		-47 232	
Overkurs		263 654 220	263 654 220
Sum innskutt egenkapital		**264 273 389**	**264 320 621**
Opptjent egenkapital			
Udekket tap		99 595 215	50 245 529
Sum opptjent egenkapital		**-99 595 215**	**-50 245 529**
Sum egenkapital		**164 678 174**	**214 075 092**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		243 976 504	228 918 790
Sum annen langsiktig gjeld		**243 976 504**	**228 918 790**
Sum langsiktig gjeld		**243 976 504**	**228 918 790**
Kortsiktig gjeld			
Leverandørgjeld		1 045 424	4 800 733
Skyldige offentlige avgifter		-28 057	
Kortsiktig konserngjeld		110 211 780	46 710 749
Annen kortsiktig gjeld		847 633	2 942 060
Sum kortsiktig gjeld		**112 076 780**	**54 453 542**
Sum gjeld		**356 053 284**	**283 372 332**
SUM EGENKAPITAL OG GJELD		**520 731 458**	**497 447 424**

Skatteetaten

Vår dato
26.08.2024

Din/Deres dato
15.08.2024

Saksbehandler
Lars Waaltorp

800 80 000
Skatteetaten.no

Din/Deres referanse

Telefon
90833418

Org.nr
974761076

Vår referanse
2024/5355284

Postadresse
Postboks 9200 Grønland
0134 OSLO

KIONA HOLDING AS
Att.Janita M. Bakeng
Leirfossvegen 27
7038 TRONDHEIM
Norge

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk

Vi viser til deres brev av 15. august 2024 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for følgende selskaper:

Kiona Holding AS	**org.nr. 983 190 510**
Kiona AS	**org.nr. 984 699 980**

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

Bakgrunn
Kiona AS er et heleid datterselskap av Kiona Holding AS. Hovedaksjonæren i Kiona Holding AS er et utenlandsk selskap. Øvrige aksjer eies av private investorer og norske og utenlandske ansatte.

Selskapene er leverandører av Building Management Software til kunder i Europa. Konsernet har datterselskaper i flere europeiske land, og konsernets arbeidsspråk er engelsk.

Styrelederen og flere av styremedlemmene i Kiona Holding AS er utenlandske.

Skattekontorets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> "Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

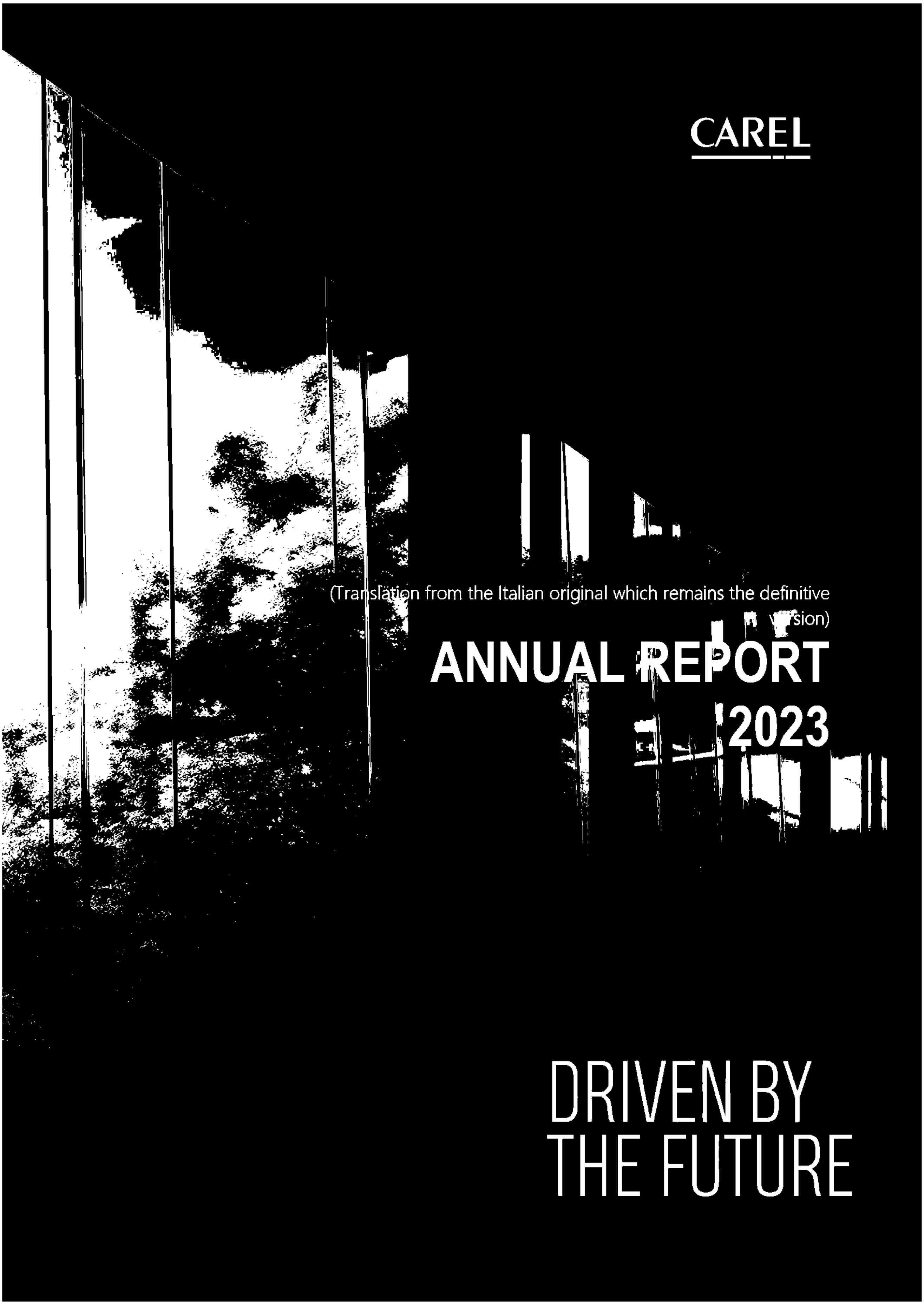
Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at hovedaksjonæren i Kiona Holding AS er et utenlandsk selskap. Videre er det vektlagt at selskapene driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Lars Waaltorp
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.


CAREL
(Translation from the Italian original which remains the definitive version)
ANNUAL REPORT
2023
DRIVEN BY
THE FUTURE

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LETTER TO THE SHAREHOLDERS

Dear shareholders,
It is with great excitement and enthusiasm that we approached 2023, the year that marked Carel's 50th anniversary. In this half century, the group has achieved extraordinary results, transforming itself from a small local business to worldwide excellence in the design, development, and production of control solutions for air conditioning, ventilation and refrigeration. An unwavering commitment to innovation and environmental sustainability along with the deep dedication of those who have put their enthusiasm and skills at the company's disposal have made it possible to develop an uninterrupted path of successes that also marked the recently concluded year.
In 2023, in fact, the group reported consolidated revenue growth close to 20%, which is even more significant when added to the +29.6% achieved in 2022; this performance, thanks in part to the operating leverage factor, was reflected in profitability, i.e., EBITDA as a percentage of revenue (which gives the EBITDA margin), which stood at 21.1% (21.5% adjusted), a considerable increase from the 20.5% of the previous year.
If we compare the consolidated revenue reported this year of about €650 million with that of 2018 of about €280 million, we immediately notice the remarkable leap in size made by Carel: since its listing, turnover has more than doubled, and this is thanks to an excellent balance between organic growth, based on internal resources and expertise, and external growth through M&A transactions. With respect to the latter transactions and like in previous years, 2023 was another very satisfactory year with the closing of two acquisitions, Eurotec and Kiona, which are added to the other nine made since the IPO. Eurotec is a distributor and system integrator based in Auckland, New Zealand, and its acquisition is part of the group's long-standing tradition of consolidating its footprint in its target geographical areas through the development of its direct sales force. The rationale behind Carel's acquisition of Kiona, a leading Norwegian company that provides software solutions for energy consumption optimisation and building digitalisation, is to strengthen its global leadership, by seizing opportunities related to the growing digitisation and servitisation of the industry, while consolidating and accelerating its digital services development strategy. In order to ensure sufficient financial flexibility to take advantage of possible further M&A opportunities in the near future as well, we launched a capital increase of approximately €200 million in the second half of 2023, which was met with considerable interest by the market and successfully completed in December.
Performance growth and implementation of strategic guidelines have been intertwined for a sustainable vision of success, as proven by the confirmations of both the ESG silver medal by Ecovadis and Carel's inclusion, with a "AA" rating, in the "ESG leader" category by MSCI. In addition, CDP, the global non-profit organisation that monitors, inter alia, corporate performance in combating climate change, upgraded Carel's rating assigning it a "B" (in 2022, the rating had been "B-") strengthening its positioning in the "Management" category, i.e., within the panel of companies working to manage their impact on the environment.

In conclusion, 2023 proved to be a successful year despite a macroeconomic scenario of high inflation and high interest rates. For us at Carel it has been a special year because it gave us the opportunity to look back on a history spanning fifty years, fifty years of challenges, successes, dedication and innovation. My personal thanks go out to the extraordinary women and men who have contributed to making Carel a global excellence and contribute and will contribute in the future to another fifty years of development and success.

Chairperson
Luigi Rossi Luciani

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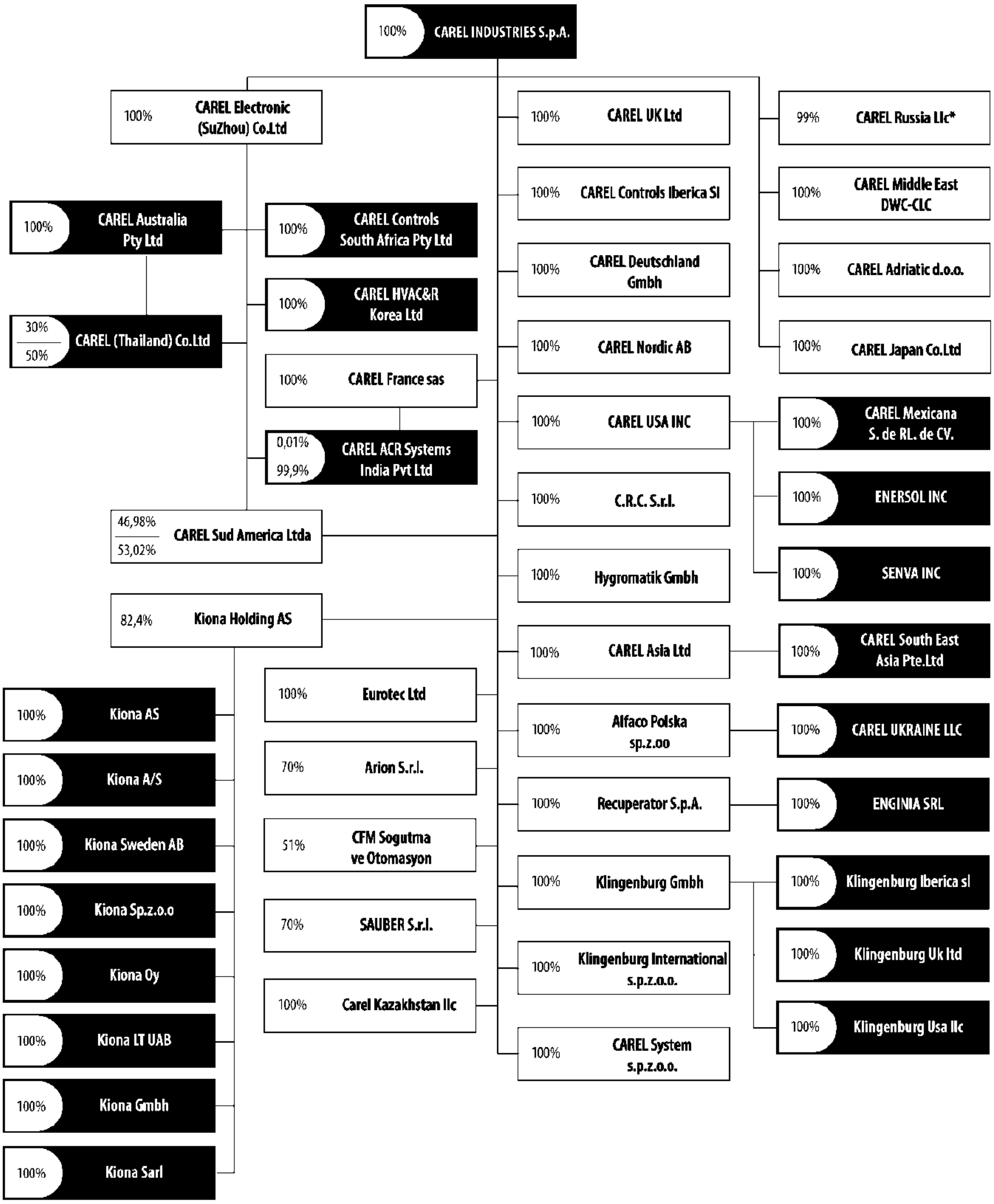
2023 DIRECTORS' REPORT

31 DECEMBER 2023

CAREL INDUSTRIES GROUP'S STRUCTURE

The following graph shows the group's structure at 31 December 2023:



*= 1% owned by Carel France SAS

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	*Claudia 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 Shareholder's meeting on 14 September 2023.

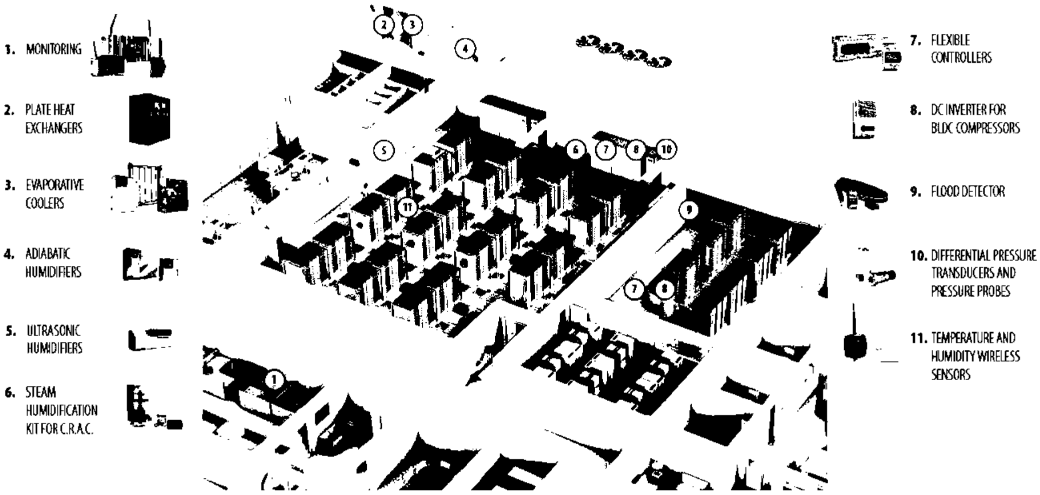
OPERATIONS AND MARKETS

The group is active in the design, manufacturing and global distribution of technologically innovative components and solutions (hardware and software) to achieve energy-efficient control and regulation instruments for the air conditioning (Heating Ventilation Air Conditioning, "HVAC") and refrigeration markets (together "HVAC/R"). In this context, the group designs, manufactures and markets control and humidification solutions for the following application segments:

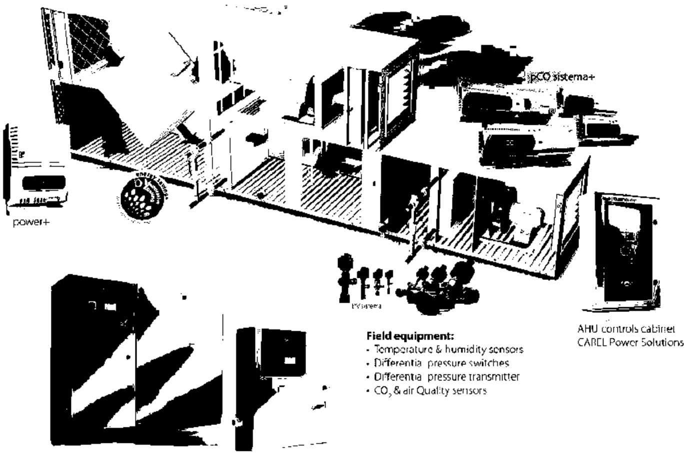
With reference to the HVAC sector, the group offers solutions for integration into individual units, such as heat pumps, shelters, rooftops, computer room air conditioners (CRAC), chillers and air handling units. Its industrial applications are designed for data centres, the process industry, commercial applications mainly consisting of components for air-conditioning systems in commercial buildings, and residential applications principally comprising control solutions for heat pumps.

The following charts show the Carel systems:

- for applications in data centre air-conditioning systems;



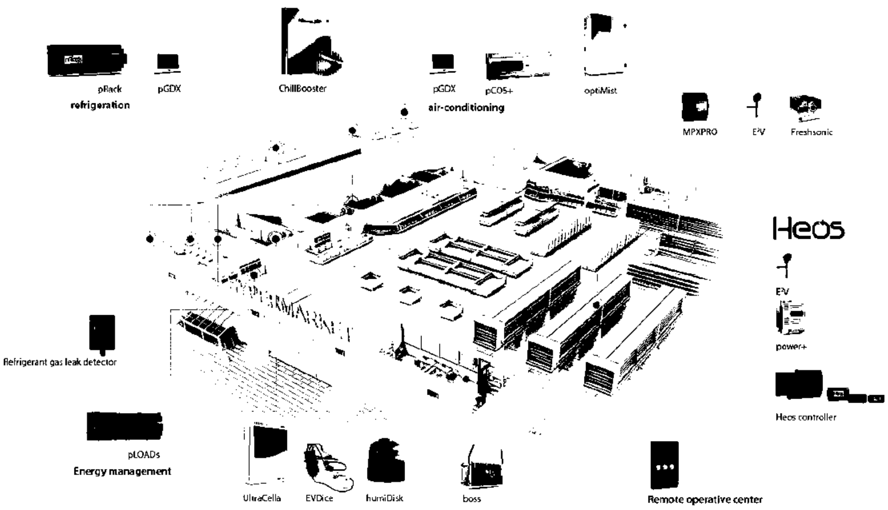
- for air treatment systems:



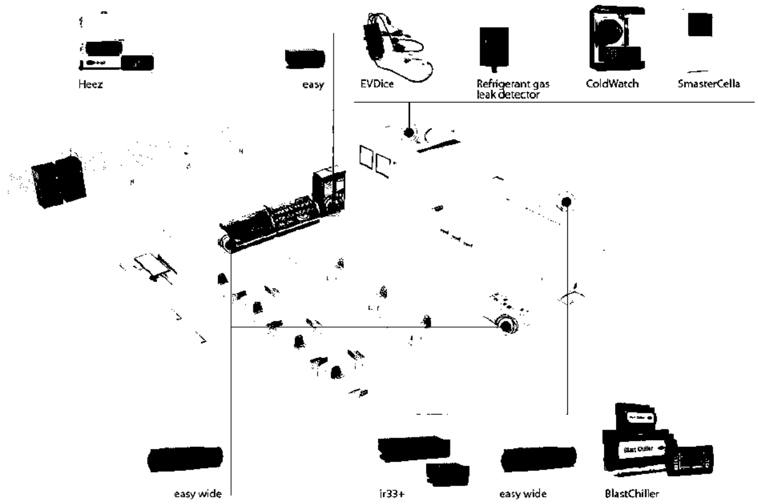
In the refrigeration sector, the group specialises in the design, manufacturing and distribution of control systems for the food retail and food service segments. Carel's offer is for:

- individual refrigerator units, such as beverage coolers, plug-in refrigerators and display cabinets;
- complex and interconnected commercial refrigeration systems, such as those for supermarkets of all sizes, convenience stores and foodcourts;
- supervisory systems for individual machines, such as plant and remote supervision centres.

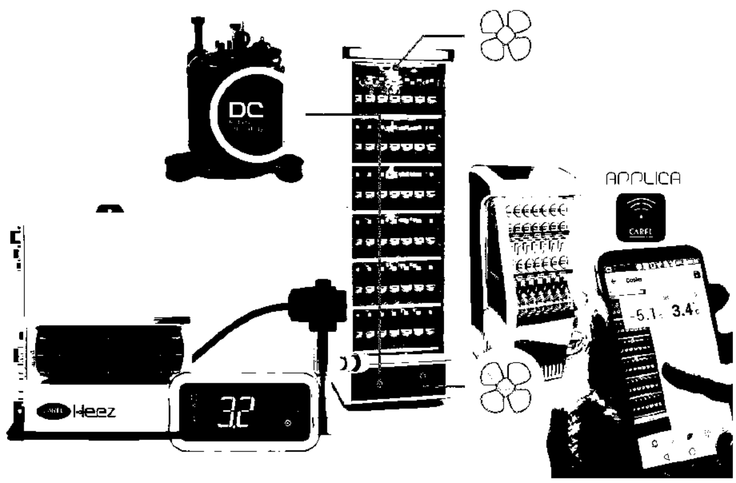
Example application of Carel's solutions for commercial refrigeration in food retail (supermarkets):



Example application of Carel's solutions for commercial refrigeration in food service (quick service restaurants):



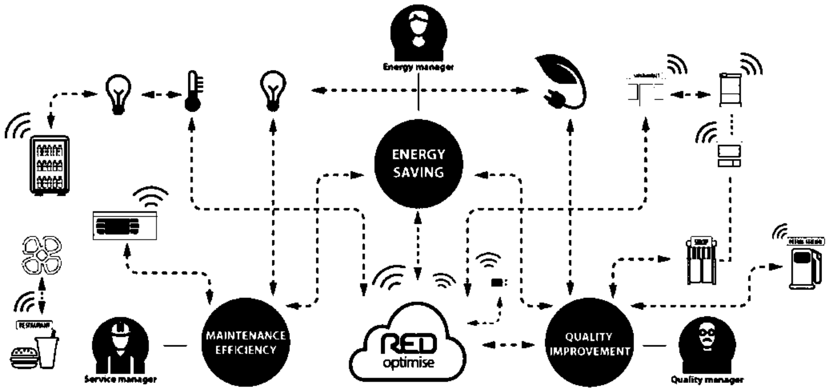
Example application of Carel's solutions for commercial refrigeration in food service (beverage coolers):



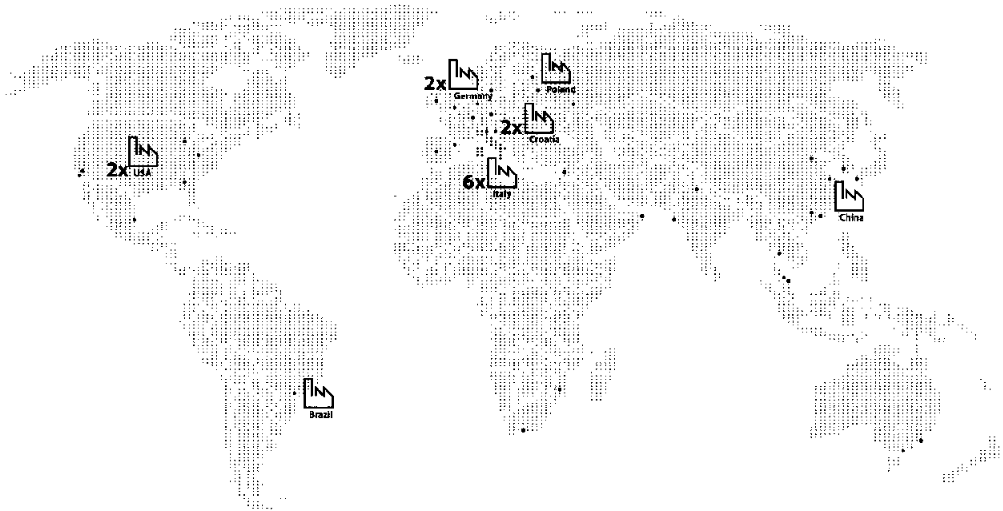
The group's portfolio is complemented by services linked to Carel's solutions, such as **commissioning** (contract work), remote management and monitoring of the group's HVAC/R systems and application components, which allows for "dialogue" between the group's service centres and end customers, subscriptions for services dedicated to the remote management and monitoring of plant and machinery through the processing of data collected using **Internet of Things** features.

The **IoT solution** has been developed to integrate the specific solutions of the HVAC/R markets via cloud and on-site solutions. The portfolio includes benchmarking, statistics, alarms and standard reporting, whereby users can optimise their daily activities and achieve their goals more effectively in terms of services, energy, quality and marketing. The development of this business is crucial for Carel, including for its future.

Example IoT solutions for the HVAC and refrigeration markets



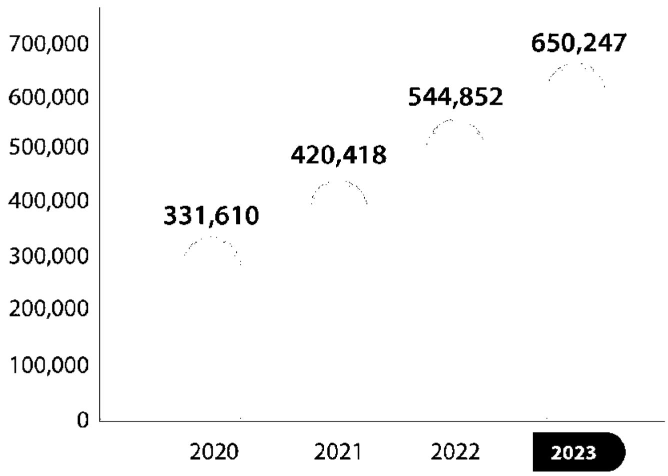
The group operates through 49 companies with 15 production sites in Italy, Croatia, Germany, China, the US, Brazil and Poland.



BUSINESS OVERVIEW

2023 was an extremely positive year for the Carel Group with a 19.3% rise in turnover, while the increase would have been 21.1% using constant exchange rates. This satisfactory achievement is partly due to the contribution of acquisitions made in the previous year, especially Klingenburg and Senva.

On a like-for-like basis, revenue would have grown 8.6%.



REVENUE BY BUSINESS SEGMENT

The ongoing upturn in demand seen especially in the HVAC sector, already noted in 2022, continued into 2023 although in the second part of the year demand for some applications, especially those related to heat pumps, slowed down partly due to legislative delays in the Europe. The refrigeration market's performance was more subdued with a slight increase over the previous year's results.

Revenue by business segment is broken down in the following table:

(€'000)	2023	2022	Variation %	FX variation %
HVAC revenue	472,144	371,852	27.0%	28.7%
REF revenue	175,141	168,934	3.7%	5.6%
Total core revenue	**647,285**	**540,786**	**19.7%**	**21.5%**
Non-core revenue	2,962	4,066	(27.2%)	(23.9%)
Total revenue	**650,247**	**544,852**	**19.3%**	**21.1%**

REVENUE BY GEOGRAPHICAL SEGMENT

The group's HVAC business performed extremely well, supported by solid global trends. In particular, the data centre sector continued to be very lively while the market confirmed its focus on indoor air quality products. The residential segment saw strong growth in the early part of the year and subsequently consolidated its position in the second half of the year. These performances contributed to the group's growth mainly in the Americas and Europe.

The refrigeration market continued to see a certain weakness in final demand, mainly due to the end operators' decision to prudently postpone investments.

Despite the unfavourable market trends, the group's performance improved during the year thanks to the easing of tensions caused by the shortage of materials (which had a particularly negative impact in the early part of the year) and its ability to seize some market opportunities.

A breakdown of revenue by geographical segment is provided below:

(€'000)	2023	2022	Variation %	FX variation %
Europe, Middle East and Africa	450,231	382,730	17.6%	17.9%
APAC	89,310	78,186	14.2%	21.7%
North America	97,192	70,974	36.9%	40.7%
South America	13,514	12,962	4.3%	3.9%
Total	**650,247**	**544,852**	**19.3%**	**21.1%**

LISTING ON THE STOCK MARKET

Carel Industries S.p.A.'s ordinary shares were listed on the STAR segment of the stock market organised and managed by Borsa Italiana S.p.A. on 11 June 2018. The transaction entailed the placement of 35,000,000 ordinary shares, which subsequently increased to 40,250,000 on 25 June 2018 following the exercise of the greenshoe option. The placement with institutional investors involved 40.25% of the share capital and 25.20% of shares with voting rights.
On 5 January 2021, Luigi Nalini S.a.p.a. sold 3,582,560 ordinary Carel shares, equal to around 3.6% of its share capital.

During 2023, the share price rose by about 5.5% to €24.80 per share on the last trading day of the year. In the second half of 2023, Carel Industries carried out a capital increase that raised the number of its shares from 100,000,000 to 112,499,205. This has meant that, over 2023, the market capitalisation grew by 18.5% and thus by a much larger amount than the share price. Approximately 42,000 shares were traded on average a day while the maximum price reached in the year was €28.15 per share.

CAREL INDUSTRIES SHARE AT 31 DECEMBER 2023

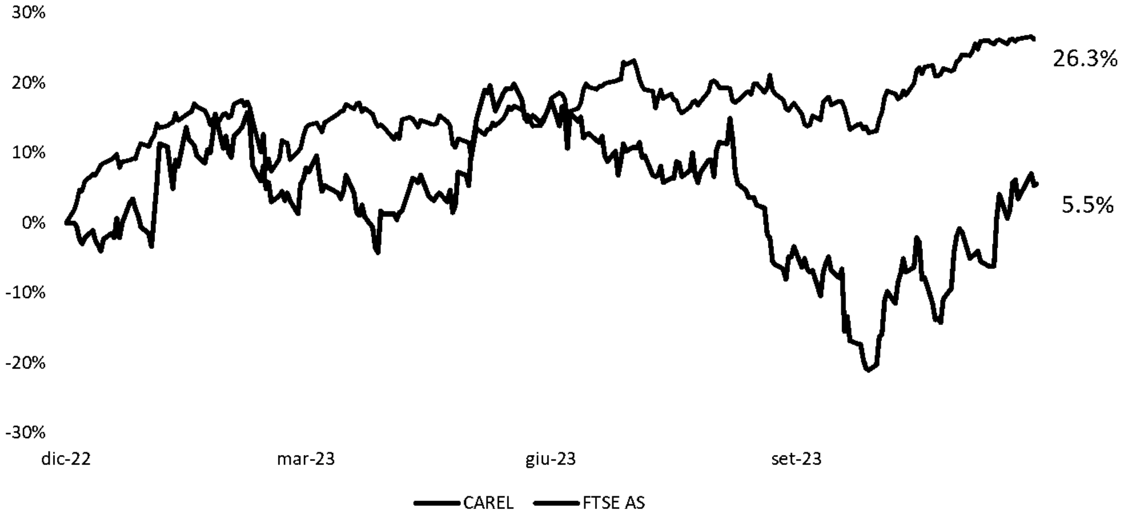
Stock exchange:	Borsa Italiana STAR segment
Isin Code:	IT005331019
Ticker:	CLR
Indexes:	FTSE All-share Capped, FTSE Italia All-Share, FTSE Italia Mid Cap, FTSE Italia Star, FTSE Italia Industria, FTSE Italia Edilizia e Materiali
Number of shares:	112,499,205
Nominal amount:	unassigned
Earnings per share:	0.70
Dividend per share:	0.19

MAJOR SHAREHOLDERS AT 31 DECEMBER 2023

	Number of shares	% of share capital	Voting rights	% of voting rights
Luigi Rossi Luciani S.a.p.a.	38,196,727	33.95%	76,376,746	44.46%
Athena FH S.p.A.	21,112,420	18.77%	42,224,840	24.58%

Based on communications received by the company pursuant to article 120 of Legislative decree no. 58/1998 prior to the divisible capital increase against payment with right of first refusal approved by the shareholders in their extraordinary meeting held on 14 September 2023 and completed on 7 December 2023:

- the shareholder 7 Industries Holding B.V. held a 5.00% stake in Carel Industries' share capital, equal to 3.20% of the total voting rights;
- the shareholder Capital Research and Management Company held an interest of 8.37% of Carel Industries' share capital, equal to 5.36% of the total voting rights.



OTHER SIGNIFICANT EVENTS OF THE YEAR

MERGERS & ACQUISITIONS

In 2023, the group focused on important business acquisitions in line with one of its strategic pillars, external growth, aiming to strengthen its core business by acquiring market shares in the reference geographical segments and in complementary applications.

In accordance with IFRS 3, the purchase price allocation procedure is currently underway, with reference to Kiona Group, for the various acquisitions. Reference should be made to the Consolidation scope section of the notes to the consolidated financial statements for further information.

Acquisition of Kiona Group

On 31 August 2023, the parent 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.

At 31 December 2022, the Kiona Group had total revenue of NOK219 million and EBITDA of approximately NOK22 million (its adjusted EBITDA was NOK48.8 million, i.e., net of costs mainly related to M&A transactions).

For more information about the assets acquired and liabilities assumed at the acquisition date, reference should be made to the Consolidation scope section of the notes to the consolidated financial statements.

The transaction became effective on 1 September 2023 and the consideration paid for 82.4% of the company amounted to €164.8 million. As part of the acquisition, the parent provided Kiona Holding AS with the necessary funding to allow it to fully repay its loans and borrowings of €14,806 thousand. Furthermore, under the acquisition agreement, the equity investment held by the non-controlling investor is subject to mutual put and call options. These options were measured at their fair value at the acquisition date and the resulting liability of approximately €67.5 million is recognised under Other non-current liabilities.

At the acquisition date, Kiona Holding AS had 153 employees.

Acquisition of Eurotec Ltd
In March 2023, the parent completed the acquisition of 100% of Eurotec Ltd, a distributor and system integrator based in Auckland in New Zealand
In 2023, the company generated revenue and EBITDA of approximately €6.8 million and €0.7 million, respectively. Its net financial position amounted to roughly €0.2 million. For additional information about the assets acquired and the liabilities assumed at the acquisition date, reference should be made to the Consolidation scope section of the notes to the consolidated financial statements. The transaction became effective on 1 March 2023 and the consideration for the entire share capital amounted to €4.1 million, including the earn-out.
In accordance with IFRS 3, the purchase price allocation procedure is completed. Reference should be made to the Consolidation scope section of the notes to the consolidated financial statements for further information.
At the acquisition date, the company had 27 employees.

CAPITAL INCREASE

At their extraordinary meeting of 14 September 2023, the parent's shareholders approved the board of directors' proposed share capital increase of a maximum of €200,000 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 parent's shareholders will have the right of first refusal for the newly-issued shares in proportion to their investment percentage. The increase aims at providing the Carel Group with a flexible financial structure consistent with its growth plans.
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 parent 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 parent'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 parent 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 parent'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 12,499,205 shares without a nominal amount.

DIVIDEND DISTRIBUTIONS

In June 2023, the parent distributed dividends of €17,999 thousand, in accordance with the shareholders' resolution of 21 April 2023.

OVERVIEW OF THE GROUP'S PERFORMANCE

The main performance figures for 2023 compared to the previous year are as follows:

(€'000)	2023	2022	Variation	Variation %
EBITDA[1]	137,183	111,725	25,458	22.8%
ADJUSTED EBITDA	139,854	114,743	25,111	21.9%
OPERATING PROFIT	104,400	87,311	17,090	19.6%
PROFIT FOR THE YEAR	74,473	64,799	9,674	14.9%

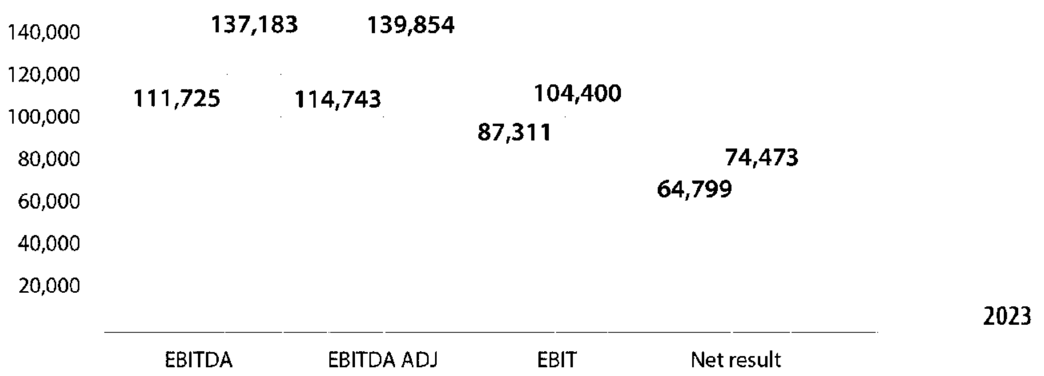
2023 EBITDA amounts to €137.2 million equal to 21.1%[2] of revenue, up €25.5 million from €111.7 million for the previous year (when it was equal to 20.5% of revenue). This improvement is mostly a result of the higher business volumes in all geographical segments and the consolidation of the companies acquired in 2022, which offset the higher personnel expenses.

Net of non-recurring effects of around €2.7 million (€3.0 million in 2022) related to costs incurred for M&A activities, adjusted EBITDA would have come to €139.9 million, equal to 21.5% of revenue compared to 21.1% in 2022.

The profit for the year came to €74.5 million, up 14.9% on the previous year. It is equal to 11.5% of revenue compared to 11.9% for 2022.

[1] The group calculates EBITDA as the sum of the profit before tax, the gain or loss on equity-accounted investments, exchange differences, net financial income (expense), amortisation, depreciation and impairment losses. It uses EBITDA to assess its operating performance.

[2] The EBITDA ratio is the ratio of EBITDA to revenue.



The main financial position indicators at 31 December 2023 and 2022 are as follows:

(€'000)	31.12.2023	31.12.2022 Restated (*)	Variation	Variation %
Non-current assets[3]	507,725	313,282	194,443	62.1%
Working capital[4]	77,509	85,899	(8,390)	(9.8%)
Defined benefit plans	(8,479)	(8,129)	(350)	4.3%
Net invested capital[5]	**576,755**	**391,053**	**185,703**	**47.5%**
Equity	396,174	221,247	174,927	79.1%
Call options on non-controlling interests and earn-out	144,918	73,965	70,953	95.9%
Net financial debt	35,664	95,841	(60,177)	(62.8%)
Total	**576,755**	**391,053**	**185,703**	**47.5%**

(*) the 31 December 2022 figures have been restated compared to those approved by the board of directors on 2 March 2023; more information is provided in the section on the Consolidation scope in the notes to the consolidated financial statements.

Non-current assets amount to €507.7 million, up by €194.4 million from €313.3 million in the previous year, mostly due to the acquisition of the Kiona Group which led to the recognition of intangible assets of €55 million as a result of the PPA procedure and goodwill of €144 million. Reference should be made to the notes to the consolidated financial statements for more information.

Net of right-of-use assets, the group's investments amount to €27.4 million, compared to €26.8 million at the end of the previous year. The group invested heavily in plant and machinery for its sites in Croatia, China and at the parent's premises.

The investments in intangible assets, mostly made by the parent, amount to €6.5 million and related principally to the ongoing roll-out of the Product Lifecycle Management (PLM) project, the capitalisation of R&D costs and implementations for the group's IT systems.

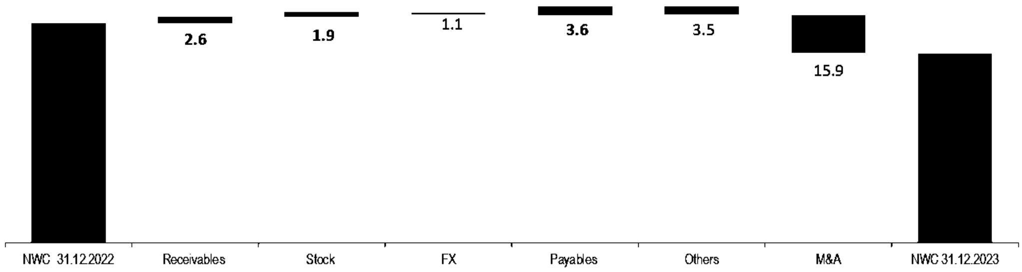
Amortisation and depreciation, including the effects of the application of IFRS 16, totalled €32.8 million in 2023 compared to €24.4 million in 2022. This includes €8.1 million related to the PPA procedure (€5.6 million in 2022).

Net working capital of €77.5 million decreased by €8.4 million from €85.9 million at 31 December 2022. This reduction is mostly due to the consolidation of the Kiona Group (approximately €16 million).

[3] Net non-current assets is the sum of property, plant and equipment, intangible assets, equity-accounted investments and other non-current assets less other non-current liabilities.

[4] Net working capital is the sum of trade receivables, inventories, tax assets, other current assets, deferred tax assets, trade payables, current tax liabilities, other current liabilities, deferred tax liabilities and provisions for risks.

[5] Net invested capital is the sum of (i) net non-current assets, (ii) net working capital and (iii) defined benefit plans.



Excluding the newly consolidated companies, inventories did not change significantly from the previous year end, nor did trade receivables and payables.

Call options on non-controlling interests and earn-out relate to the liabilities for the call options for the non-controlling investments in CFM, Sauber and Kiona and the liability recognised for the earn-out mechanism for the managers of Senva. The increase in this caption is mostly due to the recognition of liabilities for call options subscribed with the acquisition of the Kiona Group. Reference should be made to the section on the "Consolidation scope" section in the notes to the consolidated financial statements for more information.

The group's **net financial debt** decreased by €60.2 million to €35.7 million compared to €95.8 million at 31 December 2022. Net bank loans and borrowings of €53.4 million at 31 December 2022 became net cash with banks of €5.2 million at the end of the year. During the year, the group disbursed cash of around €181 million (net of cash acquired) for its acquisitions and €21 million to pay dividends (including dividends to non-controlling investors). Net financial debt was subsequently decreased by €196.4 million due to the capital increase described earlier.

Financial liabilities assumed with the acquisitions amount to approximately €17.3 million, including lease liabilities of around €3 million. Reference should be made to the statement of cash flows for more information on the cash flows for the year.

A breakdown of net financial debt is as follows:

(€'000)	**31.12.2023**	**31.12.2022**
Non-current financial liabilities	120,432	94,177
Current financial liabilities	39,575	78,526
Non-current lease liabilities	26,958	27,216
Current lease liabilities	6,406	5,434
Cash and cash equivalents	(154,010)	(96,636)
Current financial assets	(3,697)	(12,875)
Net financial debt	**35,664**	**95,841**
Net financial debt excluding the effects of IFRS 16	2,300	63,191
Net (cash with banks) bank loans and borrowings	(5,220)	53,358

The net financial debt is mainly comprised of:

- current and non-current bank loans and borrowings totalling €90.7 million (€121.7 million at 31 December 2022);
- current and non-current amounts due to bondholders totalling €59.8 million (€39.6 million at 31 December 2022);
- current and non-current other loans and borrowings totalling €1.8 million (€1.6 million at 31 December 2022);

- current and non-current financial liabilities related to acquisitions totalling €7.1 million (€9.6 million at 31 December 2022);
- current and non-current lease liabilities totalling €33.6 million (€32.7 million at 31 December 2022);
- cash and cash equivalents totalling €154 million;
- other current financial assets of €3.7 million.

The group complied with the covenants provided for in its loan agreements.

At 31 December 2023, over 60% of cash and cash equivalents and current financial assets were held by Italian group companies and approximately 9% by the US subsidiaries. The remaining amount was split among the other group companies.

INDEX

	2023	2022
ROS [6]	16.1%	16.0%
ROI [7]	18.1%	22.8%
ROE [8]	18.8%	29.3%
ROA [9]	11.3%	13.6%
Inventory turnover [10]	2.6	2.7
Average DSO [11]	54	56
Average DPO [12]	77	81
Group tax rate [13]	20.1%	22.3%
R&D investments [14]	25,865	20,002
R&D as % of revenue [15]	4.0%	3.8%
Capex as % of revenue [16]	4.2%	4.9%
Cash conversion rate [17]	85.6%	40.8%

Key cash flows are as follows:

CASH FLOWS FROM OPERATIONS (INDIRECT METHOD)

(€'000)	2023	2022
Profit for the year	74,473	64,799
Profit for the year net of amortisation, depreciation and impairment losses, provisions, net financial (income) expense, income taxes and (gains)/losses on the sale of non-current assets	**145,918**	**111,673**
Cash flows before changes in net working capital	(15,845)	(24,764)
Interest and income taxes paid	(28,045)	(17,497)
Net cash flows from operating activities	**102,028**	**69,411**
Cash flows used in investing activities	(197,005)	(79,664)
Increase (decrease) in share capital	195,427	-

6 The Return on Sales (ROS) is the ratio of operating profit (loss) to revenue.

7 The Return on Investment (ROI) is the ratio of operating profit (loss) to net invested capital.

8 The Return on Equity (ROE) is the ratio of the profit (loss) for the year to equity.

9 The Return on Assets (ROA) is the ratio of the operating profit (loss) to total assets.

10 Inventory turnover is calculated as the ratio of (i) purchases of raw materials, consumables, goods and changes in inventories to (ii) average inventories at the end of the previous and current years. This ratio is multiplied by 365.

11 Average DSO is the ratio of (i) the average of trade receivables at the end of the previous and current years to (ii) revenue. This ratio is multiplied by 365.

12 Average DPO is the ratio of (i) the average of trade payables at the end of the previous and current years to (ii) the sum of purchases of raw materials, consumables and goods and changes in inventories and cost of services. This ratio is multiplied by 365.

13 The group tax rate is the ratio of income taxes to the profit before tax.

14 The R&D investments are the sum of R&D Opex and R&D Capex.

15 The R&D investments as a percentage of revenue is the ratio of R&D investments to revenue.

16 Capex as a percentage of revenue is the ratio of cash flows from investing activities to revenue.

17 The cash conversion rate is calculated as the ratio of (i) operating cash flows net of cash flows from investing activities to (ii) EBITDA.

(€'000)	2023	2022
Sales (acquisitions) of equity investments	-	-
Dividends to owners of the parent and non-controlling investors	(21,246)	(18,263)
Cash flows from (used in) financing activities	(20,654)	24,477
Change in cash and cash equivalents	**58,551**	**(4,038)**
Opening cash and cash equivalents	95,459	100,675
Closing cash and cash equivalents	154,010	96,637

Net cash flows from operating activities increased to €102.0 million from €69.4 million for the previous year, mainly as a result of the higher turnover.

Overall, the group generated cash flows of €58.6 million after distributing dividends of €21 million and making investments of €197 million.

OVERVIEW OF THE PARENT'S PERFORMANCE: CAREL INDUSTRIES S.p.A.

The parent, Carel Industries S.p.A., has its offices at the main production site in Brugine (Padua).

It manufactures and markets products which it distributes to the end customers in the markets it manages directly (mostly Italy) and its foreign subsidiaries in the markets they manage.
The parent provides centralised treasury services to the group and the European companies have a cash pooling system in which it acts as pooler. At year end, it had financial assets of €6.6 million and financial liabilities of €24.5 million related to the cash pooling account. During the year, it lend Kiona Holding AS NOK171.2 million (the equivalent of €14,806 thousand) to allow it to fully pay off its loans and borrowings concurrently with acquisition of an 82.4% in this investee.

In 2022, Carel set up the domestic tax consolidation scheme for IRES (corporate income tax) purposes for the 2022-2024 period in accordance with article 117 and following articles of the Consolidated Income Tax Act. Its subsidiaries Recuperator S.p.A., Enginia S.r.l. and CRC S.r.l. joined the scheme under separate master agreements with the parent.

The parent's net financial debt amounts to €55.9 million (31 December 2022: €112.2 million). As already described, the parent placed a non-convertible bond issue of €20 million, subscribed by Prudential Insurance Company of America (Pricoa). It also distributed dividends of approximately €18 million to its shareholders during the year.

The parent's key figures are summarised below:

CAREL INDUSTRIES S.P.A.			
(€'000)	**2023**	**2022**	**Variation %**
Revenue from third parties	152,009	130,337	16.6%
Intragroup revenue	133,259	118,293	12.7%
Other revenue	9,605	9,699	-1.0%
Operating costs	(255,101)	(225,189)	13.3%
EBITDA	**39,772**	**33,140**	**20.0%**
Amortisation, depreciation and impairment losses	(10,525)	(9,085)	15.9%
Operating profit	**29,247**	**24,055**	**21.6%**
Net financial income	19,965	26,078	-23.4%
Profit before tax	**49,212**	**50,133**	**-1.8%**
Income taxes	(4,698)	(5,625)	-16.5%
Profit for the year	**44,515**	**44,508**	**0.0%**

The parent performed well in 2023; revenue from third parties amounts to €152 million, up by 16.6% on the previous year. Intragroup revenue increased by 12.6%.

Other revenue mainly consists of royalties from group companies for know-how licences and tax assets for R&D activities as provided for by national laws.

The increase in other operating costs is mainly due to higher costs to purchase raw materials and semi-finished products and personnel expense.

The number of employees increased from 718 at the end of 2022 to 756 at the reporting date.

Financial income includes dividends of €29.8 million (2022: €28.8 million) mainly received from the Chinese, Turkish and German subsidiaries.

The reclassified statement of financial position as at 31 December 2023 compared with the previous year end is as follows:

CAREL INDUSTRIES S.P.A.			
(€'000)	**31.12.2023**	**31.12.2022**	**Variation %**
Non-current assets	434,505	249,800	73.9%
Working capital	153	13,934	-98.9%
Defined benefit plans	(4,319)	(4,390)	-1.6%
Net invested capital	**430,340**	**259,344**	**65.9%**
Equity	359,041	138,025	160.1%
Other liabilities for put/call options	15,397	9,104	69.1%
Net financial debt	55,901	112,215	-50.2%
Total coverage	**430,340**	**259,344**	**65.9%**

The increase in non-current assets is mainly due to:

- investments in property, plant and equipment of €10.0 million (including right-of-use assets of €1.3 million) and intangible assets of €4.6 million;
- the investments in Kiona Holding AS (€176.3 million), Eurotec Limited (€4.1 million) and Carel System Spzoo (€0.7 million).

Amortisation and depreciation amount to €10.5 million.

Working capital decreased mainly due to the increase in trade payables (€66.8 million compared to €61.9 million at 31 December 2022) and the reclassification the derivative for the put and call options for CFM Sogutma ve Otomasyon A.S, amounting to €12.6 million, to current liabilities, only partly offset by the increase in inventories (€33.6 million compared to €31.2 million at 31 December 2022) and trade receivables (€56.1 million compared to €53.6 million at the previous year end).

Lastly, net financial debt amounts to €55.9 million at 31 December 2023, comprising cash and cash equivalents and financial assets of €136.5 million, offset by financial liabilities of €192.4 million, including lease liabilities of €15.3 million.
The reconciliation of the parent's and group's equities at 31 December 2023 is provided below:

(€'000)	**31.12.2023**		**31.12.2022**	
	Equity	**Profit for the year**	**Equity**	**Profit for the year**
Carel Industries S.p.A.	**359,041**	**44,515**	140,966	47,510
Profit and equity of consolidated companies	310,293	59,357	250,644	55,154
Elimination of the carrying amount of investments in consolidated companies	(422,714)	(2,288)	(273,077)	(395)
Elimination of intragroup dividends	-	(29,827)	-	(29,031)
Elimination of intragroup profits on inventories	(15,480)	(2,285)	(13,196)	(4,071)
Purchase price allocation	260,878	(4,390)	153,967	(4,675)
Other adjustments	(115,595)	5,859	(53,925)	(2,368)

(€'000)	31.12.2023		31.12.2022	
	Equity	Profit for the year	Equity	Profit for the year
Carel Industries Group	**376,422**	**70,942**	**205,378**	**62,124**

Other adjustments mostly relate to the fair value measurement of the call option for 49% of CFM, 17.6% of Kiona and 30% of Sauber. More information is provided in the Consolidation scope section of the notes to the consolidated financial statements.

OCCUPATIONAL HEALTH AND SAFETY AND THE ENVIRONMENT

There were no fatal injuries during the year, continuing the trend of previous years. Two of the parent's employees applied for occupational disease compensation to which the relevant ministerial body has not replied after a timely review of the requested documentation.
In 2023, 12 (twelve) minor events were reported in the workplace (11 involving employees and one involving temporary workers), which led to their time off work or a temporary reduction in their work hours. No injuries during the commute to and from work using transport organised by the group took place during the year. There was a reduction of more than 8% in the injury frequency rate (employees and other workers) compared to the previous year although the total number of hours worked increased by 20% in 2023. A comparison with the average trend of the last three years shows that this decrease is in line.
The group did not receive any complaints nor was it ordered to appear in court for alleged violations of occupational health and safety regulations or environmental crimes in 2023.
During 2023, Carel Industries S.p.A. confirmed its ISO 45001:2018 health and safety certification and ISO 14001:2015 environmental certification. Overall, 34% of the group's production sites (2023 scope), representing a surface area equal to 50% of the total (99,200 square metres) are certified, covering almost 60% of the personnel at such sites.
During 2023, confirming the group's focus on these issues, it continued its projects with structural, organisational and behavioural measures to improve safety in the workplace, which were extended to its new production sites.
More information about this is available in the consolidated non-financial statement (NFS) prepared pursuant to Legislative decree no. 254/16.

HR AND ORGANISATION

The group's growth, also in terms of the total number of employees, continued in 2023. At year end, a breakdown of the group's employees by geographical segment is as follows:

	31.12.2023	31.12.2022	Variation
Europe, Middle East and Africa	1,901	1,652	249
APAC	406	357	49
North America	273	232	41
South America	61	58	3
Total	**2,641**	**2,299**	**342**

The recently acquired companies have made a significant contribution to the size of the group's workforce; however, employee numbers grew considerably also using the same consolidation scope as that of the previous year:

	31.12.2023	31.12.2022	Variation
Europe, Middle East and Africa	1,747	1,652	95
APAC	377	357	20
North America	273	232	41
South America	61	58	3
Total	**2,458**	**2,299**	**159**

Blue and white collars account for 37% and 63%, respectively, as shown in the table below:

31.12.2023		
	Total	**%**
Managers	71	3%
White collars	1,593	60%
Blue collars	977	37%
Total	**2,641**	**100%**

DEVELOPMENT AND SELECTION

The group continued to expand its organisation in 2023 by hiring external resources and with the inclusion of the employees of the newly acquired companies. Overall, the group hired 457 resources, of whom 40% were women, while 303 left, of whom 58% were women, and some of whom had reached retirement age.

This additional surge in the group's growth in terms of its organisation and number of employees is due to the acquisitions made during the year in line with its stated policies designed to achieve its development objectives.

The trend seen in recent years with rather high turnover levels, especially at the production sites, has continued in a very competitive global labour market, especially for highly-qualified resources. The NFS prepared pursuant to Legislative decree no. 254/16 (to which reference should be made) has a detailed description of the group's talents retention and attraction policies pursued in 2023.

2023 TRAINING COURSES

Training of one of the key tools for developing the group's business strategy. It is absolutely fundamental given the rapidly developing markets and technologies of the HVAC/R segment.

Therefore, in order to ensure the utmost professionalism within all company areas, the group has always implemented top-class employee training and development programmes. In 2023, a total of 43,138 hours of training were provided at the various offices (excluding the companies acquired or set up in 2023).

The group's ongoing financial and organisational resources dedicated to training programmes meant it provided a total of 37,660 hours of training to white collars and 5,478 hours to production personnel.

Its training courses focused on management, with 21% of the total hours dedicated to this area in 2023 and half of these courses dealt with the Lean approach. Other aspects covered were technical/specialist training about HVAC/R applications and solutions, operations, sales & marketing, quality, human resources, finance and patents and ESG training (including privacy and the code of ethics), which accounted for 14% of total training hours, which represents a significant increase over the previous two-year period.

More information about the group's training initiatives is provided in the non-financial statement prepared pursuant to Legislative decree no. 254/16, to which reference should be made.

INDUSTRIAL RELATIONS

The group's HR offices and representatives of the trade unions at the group's sites in Italy and abroad worked together with positive results during the year. Attesting the positive labour relations is the fact that just two days of strike were called, moreover at national level, with an average adhesion rate at 13.7%.

During the year, the parent implemented the agreement (second level collective bargaining) covering the 2022-2024 three-year period. It again covers flexibility, more welfare and other benefits for employees and guarantees the full tax deductibility of the entire performance bonuses, to provide workers with an additional economic benefit in line with the tax regulations in force. After negotiations that took place during the second part of 2023, a company agreement geared toward offering greater flexibility and improved treatment compared to the collective bargaining agreement was renewed in early 2024, including at Recuperator, an Italian group company acquired in 2018. The collective incentives, benefits and welfare initiatives included in this agreement apply to both the group's employees and subcontractors.

The unionisation rate at group level also remained very low, proving that "direct" industrial relations, i.e., without the arbitration of an internal or external trade union representative, are often preferred, especially at local production level.

In 2023, 42% of the group employees were covered by collective bargaining agreements while the others are hired with company or individual contracts in line with the local regulations and market practices, the group's code of ethics and its human rights, diversity and HSE policies.

2023 R&D ACTIVITIES

The group has always put R&D at the centre of its business to retain its leadership position in the **HVAC/R market**, ensure its competitive edge and provide customers with technologically innovative solutions at advantageous prices.
The development teams continue to focus on solutions for more **energy efficient** products and the possibility to use **natural refrigerants**. The cost of refrigerants in Europe is sky-rocketing due to the restrictions on those with the greatest environmental impact.
Services also increased both in the field, bolstered by the group's expertise in the various applications offered, and online with digital services to collect information from the systems used to write reports and descriptive analytics that improve and optimise management of refrigeration and conditioning systems.
Currently the R&D unit comprises the four **digital, knowledge centre, humidification, heat exchanges and mechanics** divisions and the **electronics & mechanics** competence centres. The humidification and heat exchangers and mechanics divisions are an integral part of a single unit called IAQ global business unit, which includes Recuperator, Enginia and Klingenburg, specialised in building air quality.
The revisited **R&D** department includes the **electronics** and **mechanics** areas, specialised in micromechanics to develop motorised expansion valves, the development of cases for the electronics and the development of thermodynamic modules for refrigeration which will lead to the launch of the HEOSbox modules.
Some development groups in the digital and R&D divisions have stated new flexible working methods for SW and HW development activities. This allowed the design team to understand the customers' real needs and their final application of the products through continuous engagement. The group also trialled a new interaction method among team members which, unlike the more traditional methods, allows for more frank, effective and efficient discussions.
In 2023, the R&D unit had 294 employees (including **165** at the parent, **13** in the Carel US, **70** in China, **12** at HygroMatik, **five** at Recuperator, **nine** at Klingenburg, **four** at Enginia and **16** at Senva. These resources have been supplemented by the R&D personnel of the newly acquired Kiona Group. The R&D resources are very qualified and have a high educational level.
R&D costs (personnel expense, opex and capex) equalled 3.9% of turnover and amounted to €25.8 million, up 25.6% on the previous year.

The group focused especially on consolidating development skills at the other global development sites through the **systems managers** to improve its ability to meet group design requirements. It maintained its development processes, methods and standards and circulated them throughout the group to be used as a basis for all design activities and guarantee identical quality levels at each site.

During 2023, the group revisited the organisation of the electronic R&D development teams to increase their level of specialisation. As a result, some teams have been assigned to design activities for new products and others to the maintenance and upgrading of existing products.

The group continued to fine-tune its **production part approval process (PPAP)** put in place for suppliers of materials, in particular of customised materials, in order to improve the quality in terms of both the design and the reliability of the production flows. This will improve the reliability of the supply flows, with the resulting improvements in logistics and quality. Similarly, the group reinforced its **production part approval process (PPAP)** regarding customers, exploiting the market's move to using flammable refrigerants, investigating FEMEA techniques on products and the production process, in addition to formalising the process flow and process control plan.

The group confirmed its **modular approach** to product development in the various areas (electronic, mechanical and software) to encourage as far as possible the re-use and re-usability of the modules and thus reduce development times, achieve greater reliability and reduce product costs.

In 2023, the group started to use the new customisation management process, supported by a **product lifecycle management (PLM)** software to make development activities more efficient, simplify product configuration and customisation thus boosting its business (enhancing the very modular structure and configuration and customisation flexibility provided for in the production lines). The intention is to achieve greater integration between the product engineering and industrialisation activities and to structure information flows among the different group sites where the products are developed.

Furthermore, R&D activities are also developed through long-standing partnerships with the **Padua University**, **Milan Politecnico University**, the **Danish Technological Institute**, the **Fraunhoffer Institute** and the **SMACT Competence Centre** and the **Udine University** (in areas ranging from analogue and digital electronics, evolved calculation design, power electronics to the theory of systems and controls, thermodynamic applications, technical physics and mechanical production processes), **CNR** (National Research Institute) and the most important sector associations, such as **EPEE** (European Partnership for Energy and the Environment), **AICARR** (Italian Association of Air conditioning, Heating and Refrigeration), **ASHRAE** (American Society of Heating and Air-Conditioning Engineers), **AHRI** (Air-Conditioning, Heating and Refrigeration Institute), **EHPA** (European Heat Pump Association), **CRAA** (Chinese Refrigeration and Air Conditioning Industry Association) and **CAR** (Chinese Association of Refrigeration).

During the year, four guiding tenets underpinned product development projects:

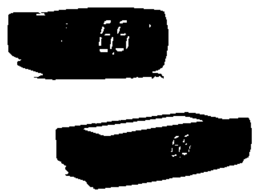
- acquisition of new base technologies and processes;
- development of new products/product platforms;
- improvement of platform products;
- development of new vertical solutions using available products.

The four guiding tenets led to:

- energy efficiency;
- natural refrigerants;
- monitoring, data analysis and streamlining of systems;
- revision and expansion of current product ranges.

A number of **chip pivoting** projects were also commenced in 2023, albeit with a smaller number than in the previous year, dedicating part of the resources to these particularly delicate activities in order to ensure the product quality.

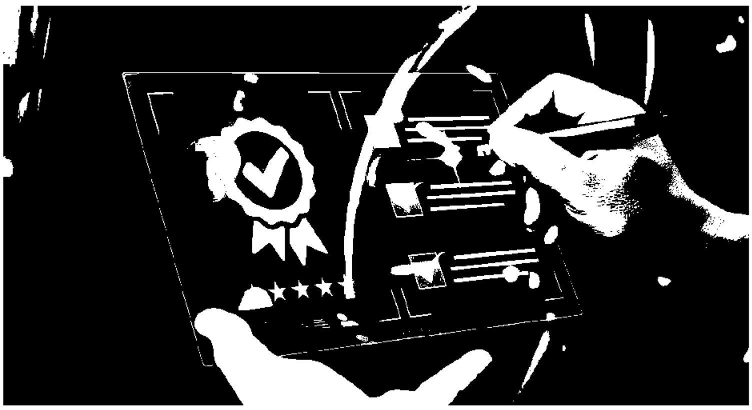
The group is studying new versions of the new **iJ** refrigeration controls. This range features highly appealing aesthetics, can easily be integrated into the refrigeration units and its design, parameters and functionalities are very adaptable. The new platform has excellent connectivity (BLE, NFC), is highly integrated with the controller systems, compatible with flammable refrigerants and very resistant to polluting agents. The group has now launched **iJF for food storage & display** for the HO.RE.CA. market, **iJM for merchandisers** (bottle coolers, ice cream chest freezers and commercial cabinets) and **iJS for scientific** and medical **applications**. The latter have back-up batteries to ensure the temperature of the drugs can be monitored during power outages. The iJ product family has a version that can be used in **particularly hostile environments** (**in terms of dust and humidity**) designed for commercial refrigeration in professional kitchens.



The group also extended the **STone** development environment, laying the foundations for its use in new product families in addition to the current programmable **c.p.CO**, **iJ** and **aCU** families.

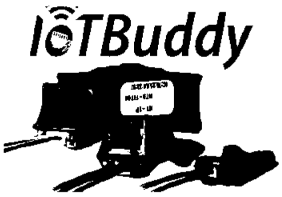
CAREL programmable controllers designed to manage **rooftop** units are equipped with built-in libraries that correctly manage IAQ sensors and adjust according to their signal.

Controls can be linked to the **boss supervisor system** so that local and remote management capabilities can be extended from sensors to the entire ventilation system.



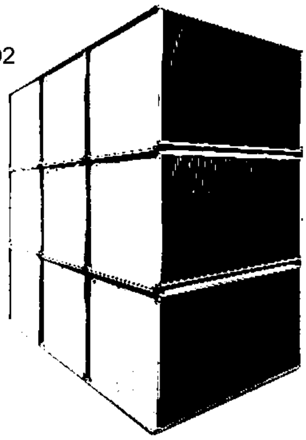
The growing importance of creating comfortable and safe environmental conditions is driving the need to find ways to do so sustainably. **Rooftop machines** can deploy the latest technologies to increase efficiency and reduce consumption. In addition, heat recovery systems facilitate greater efficiency. Moreover, an increasingly important issue is the commissioning and maintenance of the unit to maintain the efficiency and comfort levels of rooftop machines over time. To assist its customers with this issue, Carel has developed **APPLICA**, an app designed to simplify the startup and maintenance of HVAC/R units by providing easy and fast-to-implement instructions to users. During the unit's initial commissioning, pre-configured parameter formulas tested by qualified personnel are available for field personnel to be uploaded into the unit with a single "click."

In 2023, Senva launched a new gateway that allows customers to add IP-based connectivity (BACnetIP, ModbusTCP, Cloud-Azure/AWS/MQTT) **to any existing sensor solution**. The gateway supports **2.4Ghz wireless wi-fi and Ethernet and Power over Ethernet (POE) connections**, which in turn can be used to power the sensor to which it is connected. Easy to configure via NFC or the Web page hosted by IoTBuddy.



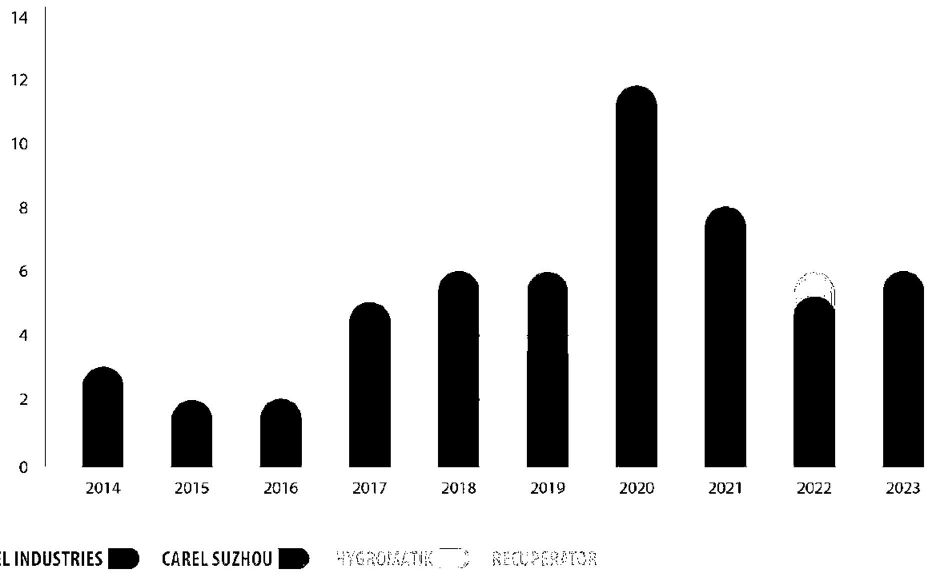
Recuperator has extended the heat exchanger family for air treatment applications to include a **rotary heat exchange** family, which it designed and manufactured, and a **plastic plate heat recovery unit** family for particularly difficult applications such as data centres, where evaporative cooling, using water, requires high resistance to corrosion over time.

This solution represents a top-notch exchanger in terms of its performance and chemical resistance designed for the data centre market. The group adopted a **plastic welding** technology which will provide new application prospects in the near future.



The group is studying a version of the valves for high cooling capacity CO2 applications, comparable to the E4VC and E5VC formats. The group continued to invest in new resources to develop fluid dynamic simulation capabilities of valves in order to pre-empt and resolve possible problems as early as the design stage.

It protects its innovative product portfolio invented over the years with 75 patents (applied for or granted), eight of which are the result of innovation activities in 2023 and cover, in addition to its inventions, novel applications used in other fields but applied by Carel in applications of interest to its



EVENTS AFTER THE REPORTING DATE

No 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).

CAREL INDUSTRIES GROUP CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

31 DECEMBER 2023

STATEMENT OF FINANCIAL POSITION

(€'000)	Note	31.12.2023	31.12.2022 Restated
Property, plant and equipment	1	117,504	109,687
Intangible assets	2	383,266	194,428
Equity-accounted investments	3	2,216	1,446
Other non-current assets	4	6,868	9,769
Deferred tax assets	5	14,399	7,745
Non-current assets		**524,254**	**323,075**
Trade receivables	6	101,291	93,692
Inventories	7	111,722	106,745
Current tax assets	8	4,264	2,777
Other assets	9	21,166	17,446
Current financial assets	10	3,697	12,875
Cash and cash equivalents	11	154,010	96,636
Current assets		**396,150**	**330,172**
TOTAL ASSETS		**920,404**	**653,247**
Equity attributable to the owners of the parent	12	376,422	205,378
Equity attributable to non-controlling interests	13	19,751	15,868
Total equity		**396,174**	**221,247**
Non-current financial liabilities	14	147,390	121,392
Provisions for risks	15	5,458	5,577
Defined benefit plans	16	8,479	8,129
Deferred tax liabilities	17	28,788	18,242
Other non-current liabilities	18	99,566	76,013
Non-current liabilities		**289,681**	**229,354**
Current financial liabilities	14	45,980	83,960
Trade payables	19	74,931	77,174
Current tax liabilities	20	5,184	4,987
Provisions for risks	15	6,191	4,301
Other current liabilities	21	102,263	32,226
Current liabilities		**234,549**	**202,647**
TOTAL LIABILITIES AND EQUITY		**920,404**	**653,247**

STATEMENT OF PROFIT OR LOSS

(€'000)	Note	2023	2022
Revenue	22	650,247	544,852
Other revenue	23	6,007	5,780
Costs of raw materials, consumables and goods and changes in inventories	24	(283,634)	(248,838)
Services	25	(83,705)	(70,234)
Capitalised development expenditure	26	2,286	705
Personnel expense	27	(149,896)	(118,425)
Other expense, net	28	(4,121)	(2,115)
Amortisation, depreciation and impairment losses	29	(32,783)	(24,414)
OPERATING PROFIT		**104,400**	**87,311**
Net financial expense	30	(9,705)	(3,173)
Net exchange losses	31	(3,763)	(861)
Fair value gains (losses) on call options	32	1,660	(2,235)
Share of profit of equity-accounted investees	33	613	2,360
PROFIT BEFORE TAX		**93,205**	**83,402**
Income taxes	34	(18,732)	(18,603)
PROFIT FOR THE YEAR		**74,473**	**64,799**
Non-controlling interests		3,531	2,675
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**70,942**	**62,124**

STATEMENT OF COMPREHENSIVE INCOME

(€'000)	Note	2023	2022
Profit for the year		**74,473**	**64,799**
Items that may be subsequently reclassified to profit or loss:			
- Fair value gains (losses) on hedging derivatives net of the tax effect		(859)	1,303
- Exchange differences		(9,716)	2,011
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial gains (losses) on employee benefits net of the tax effect		(132)	801
Comprehensive income		**63,766**	**68,914**
attributable to:			
- Owners of the parent		61,089	66,223
- Non-controlling interests		2,678	2,691
Earnings per share			
Earnings per share (in Euros)	12	0.70	0.62

STATEMENT OF CASH FLOWS

(€'000)	Note	2023	2022
Profit for the year		74,473	64,799
Adjustments for:			
Amortisation, depreciation and impairment losses	29	32,723	24,415
Accruals to/utilisations of provisions		10,220	4,829
Other expense, net		9,474	3,511
Income taxes	34	19,028	14,119
Changes in working capital:			
Change in trade receivables and other current assets		(3,875)	(15,241)
Change in inventories	7	(8,999)	(19,136)
Change in trade payables and other current liabilities		(2,225)	6,956
Change in non-current assets		(285)	297
Change in non-current liabilities		(462)	2,359
Cash flows from operating activities		**130,073**	**86,908**
Net interest paid		(8,133)	(2,271)
Income taxes paid		(19,912)	(15,226)
Net cash flows from operating activities		**102,028**	**69,411**
Investments in property, plant and equipment	1	(20,940)	(22,298)
Investments in intangible assets	2	(6,468)	(4,501)
Disinvestments of financial assets	10	8,048	(10,613)
Disinvestments of property, plant and equipment and intangible assets		537	121
Interest received		2,604	497
Investments in equity-accounted investees	3	(21)	-
Business combinations net of cash acquired	2	(180,765)	(42,870)
Cash flows used in investing activities		**(197,005)**	**(79,664)**
Capital increases		196,469	-
Repurchase of treasury shares		(1,042)	-
Dividend distributions	12	(17,999)	(14,995)
Dividends distributed to non-controlling investors	13	(3,247)	(3,268)
Increase in financial liabilities	14	245,880	102,800
Decrease in financial liabilities	14	(259,182)	(72,850)
Decrease in lease liabilities	14	(7,352)	(5,473)
Cash flows from financing activities		**153,527**	**6,214**
Change in cash and cash equivalents		**58,551**	**(4,038)**
Cash and cash equivalents - opening balance		**96,636**	**100,625**
Exchange differences		(1,177)	50
Cash and cash equivalents - closing balance		**154,010**	**96,636**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Profit for the year	Equity	Equity att. to non-controlling interests	Total equity
Balance at 1.01.2022	**10,000**	**2,000**	**3,853**	**(51)**	**17,079**	**73,011**	**49,059**	**154,952**	**14,923**	**169,875**
Owner transactions										
Allocation of prior year profit	-	-	-	-	27,145	21,914	(49,059)	**-**	-	**-**
Capital increases										
Defined benefit plans	-	-	-	-	408			**408**	-	**408**
Dividend distributions	-	-	-	-	(14,995)		-	**(14,995)**	(3,268)	**(18,263)**
Call options on non-controlling interests					(1,207)			**(1,207)**		**(1,207)**
Change in consolidation scope	-	-	-	-		-	-	**-**	1,521	**1,521**
Total owner transactions	**10,000**	**2,000**	**3,853**	**(51)**	**28,430**	**94,925**	**-**	**139,158**	**13,176**	**152,334**
Profit for the year							62,124	**62,124**	2,675	**64,799**
Other comprehensive income	-	-	1,995	1,303	801	-	-	**4,099**	16	**4,115**
Comprehensive income	-	-	1,995	1,303	801	-	62,124	**66,223**	2,691	**68,914**
Balance at 31.12.2022	10,000	2,000	5,848	1,252	29,232	94,925	62,124	**205,379**	15,868	**221,247**
Balance at 1.01.2023	**10,000**	**2,000**	**5,848**	**1,252**	**29,232**	**94,925**	**62,124**	**205,379**	**15,868**	**221,247**
Owner transactions										
Allocation of prior year profit	-	-	-	-	44,504	17,620	(62,124)	-	-	-
Capital increases	1,250	-	-	-	195,219	-	-	**196,469**	-	**196,469**
Repurchase of treasury shares	-	-	-	-	(1,042)	-	-	**(1,042)**	-	**(1,042)**
Dividend distributions	-	-	-	-	(17,999)	-	-	**(17,999)**	(3,247)	**(21,246)**
Call options on non-controlling interests	-	-	-	-	(67,475)	-	-	**(67,475)**	-	**(67,475)**
Change in consolidation scope	-	-	-	-	-	-	-	**-**	4,453	**4,453**
Total owner transactions	**11,250**	**2,000**	**5,848**	**1,252**	**182,439**	**112,544**	**-**	**315,333**	**17,074**	**332,407**
Profit for the year							70,942	**70,942**	3,531	**74,473**
Other comprehensive income			(8,863)	(859)	(132)			**(9,854)**	(853)	**(10,707)**
Comprehensive income	-	-	(8,863)	(859)	(132)	-	70,942	**61,089**	2,678	**63,767**
Balance at 31.12.2023	**11,250**	**2,000**	**(3,015)**	**393**	**182,307**	**112,544**	**70,942**	**376,422**	**19,752**	**396,174**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The group provides control instruments to the air-conditioning, commercial and industrial refrigeration markets and also produces air humidification systems. It has 49 commercial companies and 15 production sites which serve all the main markets.

As it is required to prepare consolidated financial statements, on 28 November 2016, the parent opted to draw up separate and consolidated financial statements starting from 31 December 2017 under the International Financial Reporting Standards (IFRS) endorsed by the European Union as per Regulation (EC) no. 1606/2002 of 19 July 2002, transposed into Italian law by Legislative decree no. 38/2005.

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

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

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Carel Industries Group's consolidated financial statements at 31 December 2023 were prepared in accordance with the International Financial Reporting Standards (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 consolidated 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 assuming the parent and its subsidiaries will continue as going concerns. The group deems that it could adopt a going concern assumption pursuant to IAS 1.25/26 given its strong market position, very satisfactory profits and solid financial structure.

The consolidated financial statements were prepared in thousands of Euro, which is the group's functional and presentation currency as per IAS 21 The effects of changes in foreign exchange rates. There may be rounding differences when items are added together as the individual items are calculated in Euros.

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 group 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 expects to realise the asset or settle the liability within twelve months after the reporting date.

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

Statement of profit or loss. The group 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 group's internal management reporting system and international best practices for its sector. Following adoption of revised IAS 1, the group decided to present the statement of profit or loss and other comprehensive income as 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 group 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, dividends received and income taxes are included in the cash flows generated by operating activities. The group 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 rate 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:

- allocation of the profit for the year of the parent and its subsidiaries 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.

CONSOLIDATION SCOPE

The consolidated financial statements include the separate financial statements and financial statements of the parent, Carel Industries S.p.A., and its Italian and foreign subsidiaries, respectively, at 31 December 2023.

Subsidiaries are those entities over which the parent has control, as defined in IFRS 10 Consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are consolidated starting from the date when control exists until when it ceases to exist.

Note [35] "Other information" lists the entities included in the consolidation scope at 31 December 2023.

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

- USD12,326 thousand to the Senva earn-out;
- €1,874 thousand to the provisions for risks and charges of Klingenburg GmbH and Klingenburg International S.p.z.o.o..

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

- USD21,666 thousand to the Senva earn-out;
- €5,900 thousand to the provisions for risks and charges of Klingenburg GmbH and Klingenburg International S.p.z.o.o..

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

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

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

Acquisition of Eurotec

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

The acquisition is part of the group's long-standing tradition of consolidating its footprint in its target geographical areas through the acquisition (and development) of its direct sales force, in line with Carel's sales processes and its long-term relationships with most of its customers.

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

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

As the assets acquired and liabilities assumed are a business, the transaction is considered a business combination in accordance with IFRS 3. Allocation of the consideration closed.

The assets acquired and liabilities assumed are detailed below:

EUROTEC LTD			
(€'000)	**Acquisition-date carrying amount**	**Allocation**	**Acquisition-date fair value**
Property, plant and equipment	117	475	592
Intangible assets	-	1,315	1,315
Deferred tax assets	51	-	51
Non-current assets	**168**	**1,790**	**1,958**
Trade receivables	792	-	792
Inventories	1,739	-	1,739
Current tax assets	23	-	23
Current financial assets	-	-	-
Cash and cash equivalents	7	-	7
Current assets	**2,561**	**-**	**2,561**
TOTAL ASSETS	**2,730**	**1,790**	**4,520**
Non-current financial liabilities	-	(229)	(229)
Deferred tax liabilities	-	(368)	(368)
Non-current liabilities	**-**	**(597)**	**(597)**
Current financial liabilities	(42)	(246)	(288)
Trade payables	(385)	-	(385)
Current tax liabilities	(6)	-	(6)
Other current liabilities	(303)	-	(303)
Current liabilities	**(735)**	**(246)**	**(981)**
TOTAL LIABILITIES	**(735)**	**(843)**	**(1,579)**

When allocating the acquisition price, the group recognised €1,315 thousand attributable to customer lists in addition to the relevant deferred tax. The difference of €1,173 thousand between the consideration paid, the assets acquired and the liabilities assumed has been allocated to goodwill, given the expected future benefits in terms of higher profits thanks to the inclusion of the end distributor in the consolidation scope.

Acquisition of Kiona

On 31 August 2023, the parent completed its acquisition of 82.4% of Kiona Holding AS, a Norwegian prop-tech company that is a leading provider of Software as a Service (SaaS) solutions. Kiona Holding AS wholly controls eight companies with a foothold in the main outlet markets concentrated mostly in northern Europe. The transaction is an important step for Carel towards further strengthening its global leadership in the HVAC-R industry, aimed at seizing opportunities related to the growing digitisation and servitisation of the industry.
The 82.4% stake was acquired for a cash consideration of NOK1,831,210 thousand (the equivalent of €164,840 thousand).

Furthermore, under the acquisition agreement, the interest held by the non-controlling investor is subject to mutual put and call options. Specifically, the non-controlling investor's put option can be exercised within 30 days of approval of the Kiona Group's consolidated financial statements at 31 December 2026 for all of the company's remaining shares (i.e., 17.6%) at an amount calculated using a specific multiple applicable to the group's average EBITDAC for the three years prior to the year when the put option is exercised and adjusted to take into consideration the group's net financial position. The group can exercise its call option within 30 days after the put option has expired.
The group has recognised a liability for this option equal to the present value of the amount expected to be paid to the non-controlling investor at the time of sale, estimated on the basis of the 2024-2026 business plan approved between the parties at the time of the acquisition. The directors engaged an independent expert to determine such fair value.
The liability was discounted at 3.86% to approximate the cost of the debtor's debt. It is measured at each subsequent reporting date with any fair value gains or losses taken to profit or loss. At 31 August 2023, the remeasured liability amounts to €67.5 million.

Given that the risks and rewards on the 17.6% held by the non-controlling investor remain attributable to it, at the acquisition date, the liability reduced the equity attributable to the owners of the parent. The respective portions of profits and losses for the year are regularly allocated to the non-controlling investor. Based on an analysis of the Kiona Group's governance structure and the shareholders' agreements in place up until the date of exercise of the put and call options, the Carel Industries Group acquired control of Kiona on 1 September 2023 and thus has included the investee in the consolidation scope since such date. Moreover, as a result of their analysis of the shareholders' agreements signed with the non-controlling investor, including those relating to confidential board matters, the directors believe that the requirements of IFRS 10 for the acquisition of control have been met.

As the assets acquired and liabilities assumed are a business, the transaction is considered a business combination in accordance with IFRS 3. Allocation of the consideration at 31 December 2023 is still provisional as provided for by this standard.

The assets acquired and liabilities assumed are detailed below:

KIONA GROUP			
(€'000)	**Acquisition-date carrying amount**	**Allocation**	**Acquisition-date fair value**
Property, plant and equipment	2,392	-	2,392
Intangible assets	32,376	22,847	55,223
Equity investments	-	-	-
Other non current asset	86	-	86
Deferred tax assets	2,469	-	2,469
Non-current assets	**37,323**	**22,847**	**60,170**
Trade receivables	4,648	-	4,648
Inventories	1,532	-	1,532
Other assets	3,707	-	3,707
Cash and cash equivalents	1,759	-	1,759
Current assets	**11,646**	**-**	**11,646**
TOTAL ASSETS	**48,969**	**22,847**	**71,816**
Non-current financial liabilities	(16,252)	-	(16,252)
Provisions for risks	-	-	-
Defined benefit plans	-	-	-
Deferred tax liabilities	(1,050)	(11,077)	(12,127)
Non-current liabilities	**(17,302)**	**(11,077)**	**(28,379)**
Current financial liabilities	(556)	-	(556)
Trade payables	(420)	-	(420)
Current tax liabilities	(172)	-	(172)
Other current liabilities	(17,046)	-	(17,046)
Current liabilities	**(18,193)**	**-**	**(18,193)**
TOTAL LIABILITIES	**(35,495)**	**(11,077)**	**(46,572)**

During the purchase price allocation procedure, some of the intangible assets previously valued in Kiona Group, had been remeasured at fair valued and the group allocated in total €38,325 thousand to the four technologies it owned, €8,200 thousand to the trademark and €8,593 thousand to customer lists. The column Allocation, in the table above, shows the net amount of the fair value measurement. The difference of €143,992 thousand between the consideration paid, the assets acquired and the liabilities assumed was provisionally allocated to goodwill, given the expected future benefits in terms of the inclusion of Kiona in the consolidation scope.

BASIS OF CONSOLIDATION

The consolidated financial statements include the separate financial statements and financial statements of Carel Industries S.p.A. and the Italian and foreign companies over which it has direct or indirect control, respectively. Specifically, the consolidation scope includes:

- the subsidiaries, over which the parent has control as defined by IFRS 10 Consolidated financial statements; these companies are consolidated on a line-by-line basis;
- the associates, over which the parent has the power to exercise significant influence over their financial and operating policies despite not having control; investments in these companies are measured using the equity method
- The parent adopted the following consolidation criteria:
- assets, liabilities, revenue and expenses of the consolidated entities are consolidated using the line-by-line approach where the carrying amount of the parent's investments therein is eliminated against its share of the investee's equity. Any differences are treated in accordance with IFRS 10 Consolidated financial statements and IFRS 3 Business combinations. The portions attributable to non-controlling interests are recognised at the fair value of the assets acquired and liabilities assumed without recognising goodwill;
- the group companies are excluded from the consolidation scope when control thereover ceases to exist and any effects of exclusion are recognised as owner transactions in equity;
- intragroup receivables and payables, revenue and expenses and all significant transactions are eliminated, including intragroup dividends. Unrealised profits and gains and losses on intragroup transactions are also eliminated;
- equity attributable to non-controlling interests is presented separately under equity; their share of the profit or loss for the year is recognised in the statement of profit or loss;
- the financial statements of the consolidated foreign companies using a functional currency other than the Euro are translated into Euros using the average annual exchange rate for the statement of profit or loss captions and the closing rate for the statement of financial position captions. Any differences between these exchange rates or due to changes in the exchange rates at the start and end of the year are recognised under equity.

The reporting date of all the consolidated companies is 31 December, except for Carel India, whose year end is 31 March. However, the Indian company prepares a reporting package at 31 December for consolidation purposes. The group monitors Carel India for any significant events between 31 December and 31 March, to identify possible adjustments.

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 incurred 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. If this fair value 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 GROUP

The consolidated 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 group's functional currency, i.e., the currency of the primary economic environment in which it mainly operates. Amounts are rounded to the nearest thousand.

The consolidated financial statements present the financial position and performance of the parent and its subsidiaries. The financial statements used for consolidation purposes are those prepared by the subsidiaries pursuant to the IFRS at 31 December 2023.

The consolidated financial statements include the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes, which are an integral part thereof.

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 consolidated 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 consolidated financial statements at 31 December 2017, the group referred to the standards applicable from 1 January 2017 to prepare its consolidated financial statements at 31 December 2023, in accordance with the provisions of IFRS 1.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU ADOPTED AT 31 DECEMBER 2023

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

- On 18 May 2017, the IASB published IFRS 17 Insurance contracts, which will supersede IFRS 4 Insurance contracts. The group applied the standard starting from 1 January 2023. The adoption of this standard and the related amendment has not affected the group's consolidated financial statements.
- On 7 May 2021, the IASB published Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12) that clarifies how entities account for deferred tax on transactions that can give rise to equal amounts of assets and liabilities at initial recognition, such as leases and decommissioning obligations. The amendments became effective on 1 January 2023.

  Adoption of this amendment did not affect the group's consolidated financial statements.

- On 12 February 2021, the IASB published Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of accounting estimates (Amendments to IAS 8). The amendments 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 companies distinguish changes in accounting estimates from changes in accounting policies. These amendments became effective on 1 January 2023. Adoption of these amendments did not affect the group's consolidated financial statements.
- On 23 May 2023, the IASB published International tax reform – Pillar two model rules (Amendments to IAS 12) which introduces a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes (effective in Italy at 31 December 2023 and applicable from 1 January 2024) and targeted disclosure requirements for affected entities.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU BUT NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE GROUP 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 in advance by the group 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 consolidated financial statements.
- On 22 September 2022, the IASB published Lease liability in a sale and leaseback (Amendments to IFRS 16). They require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments 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 was permitted. The directors do not expect these amendments to significantly affect the group's consolidated financial statements.
- On 15 August 2023, the IASB published 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 these amendments to significantly affect the consolidated 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 group is not a first-time adopter, the standard is not applicable to it.

BASIS OF MEASUREMENT

Revenues 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 group recognises revenue when control of the goods or services is transferred to the customer. Revenue is recognised to the extent it is probable the group 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 group 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: OEM (Original Equipment Manufacturers), Dealers and Projects. Non-core revenue is earned on products that do not make up the group's core business.

With reference to the revenue recognition of Kiona Group, the contract with customers includes payments for hardware, setup cost and payment for the ongoing delivery after the hardware and the setup is completed. For revenue recognition purposes the management has to consider if some or all of these components is considered a separate performance obligation under IFRS. The management has concluded that the contract with the customers includes two components that are separate performance obligation under IFRS, the hardware and the ongoing service provided in subsequent periods. The consideration received is allocated between these two performance obligations.

The warranties related to these categories of products are warranties for general repairs and in most cases, the group does not provide extended warranties. The group 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 group's tax burden, calculated in accordance with the laws enacted in the countries where the Carel Industries Group operates; 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 current tax rates or 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, except in the situations in which recording a tax liability would not be appropriate under IAS 12 Income taxes (for example on initial recognition of goodwill or a situation in which the group does not anticipate the reversal of the liability in the foreseeable future). The group does net current and deferred taxes. A tax liability is accounted for in the year in which the liability to pay a dividend is recognised, if untaxed reserves are distributed.

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, excluding non-current assets (which continue to be recognised using the transaction-date exchange rate) are re-translated using the spot closing rate and the related exchange gains or losses are recognised in profit or loss.

The main exchange rates (against the Euro) used to translate the financial statements of foreign currency operations at 31 December 2023 and 2022 (comparative figures) are set out below:

	Average rate		Closing rate	
	2023	2022	31.12.2023	31.12.2022
Pound sterling	0.870	0.853	0.869	0.887
Hong Kong dollar	8.465	8.245	8.631	8.316
Brazilian real	5.401	5.440	5.362	5.639
US dollar	1.081	1.053	1.105	1.067
Australian dollar	1.629	1.517	1.626	1.569
Chinese renminbi (yuan)	7.660	7.079	7.851	7.358
Indian rupee	89.300	82.686	91.905	88.171
South African rand	19.955	17.209	20.348	18.099
Russian ruble	92.874	72.151	99.192	75.655
South Korean won	1,412.880	1,358.070	1,433.660	1,344.090
Mexican peso	19.183	21.187	18.723	20.856
Swedish krona	11.479	10.630	11.096	11.122
Japanese yen	151.990	138.027	156.330	140.660
Polish zloty	4.542	4.686	4.340	4.681
Thai baht	37.631	36.856	37.973	36.835
Croatian kuna	n.a.	7.535	n.a.	7.537
UAE dirham	3.971	3.867	4.058	3.917
Singapore dollar	1.452	1.451	1.459	1.430
Norwegian krone	11.425	10.103	11.241	10.514
Swiss franc	0.972	1.005	0.926	0.985
Ukrainian hryvnia	39.540	34.025	41.996	39.037
Canadian dollar	1.460	1.370	1.464	1.444
Turkish lira	25.760	17.409	32.653	19.965
New Zealand dollar	1.762	n.a.	1.750	n.a.
Kazakhstani tenge	493.570	n.a.	502.480	n.a.
Swedish krona	7.451	n.a.	7.453	n.a

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:

Industrial buildings	from 3% to 5%
Plant and machinery	from 10% to 15.5%
Industrial and commercial equipment	from 12% to 40%

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

Assets held under lease are recognised as assets at the present value of the minimum lease payments. The liability to the lessor is shown under financial liabilities. The 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.

The right-of-use assets are depreciated using the above rates.

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.

Goodwill

This is the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date fair value of the assets acquired and liabilities assumed. Goodwill is not amortised but is tested annually for impairment or whenever events take place that suggest it may be impaired.

Other 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 fifteen 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.

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 (the Italian Commission for listed companies and the stock exchange) 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 group 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.

Investments in associates

Investments in associates and joint ventures are measured using the equity method, while other investments are measured at fair value through other comprehensive income. If fair value cannot be reliably determined, the investments are measured at cost adjusted for impairment losses, which are recognised in profit or loss.

If the reasons for the impairment loss no longer exist, the equity investments recognised at cost are revalued with reversal of the impairment loss through profit or loss.

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 group 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 group 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 group 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.

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.

Provisions for risks

As required by IAS 37 Provisions, contingent liabilities and contingent assets, the group recognises a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 group 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 group has an unconditional right to defer their payment for at least 12 months after the reporting date. The group removes the financial liability when it is extinguished and the group 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.

Derivative financial instruments

The group 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 group'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 group reclassifies the fair value gains or losses on the derivative directly to profit or loss.

Use of estimates

Preparation of the consolidated financial statements requires management to apply accounting policies and methods that, in certain circumstances, are based on difficult 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 consolidated 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 consolidated 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 group considers any renewal options that it reasonably expects to exercise. The incremental borrowing rate is calculated by considering the type of leased asset, the jurisdictions 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 of goodwill. At least once a year, the group tests goodwill for impairment. It 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).

  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.

  - 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.

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.

This section presents the supplementary disclosures required by IFRS 7.

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

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

The units establish tools and techniques to protect the group 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 group's exposure to the different financial risk categories is set out below.

CREDIT RISK

The group 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 obtain credit from banks.

The group's credit risk management policy includes rating its customers, setting purchase limits and issuing periodic reports, to ensure tight control over credit collection. Each group company has a credit manager in charge of credit collection on sales made in their markets. Coordination between the companies active in the same market (e.g., the Italian companies) is based on the electronic exchange of information about common customers and the coordination of delivery blocks or the commencement of legal action.

The loss allowance is equal to the nominal amount of the uncollectible receivables after deducting the part of the receivables secured with bank collateral. The group 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 group 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 shows a breakdown of trade receivables by past due bracket:

(€'000)	31.12.2023		31.12.2022	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not yet due	90,181	(1,442)	85,875	(1,306)
Past due < 6 months	11,929	(322)	8,663	(153)
Past due > 6 months	715	(213)	639	(179)
Past due > 12 months	859	(416)	357	(204)
Total	**103,683**	**(2,393)**	**95,534**	**(1,841)**

LIQUIDITY RISK

The group has a high level of liquidity and limited net financial debt. During the year, the group had access to additional funding to support its acquisitions and the parent also increased its share capital.

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

(€'000)					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	58,967	60,840	-	60,840	
Amounts due to bondholders	59,427	64,303	-		64,303
Lease liabilities	26,958	29,460	-	17,378	12,082
Effective hedging derivatives	-	-	-	-	
Other loans and borrowings at amortised cost	407	410	-	410	
Other financial liabilities	1,632	1,632	-	1,632	-
Non-current financial liabilities	**147,390**	**156,645**	**-**	**80,260**	**76,385**
Bank loans at amortised cost	31,739	35,093	35,093	-	-
Amounts due to bondholders	371	1,993	1,993	-	-
Lease liabilities	6,406	6,988	6,988	-	-
Bank borrowings at amortised cost	1,284	1,284	1,284	-	-
Other loans and borrowings at amortised cost	287	287	287	-	-
Derivatives held for trading at fair value through profit or loss	5	5	5	-	-
Other financial liabilities	5,888	5,888	5,888	-	-
Current financial liabilities	**45,980**	**51,538**	**51,538**	**-**	**-**

MARKET RISK

Currency risk

As the group 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 sales in currencies like the US dollar, the Chinese renminbi and the Polish zloty.

In addition, the parent has investments in subsidiaries denominated in foreign currency. Changes in equity due to fluctuations in exchange rates are recognised in the translation reserve. The group does not currently hedge against the risk arising on the translation of equity. The following table shows the group's exposure arising from foreign currency assets and liabilities, highlighting the most significant for each year:

(€'000)			31.12.2023			
	EUR	USD	PLN	CNY	Other currencies	Total
Total assets	689,232	93,545	25,840	37,182	74,605	**920,404**
Total liabilities	337,737	60,169	4,923	5,474	115,927	**524,230**

The next table shows a sensitivity analysis of the risk arising on the translation of foreign currency financial statements of the consolidated companies assuming a 10% increase or decrease in the average annual exchange rate. The effect is calculated considering the impact of this increase or decrease on the key performance indicators used by management:

NET REVENUE

(€'000)	2023		
	Average annual rate	Rate +10%	Rate -10%
USD	103,038	113,342	92,735
GBP	12,982	14,280	11,684
CNY	52,592	57,851	47,332
AUD	6,149	6,764	5,534
ZAR	5,824	6,406	5,242
BRL	10,473	11,520	9,426
PLN	37,592	41,352	33,833
Other currencies	26,191	n.a.	n.a.
EUR	**395,405**	**395,405**	**395,405**

PROFIT BEFORE TAX

(€'000)	2023		
	Average annual rate	Rate +10%	Rate -10%
USD	5,538	6,091	4,984
GBP	7,306	8,037	6,576
CNY	(4,745)	(5,220)	(4,271)
AUD	3,681	4,049	3,313
ZAR	4,925	5,418	4,433
BRL	7,250	7,975	6,525
PLN	19,862	21,848	17,876
Other currencies	1,263	n.a.	n.a.
EUR	48,125	48,125	48,125

The group 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 group's net exposure using currency forwards, to hedge the transaction risk, and/or plain vanilla options to hedge the economic risk in line with its financial policy. The hedged risk is part of the global risk and the hedges are not speculative.

Moreover, as the parent prepares its consolidated financial statements in Euros, fluctuations in the exchange rates used to translate the financial statements of the foreign subsidiaries into the presentation currency could affect the group's financial position, financial performance and cash flows.

Exchange rates were more volatile in 2023 continuing the trend of the previous year. As a result, there was an increase in financial statements captions linked to the translation of amounts into Euro. Management constantly monitors exchange rates and the exposure of current assets and liabilities in foreign currencies so that it can put suitable hedges in place to mitigate the risk.

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 group 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 group's results and, hence, indirectly the cost of and return on financing and investing activities.

The group regularly checks its exposure to interest rate fluctuations and manages such risks through the use of derivatives, in accordance with its financial 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 group's debt mainly bears floating interest rates. When deemed significant, the group agrees hedging instruments 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 interest rate 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 group 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 group 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 group 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, Germany and Poland 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 parent has its registered office. The group'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 group's constant commitment to searching for innovative technological solutions make it easier to be competitive.

Climate change and possible impact on the Carel Industries Group

In 2023, the group was particularly focused on addressing the challenges posed by climate change, implementing the related initiatives envisaged in its 2021-2024 sustainability plan.
It improved its carbon footprint analysis and reporting procedure, concentrating on the emisions along the Carel value chain (scope 3 emissions). During the year, the group 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 2023 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 group 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.
It 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 sections, the group 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 Parent 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 parent 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 parent investigated its exposure to climate 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

[1] PROPERTY, PLANT AND EQUIPMENT

At 31 December 2023, property, plant and equipment amount to €117,504 thousand compared to €109,687 thousand at 31 December 2022. The following table provides a breakdown of the caption and the changes of the year:

YEAR CHANGES						
(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Balance at 31 December 2022	**63,067**	**23,425**	**11,737**	**8,249**	**3,209**	**109,687**
- Historical cost	79,399	52,287	53,746	24,113	3,209	212,755
- Accumulated depreciation	(16,332)	(28,862)	(42,009)	(15,865)	-	(103,068)
Changes in 2023						
- Investments	2,079	4,581	5,195	3,766	5,319	20,940
- Investments in right-of-use assets	3,245	48	37	1,803	-	5,133
- Business combinations (historical cost)	146	90	731	683	-	1,650
- Business combinations (right-of-use assets)	2,874	-	-	164	-	3,038
- Reclassifications (historical cost)	85	2,861	432	81	(3,461)	(2)
- Impairment losses	-	-	-	-	-	-
- Sales (historical cost)	-	(1,622)	(774)	(1,181)	(139)	(3,717)
- Sales - Right-of-use assets (historical cost)	(1,431)	-	(47)	(735)	-	(2,212)
- Exchange differences on historical cost	(793)	(128)	(716)	(113)	7	(1,743)
- Exchange differences on accumulated depreciation	150	(22)	399	71	-	598
- Exchange differences on right-of-use assets	(73)	1	-	(5)	-	(77)
- Depreciation	(1,572)	(4,395)	(4,481)	(1,951)	-	(12,399)
- Depreciation of right-of-use assets	(5,529)	(7)	(107)	(1,219)	-	(6,861)
- Business combinations (accumulated depreciation)	(98)	(62)	(415)	(529)	-	(1,105)
- Business combinations (right-of-use assets) (accumulated depreciation)	(586)	-	-	-	-	(586)
- Reclassifications (accumulated amortisation)	62	(206)	109	24	-	(12)
- Restatement of right-of-use assets	(231)	-	-	(45)	-	(276)

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
- Sales (accumulated depreciation)	(0)	1,518	632	1,095	-	3,244
- Sales - Right-of-use assets (accumulated depreciation)	1,435	-	47	724	-	2,206
Total	**(237)**	**2,657**	**1,041**	**2,631**	**1,726**	**7,818**
Balance at 31 December 2023	**62,829**	**26,083**	**12,778**	**10,880**	**4,935**	**117,504**
including:						
- Historical cost	85,300	58,118	58,604	28,531	4,935	235,488
- Accumulated depreciation	(22,471)	(32,035)	(45,827)	(17,651)	-	(117,983)

Investments in 2023 were mainly focused on expanding the group's production capacity for specific products for heat pump applications (inverters and programmable controls) and were concentrated in Croatia (completion of the new SMT line and installation of two lines to be specifically used for the above products), Italy (one inverter line) and China (one control line).

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

The Italian group companies made additional investments in valve production, both in terms of capacity and process improvement. The first valve line was installed in the USA to meet local market demand. Again in Italy (mechanical production), investments were made to increase production capacity (plastic plate recuperators) and to improve the efficiency of some equipment (plastic injection moulding).

During the year, work also began to expand the production site in Poland, which will lead to the doubling of the production area during 2024, and the group also purchased a 30 thousand square metre plot of land for the future construction of a new plant, again in Poland.

A breakdown of property, plant and equipment by geographical segment is as follows:

PROPERTY, PLANT AND EQUIPMENT

(€'000)	31.12.2023	31.12.2022
Europe, Middle East and Africa	86,994	78,245
APAC	18,438	18,947
North America	10,909	11,589
South America	1,163	905
Total	**117,504**	**109,687**

The group's property, plant and equipment were not mortgaged or pledged in either year. They are suitably hedged for risks deriving from losses and/or damage thereto through insurance policies taken out with leading insurers.

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

[2] INTANGIBLE ASSETS

At 31 December 2023, this caption amounts to €383,266 thousand compared to €194,428 thousand at the end of 2022. The following table presents changes in these assets:

YEAR CHANGES

(€'000)	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
Balance at 31 December 2022 (restated)	**5,508**	**16,715**	**101,393**	**69,929**	**883**	**194,428**
- Historical cost	28,485	38,696	101,393	82,153	883	251,610
- Accumulated amortisation	(22,977)	(21,981)	-	(12,224)	-	(57,182)
Changes in 2023						
- Investments	568	3,101	-	52	2,746	6,468
- Business combinations (historical cost)	172	8,300	145,166	48,336	-	201,973
- Reclassifications (historical cost)	745	83	-	(49)	(846)	(67)
- Impairment losses	-	-	-	-	-	-
- Sales (historical cost)	(77)	(3)	-	(6)	-	(86)
- Exchange differences on historical cost	(26)	(679)	(2,696)	(2,682)	(41)	(6,163)
- Exchange differences on accumulated amortisation	31	56	-	86	-	172
- Amortisation	(2,205)	(4,326)	-	(6,932)	-	(13,463)
- Business combinations (accumulated amortisation)	(35)	(61)	-	(44)	-	(140)
- Reclassifications (accumulated amortisation)	21	11	-	51	-	82
- Sales (accumulated amortisation)	-	-	-	22	-	22
Total	**(807)**	**6,482**	**142,469**	**38,834**	**1,859**	**188,838**
31 December 2023	**4,701**	**23,198**	**243,862**	**108,763**	**2,742**	**383,266**
including:						
- Historical cost	29,867	49,498	243,862	127,805	2,742	453,774
- Accumulated amortisation	(25,166)	(26,301)	-	(19,042)	-	(70,508)

A breakdown of intangible assets by geographical segment is as follows:

INTANGIBLE ASSETS

(€'000)	31.12.2023	31.12.2022
Europe, Middle East and Africa	331,633	132,875
APAC	5,374	2,617
North America	46,256	46,148
South America	2	5
Total	**383,266**	**181,645**

With reference to intangible assets:

- the balance of development expenditure shows the expenditure related to projects developed by the parent and the Chinese subsidiary that have been capitalised and refer to the production of new innovative products or substantial improvements to existing products incurred before the start of commercial production or use. This expenditure is capitalised when all the requirements of IAS 38.57

are met. Investments made in 2022 and 2023 related to the projects developed and available for use in those years. Assets under development and payments on account include costs incurred for projects that had not been completed at the reporting date. The reclassifications refer to completed projects, for which amortisation has commenced. Impairment losses are recognised as Amortisation, depreciation and impairment losses in the statement of profit or loss;

- trademarks, industrial patents and software licences include software; the balance reflects the significant outlay made for the new PLM system to allow greater efficiency in product customisation projects and their subsequent production and market launch.
- 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.

At 31 December 2023, goodwill amounts to €243,861 thousand compared to €101,394 thousand at 31 December 2022. The increase is due to allocation of the consideration paid for the newly-acquired companies, Kiona and Eurotec, as described below:

Other goodwill includes amounts that are individually and collectively immaterial.

GOODWILL					
(€'000)	31.12.2023	Increase	Other changes	Exchange differences	31.12.2022
HygroMatik GmbH	38,499	-	-	-	38,499
Recuperator S.p.A.	6,326	-	-	-	6,326
Carel Thailand CO Ltd	2,047	-	-	(137)	2,184
CFM Sogutma Ve Otomasyon	11,431	-	-	-	11,431
Enginia S.r.l.	6,644	-	-	-	6,644
Arion S.r.l.	1,980	-	-	-	1,980
Sauber S.r.l.	1,264	-	-	-	1,264
Senva Inc	24,734		-	(2,561)	27,295
Kiona Holding AS	143,993	143,993		-	-
Eurotec Ltd	1,173	1,173	-	-	-
Klingenburg GmbH	3,503		-	-	3,503
Klingenburg International Spzoo	524		-	-	524
Other goodwill	1,743	-	-	-	1,743
Total	**243,861**	**145,166**	**-**	**(2,697)**	**101,394**

Impairment test

As required by IAS 36, the group tests goodwill recognised in its consolidated financial statements for impairment at least once a year, including if there are no indicators of impairment.

Goodwill is recognised on the acquisitions shown in the previous table. Therefore, the group only tested those CGUs to which goodwill had been allocated. The principal test methods and results for the main CGUs (Kiona, HygroMatik, CFM, Senva, Sauber and the Mechanics CGU, which includes the companies operating in the same sector, namely Recuperator, Enginia, Klingenburg GmbH and Klingenburg International S.p.z.o.o.) are shown below. Mechanics CGU had been identified given the business model's synergies between the companies as a consequence of the integration process set up by the Group.

The recoverable amount of goodwill of each CGU is determined by calculating its value in use.

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

- cash flows as per the business plans, using a three/four-year plan horizon (explicit projections) plus an estimate of the terminal value. Specifically, management used the gross margin based on past performance and its expectations about the future development of the group's markets to prepare the

plans, which were prepared at consolidation level for each CGU. Such plans are prepared for each single CGU. With reference to Kiona Group, management prepared a 10 year plan given the evolution of Kiona business model.
- 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:

CGU			
	Plan horizon	**Growth (g) rate**	**WACC**
Kiona *	2024-2033	2.00%	11.70%
Mechanics CGU	2024-2027	2.10%	10.10%
HygroMatik	2024-2027	2.00%	9.60%
CFM	2024-2027	3.20%	17.70%
Sauber	2024-2026	1.70%	9.40%
Senva	2024-2028	2.10%	10.00%

*plan included in the acquisition contract

The values in use, calculated using the discounted cash flows, confirm the carrying amount of goodwill. 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 EBITDA 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 CGUs pass the stress test even if the gross operating profit decreases or the WACC increases as set out below:

CGU		
	Gross operating profit +/-	**WACC +/-**
Kiona	(50%)	2.50%
Mechanics CGU	> (75%)	4.50%
HygroMatik	(35%)	0.65%
CFM	> (50%)	5.00%
Sauber	(25%)	3.00%
Senva	> (75%)	4.50%

Therefore, there was no need to impair goodwill at 31 December 2023.

[3] EQUITY-ACCOUNTED INVESTMENTS

At 31 December 2023, this caption amounts to €2,217 thousand compared to €1,446 thousand at 31 December 2022. It may be analysed as follows:

COMPANY						
(€'000)	**Investment %**	**31.12.2023**	**Increase**	**Exchange differences**	**Equity-accounting**	**31.12.2022**
Free Polska s.p.z.o.o.	43.8%	2,106		134	613	1,359
Others		111	22	2	-	87
Total		**2,217**	**22**	**136**	**613**	**1,446**

[4] OTHER NON-CURRENT ASSETS

At 31 December 2023, other non-current assets amount to €6,868 thousand compared to €9,769 thousand at 31 December 2022; they are broken down as follows:

(€'000)	31.12.2023	31.12.2022
Guarantee deposits	572	635
Third parties	207	263
Other assets	6,089	8,871
Total	**6,868**	**9,769**

Other assets include the substitute tax paid by the parent and Recuperator S.p.A. 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 in Enginia accounted in Recuperator financial statement. In 2023, the parent deducted the above amounts for both IRES (corporate income taxes) and IRAP (local tax on production) purposes and it released €1,962 thousand to profit or loss. The amount related to 2023 was reclassified to current assets.

[5] DEFERRED TAX ASSETS

At 31 December 2023, deferred tax assets amount to €14,399 thousand compared to €7,746 thousand at 31 December 2022. The group has recognised deferred tax assets and liabilities on temporary differences between the carrying amount of assets and liabilities and their tax base.

It calculates taxes using the rates enacted in the countries where it operates when the temporary differences reverse. A breakdown of deferred tax assets is as follows:

(€'000)	2023 tax base	Deferred tax assets at 31 December 2023	2022 tax base	Deferred tax assets at 31 December 2022
Allowance for inventory write-down	16,369	3,688	10,198	2,366
Non-deductible accruals	5,214	1,412	2,861	782
Amortisation of goodwill	508	111	480	103
Consolidation adjustments to intragroup inventory transactions	19,446	3,966	16,590	3,395
Carryforward tax losses	10,793	2,386	863	172
Other	11,656	2,836	3,696	927
Total	**63,985**	**14,399**	**34,688**	**7,746**

Changes in deferred tax assets and liabilities are presented in the next table:

(€'000)	31.12.2023	Recognised in profit or loss	Change in consolidation scope	Recognised in other comprehensive income	Exchange differences	31.12.2022
Deferred tax assets	14,399	3,913	2,520	194	26	7,745
Deferred tax liabilities	(28,788)	1,280	(12,495)	624	44	(18,242)
Total	**(14.389)**	**5,194**	**(9,975)**	**818**	**70**	**(10,497)**

Deferred tax assets accounted as Change in consolidation scope refer to Eurotec and Kiona while deferred tax liabilities mainly refer to the purchase price allocation process on such entities.

Deferred tax assets on carryforward tax losses amount to €2,386 thousand. The group believes that these losses can be recovered over time based on the cash flows that the group will generate in future years.

CURRENT ASSETS

[6] TRADE RECEIVABLES

At 31 December 2023, this caption amounts to €101,291 thousand compared to €93,692 thousand at 31 December 2022. It may be analysed as follows:

(€'000)	31.12.2023	31.12.2022
Gross trade receivables	103,683	95,534
Loss allowance	(2,393)	(1,841)
Trade receivables	**101,291**	**93,692**

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

(€'000)	31.12.2023	31.12.2022
Europe, Middle East and Africa	75,455	69,250
APAC	12,422	11,856
North America	12,745	11,724
South America	3,061	2,704
Total	**103,683**	**95,534**

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

The loss allowance comprises management's estimates about credit losses on receivables from end customers and the sales network. Any impairment losses are recognised in Other expense (net) each year. Changes in the allowance are shown in the following table:

(€'000)	31.12.2023	Impairment losses	Utilisations	Exchange differences	Change in consolidation scope	31.12.2022
Loss allowance	(2,392)	(718)	167	37	(37)	(1,841)

[7] INVENTORIES

At 31 December 2023, this caption amounts to €111,722 thousand compared to €106,745 thousand at 31 December 2022. It may be analysed as follows:

(€'000)	31.12.2023	31.12.2022
Raw materials	69,517	65,498
Allowance for inventory write-down	(8,050)	(4,406)
Semi-finished products and work in progress	5,695	6,130
Finished goods	54,277	45,503
Allowance for inventory write-down	(9,872)	(6,366)
Payments on account	154	388
Total	**111,722**	**106,745**

Inventories, gross of the allowance for inventory write-down, increased by a total of €12,360 thousand, partly due to the consolidation of the acquirees which contributed €3,270 thousand. The group recognised an allowance for inventory write-down (€17,922 thousand) to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods. The accrual was recognised in the caption Costs of raw materials, consumables and goods and change in inventories.

[8] CURRENT TAX ASSETS

This caption amounts to €4,264 thousand, compared to €2,777 thousand at the previous year end. It includes direct tax assets offset, where possible, against the tax liabilities at the same date.

[9] OTHER CURRENT ASSETS

At 31 December 2023, this caption amounts to €21,166 thousand compared to €17,446 thousand at 31 December 2022. It may be analysed as follows:

(€'000)	31.12.2023	31.12.2022
Payments on account to suppliers	1,258	1,547
Other tax assets	7,265	7,739
VAT assets	2,914	4,441
Prepayments and accrued income	8,118	2,693
Other	1,610	1,025
Total	**21,166**	**17,446**

The increase in prepayments and accrued income is principally a result of the consolidation of the Kiona Group.

Other tax assets mainly consist of the tax credits for research and development expenditure in addition to the current portion of the tax asset arising from the substitute tax paid to align the higher carrying amounts with the relevant tax bases upon consolidation as detailed in note [4].

[10] CURRENT FINANCIAL ASSETS

At 31 December 2023, this caption amounts to €3,697 thousand compared to €12,875 thousand at 31 December 2022. It may be analysed as follows:

(€'000)	31.12.2023	31.12.2022
Securities at FVTPL	2,927	2,855
Derivatives	534	1,791
Other financial assets	175	230
Deposit accounts	62	8,000

Total	**3,697**	**12,875**

At 31 December 2022, the deposit accounts consisted of temporary deposits of liquidity including accrued interest income before tax withholdings.

Securities at fair value to profit or loss refer to investments, with major counterparties, aimed at managing part of the group's liquidity. The objective of these financial assets is the collection of contractual cash flows comprising payments of principal and interest at fixed rates at specific maturities.

The derivatives are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting and interest rate swaps agreed to cover fluctuations in interest rates on loans. Fair value gains and losses are recognised in profit or loss. More information is available in the paragraph on financial instruments in note [35] Other information.

[11] CASH AND CASH EQUIVALENTS

At 31 December 2023, this caption amounts to €154,010 thousand compared to €96,636 thousand at 31 December 2022. Reference should be made to the statement of cash flows for details of changes in the group's cash and cash equivalents.

(€'000)	31.12.2023	31.12.2022
Current accounts and post office deposits	153,973	96,599
Cash	37	37
Total	**154,010**	**96,636**

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

At the reporting date, the group's current account credit balances were not pledged in any way.

EQUITY AND LIABILITIES

[12] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Following the capital increase, the parent's fully paid-up and subscribed share capital consisted of 112,499,205 ordinary shares without a nominal amount for a total of €11,240,921.

Equity may be analysed as follows:

(€'000)	31.12.2023	31.12.2022
Share capital	11,250	10,000
Legal reserve	2,000	2,000
Translation reserve	(3,015)	5,849
Hedging reserve	393	1,252
Other reserves	182,308	29,233
Retained earnings	112,544	94,921
Profit for the year	70,942	62,124
Total	**376,422**	**205,377**

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

Other reserves include a reserve related to the share-based long-term incentive (LTI) plan. Note [35] provides more information about this plan.

The increase in other reserves refers to the portion 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 €5,6 million, 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 0.5 million euro, relate to the sale of the rights of first refusal that were not exercised during the offering period.

The caption also includes the put option for the remaining 17.6% of Kiona held by the non-controlling investors, as defined in the acquisition agreement. In accordance with the IFRS, the fair value of the call/put option is recognised in equity.
At the reporting date, the parent had 6,355 treasury shares. In March, the parent purchased 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 earnings per share are calculated by dividing the profit attributable to the owners of the parent by the weighted average number of outstanding ordinary shares. There are no potentially dilutive ordinary shares (e.g., stock options or convertible bonds).

The earnings per share are as follows:

(€'000)	2023	2022
Number of shares (in thousands)	101,026	99,592
Profit for the year (in thousands of Euros)	70,942	62,124
Earnings per share (in Euros)	0.70	0.62

The shareholders resolved to distribute a dividend of €0.18 per share on 21 April 2023, which resulted in the distribution of €17,999 thousand in June 2023.

[13] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 31 December 2023, this caption amounts to €19,751 thousand compared to €15,868 thousand at 31 December 2022 and comprises the non-controlling interests in CFM (49%), Carel Thailand Co. Ltd (20%), Sauber (30%) and Kiona (17.6%).

(€'000)	31.12.2023	Profit for the year	Other comprehensive income	Dividends distributed	Change in consolidation scope	31.12.2022
Equity attributable to non-controlling interests	19,751	3,531	(853)	(3,247)	4,453	15,868

[14] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

These captions may be analysed as follows:

(€'000)	31.12.2023	31.12.2022
Bank loans and borrowings at amortised cost	58,967	51,784
Amounts due to bondholders	59,427	39,468
Lease liabilities	26,958	27,216
Effective hedging derivatives	0	-
Other loans and borrowings at amortised cost	407	489
Other financial liabilities	1,632	2,436
Non-current financial liabilities	**147,390**	**121,392**

(€'000)	31.12.2023	31.12.2022
Bank loans at amortised cost	31,739	69,716
Lease liabilities	6,406	5,434
Amounts due to bondholders	371	114
Bank borrowings at amortised cost	1,284	901
Derivatives held for trading at fair value through profit or loss	5	236
Other loans and borrowings at amortised cost	287	194
Other financial liabilities	5,888	7,365
Current financial liabilities	**45,980**	**83,960**

Amounts due to bondholders refer to the issue and placement of non-convertible bonds subscribed by funds managed by Pricoa. Specifically, on 6 May 2022, the parent issued two ten-year non-convertible bonds with a nominal amount of €20,000 thousand due in May 2032 and with a five-year interest-only period. In March 2023, the parent issued an additional tranche of bonds with a nominal value of €20,000 thousand. These bonds are part of a private shelf agreement whereby the parent 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 parent 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 May 2032, respectively.

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.

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Senior A bonds	EUR	20,000	2032	Fixed	19,824	54	19,770
Senior B bonds	EUR	20,000	2032	Fixed	19,829	60	19,770
Senior C bonds	EUR	20,000	2033	Fixed	20,144	257	19,887
Total						**371**	**59,427**

The following table shows the main characteristics of the bank loans by maturity at 31 December 2023:

BANK LOANS							
(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Intesa San Paolo	EUR	10,000	2024	Fixed	1,261	1,261	-
Crédit Agricole FriulAdria S.p.A.	EUR	10,000	2024	Fixed	1,263	1,263	-
Credem	EUR	15,000	2026	Floating	11,486	3,630	7,856
Intesa San Paolo	EUR	10,000	2026	Floating	8,383	3,333	5,050
Intesa San Paolo	EUR	20,000	2026	Floating	16,776	6,666	10,110
Mediobanca	EUR	20,000	2026	Floating	11,260	4,448	6,812
Intesa San Paolo	EUR	15,000	2026	Floating	14,999	5,454	9,545
Intesa San Paolo	EUR	5,000	2026	Floating	4,999	1,818	3,181
Credem	EUR	10,000	2026	Floating	8,687	3,243	5,444
CDP	EUR	10,000	2026	Floating	9,989	-	9,989
Carige	EUR	350	2026	Fixed	249	87	162
Carige	EUR	250	2027	Fixed	194	62	132
Carige	EUR	400	2026	Fixed	290	134	156
MPS	EUR	800	2027	Fixed	558	158	400
Banco BPM	EUR	500	2025	Floating	312	182	130
Total					**90,706**	**31,739**	**58,967**

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 > 5.0;
- Intesa Sanpaolo (original loans of €20,000 thousand and €10,000 thousand, outstanding liability at 31 December 2023 of €16,776 thousand and €8,383 thousand): Net financial debt / gross operating profit (loss) < 3.50;
- 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;
- 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;net financial debt / equity < 1.5.

At 31 December 2023, such covenants were complied with.

The derivatives included under current financial liabilities are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. The effective hedging derivatives include the fair value of five IRSs agreed to hedge interest rate risk on the Banca Nazionale del Lavoro, Unicredit and Mediobanca loans. More information is available in the paragraph on financial instruments in note [35] Other information.

A breakdown of other loans and borrowings at amortised cost is provided below, with indication of whether they are current or non-current:

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
MedioCredito Centrale Progetto Horizon 2020	EUR	1,241	2026	Fixed	489	193	295
Other					205	93	112
Total					**694**	**287**	**407**

The item Current and Non-current Other Financial Liabilities mainly includes residual payables for acquisitions made in previous years.

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

(€'000)	31.12.2023	Net cash flows	Reclassification	Exchange differences	31.12.2022
Bank loans	31,739	(59,118)	21,141		69,716
Amounts due to bondholders	371	257	-	-	114
Bank borrowings	1,284	384	-	-	901
Other loans and borrowings	287	(70)	195	-	162
Derivatives	5	(231)	-	-	236
Other financial liabilities	5,888	(2,063)	750	(196)	7,397
Current financial liabilities	**39,575**	**(60,841)**	**22,086**	**(196)**	**78,526**

(€'000)	31.12.2023	Net cash flows	Reclassification	Exchange differences	31.12.2022
Bank loans and borrowings at amortised cost	58,967	28,325	(21,141)	-	51,784
Amounts due to bondholders	59,427	19,958	-	-	39,468
Effective hedging derivatives	-	-	-	-	-
Other loans and borrowings at amortised cost	407	113	(195)	-	489
Other financial liabilities	1,632	15	(750)	(70)	2,436
Non-current financial liabilities	**120,432**	**48,411**	**(22,086)**	**(70)**	**94,177**

(€'000)	31.12.2023	Increases	Restatement of financial liabilities	Repayments	Interest	Exchange differences	Change in consolidation scope	31.12.2022
Lease liabilities	33,364	5,133	(259)	(7,352)	852	(111)	2,451	32,650

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

FINANCIAL DEBT			
	(€'000)	31.12.2023	31.12.2022 Restated
A	Cash	154,010	96,636
B	Cash equivalents	0	8,000
C	Other current financial assets	3,697	4,875
D	**Cash and cash equivalents (A+ B + C)**	**157,707**	**109,512**
E	Current loans and borrowings	7,549	8,502
F	Current portion of non-current loans and borrowings	38,432	75,344

	(€'000)	31.12.2023	31.12.2022 Restated
G	**Current financial debt (E + F)**	**45,980**	**83,847**
H	**Current net financial position (G - D)**	**(111,727)**	**(25,665)**
I	Non-current loans and borrowings	87,963	81,924
J	Debt instruments	59,427	39,582
K	Trade payables and other non-current financial liabilities	24,213	20,313
L	**Non-current financial debt (I + J + K)**	**171,603**	**141,819**
M	**Net financial debt (H + L)**	**59,877**	**116,154**

As also required by Consob warning no. 5/21 of 29 April 2021, it is noted that the group has recognised a liability subject to conditions related to the option for the non-controlling interests in CFM, Kiona and Sauber, as detailed in note 18. The earn out liability for acquisition of Senva is included in section K of the above table under other non-current financial liabilities. In compliance with such warning, it is noted that the group recognised accruals for defined benefit plans of €8,479 thousand (note 16) and provisions for risks and charges of €11,648 thousand (note 15).

[15] PROVISIONS FOR RISKS

At 31 December 2023, provisions for risks amount to €11,648 thousand compared to €9,878 thousand at 31 December 2022 and they are broken down as follows:

(€'000)	31.12.2023	31.12.2022 Restated
Provision for agents' termination benefits	815	725
Provision for commercial complaints	90	33
Provision for product warranties	1,343	980
Other provisions	3,210	3,840
Total - non-current	**5,458**	**5,577**
Provision for product warranties	191	-
Provision for commercial complaints	2,950	1,401
Other provisions	3,050	2,900
Total – current	**6,191**	**4,301**
Total	**11,648**	**9,878**

The following table shows changes in this caption:

(€'000)	31.12.2023	Accruals	Utilisations	Reversals	Reclassification	Exchange differences	31.12.2022 Restated
Provision for agents' termination benefits	815	115	(26)	-	-	-	725
Provision for commercial complaints	90	92	(34)	-	-	-	33
Provision for product warranties	1,343	500	(41)	(354)	258	-	980
Other provisions	3,210	380	(301)	(719)	15	(5)	3,840
Total - non-current	**5,458**	**1,087**	**(402)**	**(1,073)**	**273**	**(5)**	**5,577**
Provision for product warranties	191	191	-		-	-	-
Provision for commercial complaints	2,950	1,985	(229)	(207)	-	-	1,401
Other provisions	3,050	150	-	-	-	-	2,900
Total – current	**6,191**	**2,326**	**(229)**	**(207)**	**-**	**-**	**4,301**
Total	**11,648**	**3,413**	**(631)**	**(1,280)**	**273**	**(5)**	**9,878**

The provision for agents' termination benefits includes the estimated liability arising from application of the current regulations and contractual terms covering the termination of agency agreements. Unlike the accruals to the provisions for risks and product warranties and the other provisions, the accrual to this provision is classified under services in the statement of profit or loss.

[16] DEFINED BENEFIT PLANS

This caption mainly consists of the group's liability for post-employment benefits and post-term of office benefits for directors recognised by the Italian group companies and the German subsidiary, HygroMatik GmbH. These benefits qualify as defined benefit plans pursuant to IAS 19 and the related liabilities are calculated by an independent actuary. Changes in the liability in the year are shown below:

(€'000)	**2023**
Opening balance	**8,129**
Interest cost	200
Change in consolidation scope	-
Other variations	50
Employee benefits paid	(628)
Exchange differences	(22)
Accruals	3,184
Transfer to pension plans	(2,632)
Actuarial loss	198
Closing balance	**8,479**

The group 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.

[17] DEFERRED TAX LIABILITIES

At 31 December 2023, amounts to €28,788 thousand compared to €18,242 thousand at 31 December 2022. Changes in deferred tax liabilities are available in note [5] Deferred tax assets. A breakdown of deferred tax liabilities is as follows:

(€'000)	**2023 tax base**	**2023 deferred tax liabilities**	**2022 tax base**	**2022 deferred tax liabilities**
Discounting of non-current liabilities	370	109	285	84
Differences from consolidation adjustments	108,449	26,279	58,792	15,532
Differences on amortisation and depreciation and other differences in standards	6,026	1,122	5,999	1,145
Other	6,815	1,277	7,225	1,481
Total	**121,660**	**28,788**	**72,301**	**18,242**

The largest differences are due to the allocation of non-taxable amounts upon the first-time consolidation of the acquirees.

[18] OTHER NON-CURRENT LIABILITIES

The balance of €99,566 thousand mainly refers to the liability for the put and call options on non-controlling interests in Kiona (€71,943 thousand) and Sauber (€1,280 thousand) and the liability for the earn-out mechanism for Senva (€23,648 thousand) and smaller earn-out of €565 thousand. The liability for the put and call options on non-controlling interests in CFM (€47,482 thousand) has been reclassified to Other current liabilities given that the non-controlling investor can exercise its put option from 2024.

Reference should be made to the Consolidation scope section for more details on such option and the measurement method used.

In 2023, the group recognised interest expense of €3,315 thousand and a fair value gain of €1,660 thousand.

The caption is broken down as follows:

(€'000)	31.12.2023	31.12.2022 Restated
Other non-current liabilities	2,129	2,048
Call options on non-controlling interests	97,436	73,965
Total	**99,566**	**76,013**

"Other" comprises non-current deferred income and non-current liabilities for the LTI incentive plans.

[19] TRADE PAYABLES

Trade payables amount to €74,931 thousand, compared to €77,174 thousand at 31 December 2022.

There are no significant past due amounts at 31 December 2023.

[20] CURRENT TAX LIABILITIES

At 31 December 2023, this caption amounts to €5,184 thousand compared to €4,987 thousand at the end of the previous year. It entirely consists of direct income tax liabilities.

[21] OTHER CURRENT LIABILITIES

This caption is broken down in the following table and mostly includes personnel-related liabilities (wages and salaries, tax withholdings and social security contributions):

(€'000)	31.12.2023	31.12.2022
Social security contributions	6,839	5,654
Tax withholdings	2,824	2,084
Other current tax liabilities	716	552
VAT liabilities	3,612	2,409
Wages and salaries, bonuses and holiday pay	22,744	18,485
Other	18,045	3,042
Call options on non-controlling interests	47,482	-
Total	**102,263**	**32,226**

As disclosed in note [18], 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.

NOTES TO THE STATEMENT OF PROFIT OR LOSS

[22] REVENUE

Revenue amounts to €650,247 thousand, compared to €544,852 thousand in 2022, with a year-on-year increase of 19.3%.

It is shown net of discounts and allowances.

Revenue generated by services amounts to €21,412 thousand compared to €9,609 thousand in 2022. This increase is due to both the group's organic growth and the consolidation of the Kiona Group. A breakdown of revenue by market is provided below:

(€'000)	2023	2022	Variation %
HVAC revenue	472,144	371,852	27.0%
REF revenue	175,141	168,934	3.7%
Total core revenue	**647,285**	**540,786**	**19.7%**
Non-core revenue	2,962	4,066	(27.2%)
Total revenue	**650,247**	**544,852**	**19.3%**

None of the group companies' customers individually account for more than 5% of the group's revenue.

A breakdown of revenue by geographical segment is as follows:

(€'000)	2023	2022	Variation %
Europe, Middle East and Africa	450,231	382,730	17.6%
APAC	89,310	78,186	14.2%
North America	97,192	70,974	36.9%
South America	13,514	12,962	4.3%
Total	**650,247**	**544,852**	**19.3%**

[23] OTHER REVENUE

Other revenue amounts to €6,007 thousand, an increase on the €5,780 thousand balance in 2022. The caption may be broken down as follows:

(€'000)	2023	2022	Variation %
Grants related to income	1,622	1,661	(2.3%)
Sundry cost recoveries	3,184	2,487	28.0%
Other revenue and income	1,201	1,632	(26.4%)
Total	**6,007**	**5,780**	**3.9%**

The grants related to income mainly relate to the tax asset for development activities carried out as provided for by Law no. 190 of 23 December 2014 (the 2015 Stability Law).

Sundry cost recoveries mostly refer to transport and other costs.

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

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

This caption amounts to €283,634 thousand, compared to €248,838 thousand in 2022. A breakdown of the caption is as follows:

(€'000)	2023	2022	Variation %
Costs of raw materials, consumables and goods and changes in inventories	(283,634)	(248,838)	14.0%
% of revenue	(43.6%)	(45.7%)	(4.5%)

[25] SERVICES

The group incurred costs of €83,705 thousand for services in 2023, up €13,472 thousand on the previous year. The main cost items increased due to the higher business volumes. The rise in consultancies refers to the non-recurring costs for M&A activities (€2,671 thousand).

The caption may be broken down as follows:

(€'000)	2023	2022	Variation %
Transport	(19,628)	(21,257)	(7.7%)
Consultancies	(13,119)	(11,105)	18.1%
Business trips and travel	(5,241)	(3,601)	45.5%
Use of third party assets	(2,945)	(2,183)	34.9%
Maintenance and repairs	(10,333)	(7,452)	38.7%
Marketing and advertising	(3,317)	(2,191)	51.4%
Outsourcing	(3,601)	(2,957)	21.8%
Agency commissions	(2,559)	(2,100)	21.9%
Utilities	(3,847)	(3,323)	15.8%
Fees to directors, statutory auditors and independent auditors	(2,780)	(2,334)	19.1%
Insurance	(2,468)	(1,869)	32.0%
Telephone and connections	(1,327)	(1,045)	27.0%
Other services	(12,539)	(8,816)	42.2%
Total	**(83,705)**	**(70,234)**	**19.2%**

[26] CAPITALISED DEVELOPMENT EXPENDITURE

This caption amounts to €2,286 thousand, compared to €705 thousand in 2022 and is almost entirely related to development projects capitalised under intangible assets. Part of the capitalised costs refer to self-constructed equipment and machinery recognised under property, plant and equipment. The caption may be analysed as follows:

(€'000)	2023	2022	Variation %
Development expenditure	1,827	561	>100%
Self-constructed plant and machinery	459	144	>100%
Total	**2,286**	**705**	**>100%**

The group incurred research and development expenditure of €25,865 thousand and €20,583 thousand (including Senva's expenditure) in 2023 and 2022, respectively. Only the amounts described above were capitalised, as they met the requirements of IAS 24.

[27] PERSONNEL EXPENSE

This caption amounts to €149,896 thousand for 2023 compared to €118,425 thousand for the previous year. Breakdowns of this caption and of the workforce by employee category are as follows:

(€'000)	2023	2022	Variation %
Wages and salaries, including bonuses and accruals	(119,631)	(93,496)	28.0%
Social security contributions	(24,169)	(19,449)	24.3%
Defined benefit plans	(3,184)	(3,092)	3.0%
Other costs	(2,912)	(2,388)	21.9%
Total	**(149,896)**	**(118,425)**	**26.6%**

	2023		2022	
	year end	average	year end	average
Managers	71	70	69	66
White collars	1,593	1,454	1,315	1,215
Blue collars	977	946	915	802
Total	**2,641**	**2,470**	**2,299**	**2,082**

[28] OTHER EXPENSE, NET

This caption amounted to €4,121 thousand, compared to €2,115 thousand for the previous year. It may be broken down as follows:

(€'000)	2023	2022	Variation %
Gains on the sale of non-current assets	74	73	1.3%
Prior year income	1,808	1,464	23.5%
Release of provisions for risks	-	433	(>100%)
Other income	**1,882**	**1,970**	**(4.5%)**
Losses on the sale of non-current assets	(9)	(27)	(65.7%)
Prior year expense	(410)	(296)	38.7%
Other taxes and duties	(1,518)	(1,540)	(1.4%)
Impairment losses on loans and receivables	(718)	(564)	27.4%
Accrual to the provisions for risks	(2,353)	(995)	>100%
Credit losses	(197)	(36)	>100%
Other costs	(798)	(628)	27.0%
Other expense	**(6,003)**	**(4,085)**	**47.0%**
Other expense, net	**(4,121)**	**(2,115)**	**94.8%**

Accruals to the provisions for risks mainly comprise accruals to the provision for commercial complaints. Reference should be made to note [15] for more information.

[29] AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Amortisation and depreciation amount to €32,783 thousand, up from €24,414 thousand in the previous year. The caption also includes depreciation and amortisation of €8,073 thousand (€5,642 thousand at 31 December 2022) arising from the PPA procedure. It may be analysed as follows:

(€'000)	2023	2022	Variation %
Amortisation	(13,463)	(9,642)	39.6%
Depreciation	(19,261)	(14,736)	30.7%
Impairment losses	(60)	(36)	64.8%
Total	**(32,783)**	**(24,414)**	**34.3%**

[30] NET FINANCIAL EXPENSE

Net financial expense amounts to €9,705 thousand compared to €3,173 thousand in the previous year. The caption may be broken down as follows:

(€'000)	2023	2022	Variation %
Gains on financial assets	1,017	357	>100%
Interest income	763	140	>100%
Gains on derivatives	0	103	(100.0%)
Other financial income	824	208	>100%
Dividends received	-	30	(100.0%)
Financial income	**2,605**	**838**	**>100%**
Bank interest expense	(5,062)	(786)	>100%
Lease interest expense	(852)	(580)	47.0%
Other interest expense	(1,560)	(587)	>100%
Losses on derivatives	(26)	(269)	(90.2%)
Other financial expense	(1,567)	(1,036)	51.2%
Net fair value gains (losses) on financial assets and liabilities	72	(146)	(149.5%)
Interest expense on call options on non-controlling interests	(3,315)	(608)	>100%
Financial expense	**(12,310)**	**(4,011)**	**>100%**
Net financial expense	**(9,705)**	**(3,173)**	**>100%**

Other interest expense includes interest on the bonds issued in 2022 and 2023.

[31] NET EXCHANGE LOSSES

Net exchange losses amount to €3,763 thousand compared to €861 thousand in 2022. The caption includes the losses of €2,052 thousand on the retranslation of the liability for the put and call options for Kiona recognised in Norwegian krone and retranslated using the closing rate. The caption is broken down as follows:

(€'000)	2023	2022	Variation %
Exchange losses	(11,667)	(11,572)	1%
Exchange gains	7,904	10,711	(26%)
Net exchange losses	**(3,763)**	**(861)**	**>100%**

[32] NET FAIR VALUE GAIN ON THE LIABILITY FOR THE CALL OPTION FOR NON-CONTROLLING INTERESTS

The net fair value gain of €1,660 thousand (net loss of €2,235 thousand in 2022) refers to the call option liabilities for the subsidiaries CFM, Senva, Kiona and Sauber. Specifically, fair value losses of €3,176 thousand, €1,553 thousand and €7 thousand were recognised on the liabilities related to Senva, Kiona and Sauber, respectively, while a fair value gain of €6,396 thousand was recognised on the liability related to CFM.

[33] SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

This caption shows a net profit of €613 thousand compared to €2,360 thousand in 2022. It mostly comprises the fair value gain on the investment in Free Polska.

[34] INCOME TAXES

This caption amounts to €18,732 thousand compared to €18,603 thousand in the previous year. It may be broken down as follows:

(€'000)	2023	2022
Current taxes	(24,288)	(20,983)
Deferred taxes	5,194	1,828
Taxes relative to prior years	362	552
Total	**(18,732)**	**(18,603)**

A reconciliation of the tax expense for the year is as follows using the profit before tax shown in the statement of profit or loss:

(€'000)	2023	2022
Profit before tax	93,205	83,402
Income taxes calculated using the theoretical IRES rate	(22,369)	(20,016)
IRAP	(1,216)	(834)
Effect of the different rates applied by the group companies operating in other countries	2,391	1,387
Withholding tax on dividends	(2,064)	(1,643)
Taxes relative to prior years	362	552
Effect of the different rates applied by the group companies operating in other countries and other changes	4,164	1,952
Total	**(18,733)**	**(18,603)**

Reference should be made to note [5] for information about changes in deferred tax assets and liabilities and their composition.

The tax rate applied for the reconciliation of the tax burden is 24%, in line with the IRES rate in Italy, the country in which most of the group's taxable profit is earned.

[35] OTHER INFORMATION

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.

Financial instruments

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

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

	31.12.2023				31.12.2022			
Forwards	**Purchases ***	**Sales ***	**Positive fair value ****	**Negative fair value ****	**Purchases ***	**Sales ***	**Positive fair value ****	**Negative fair value ****
USD/CNY	(5,500)	-	16	(3)	-	11,900	50	(78)
USD/EUR	-	-	-	-	-	1,000	-	(49)
ZAR/USD	(7,000)	-	1	-	-	7,000	-	(11)
CNY/USD	(900)	-	-	(1)	-	-	-	-
EUR/CNY	-	-	-	-	-	2,000	-	(99)
THB/USD	(2,000)	-	-	(1)	-	-	-	-
Total forwards		**-**	**17**	**(5)**			**50**	**(236)**
Options								
USD/EUR	-	-	-	-	5,000	-	94	-
EUR/CNY	-	-	-	-	-	2,000	-	-
USD/CNY	-	-	-	-	-	6,000	-	-
Total options			**-**	**-**			**94**	**-**
Total			**17**	**(5)**			**144**	**(236)**

(*) Amount in thousands of local currency.

(**) Amount in thousands of Euros.

The next table provides information about the interest rate swaps:

(€'000)	**Notional amount**	**Fixed interest rate**	**Maturity**	**Fair value 31.12.2023**	**Fair value 31.12.2022**
BNL	20,000	-0.02%	30/04/2023	n.a.	102
Unicredit	20,000	-0.04%	30/04/2023	n.a.	24
Mediobanca	25,000	-0.42%	04/08/2023	n.a.	478
Mediobanca	20,000	-0.31%	26/06/2026	517	1,044

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

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 boards of directors and/or company employees. The plan is divided into three rolling cycles (vesting periods), each lasting three years (2018-2020, 2019-2021 and 2020-2022), at the end of which the shares 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 parent'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 parent does not have equity-settled incentive plans.

Cash-settled performance plan

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

- the regulation for an equity-settled incentive plan involving the free assignment of the parent'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 parent and its subsidiaries who play a key role in achievement of the group's objectives. The parent'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 parent'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 parent 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 parent recognised a cost of €1,865 thousand in profit or loss in 2023 for the three vesting periods.

Categories of financial instruments and fair value hierarchy

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

31.12.2023					
				Fair value	
(€'000)	**IFRS 9 category**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Derivatives	FVTPL	534	n.a.	534	n.a.
Securities at FVTPL	FVTPL	2,927	2,927	n.a.	n.a.
Other financial assets	Financial assets at amortised cost	237	n.a.	n.a.	n.a.
Other current financial assets		**3,697**			
Trade receivables	Financial assets at amortised cost	101,291	n.a.	n.a.	n.a.
Total assets		**104,988**			
including:	**FVTPL**	**3,460**			
	Financial assets at amortised cost	**101,527**			
Bank loans and borrowings	Financial liabilities at amortised cost	58,967	n.a.	n.a.	n.a.

			Fair value		
(€'000)	IFRS 9 category	Carrying amount	Level 1	Level 2	Level 3
Amounts due to bondholders	Financial liabilities at amortised cost	59,427	n.a.	n.a.	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	407	n.a.	n.a.	n.a.
Non-current lease liabilities	Financial liabilities at amortised cost	26,958	n.a.	n.a.	n.a.
Other non-current financial liabilities	Financial liabilities at amortised cost	1,632	n.a.	n.a.	n.a.
Non-current liabilities		**147,390**			
Bank borrowings	Financial liabilities at amortised cost	1,284	n.a.	n.a.	n.a.
Current bank loans	Financial liabilities at amortised cost	31,739	n.a.	n.a.	n.a.
Current lease liabilities	Financial liabilities at amortised cost	6,406	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	371	n.a.	n.a.	n.a.
Derivatives	FVTPL	5	n.a.	5	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	287	n.a.	n.a.	n.a.
Other current financial liabilities	Financial liabilities at amortised cost	5,888	n.a.	n.a.	n.a.
Current financial liabilities		**45,980**			
Trade payables	Financial liabilities at amortised cost	74,931	n.a.	n.a.	n.a.
Other non-current liabilities*	FVTPL	97,436	n.a.	n.a.	97,436
Total financial liabilities		**365,738**			
including	**Financial liabilities at amortised cost**	**268,297**			
	FVTPL	**97,441**			

Off-statement of financial position commitments and guarantees

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

Related party transactions

During 2023 and 2022, the group carried out commercial transactions with related parties as follows:

31.12.2022								
(€'000)	Trade receivables	Loan assets	Trade payables	Financial liabilities	Revenue	Financial income	Costs	Financial expense
Arion S.r.l.	-	-	-	-	-	-	(743)	-
Free Polska s.p.z.o.o.	236	-	(20)	-	10	30	(15,023)	-
Total associates	**236**	**-**	**(20)**	**-**	**10**	**30**	**(15,766)**	**-**
RN Real Estate S.r.l.	12	-	(217)	(15,226)	14	-	(2)	(67)
Nastrificio Victor S.p.A.	-	-	(39)	-	-	-	(72)	-
Eurotest laboratori S.r.l.	4	-	(137)	-	7	-	(319)	-
Carel Real Estate Adratic d.o.o.	3	-	(46)	(2,047)	2	-	(24)	(74)
Eurotec Ltd	174	-	(8)	-	754	-	(41)	-
Panther S.r.l.	-	-	(3)	-	-	-	(11)	-
Gestion A.Landry Inc	-	-	-	(30)	-	-	(3)	(1)
Humide Expert	-	-	(5)	-	-	-	(90)	-
Murat Cem Ozdemir		4	-	(1,623)	-	-	(41)	(38)
Bridgport S.p.A.	-	-	(150)	-	62	-	(120)	-
Brimind S.r.l.	-	-	(17)	(71)	-	-	(8)	(1)
Others	4	-	(37)	(300)	7	-	(56)	-
Total other related parties	**197**	**4**	**(659)**	**(19,297)**	**846**	**-**	**(787)**	**(181)**
Total	**433**	**4**	**(679)**	**(19,297)**	**856**	**30**	**(16,553)**	**(181)**

31.12.2023								
(€'000)	**Trade receivables**	**Loan assets**	**Trade payables**	**Financial liabilities**	**Revenue**	**Financial income**	**Costs**	**Financial expense**
Free Polska s.p.z.o.o.	174	-	(210)	-	162	0	(7,721)	-
Total associates	**174**	**-**	**(210)**	**-**	**162**	**-**	**(7,721)**	**-**
RN Real Estate S.r.l.	19		(610)	(14,647)	22	-	-	(163)
Nastrificio Victor S.p.A.	-	-	(28)	-	-	-	(77)	-
Eurotest laboratori S.r.l.	5	-	(79)	-	8	-	(179)	-
Carel Real Estate Adratic d.o.o.	2	-	-	(1,824)	2	-	(1)	(72)
Bridgport S.p.A.	8	-	(63)	-	31	-	(1,933)	-
Eurotec Ltd	-	-	-	-	166	-	-	-
Byggteknikk Prosjekt AS	-	-	-	(1,109)	-	-	-	(72)
Apie Sarl	-	-	(58)	-	-	-	(229)	-
Others	4	-	(611)	(1,982)	5	-	(233)	(41)
Total other related parties	**38**	**-**	**(1,449)**	**(19,562)**	**234**	**-**	**(2,652)**	**(348)**
Total	**212**	**-**	**(1,659)**	**(19,562)**	**396**	**-**	**(10,373)**	**(348)**

Transactions with RN Real Estate S.r.l. and Carel Real Estate Adriatic d.o.o. relate to the lease of the industrial buildings where the parent and the Croatian subsidiary carry out their business. Financial liabilities and expense have been recognised in accordance with IFRS 16.

Costs from Free Polska relate to non-group products purchased and resold by the subsidiary Alfaco Polska.

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

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

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

	Registered office	**Country**	**Currency**	**Share/quota capital at**	**Share/quota capital at**	**Group investment %**	**Investor**	**Consolidation method**	**Profit (loss) for 2023**	**Profit (loss) for 2022**
				31/12/2022	**31/12/2023**	**31/12/2023**			**€**	**€**
Parent:										
Carel Industries S.p.A.	Brugine (Padua)	Italy	EUR	10,000,000	11,249,920				51,171,157	47,510,497
Consolidated investees:										
C.R.C. S.r.l.	Bologna	Italy	EUR	98,800	98,800	100%	Carel Industries S.p.A.	Line-by-line	1,728,866	1,786,049
Carel Deutschland GmbH	Frankfurt	Germany	EUR	25,565	25,565	100%	Carel Industries S.p.A.	Line-by-line	2,866,574	3,398,294
Carel France Sas	St. Priest, Rhone	France	EUR	100,000	100,000	100%	Carel Industries S.p.A.	Line-by-line	904,779	307,078
Carel U.K. Ltd	London	Great Britain	GBP	350,000	350,000	100%	Carel Industries S.p.A.	Line-by-line	869,313	834,976
Carel Sud America Instrumentacao Eletronica Ltda	São Paulo	Brazil	BRL	31,149,059	31,149,059	53.02%	Carel Industries S.p.A.	Line-by-line	1,277,793	1,499,483
						46.98%	Carel Electronic Suzhou Ltd			
Carel Usa Inc	Pennsylvania	USA	USD	33,000,000	33,000,000	100%	Carel Industries S.p.A.	Line-by-line	10,130,071	4,930,312

	Registered office	Country	Currency	Share/quota capital at 31/12/2022	Share/quota capital at 31/12/2023	Group investment % 31/12/2023	Investor	Consolidation method	Profit (loss) for 2023 €	Profit (loss) for 2022 €
Carel Asia Ltd	Hong Kong	Hong Kong	HKD	15,900,000	15,900,000	100%	Carel Industries S.p.A.	Line-by-line	1,063,520	1,091,645
Carel HVAC&R Korea Ltd	Seoul	South Korea	KRW	550,500,000	550,500,000	100%	Carel Electronic Suzhou Ltd	Line-by-line	493,838	152,932
Carel South East Asia Pte. Ltd.	Singapore	Singapore	SGD	100,000	100,000	100%	Carel Asia Ltd	Line-by-line	40,610	38,375
Carel Australia PTY Ltd	Sydney	Australia	AUD	100	100	100%	Carel Electronic Suzhou Ltd	Line-by-line	591,182	755,747
Carel Electronic Suzhou Ltd	Suzhou	People's Republic of China	CNY	75,019,566	75,019,566	100%	Carel Industries S.p.A.	Line-by-line	16,390,647	12,225,823
Carel Controls Iberica Sl	Barcelona	Spain	EUR	3,005	3,005	100%	Carel Industries S.p.A.	Line-by-line	1,210,054	1,231,800
Carel Controls South Africa (Pty) Ltd	Johannesburg	South Africa	ZAR	4,000,000	4,000,000	100%	Carel Electronic Suzhou Ltd	Line-by-line	748,870	887,257
Carel ACR System India (Pvt) Ltd	Mumbai	India	INR	1,665,340	1,665,340	0.01%	Carel France Sas	Line-by-line	550,167	269,342
						99.99%	Carel Electronic Suzhou Ltd			
Carel RUS Llc	St. Petersburg	Russia	RUB	6,600,000	6,600,000	99%	Carel Industries S.p.A.	Line-by-line	(1,069,689)	661,100
						1%	Carel France Sas			
Carel Nordic AB	Hoganas	Sweden	SEK	550,000	550,000	100%	Carel Industries S.p.A.	Line-by-line	862,677	563,478
Carel Middle East	Dubai	Dubai	AED	4,333,877	4,333,877	100%	Carel Industries S.p.A.	Line-by-line	348,673	191,012
Carel Mexicana, S. DE R.L. DE C.R.	Guerra, Tlalpan	Mexico	MXN	12,441,149	12,441,149	100%	Carel Usa Inc	Line-by-line	(187,146)	149,880
Carel Adriatic D.o.o.	Rijeka	Croatia	HRK 2022 / EUR 2023	54,600,000	7,246,665	100%	Carel Industries S.p.A.	Line-by-line	9,636,367	10,081,835
Carel (Thailand) Co. Ltd.	Bangkok	Thailand	THB	16,000,000	16,000,000	50%	Carel Electronic Suzhou Ltd	Line-by-line	416,564	318,849
						30%	Carel Australia PTY Ltd			
Alfaco Polska Sp.z.o.o.	Wroclaw	Poland	PLN	420,000	420,000	100%	Carel Industries S.p.A.	Line-by-line	2,259,714	3,781,544
Carel Japan	Tokyo	Japan	JPY	60,000,000	60,000,000	100%	Carel Industries S.p.A.	Line-by-line	194,943	343,809
Recuperator S.p.A.	Rescaldina (MI)	Italy	EUR	500,000	500,000	100%	Carel Industries S.p.A.	Line-by-line	381,206	743,392
HygroMatik GmbH	Henstedt-Ulzburg	Germany	EUR	639,115	639,115	100%	Carel Industries S.p.A.	Line-by-line	3,247,908	3,355,354
Carel Ukraine Llc	Kiev	Ukraine	UAH	700,000	700,000	100%	Alfaco Polska Sp.zoo	Line-by-line	122,614	(60,170)
Enersol	Beloeil	Canada	CAD	100	100	100%	Carel Usa Inc	Line-by-line	(220,539)	170,242
CFM Sogutma Ve Otomasyon	Izmir	Turkey	EUR	78.565	78.565	51%	Carel Industries S.p.A.	Line-by-line	8,893,241	5,963,175
Enginia S.r.l.	Trezzo Sull'Adda (MI)	Italy	EUR	10,400	10,400	100%	Recuperator S.p.A.	Line-by-line	1,658,837	812,102
Arion S.r.l.	Bolgare (BG)	Italy	EUR	100,000	100,000	70%	Carel Industries S.p.A.	Line-by-line	256,112	451,741
Sauber S.r.l.	Mantua (MN)	Italy	EUR	100,000	100,000	70%	Carel Industries S.p.A.	Line-by-line	(468,430)	535,282
Klingenburg GmbH	Gladbeck	Germany	EUR	38,400	38,400	100%	Carel Industries S.p.A.	Line-by-line	428,916	327,304
Klingenburg USA, LLC	Raleigh	USA	USD	699,671	699,671	100%	Klingenburg GmbH	Line-by-line	(131,077)	6,087
Klingenburg UK Ltd	Folkestone	GB	GBP	100	100	100%	Klingenburg GmbH	Line-by-line	412,434	154,661
Klingenburg Iberica SLU	Madrid	Spain	EUR	3,500	3,500	100%	Klingenburg GmbH	Line-by-line	921,702	10,707
Klingenburg International Sp. z o.o.	Świdnica	Poland	PLN	50,000	50,000	100%	Carel Industries S.p.A.	Line-by-line	561,209	794,545

	Registered office	Country	Currency	Share/quota capital at 31/12/2022	Share/quota capital at 31/12/2023	Group investment % 31/12/2023	Investor	Consolidation method	Profit (loss) for 2023 €	Profit (loss) for 2022 €
Senva Inc	Oregon	USA	USD	-	-	100%	Carel Usa Inc	Line-by-line	(2,814,679)	31,285
Eurotec Ltd	Auckland	New Zealand	NZD	n.d.	450,000	100%	Carel Industries S.p.A.	Line-by-line	271,293	n.d.
Carel Kazakhstan	Almaty	Kazakhstan	KZT	n.d.	10,000	100%	Carel Industries S.p.A.	Line-by-line	526,674	n.a.
Kiona Holding AS	Trondheim	Norway	NOK	n.a.	666,401	82.4%	Carel Industries S.p.A.	Line-by-line	(1,466,019)	n.a.
Carel Systems Spzoo	Warsaw	Poland	PLN	n.a.	100,000	100%	Carel Industries S.p.A.	Line-by-line	(14,189)	n.a.
Kiona GmbH	Berlin	Germany	EUR	n.a.	25,000	100%	Kiona Holding AS	Line-by-line	(323,457)	n.a.
Kiona A/S - Denmark	Copenhagen	Denmark	DKK	n.a.	500,000	100%	Kiona Holding AS	Line-by-line	15,191	n.a.
Kiona AS	Trondheim	Norway	NOK	n.a.	100,000	100%	Kiona Holding AS	Line-by-line	1,844,032	n.a.
Kiona LT UAB	Kaunas	Lithuania	EUR	n.a.	2,500	100%	Kiona Holding AS	Line-by-line	736	n.a.
Kiona Oy	Helsinki	Finland	EUR	n.a.	2,500	100%	Kiona Holding AS	Line-by-line	6,904	n.a.
Kiona Sárl	Givisiez	Switzerland	CHF	n.a.	20,000	100%	Kiona Holding AS	Line-by-line	21,938	n.a.
Kiona Sp Zoo	Gdansk	Poland	PLN	n.a.	500,000	100%	Kiona Holding AS	Line-by-line	3,705	n.a.
Kiona Sweden AB	Gothenburg	Sweden	SEK	n.a.	200,000	100%	Kiona Holding AS	Line-by-line	(207,275)	n.a.

OTHER INFORMATION ON SUBSIDIARIES

The subsidiaries Carel Deutschland GmbH, HygroMatik GmbH and Klingenburg GmbH, included in these consolidated financial statements, used the exemption provided for by section 264 (3) of the German Commercial Code (HGB) for the disclosures, audit and the preparation of the notes to their financial statements at 31 December 2023 and the accompanying directors' reports.

FEES PAID TO DIRECTORS, STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL

The fees paid to directors and statutory auditors (and key management personnel - visto che c'è nella tabella) for the year ended 31 December 2023 are as follows:

DIRECTORS

(€'000)	2023	2022
Remuneration and fees	1,521	1,549
Other non-monetary benefits	25	22
Fair value of share-based payments	-	174
Total	**1,546**	**1,745**

STATUTORY AUDITORS

(€'000)	2023	2022
Fixed fees and fees for participation in committees	90	103
Total	**90**	**103**

KEY MANAGEMENT PERSONNEL		
(€'000)	**2023**	**2022**
Remuneration and fees	1,607	1,447
Other non-monetary benefits	22	18
Fair value of share-based payments	-	182
Total	**1,629**	**1,647**

EVENTS AFTER THE REPORTING DATE

See the relevant section of the directors' report.

INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB'S ISSUER REGULATION

The following table, prepared pursuant to article 149-duodecies of Consob Issuers' Regulation, shows the fees pertaining to the year for audit and non-audit services provided by the independent auditors.

SERVICES				
(€'000)	**Independent auditors**	**Recipient**	**2023 fees**	**2022 fees**
Audit				
	Deloitte & Touche S.p.A.	Carel Industries S.p.A.	260	239
	Deloitte & Touche S.p.A.	Subsidiaries	56	55
	Deloitte & Touche network	Subsidiaries	209	154
Attestation services				
	Deloitte & Touche S.p.A.	Carel Industries S.p.A.	410	45
	Deloitte & Touche S.p.A.	Subsidiaries	5	5
	Deloitte & Touche network	Subsidiaries	22	-
Total			**962**	**498**

Transparency obligations required by Law no. 124/2017 - (Annual market and competition law)

A list of the subsidies, grants, fees for paid positions and any type of economic benefits received from public administrations and other parties defined by article 1.125 of Law no. 124 of 2017, that the group companies received in 2023 is set out below:

Carel Industries S.p.A.:

- 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 parent 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;

Recuperator S.p.A.:

- 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 New ordinary operating property, plant and equipment - Law no. 178/2020, Energy and gas tax credit - Law decree no. 144/2022 and Law decree no. 176/2022 due for the year, the group 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;

Arion S.r.l.:

- other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented due for the year, the group 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;

C.R.C. S.r.l.:

- other than the tax credit for the acquisition of assets used in operations - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020 due for the year, the group 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 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;

Sauber S.r.l.:

- other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and integrated, Ministerial decree of 26 May 2020, Law no. 178/2020, Industria 4.0 Law no. 160/2019, Superbonus article 121 of Law decree no. 34/2022, Ecobonus and photovoltaic systems article 121 of Law decree no. 34/2020, restructuring of historical buildings article 121 of Decree law no. 34/2020, the group 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 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;

Enginia S.r.l.:

- other than the tax credit for energy and gas - Law decree no. 144/2022 and Law decree no. 176/2022 due for the year, the group 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 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.

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

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

   3.1 the consolidated financial statements as at and for the year ended 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 and the group of companies included in the consolidation scope.

   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 consolidated financial statements of Carel Group 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

INDEPENDENT AUDITORS' REPORT

Deloitte.

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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 CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of Carel Industries S.p.A. (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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment of goodwill allocated to CGU Mechanics, Hygromatik, CFM Sogutma ve Otomasyon Anonim Sirketi (CFM), Senva and Kiona.

Description of the key audit matter	The consolidated financial statements as at December 31, 2023, include goodwill related to the CGU Mechanics for Euro 12,9 million, Hygromatic for Euro 38,5 million, CFM Sogutma ve OtomasyonAnonim Sirketi (CFM) for Euro 11,4 million, Senva for Euro 18,5 million and Kiona for Euro 143,9 million. As required by IAS 36 "impairment of assets", goodwill was not amortized, but is subjected to impairment test at least annually, which compares the recoverable value of the CGUs – based on the value of in use methodology – and the carrying value which includes goodwill and other tangible and intangible assets allocated to the CGUs. In their 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, also, 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 likely scenarios based on the information available, but the output of the impairment test may be different if any of the assumptions change significantly. We considered the significance of the amount of the goodwill, the subjectivity of the estimates underlying the determination of the cash flows for the CGU and the key variables of the impairment test. As a result, we assessed that the impairment test represents a key audit matter for the audit of Carel Group's consolidated financial statements. Note 2 of the consolidated 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 relevant controls designed and implemented by the Directors related to the process of performing and approving the impairment test; • analysis of the main assumptions adopted to prepare the expectations in terms of cash flows, also using industry data, and obtaining information from the Directors;

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- analysis of the actual results obtained by the Group 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 clerical accuracy of the model used to calculate the value in use for the CGUs;
- • test of the accuracy of the determination of the carrying value of the CGUs 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 provided by the Directors to the requirements of IAS 36.

Accounting for Business combination

Description of the key audit matter	In 2023, Carel Group completed a business combination, in relation to the acquisition of 82,4% of Kiona Holding AS, a Norwegian company leading provider of Software as a Service (SaaS) solutions. Kiona Holding As controls 8 companies that cover the main export markets in Norther Europe. This acquisition was recognized in the consolidated financial statements in accordance with the IFRS3 "Business combinations", that provides for a "purchase price allocation (PPA)" process, and that requires the Directors to assess the fair value of the assets acquired and liabilities assumed, also through the support of independent expert. The allocation of values within the PPA process generated, among others, at the acquisition date, goodwill for Euro 143,9 million, intangible assets with a defined useful life for Euro 55,12 million and related deferred taxes. Considering that certain information, already present at the date of the acquisition, are still under analysis, the PPA is not considered as closed in accordance with the provisions of the IFRS3. In relation to the acquisition of Kiona Holding AS and in particular to the option granted to the minority shareholders, an initial liability of Euro 67,5 million was recognized, with a corresponding reduction of Group's equity. This amount corresponds to the present value, at the acquisition date, of the estimate of the consideration in case of option exercise, determined using the discounted cash flows approach. As at December 31, 2023, the present value of this liability amounted to Euro 71,9 million.

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	We considered the significance of this business combination for the consolidated financial statements of Carel Group, the complexity of the assumptions made by the Directors which, by their nature, imply significant judgments. As a result, we assessed the Business combination to be a key audit matter for the audit of Carel Group's consolidated financial statements. In the disclosure related to the "consolidation scope" and in note 18 of the consolidated financial statements, the Directors described the process implemented and the effects on the consolidated financial statements.
Audit procedures performed	As part of our audit, among others, we performed the following audit procedures, supported by the experts belonging to our network: ▪ analysis of the agreement related to the acquisition, in order to understand its main terms and conditions; ▪ understanding of the relevant controls designed and implemented by the Directors related to the acquisition accounting process; ▪ analysis of the report prepared by the independent expert and of the criteria used by the Directors to account for the Business combination in compliance with IFRS 3, with particular reference to the criteria and assumptions used to identify the assets transferred, liabilities incurred, to estimate the fair value and the methods used to determine the value of goodwill; ▪ discussion of the main assumptions adopted by the Directors and independent expert and re-performing of the calculation of the values identified; ▪ analysis of the criteria applied by the Directors to recognize and measure the liability related to the option on the minority interests. Finally, we verified the appropriateness of the disclosure on the Business combination, and the compliance with the applicable accounting standards.

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

The Directors are responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 the termination of the business or have no realistic alternatives to such choices.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 April 13, 2018 as auditors of the Company for the years from December 31, 2018, to December 31, 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 consolidated financial statements as at December 31, 2023, to be included in the annual financial report.

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

In our opinion, the consolidated financial statements as at December 31, 2023 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

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Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

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 the ownership structure of Carel Group as at December 31, 2023, including their consistency with the related consolidated 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 the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Carel Group as at December 31, 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 some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Carel Group as at December 31, 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.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree December 30, 2016, no. 254

The Directors of Carel Industries S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree December 30, 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Deloitte.

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Pursuant to art. 3, paragraph 10 of Legislative Decree December 30, 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
March 26, 2024

As disclosed by the Directors on page 86, the accompanying consolidated 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.

Annual report

2023

Kiona Holding AS

Management report

General

Kiona Holding AS ("Kiona") is a leading proptech company with focus on business in Norway, enabling stakeholders to optimise resource efficiency while reducing emissions from buildings through the monitoring, control and optimisation of energy usage. With well-proven solutions for integration and connectivity, the company helps customers achieve their financial and sustainability objectives by digitalising new and old buildings and their heating, cooling, ventilation, and refrigeration systems. Kiona is headquartered in Trondheim, Norway.

Going Concern

In accordance with the requirements of the Norwegian Securities Trading Act and the Norwegian Accounting Act, we confirm that the financial statements have been prepared under the assumption of a going concern. The assumption is based on our current profit forecasts for 2024, long-term strategic forecasts, and the company's financial position. The financial statement for the year ended 31 December 2023, has been prepared in accordance with Simplified IFRS as issued by the International Accounting Standards Board as adopted by EU.

Kiona and Kiona Group in Brief

Kiona AS is owned by the Norwegian entity Kiona Holding AS ("Kiona Group"), which has 17 offices across eight countries with 154 employees. Leveraging this global footprint, Kiona Group serves daily nearly 60.000 commercial properties, residential and public buildings and about 3.500 grocery stores in Europe. In August 2023 Carel Industries S.p.A acquired 82.4% of the shares in Kiona Holding AS.

The Group is set to be the leading PropTech company in Europe, enabling stakeholders to optimise resource efficiency while reducing emissions from buildings through the monitoring, control, and optimisation of energy usage. With well-proven solutions for integration and connectivity, the Kiona Group helps customers achieve their financial and sustainability objectives by digitalising new and old buildings and their heating, cooling, ventilation, and refrigeration systems. The new portfolio offering Kiona AS now provides has been well received in the market, with more interest for our products and numerous cross sales achieved in 2023 and so far in 2024.

Outlook for 2024

The outlook for 2024 is positive. Kiona continues to be supported by strong underlying megatrends, namely mitigating climate change and digitalization, and continues to execute its strategic plans. The current situation in Ukraine and the sanctions against Russia and Belarus, which have led to higher energy prices in Europe, will probably give further momentum for saving energy and more EU regulations to reduce emissions and increase attention for the Kiona products and services.

Results

Income from Operations

All revenues in Kiona Holding AS are intercompany revenues. Kiona Holding AS experienced a decrease in revenues of 6 % from intercompany transactions, and Kiona Holding AS realized revenues of MNOK 38.2 in 2023, compared to MNOK 40.8 in 2022.

Financial items

Kiona Holding AS had net financial cost of MNOK -28.8 in 2023 versus net financial cost of MNOK -16.3 in 2022.

Net profit

Pretax profit in 2023 was MNOK -53.5 compared to a pretax profit of MNOK -27.1 in 2022. Income tax was MNOK -11.0 in 2023 versus MNOK -6.0 in 2022, resulting in a net profit of MNOK -42.5 in 2023 against a net profit of MNOK 21.1 in 2022.

Allocation of the Result

For 2023, Kiona Holding AS has posted the net profit of MNOK -42.5 against Other Equity.

Cash flow

Cash flow from operating activities in 2023 was MNOK 14.7 compared to MNOK 46.7 in 2022. Decrease in cash flow from operations is mainly due to changes in accrued items versus last year. Cash flow from investing activities was MNOK -8.7 in 2023 compared to MNOK -38.5 in 2022. The investing activities in 2023 and changes from last year were mainly related to changes in intercompany balances. Finally, cash flow from financing activities was MNOK 39.4 in 2023 compared to MNOK 16.7 in 2022. Changes from last year are mainly related to changes of non-current intercompany balances, including the cash pool., Kiona Holding AS cash position became part of the Groups cash pool with DNB set-up in 2022 and Kiona Holding AS is the owner of the cash pool.

Balance sheet

Kiona Holding AS had a financial position with MNOK 0 cash on hand at year-end 2023, compared to MNOK 4.0 at year-end 2022, but Kiona Holding is the owner of the cash pool with DnB.

Kiona Holding AS had a net interest-bearing debt of MNOK 244.0 as of December 31, 2023, compared to MNOK 228.9, as of December 31, 2022. Interest bearing debt consist of an intercompany loan from Kiona AS.

Kiona Holding AS had intangible assets of MNOK 79.4 and tangible long term fixed assets of MNOK 2.0 at year-end 2023 compared to MNOK 69.9 and MNOK 1.3 respectively in 2022.

Of the intangible assets, Capitalized Research and Development assets amounted to MNOK 45.1 in 2023 versus MNOK 42.5 in 2022. All technology was purchased from subsidiaries by Kiona Holding AS in 2021. Kiona AS and Kiona Sweden AB are delivering development services to Kiona Holding AS with a mark-up. Since its inception, Kiona AS and Kiona Sweden AB has invested substantial resources in research, development and innovation.

Total equity of Kiona Holding AS was MNOK 164.7 at year-end 2023 compared to equity of MNOK 214.1 at year-end 2022. The Company had an equity to assets ratio of 31.6 % at year-end 2023 compared to an equity ratio of 41.0 % at year-end 2022.

The Board of Directors and Executive Management are of the opinion that the financial statements provide a true and fair view of Kiona Holding AS assets, liabilities, financial position, and results.

Risk Factors

Economic Risk

Kiona is exposed to the economic cycle and macroeconomic fluctuations, as changes in the general economic situation could affect demand for Kiona's products and pricing of services. In periods with recession and general lower activity, this will naturally affect volumes, as Kiona experienced in some of the transactional-based parts of our business in 2021. In recovery periods, the global activity would increase, which all other things being equal would increase volumes again.

Market Risk

The demand for Kiona's products will to some extent, depend on the conditions in the relevant industry. Prices may come under increased pressure, and new regulatory requirements may adversely affect the demand for Kiona's services. Still, as the services of Kiona are focusing on the clients' focus to meet sustainability targets and save energy and reduce costs, most regulatory changes are overall more likely to be positive to Kiona than negative.

Credit Risk

In times of economic turmoil, customers might face challenges in meeting their obligations towards Kiona. A very limited customer concentration in the subsidiaries with low dependency on single customers mitigates such risk. Historically, the subsidiaries have only had insignificant losses due to credit risk.

Financial Risk

Kiona is financed through a loan facility denominated in Norwegian kroner, with fixed interest rate and Kiona Holding AS has very limited currency risk.

Working Environment, Equal Opportunities and Discrimination

Kiona Holding AS has no employees.

Kiona's Ethical Guidelines

Kiona conducts its business with social consciousness and shows respect for colleagues, business partners and competitors. Kiona is committed to ethical and legal business, environmental, human rights, and labour practices on a worldwide basis. We demand honesty and integrity in all business relations. No employee may instigate, invite to or accept services that conflict with legislation directly or through an intermediary. Business transactions made on behalf of Kiona must be available for documentation in accordance with proper business code of conduct.

Corporate Social Responsibility

Kiona recognizes the environmental and social impact of our business activities. We focus on corporate social responsibility and sustainable business development at a strategic and operational level. Kiona's offering enables property owners and other stakeholders to optimize their technical installations and meet sustainability targets in the smartest and most cost-efficient way possible, saving resources and fighting climate change.

Transparency Act

Kiona statement of the transparency act is posted on our website www.kiona.com.

Director and Officer Insurance

Kiona is included in Carel Industries S.p. A's Director & Officer (D&O) Group Insurance policy.

Confirmation from the Board of Directors

We confirm that, to the best of our knowledge, the financial statements for the period from January 1 to December 31, 2023 have been prepared in accordance with applicable accounting standards and give a true and fair view of the Company assets, liabilities, financial position, results of operations, and that the Management Report provides a true and fair view of the development and performance of the business and the position of the Company together with a description of the key risks and uncertainty factors that the company is facing.

Trondheim,

2024, June 18th

Nicola Biondo
Chair

Alessandro Greggio
Board Member

Carlo Vanin
Board member

Kent Zehetner
Board member

Trond-Øystein Bjørnnes
CEO

Trond-Ø Bjørnnes

Statement of profit or loss
For the year ended 31 December 2023

	Note	2023	2022
(All figures in NOK 1 000)			
Other operating income	5	38,199	40,833
Total Operating income	**5**	**38,199**	**40,833**
Operating expenses			
Employee benefit expenses	6	1,407	2,469
Other operating expenses	7	44,104	33,808
Operating profit before depreciation and amortisations (EBITDA)		**-7,312**	**4,556**
Depreciation and amortisation expense	10	17,355	15,323
Operating profit		**-24,667**	**-10,767**
Finance income and expense			
Income from subsidiaries		4,308	0
Finance income	8	9,770	3,236
Finance expense	8	42,913	19,540
Net finance income and expense		**-28,836**	**-16,304**
Profit before tax		**-53,502**	**-27,071**
Tax expense	9	-11,022	-5,957
Profit		**-42,480**	**-21,114**
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange gains arising on translation of foreign operations			
Total comprehensive income		**-42,480**	**-21,114**

Statement of financial position

Assets	Note	2023	2022
(All figures in NOK 1 000)			
Non-current assets			
Deferred tax asset	9	24,744	13,722
Capitalized R&D	10	45,080	42,486
IP rights	10	9,546	13,689
Property, plant and equipment	11	1,994	1,317
Investments in subsidiaries	4.12	400,791	391,703
Loans to group companies	12	0	16,686
Total non-current assets		**482,155**	**479,602**
Current assets			
Other short term receivables	4, 13	747	728
Receivables from group companies	12	37,830	38,078
Cash and cash equivalents	4, 14	0	3,963
Total current assets		**38,577**	**42,769**
Total assets		**520,731**	**522,371**

Statement of financial position

As of 31 December 2023

Equity and liabilities	Note	2023	2022
(All figures in NOK 1 000)			
Equity			
Issued capital and reserves attributable to owners of the parent			
Share capital	15	666	666
Treasury stock	15	-47	0
Share premium reserve	15	263,654	263,654
Other equity	15	-99,595	-50,246
Total equity		**164,678**	**214,075**
Liabilities			
Non-current liabilities			
Liabilities to financial institutions		0	0
Liabilities to group companies	4, 12	243,977	228,919
Total non-current liabilities		**243,977**	**228,919**
Current liabilities			
Trade payables	4	621	1,052
Liabilities to cashpool		80,987	18,219
Current liabilities to group companies	4, 12	29,650	34,982
Dividends	15	0	0
Other current liabilities		820	25,124
Total current liabilities		**112,077**	**79,377**
Total liabilities		**356,053**	**308,296**
Total equity and liabilities		**520,731**	**522,371**

Statement of changes in equity

(All figures in NOK 1 000)

	Note	Share capital	Share premium	Foreign exchange reserve	Other Equity	Total Equity
1 January 2022		**660**	**256,113**		**-29,132**	**227,641**
Profit from continuing operations					-21,114	-21,114
Other comprehensive Income					0	0
Total comprehensive Income for the year		-	-		-21,114	-21,114
Dividends					0	0
Capital increase		7	7,541			7,548
Contributions by and distributions to owners		7	7,541		-	7,548
31 December 2022		**666**	**263,654**		**-50,246**	**214,075**
Profit from continuing operations					-42,480	-42,480
Other comprehensive Income						0
Total comprehensive Income for the year		-	-	-	-42,480	-42,480
Dividends						0
Capital increase						0
Buy-back own shares			-47			-47
Cancellation of share-option scheme					-6,870	-6,870
Contributions by and distributions to owners		0	-47	0	-6,870	-6,917
31 December 2023		**666**	**263,607**	**0**	**-99,595**	**164,678**

Statement of cash flows

For the year ended 31 December 2023

(All figures in NOK 1 000)

	Note	2023	2022
Cash flows from operating activities			
Profit for the year		-42,480	-21,114
Adjusted for			
Depreciation and amortisation expense	10	17,355	15,323
Finance income	8	-9,770	-3,236
Finance expense	8	42,913	19,540
Income tax expense	9	-11,022	-5,957
Increase in trade and other payables		-450	208
Change in other accrual items		-24,368	20,842
Cash generated from operations		**14,659**	**46,720**
Income tax paid	9	0	0
Net cash flows from operating activities		-27,821	25,606
Investing activities			
Acquisition of subsidiary, net of cash acquired		-9,088	0
Purchases of property, plant and equipment	10, 11	-16,513	-17,350
Changes in intercompany receivables		16,933	-21,181
Net cash used in investing activities		**-8,668**	**-38,531**
Financing activities			
Changes in non-current intercompany payables		15,058	83,488
Changes in current intercompany payables		-5,332	-57,762
Repayment of long-term liabilities		0	0
Proceeds from equity	15	-6,917	7,548
Changes in liabilities to cash pool		62,768	0
Interest on loans and borrowings	8	-32,568	-17,096
Interest received	8	3,826	542
Corporate contribution paid		-4,308	0
Dividends paid to the holders of the parent		0	0
Net cash (used in)/from financing activities		**32,527**	**16,720**
Net increase in cash and cash equivalents		**-3,963**	**3,795**
Cash and cash equivalents at beginning of year		**3,963**	**168**
Cash and cash equivalents at end of year		**0**	**3,963**

Note 1 General information

Kiona Holding AS is the parent company in the Kiona Group, the subsidiaries are technology companies providing services for monitoring the performance of technical installations, with the purpose of saving energy and avoiding prod losses.

Kiona Holding AS is a limited liability company registered in Norway. The head office of the company is located in Leirfossvegen 27, Trondheim, Norway.

This year's financial statements were approved for issue by the Board of Directors on 27 May 2024.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make some assessments, calculate estimates and set assumptions that affect the amounts reported in the financial statements and in the corresponding notes. Management bases its estimates and assessments on historical experience, as well as a number of other factors considered relevant in the situation. This in turn forms the basis for the assessments made related to the carrying amount of assets and liabilities where this is not obviously available from other sources.

NOTE 3.1 ACCOUNTING POLICIES

General

Basis for Preparation

The statutory annual financial statements are prepared in accordance with the Norwegian Accounting Act of 1998 (NAA). The company has chosen to apply "simplified IFRS" in the annual accounts. This implies mainly that the company applies recognition criteria according to International Financial Reporting Standards as adopted by the EU, but where note disclosures are in accordance with the NAA and NGAAP.

The financial statements for 2021 were the first financial statements prepared in accordance with "simplified IFRS".

The company has applied the following simplifications as compared to the recognition and assessment criteria according to full IFRS:
Dividend and group contribution are recogniced in accordance with NGAAP. Meaning that proposed dividends are recogniced as liabilities in the year they relates to.

Functional currency and presentation currency
The Company's presentation currency is NOK. This is also the functional currency.

Foreign currency
Transactions in foreign currency are converted at the exchange rate at the time of the transaction. Monetary items in foreign currency are converted into NOK using the balance sheet date's exchange rate. Non-monetary items measured at historical exchange rates expressed in foreign currency are converted into NOK using the exchange rate at the time of the transaction. Gains and losses from exchange rate changes are recognized in the income statement on an ongoing basis during the accounting period.

Currency gains and losses related to purchase of inventory are classified as cost of goods. This consists mainly of accounts payable in foreign currency.

Assets and liabilities in foreign operations are converted into NOK using the balance sheet date's currency rate. Revenues and expenses in foreign operations converted into NOK using average prices. The translation difference because of the conversion of foreign operations are recognize in other comprehensive income. Accumulated translation differences in equity are recircled into profit and loss upon divestment of foreign operations.

Revenues
Revenues are services provided to Group Companies, recognized in the income statement when the services is delivered.

Classification of balance sheet items
Current assets and current liabilities include items due for payment within a year after the balance sheet date, as well as items that relate to the operating cycle. Other items are classified as fixed asset/long-term liabilities. Receivables from deferred payment are considered as being part of the operating cycle, and consequently classified as a current asset.

Financial assets
The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the company's accounting policy for each category is as follows:

Amortised cost
These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Investments in subsidiaries
Subsidiaries classified as non-current assets are recognised in accordance with the cost method. Subsidiaries are companies in which Kiona Holding AS has a controlling influence as a result of legal or de facto control. A controlling interest is, in principle, deemed to exist when more than 50 per cent og the voting capital is owned either directly or indirectly.

Dividend and other distributions are recognised as other financial income. If dividends exceed the share of profit and loss withheld after acquisition, the surplus amount represents a repayment of invested capital, and the distributions are deducted from the value of the investment in the balance sheet.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship (see below), the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not hold or issue derivative instruments for speculative purpose but for hedging purposes. Other than these derivative financial instruments, the Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Liability components of convertible loan notes are measured as described further below.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Inventories
Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Intangible assets
Intangible assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs.
Development, patents and licenses are depreciated in order to write off the carrying value over the expected period of use

Impairment of non-financial assets (excluding inventories and deferred tax assets)
Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units. Goodwill is allocated on initial recognition to each of the Company's CGUs that are expected to benefit from a business combination that gives rise to the goodwill. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Taxes
The tax expense in the income statement includes both current tax payable and changes in deferred tax/deferred tax assets.

Current tax constitutes the expected tax payable on the year's taxable result at the applicable tax rates on the balance sheet date and any corrections of tax payable for previous years.

Tax payable and deferred tax/deferred tax assets are calculated at the tax rate applicable in Norway.

Deferred tax/deferred tax assets are calculated on the basis of the temporary differences that exist between accounting and tax bases of assets and liabilities, as well as tax losses carried forward at year end. Net deferred tax assets are recognized to the extent that there is convincing evidence that there will be taxable income available to utilize the deferred tax asset.

Cash flow statement
The cash flow statement has been prepared according to the indirect method.

Events after the balance sheet date

New information about the company's position on the balance sheet date is included in the financial statements. Events that occur after the balance sheet date that do not affect the company's position on the balance sheet date, but which affect the company's future position are reported if it is of significance.

NOTE 3.2 CHANGES IN ACCOUNTING POLICIES

New standards, interpretations and amendments not yet effective
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. None of these are expected to have significant effect on the financial statements of the Company.

NOTE 4 FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk, and
- Liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and Other payables
- Bank overdrafts
- Floating-rate loans
- Fixed rate loans

Financial instruments based on category

31.12.2023	*Financial assets at fair value*	*Financial asset at amortized cost*	*Financial liabilities at fair value*	*Financial liabilities at amortized cost*	**Total**
(All figures in NOK 1 000)					
Assets					
Investment in subsidaries		400,791			
Loan to group companies		0			
Non-current eceivables from group companies		0			
Current receivables from group companies		37,830			
Other short term receivables		747			
Cash		0			
Liabilities					
Non-current liabilities to group companies				243,977	
Current liabilities to group companies				110,212	
Trade payables to group companies				425	
Other current liabilities				820	
Trade payable and public duties payable				621	
Net financial assets and liabilities at 31 december 2023	-	439,367	-	356,053	83,314

31.12.2022	*Financial assets at fair value*	*Financial asset at amortized cost*	*Financial liabilities at fair value*	*Financial liabilities at amortized cost*	**Total**
(All figures in NOK 1 000)					
Assets					
Investment in subsidaries		391,703			
Loan to group companies		16,686			
Receivables from group companies		38,078			
Current receivables from group companies					
Other short term receivables		728			
Cash		3,963			
Liabilities					
Debt to financial institutions					
Non current liabilities to group companies				228,919	
Current liabilities to group companies				49,452	
Trade payables to group companies				3,749	
Other current liabilities				25,124	
Trade payable and public duties payable				1,052	
Net financial assets and liabilities at 31 december 2023	-	451,158	-	308,296	142,862

Fair value of financial instruments recognized at amortized cost

Financial instruments recognized at amortized cost consist of liabilities with floating rates. Recognized value is assumed to be a good indication of fair value for these liabilities taking into consideration the current margin and market conditions.

(1) Loan to Group Companies matures later than 5 years

NOTE 5 REVENUES

All revenues are services provided to group companies
The Company has disaggregated revenue into various categories in the following table which is intended to:

Disaggregation based on type of customers

Revenues based on geographic location of customers	**2023**	**2022**
(All figures in NOK 1 000)		
Norway	3,880	15,351
Sweden	22,495	18,291
Other	11,824	7,192
Total	**38,199**	**40,833**

Revenues by product or service	**2023**	**2022**
(All figures in NOK 1 000)		
Sale of goods		
Sale of service	38,199	40,833
Total	**38,199**	**40,833**

Timing of revenue recognition	**2023**	**2022**
(All figures in NOK 1 000)		
Point in time	38,199	40,833
Over time		
Total	**38,199**	**40,833**

NOTE 6 EMPLOYEE BENEFIT EXPENSES

Compensation to board members and employees	**2023**	**2022**
(All figures in NOK 1 000)		
Board fees including payroll expenses	345	696
Social events all Kiona employees	1,062	1,773
Total	**1,407**	**2,469**

Audit fees

	2023	**2022**
(All figures in NOK 1 000)		
Statutory audit	579	837
Other assurance services	248	709
Other non-assurance services		0
Total	**827**	**1,546**

NOTE 7 OTHER OPERATING EXPENSES

	2023	2022
Sales, marketing costs	1,645	582
Travelling, freight and transport	178	20
Cost related to buildings, equipment and fixtures	0	354
Other operating costs	41,998	32,835
Insurance, credit losses and related expenses	282	17
	44,104	33,808

NOTE 8 FINANCE INCOME AND EXPENSE

Finance income	2023	2022
Interest income	3,865	542
Foreign exchange gains	5,882	2,694
Group contribution received	4,308	
Other finance income	22	0
Total finance income	**14,078**	**3,236**

Finance expense	2023	2022
Interest on debts and borrowings	32,568	17,096
Other interest expenses		
Foreign exchange losses	10,345	1,976
Other finance expense	0	468
Total finance expense	**42,913**	**19,540**

NOTE 9 TAX EXPENSE AND DEFERRED TAX

	2023	2022
(All figures in NOK 1 000)		
Taxable income		
Result from continued operations	-42,480	-21,114
Result from discontinued operations		
Non taxable items [1]	-11,929	-7
Changes in temporary differences	-5,176	-5,957
Group contribution - received	4,308	0
Provided group contribution	0	0
Taxable income	**-55,278**	**-27,078**
Income tax expense:		
Current income tax	0	0
Payable tax	0	0
Taxes from corporate contribution	0	0
Changes in deferred tax	-11,022	-5,957
Total	**-11,022**	**-5,957**
Income tax expenses from discontinued operation	0	0
Income tax expense from continued operation	0	0
Total income tax expense from continued operation	**0**	**0**

Temporary differences and tax positions	**2023**	**2022**
Tangible assets	-335	0
Accounts receivable	0	-5,511
Total temporary differences and tax positions	**-335**	**-5,511**
Accumulated loss to be brought forward	-112,140	-56,862
Basis for deferred tax	-112,475	-62,374
Net deferred tax	**-24,744**	**-13,722**
Specification in the statement of financial position		
Payable tax on this years result	0	0
Payable tax on provided Group contribution	0	0
Payable tax on received Group contribution	0	0
Deferred tax asset	-24,744	-13,722
Deferred tax	-	-
Net deferred tax	**-24,744**	**-13,722**
Tax payable in the statement of financial position		
Current income tax payable	0	0
Prepaid tax	0	0
Net tax payable	**0**	**0**

[1] Includes non-deductible costs such as representation, gifts and non-taxable income such as capital gains and dividends from associated companies.

Reconciliation of effective tax rate	**2023**	**2022**
(All figures in NOK 1 000)		
Result before tax	-53,502	-27,071
Income tax based on applicable tax rate (22%)	-11,770	-5,956
Effect from foreign currency and different tax rates		
Changes in not recognized tax loss carried forward		
Not deductible expenses	748	-2
Not taxable income	0	0
Income tax expense	**-11,022**	**-5,957**
Effective tax rate	20.6 %	22.0 %

NOTE 10 INTANGIBLE ASSETS

(All figures in NOK 1 000)	**Licences, patents etc**	**Development**	**Total**
Cost as of 31.12.2022	21,056	57,849	78,905
Additions		15,441	15,441
Prior year changes		-3,887	-3,887
Disposals			-
Foreign currency effects			-
Cost as of 31.12.2023	21,056	69,403	90,459
			-
Accumulated depreciation and impairments as of 31.12.2022	-7,368	-15,363	-22,730
Depreciation	-4,143	-12,817	-16,960
Prior year changes		3,857	
Impairments			-
Reclass written down assets			-
Disposals			-
Foreign currency effects			-
Accumulated depreciation and impairments as of 31.12.2023	-11,510	-24,323	-35,833
			-
Carrying amount as of 31.12.2022	**13,689**	**42,486**	**56,174**
Carrying amount as of 31.12.2023	**9,546**	**45,080**	**54,626**
Economic life	5 year	5 year	
Depreciation method	Linear	Linear	

Intangible assets related to capitalization of development costs concern the development of functionality on existing products, new functions and new products.

NOTE 11 PLANT, PROPERTY AND EQUIPMENT

(All figures in NOK 1 000)	**Total Equipment**
Cost as of 31.12.2021	-
Additions	1,377
Additions business combinations	-
Disposals	-
Foreign currency effects	-
Cost as of 31.12.2022	**1,377**
Additions	1,072
Additions business combinations	-
Disposals	-
Reclass written down assets	-
Foreign currency effects	-
Cost as of 31.12.2023	**2,449**
Accumulated depreciation and impairments as of 31.12.2021	-
Depreciation	-60
Foreign currency effects	
Accumulated depreciation and impairments as of 31.12.2022	**-60**
Depreciation	-395
Impairments	-
Disposals	-
Reclass written down assets	-
Foreign currency effects	-
Accumulated depreciation and impairments as of 31.12.2023	**-455**
Carrying amount as of 31.12.2022	**1,317**
Carrying amount as of 31.12.2023	**1,994**
Economic life	3 - 5 year
Depreciation method	Linear

NOTE 12 Subsidiaries, intercompany balances and related party transactions

Subsidiaries	Country of incorporation	Proportion of ownership 2023	2022
Kiona AS	Norway	100,0 %	100,0 %
Kiona Sweden AB	Sweden	100,0 %	100,0 %
Kiona A/S	Denmark	100,0 %	100,0 %
Kiona GmbH	Germany	100,0 %	100,0 %
Kiona Sp Zoo	Poland	100,0 %	100,0 %
Kiona Oy	Finland	100,0 %	100,0 %
Kiona Sàrl	Switzerland	100,0 %	100,0 %
Kiona LT UAB	Litauen	100,0 %	100,0 %
Cebyc GmbH*	Germany	na	100,0 %

(All figures in NOK 1 000)	2023 Carring amount	2023 Equity	2023 Profit (-loss)	2022 Carring amount	2022 Equity	2022 Profit(-loss)
Kiona AS	127,660	33,017	3,536	120,524	26,924	7,269
Kiona Sweden AB	252,534	50,864	3,251	252,154	43,550	1,276
Kiona A/S	590	1,066	124	590	918	28
Kiona GmbH**	1,886	287	-16	315	-1,128	-30
Kiona Sp Zoo	0	638	18	0	389	53
Kiona Oy	1,909	2,655	231	1,909	2,304	82
Kiona Sárl	16,186	807	241	16,186	455	98
Kiona LT UAB	26	203	123	26	77	36
Total	400,791			391,703		

* Includes merged entities: Kiona GmbH and Cebyc GmbH
** Previous subsidiary of Kiona AS, merged with Kiona GmbH.

Receivables	**2023**	**2022**
(All figures in NOK 1 000)		
Non-current:Loans to group companies		
Kiona Sweden AB	-	-
	-	-
Non-current: Receivables from group companies		
Kiona AS	-	16,686
	-	16,686
Current: Receivables from group companies		
Kiona AS	20,013	23,027
Kiona Sweden AB	6,496	10,093
Kiona A/S	0	407
Kiona GmbH*	800	3,083
Kiona Sp Zoo	4,764	368
Kiona Oy		
Kiona Sàrl	5,319	617
Kiona LT UAB	439	482
	37,829	38,077

Payables	2023	2022
(All figures in NOK 1 000)		
Non-current: Liabilities to group companies		
Kiona AS	243,977	228,919
	243,977	228,919
Current: Liabilities to group companies		
Kiona AS	16,535	32,406
Kiona Sweden AB	1,761	19,194
Kiona A/S	487	
Kiona GmbH*		667
Kiona Sp Zoo	285	683
Kiona Oy	101	
Kiona Sàrl	9,688	13
Kiona LT UAB	793	238
	29,650	53,201

Related party transactions

(All figures in NOK 1 000)

2023

Related party	Company	Description	Relation	Amounts owed to related parties	Amount owed by related parties
Byggteknikk Prosjekt AS	Kiona Holding AS	Rent	Shareholder	-	-
Pivot Invest AS	Kiona Holding AS	Consultancy	Shareholder	125	-
APIE Sàrl	Kiona Holding AS	Consultancy	Shareholder	657	-
Total				**782**	-

2022

Related party	Company	Description	Relation	Amounts owed to related parties	Amount owed by related parties
Pivot Invest AS	Kiona Holding AS	Consultancy	Shareholder	2,885	-
Total				**2,885**	-

(All figures in NOK 1 000)

Trade receivables	**2023**	**2022**
Other short term receivables	747	728
Less: Provision for impairment of trade receivables	0	0
Net trade receivables	**747**	**728**

	2023	**2022**
Receivables written off during the years	0	0
Collected on receivables written of in prior periods		
Changes in provision during the year		
Impairment loss during the year	**0**	**0**

There is no found losses in trade receivables and no calculated expected loss provision for trade receivables in the years 2022 and 2023

NOTE 14 CASH AND CASH EQUIVALENTS

(All figures in NOK 1 000)	**2023**	**2022**
Cash at hand and on demand bank deposits	0	3,963

NOTE 15 SHARE CAPITAL AND SHAREHOLDERS

(All figures in NOK 1 000)	2023	2022
Share capital	666	666
Treasury shares	(47)	0
Share premium	263,654	263,654
Total paid in capital	264,273	264,321

(All figures in NOK 1 000)	2023	2022
Dividends paid	0	0

Shareholders holding 0.1% or more of the share capital:	*No. of shares*	*% of total*
Carel Industries S.p.A.	3,935,078	82.4 %
Byggteknikk Drift AS	431,145	9.0 %
Pivot Invest 1 AS	87,492	1.8 %
Bjørnnes AS	84,575	1.8 %
Stangvik AS	58,765	1.2 %
Jonicore AB	47,204	1.0 %
Magnus Magnus AS	28,490	0.6 %
X3M Design AB	16,995	0.4 %
Marine AS	15,828	0.3 %
Hiwi AB	15,316	0.3 %
Smurfen Invest AS	12,666	0.3 %
Pivot Invest 2 AS	7,333	0.2 %
OceanX AS	6,747	0.1 %
MES AS V/H Sæther	4,780	0.1 %
HFO Invest AS	3,000	0.1 %
Total	**4,755,414**	**99.5 %**
Others	21,657	0.5 %
Total shares	**4,777,071**	**100.0 %**

As at 31 December 2023, the parent company's share capital comprimised:

Nominal value per share	0.1395
Total number of shares	4,777,071
Share capital in NOK 1 000	666

Shares owned by members of the board and directors

Name	Title	Shares	Shareholding
Kent Zehetner *	Board member		

* Kent Zehetner owns indirectly through Pivot Invest 1 AS and Pivot Invest 2 AS. Zehetner owns 50 % of both companies.

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To the General Meeting of Kiona Holding AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Kiona Holding AS (the Company), which comprise the balance sheet as at 31 December 2023, statement of profit and loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Directors' report applies correspondingly to the statement on Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section

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Independent auditor's report
Kiona Holding AS

3-9, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 management.
- 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 a true and fair view.

We communicate with the Board of Directors 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.

Trondheim, 25. juni 2024
Deloitte AS

Jon Bjørnaas
State Authorised Public Accountant
(electronically signed)

Note: This translation from Norwegian has been prepared for information purposes only.

Independent auditor's report Kiona Holding AS 2023

Name	Date
Bjørnaas, Jon	**2024-06-25**

Identification

bankID Bjørnaas, Jon