Press Release

The CAREL Industries Board of Directors has approved the consolidated results as of 31 March 2024

- Consolidated revenues equal to € 146.4 million, -9.0% compared to the first three months 2023. On a like-for-like and constant exchange rate basis the decline would have been -13.3%.
- Consolidated EBITDA equal to € 26.7 million corresponding to 18.2% of revenues. A 20.3% decline compared to the first three months of 2023;
- Consolidated net result equal to € 16.5 million, -10.9% compared to the net result recorded in the first three months 2023;
- Negative consolidated net financial position equal to € 78.0 million (compared to € 35.7 million as at 31 December 2023) including the accounting effect linked to the application of IFRS16 of € 32.5 million. Robust cash generation easily covering working capital increase and higher R&D capex. The increase in net financial position is totally due to the acquisition of the remaining 49% of CFM share capital (€ 44.2 million).
- R&D spending increases and returns to target level, above 5% of revenues.
- The SBTi (Science Based Targets Initiative) commitment letter for CAREL's decarbonisation plan was signed.

Brugine, 9 May 2024 - The Board of Directors of CAREL Industries S.p.A. ('**CAREL**', or the '**Company**' or the '**Parent Company**') met today and approved the consolidated results as of 31 March 2024.

Francesco Nalini, CEO of the Group*, commented: "As already expected and anticipated, the first quarter of this year was characterised by a particularly challenging economic scenario, especially in some geographical areas, which was reflected in several sectors of both air conditioning and refrigeration. Starting with the former, the segment that suffered the most was the heat pump segment, which in recent quarters, has experienced a sharp and significant slowdown in Europe as a result of some regulatory uncertainties, which have been partly resolved, the dynamics of interest rates and the trend in energy commodity prices. Turning to refrigeration, the strong recovery observed in North America was offset by a still stagnant European demand, although some qualitative signs of improvement were also seen in that geography. The true magnitude of these trends was partly accentuated by a comparative period, the first quarter of 2023, which had been extremely positive and robust, thanks in part to the extraordinary contribution related to the easing of the electronics shortage, which had allowed the Group to dispose of some of the previously outstanding orders.*

However, the above is temporary in nature: heat pumps play an essential role in the European decarbonisation strategy, while energy efficiency and the transition to more sustainable refrigerant gases remain two key elements in the development of refrigeration in the coming decades. In the short term, we expect a gradual improvement, concentrated in the second half of this year. Turning instead to the medium and long term, CAREL aims to further strengthen its global positioning based on customer focus, anticipation of market needs and undisputed technological leadership. From this last point of view, an important result was already achieved in the first quarter of this year: the percentage amount of revenue spent on research and development was brought back close to its historical average, i.e. above 5%."

Consolidated revenues

Consolidated revenues came to € 146.4 million, compared to € 161.0 million as at 31 March 2023, a decrease of 9.0%. Net of the change in the scope of consolidation of Kiona and Eurotec (€ 7.3 million) and the marginal negative exchange rate effect, the decrease would have been 13.3%.

This decrease is primarily attributable to a contingent and non-recurring element related to the significant contribution to revenues, in the first part of 2023, of the disposal of the backlog accumulated in previous quarters. During this period, the shortage of electronic material had eased considerably, allowing the Group to increase the volumes produced and delivered. Added to this is a real contraction in demand that has affected some sectors, particularly in Europe. Starting with air conditioning, which accounts for 71% of consolidated revenues and recorded a drop of -10.1% (at constant exchange rates) in the quarter, the decline in sales in the residential sector (heat pumps) intensified further. This is due to a number of transitional elements including: a certain regulatory opacity at European level (so-called F-gas regulation; EPBD; Heat Pump Action Plan) and at local level (particularly in Germany, although it now appears to be substantially resolved); an unfavourable dynamic in the relationship between gas and electricity prices; high interest rates; high inventory levels throughout the supply-chain due also to tumultuous market growth between 2021, 2022 and the first part of 2023. With regard to the other verticals in which the Group operates, while the industrial sector was particularly buoyant, especially in the US, led by excellent growth in Data Centres, the commercial sector closed in the negative area mainly due to the very high comparative context in Q1 2023.

Regarding refrigeration, which accounts for 29% of consolidated revenues and reported a decrease of -3.8% (at constant exchange rates) in the quarter, opposite trends were recorded in North America and Europe. In the former, there has been a strong upturn in investment in both food retail and food service, linked to a decidedly positive macroeconomic scenario and considerable interest in more sustainable and efficient solutions, while in EMEA there is a substantial stagnation in demand, although there are some timid signs of a possible trend reversal expected in the coming quarters.

Analysing the individual geographic areas, the region with the greatest weight for the Group, EMEA (Europe, Middle East, Africa), from which 67% of revenues derive, closed the first quarter of 2024 with a decrease at constant exchange rates of -16.3% (on a like-for-like basis, the decrease would have been equal to approximately 22%): a general negative performance in the verticals in which the Group operates contributed to this result, with a marked decrease in heat pumps. As already mentioned, there is a significant penalty due to the comparison with Q1 2023, the second highest quarter ever recorded by CAREL, which had reported robust growth in the residential sector. The general weakness of demand in Europe is due to a number of mainly macroeconomic (GDP growth essentially flat, 0.3%, and interest rates at highs) and regulatory elements (the latter partly resolved or in the process of being resolved), compounded in some segments by high inventory levels along the supply and distribution chain.

APAC (Asia-Pacific), which accounts for approximately 15% of the Group's revenues, reports growth at constant exchange rates of 8.3% compared to as recorded in the same period of 2023. In addition to the contribution of Eurotec, these results benefited from an excellent performance of the industrial air-conditioning sector (including some opportunities related to electrification) and data centres, while the commercial sector was not very tonic due to the weak economic scenario in China.

Revenues from North America, which account for about 16% of the total, grew by 14.8% at constant exchange rates and benefited from excellent performance both in the HVAC sector, particularly in applications related to computer centre cooling and other innovative industrial applications, and in the refrigeration sector, where the growing interest in solutions increasingly oriented towards the use of refrigerants with a low polluting impact, mainly natural refrigerants, is particularly positive, also following some regulatory confirmations in recent quarters. Also important, from a strategic point of view, was the success of the products for air handling units developed by Enginia, a company acquired in 2021, which led the Group to implement part of the production process for these references in its plant in Pennsylvania. Finally, South America (which represents approximately 2% of the Group's total turnover) reports significantly growing results compared to the first quarter of 2023: the good performances recorded in Brazil were also confirmed in other South American countries, thanks mainly to an improvement in refrigeration results.

Table 1- Revenue by business area (*thousands of euros)*

	31.03.2024	31.03.2023	Delta %	Delta fx %
HVAC revenue	104,190	116,554	(10.6%)	(10.1%)
REF revenue	41,981	43,874	(4.3%)	(3.8%)
Total core revenue	**146,172**	**160,428**	**(8.9%)**	**(8.4%)**
Non-core revenue	243	554	(56.1%)	(56.0%)
Total Revenue	**146,415**	**160,982**	**(9.0%)**	**(8.6%)**

Table 2 Revenue by geographical area (*thousands of euros)*

	31.03.2024	31.03.2023	Delta %	Delta fx %
EMEA	98,454	117,179	(16.0%)	(16.3%)
APAC	20,821	20,084	3.7%	8.3%
North America	23,584	20,783	13.5%	14.8%
South America	3,556	2,936	21.1%	18.0%
Total Revenue	**146,415**	**160,982**	**(9.0%)**	**(8.6%)**

Consolidated EBITDA

Consolidated EBITDA as at 31 March 2024 stood at € 26.7 million, down (-20.3%) compared to € 33.4 million recorded in the same period of 2023. Profitability, understood as the ratio of EBITDA to revenue was 18.2% (20.8% as at 31 March 2023). This performance reflects the negative revenue trend, partly mitigated by some initiatives to contain discretionary spending. Of note is the expected increase in investments in research and development, which exceed 5% of revenues, with the aim of maintaining and strengthening the competitive position of leadership in innovation that has always marked the Group's strategy.

Consolidated net income

The consolidated net profit of € 16.5, million, down 10.9% from € 18.5 million as at 31 March 2023, only partially reflected the operating results due to particularly positive results from the exchange rate trend and the gain related to the acquisition of the remaining 49% of the share capital of CFM. The tax rate was just above 22%, broadly in line with the same period last year.

Consolidated net financial position

The consolidated net financial position was negative for € 78.0 million, including the accounting effect of the application of IFRS16, equal to € 32.5 million. The increase compared to the figure recorded as at 31 December 2023 and amounting to € 35.7 million is due to the acquisition of the remaining 49% of the share capital of CFM (as illustrated in more detail below in this press release). Excluding this element, the net financial position is essentially unchanged compared to the end of 2023: cash generation covered, in fact, investments of about € 5.4 million and the increase in working capital mainly due to seasonal effects.

Acquisition of the remaining 49% of the share capital of CFM

Following the press releases published on 6 and 31 May 2021 (to which please refer for the details of the transaction), the Company announces that, also following obtaining the green light for the transaction from the Turkish antitrust authority, CAREL purchased the remaining 49% of the share capital of CFM Soğutma ve Otomasyon A.Ş. ("CFM") - distributor and historical partner in Turkey as well as provider of digital and on-field services and complete high added value solutions dedicated to OEMs, contractors and end users of the Turkish HVAC (Heating, Ventilation and Air conditioning) and Refrigeration market - through the payment of a sum equal to € 44.2 million, thus becoming the sole shareholder of that company.

Signing of the SBTi commitment letter

Over the past few years, the Group has put considerable effort into defining its carbon footprint (including scope 3) as well as implemented several initiatives aimed at energy saving and more generally reducing emissions. The positive results achieved formed the basis for the study of a structured medium-term decarbonisation plan (2023-20233). This plan, structured according to the 'Science Based Targets initiative' (SBTi) models, i.e. aligned to the containment of the effects of climate change within 1.5°C, follows the submission of the relevant 'Commitment Letter ' as well as the 'due diligence' phase from which 'committed' status was confirmed.

Business outlook

The first quarter of 2024 was also characterised by a framework of strong geopolitical instability mainly due to the conflict between Russia and Ukraine and the outbreak of the Israeli-Palestinian one. In macroeconomic terms, the scenario is not homogeneous in the geographical areas where the Group's presence is greatest: Europe, China and the United States. In Europe, while the inflation trajectory has stabilised at just above 2%, interest rates still remain at highs (above 4%) and GDP growth is essentially flat. The signals coming out of China are mixed: while industrial production is growing significantly, in fact, there are fears of deflation. Finally, as far as the US is concerned, despite high interest rates the economy is still robust.

The Group's first-quarter results partly reflect these scenarios with double-digit percentage growth in North America, positive but less brilliant performance in APAC and a sharp decline in EMEA. The latter was also impacted by contingent and temporary phenomena such as the aforementioned sharp deceleration in sales of heat pumps and the recovery of refrigeration that is struggling to materialise.

As far as the continuation of the year is concerned, expectations are for a gradual growth in performance, in particular in EMEA in the second part of 2024, linked to a series of phenomena, including the recovery of the investment cycle in the refrigeration sector (the first slight signs of which are already present), the disposal of accumulated inventories in the heat pump supply chain, and the improvement of the European macroeconomic scenario (interest rates). The basis of comparison with 2023 will also normalize in the second half of the year For the second quarter of 2024 the scenario should not undergo significant changes, therefore the Group expects consolidated revenues close to those of the first quarter of this year.

CONFERENCE CALL

The results as of 31 March 2024 will be illustrated today, 9 May 2024, at 16.30 (Italian time) during a conference call to the financial community, which will also be the subject of a webcast in listen-only mode on www.carel.com, Investor Relations section.

The CFO, Nicola Biondo, stated, pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Act, that the accounting information in this press release corresponds to the documented results, accounts and bookkeeping records.

For further information

INVESTOR RELATIONS

Giampiero Grosso - Investor Relations Manager
giampiero.grosso@carel.com
+39 049 9731961

MEDIA RELATIONS

Barabino & Partners
Fabrizio Grassi
f.grassi@barabino.it
+39 392 73 92 125
Marco Trevisan
m. trevisan@barabino.it
+39 02 72 02 35 35

***

CAREL
The CAREL Group is a global leader in the design, production and marketing of technologically-advanced components and solutions for excellent energy efficiency in the control of heating, ventilation and air conditioning ("HVAC") and refrigeration equipment and systems. CAREL is focused on several vertical niche markets with extremely specific needs, catered for with dedicated solutions developed comprehensively for these requirements, as opposed to mass markets.
The Group designs, produces and markets hardware, software and algorithm solutions aimed at both improving the performance of the units and systems they are intended for and for energy saving, with a globally-recognised brand in the HVAC and refrigeration markets (collectively, "HVAC/R") in which it operates and, in the opinion of the Company's management, with a distinctive position in the relevant niches in those markets.
HVAC is the Group's main market, representing 73% of the Group's revenues in the financial year to 31 December 2023, while the refrigeration market accounted for 27% of the Group's revenues.
The Group commits significant resources to research and development, an area which plays a strategic role in helping it maintain its position of leadership in the reference HVAC/R market niches, with special attention focused on energy efficiency, the reduction of

environmental impact, trends relating to the use of natural refrigerant gases, automation and remote connectivity (the Internet of Things), and the development of data-driven solutions and services.

As of 31 December 2023 the Group operates through 49 branches including 15 production plants located in various countries, approximately 80% of the Group's revenues was generated outside of Italy and 30% outside of EMEA (Europe, Middle East, Africa).

Original Equipment Manufacturers or OEMs - suppliers of complete units for applications in HVAC/R markets - make up the Company's main category of customers, which the Group focuses on to build long-term relationships.

CAREL INDUSTRIES S.p.A.
via dell'Industria, 11 - 35020 Brugine - Padova - Italy
Phone (+39) 049 97 16 611 - Fax (+39) 049 97 16 600
carel.com - carel@carel.com
Cap. Soc. € 11.249.920,50 i.v.
C.C.I.A.A. Padova Reg. Imp n. 04359090281
Part. IVA e Cod. Fisc. 04359090281
N. Reg. Prod. Pile: IT09060P00000903
N. Reg. Prod. AEE: IT16030000009265

The accounting statements of the CAREL Industries Group, not subject to independent auditing, are illustrated below.

Consolidated Financial Statements as of 31 March 2024

Consolidated Statement of financial position

(€'000)	**31/03/2024**	**31/12/2023**
Property, plant and equipment	116,760	117,504
Intangible assets	381,929	383,266
Equity-accounted investments	2,229	2,216
Other non-current assets	6,901	6,868
Deferred tax assets	13,486	14,399
Non-current assets	**521,306**	**524,254**
Trade receivables	104,009	101,291
Inventories	114,511	111,722
Current tax assets	3,043	4,264
Other current assets	24,623	21,166
Current financial assets	3,700	3,697
Cash and cash equivalents	99,947	154,010
Current assets	**349,833**	**396,150**
TOTAL ASSETS	**871,139**	**920,404**
Equity attributable to the owners of the parent company	408,734	376,422
Equity attributable to non-controlling interests	6,358	19,751
Total equity	**415,092**	**396,174**
Non-current financial liabilities	136,755	147,390
Provisions for risks	5,512	5,458
Defined benefit plans	8,442	8,479
Deferred tax liabilities	28,387	28,788
Other non-current liabilities	96,647	99,566
Non-current liabilities	**275,744**	**289,681**
Current financial liabilities	44,911	45,980
Trade payables	74,717	74,931
Current tax liabilities	6,103	5,184
Provisions for risks	6,505	6,191
Other current liabilities	48,067	102,263
Current liabilities	**180,303**	**234,549**
TOTAL LIABILITIES AND EQUITY	**871,139**	**920,404**

CAREL INDUSTRIES S.p.A.
via dell'Industria, 11 - 35020 Brugine - Padova - Italy
Phone (+39) 049 97 16 611 - Fax (+39) 049 97 16 600
carel.com - carel@carel.com

Cap. Soc. € 11.249.920,50 i.v.
C.C.I.A.A. Padova Reg. Imp n. 04359090281
Part. IVA e Cod. Fisc. 04359090281

N. Reg. Prod. Pile: IT09060P00000903
N. Reg. Prod. AEE: IT16030000009265

Consolidated Statement of profit or loss

(€'000)	**31/03/2024**	**31/03/2023**
Revenue	146,415	160,982
Other revenue	1,124	1,276
Costs of raw materials, consumables and goods and changes in inventories	(60,354)	(72,588)
Services	(20,495)	(20,068)
Capitalised development expenditure	1,285	208
Personnel expenses	(40,387)	(35,680)
Other expenses, net	(921)	(692)
Amortisation, depreciation and impairment losses	(9,508)	(7,532)
OPERATING PROFIT	**17,158**	**25,907**
Net financial income/(charges)	(1,523)	(777)
Net exchange rate gains/(losses)	2,672	52
Gains/(losses) on from FV of liabilities for options on minority stakes	3,454	-
PROFIT BEFORE TAX	**21,762**	**25,182**
Income taxes	(4,848)	(5,564)
PROFIT FOR THE PERIOD	**16,915**	**19,618**
Non-controlling interests	389	1,074
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**16,525**	**18,544**

Consolidated Statement of comprehensive income

(€'000)	**31/03/2024**	**31/03/2023**
Profit for the period	**16,915**	**19,618**
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(30)	(248)
- Exchange differences	2,034	(6,094)
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	-	-
Comprehensive income	**18,919**	**13,276**
attributable to:		
- Owners of the parent company	18,437	12,362
- Non-controlling interests	481	914

Earnings per share

Earnings per share (in euros)	0.15	0.19

CAREL INDUSTRIES S.p.A.
via dell'Industria, 11 - 35020 Brugine - Padova - Italy
Phone (+39) 049 97 16 611 - Fax (+39) 049 97 16 600
carel.com - carel@carel.com
Cap. Soc. € 11.249.920,50 i.v.
C.C.I.A.A. Padova Reg. Imp n. 04359090281
Part. IVA e Cod. Fisc. 04359090281
N. Reg. Prod. Pile: IT09060P00000903
N. Reg. Prod. AEE: IT16030000009265

Consolidated Statement of cash flows

(€'000)	**31.03.2024**	**31.03.2023***
Profit for the period	16,915	19,618
Adjustments for:		
Amortisation, depreciation and impairment losses	9,508	7,532
Accruals to/utilisations of provisions	1,255	1,767
Other charges/(gains)	(4,789)	1,186
Taxes	4,848	5,564
Changes in working capital:		
Change in trade receivables and other current assets	(4,922)	(16,961)
Change in inventories	(3,079)	(12,666)
Change in trade payables and other current liabilities	(8,029)	3,138
Change in non-current assets	(33)	(274)
Change in non-current liabilities	(925)	(3)
Cash flows generated from operations	**10,747**	**8,901**
Net interest paid	(1,570)	(1,071)
Tax paid	(2,180)	(1,124)
Net cash flows generated by operating activities	**6,997**	**6,706**
Investments in property, plant and equipment	(3,461)	(2,358)
Investments in intangible assets	(1,924)	(654)
Investments/Disinvestments of financial assets	-	8,000
Disinvestments of property, plant and equipment and intangible assets	83	102
Interest collected	1,090	659
Industrial aggregation net of the acquired cash	(44,213)	(3,399)
Cash flows generated by (used in) investing activities	**(48,426)**	**2,351**
Shares buy-back	-	(1,041)
Increase in financial liabilities	-	20,120
Decrease in financial liabilities	(10,901)	(12,000)
Decrease in financial liabilities for leasing fees	(1,876)	(1,721)
Cash flows generated by (used in) financing activities	**(12,777)**	**5,358**
Change in cash and cash equivalents	**(54,205)**	**14,415**
Cash and cash equivalents - opening balance	154,010	96,636
Conversion variations	142	695
Cash and cash equivalents - closing balance	**99,947**	**111,746**

(*) Compared to the published data referring to 31 March 2023, the item Taxes, Trade payables and other payables and Taxes paid have been reclassified in order to make them more comparable with the data as of 03.31.2024.

Consolidated Statement of changes in equity

(€'000)

	Share capital	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Profit for the period	Equity	Equity att. to non-controlling interests	Total equity
Balance as of 1/1/2023	**10,000**	**2,000**	**5,848**	**1,252**	**29,232**	**94,925**	**62,124**	**205,379**	**15,868**	**221,247**
Owner transactions										
- Allocation of profit for the period	-	-	-	-	-	62,124	(62,124)	**-**	-	**-**
- Shares buy-back	-	-	-	-	(1,042)	-	-	**(1,042)**	-	**(1,042)**
- Change in scope of consolidation	-	-	-	-	-	-	-	**-**	-	**-**
Total owner transactions	**10,000**	**2,000**	**5,848**	**1,252**	**28,190**	**157,048**	**-**	**204,337**	**15,868**	**220,205**
- Profit for the period							18,544	**18,544**	1,074	**19,618**
- Other comprehensive income (expenses)			(5,934)	(248)				**(6,182)**	(160)	**(6,342)**
Total other comprehensive income (expenses)	**-**	**-**	**(5,934)**	**(248)**	**-**	**-**	**18,544**	**12,362**	**914**	**13,276**
Balance as of 31/3/2023	**10,000**	**2,000**	**(86)**	**1,004**	**28,190**	**157,048**	**18,544**	**216,698**	**16,782**	**233,480**
Balance as of 1/1/2024	**11,250**	**2,000**	**(3,015)**	**393**	**182,307**	**112,544**	**70,942**	**376,422**	**19,752**	**396,174**
Owner transactions										
- Allocation of profit for the period	-	-	-	-		70,942	(70,942)	**-**	-	**-**
- Shares buy-back	-	-	-	-	-	-	-	**-**	-	**-**
- Change in scope of consolidation	-	-	-	-	-	13,875	-	**13,875**	(13,875)	**-**
Total owner transactions	**11,250**	**2,000**	**(3,015)**	**393**	**182,307**	**197,361**	**-**	**390,297**	**5,877**	**396,174**
- Profit for the period							16,525	**16,525**	389	**16,915**
- Other comprehensive expenses			1,942	(30)				**1,912**	92	**2,004**
Total other comprehensive expenses	**-**	**-**	**1,942**	**(30)**	**-**	**-**	**16,525**	**18,437**	**481**	**18,919**
Balance as of 31/3/2024	**11,250**	**2,000**	**(1,073)**	**363**	**182,307**	**197,361**	**16,525**	**408,734**	**6,358**	**415,092**