

2019 Interim financial report

To 30 June 2019



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2019 Interim financial report

To 30 june 2019

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

Giovanni Costa

Board of statutory auditors

Chairperson

Saverio Bozzolan

Standing statutory auditor

Claudia Civolani

Standing statutory auditor

Paolo Ferrin

Alternate statutory auditor

Giovanni Fonte

Alternate statutory auditor

Fabio Gallio

Independent auditors

Deloitte & Touche S.p.A.

Audit and risk committee

Chairperson

Marina Manna

Member

Cinzia Donalisio

Member

Giovanni Costa

Remuneration committee

Chairperson

Cinzia Donalisio

Member

Marina Manna

Member

Giovanni Costa

Supervisory body as per Leg. dec. no. 231/2001

Chairperson

Fabio Pinelli

Member

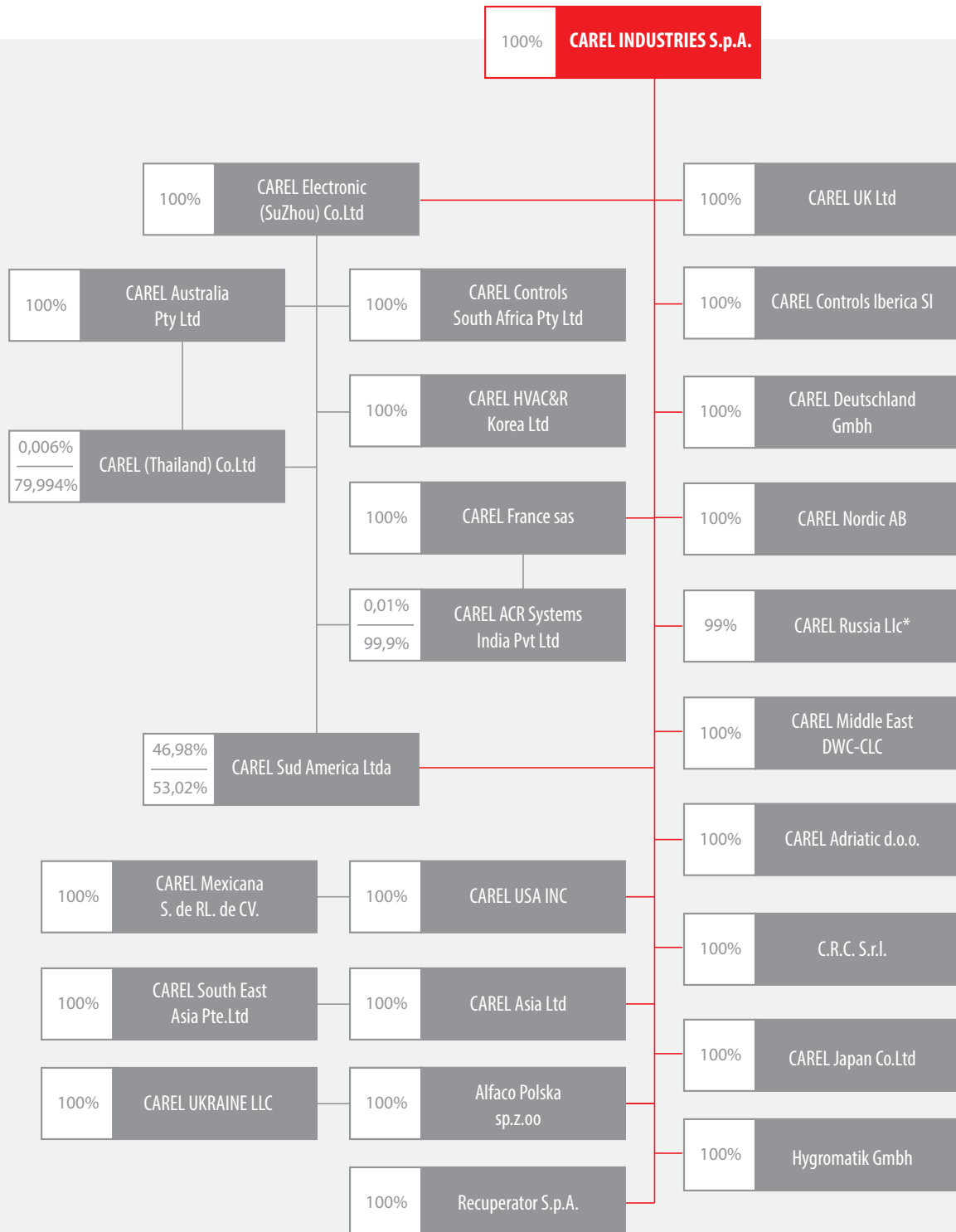
Andrea Baggio

Member

Alessandro Grassetto

Group structure

The following graph shows the group's structure at 30 June 2019:



*=1% held by Carel France sas

Directors' report

to 30 june 2019

Group performance

STATEMENT OF PROFIT OR LOSS

The statement of profit or loss for the first half of 2019 compared with the corresponding period of the previous year is as follows:

(€'000)	First half 2019	%	First half 2018	%	Variation
Revenue	166,904	100.0%	138,793	100.0%	20.3%
Other revenue	1,156	0.7%	766	0.6%	50.8%
Costs of raw materials, consumables and goods and changes in inventories	(69,951)	(41.9%)	(55,759)	(40.2%)	25.5%
Services	(22,726)	(13.6%)	(25,488)	(18.4%)	(10.8%)
Capitalised development expenditure	1,339	0.8%	1,066	0.8%	25.6%
Personnel expense	(42,139)	(25.2%)	(34,710)	(25.0%)	21.4%
Other expense, net	(897)	(0.5%)	(504)	(0.4%)	78.0%
Amortisation, depreciation and impairment losses	(8,143)	(4.9%)	(4,175)	(3.0%)	95.0%
OPERATING PROFIT	25,544	15.3%	19,990	14.4%	27.8%
Net financial income (expense)	(682)	(0.4%)	66	0.0%	<100%
Net exchange rate losses	(326)	(0.2%)	(418)	(0.3%)	(22.0%)
Share of profit of equity-accounted investees	136	0.1%	15	0.0%	>100%
PROFIT BEFORE TAX	24,673	14.8%	19,653	14.2%	25.5%
Income taxes	(5,660)	(3.4%)	(4,030)	(2.9%)	40.5%
PROFIT FOR THE PERIOD	19,012	11.4%	15,623	11.3%	21.7%
Non-controlling interests	23	0.0%	27	0.0%	(17.5%)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	18,990	11.4%	15,596	11.2%	21.8%

CONSOLIDATED REVENUE

(€'000)	First half 2019	First half 2018	Variation %	FX variation %*
Revenue	166,904	138,793	20.3%	19.3%

The group's revenue for the first half of 2019 increased by 20.3% on the corresponding period of 2018, reaching €166,904 thousand (first half 2018: €138,793 thousand). Calculated at constant exchange rates, the increase would have been 19.3%. This revenue includes the significant €18,042 thousand contributed by the two companies acquired and consolidated since December 2018, Recuperator S.p.A. and Hygromatik GmbH.

*The FX variation % is calculated as the percentage of change at constant exchange rates i.e. using those at 30 June 2018.

On a like-for-like basis, consolidated revenue increased by 7.3% (6.3% at constant exchange rates) while the core revenue, represented by revenues generated in HVAC/R markets, increased by 8.2% (7.2% at constant exchange rates).

A breakdown of revenue by geographical segment is as follows:

	First half 2019	First half 2018	Variation %	FX variation %
Europe, Middle East and Africa	117,910	96,775	21.8%	22.1%
APAC	23,104	21,098	9.5%	8.3%
North America	22,152	17,206	28.7%	20.3%
South America	3,739	3,714	0.7%	2.8%
Net revenue	166,904	138,793	20.3%	19.3%

* The FX variation % is calculated as the percentage of change at constant exchange rates i.e. using those at 30 June 2018.

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

The group's revenue for the first half of 2019 was driven by sales in the EMEA (Europe, Middle East and Africa) and those in North America with growth at constant exchange rates of 22.1% and 20.3%, respectively. The North American market made a very satisfactory contribution with a double-digit increase across all sales channels, thanks to the commercial actions to introduce new technologies and approaches to the market, in particular through increased monitoring of and promotions to end customers in both reference markets alongside the consolidated support of the OEM channel.

Performance in the APAC area was also positive, with an increase at constant exchange rates of 8.3%, confirming the group's intention and ability to invest and develop in the region despite the unfavourable economic situation in China, also due to the introduction of hefty import duties by the US.

Revenue also increased in South America, albeit less than in the other geographical segments (+2.8% at constant exchange rates) mainly due to the socio-political tensions in that region.

A breakdown of revenue by market is as follows:

	First half 2019	First half 2018	Variation %	FX variation %
HVAC revenue	110,545	85,434	29.4%	28.1%
REF revenue	53,864	49,893	8.0%	7.4%
Total core revenue	164,409	135,328	21.5%	20.5%
Non-core revenue	2,495	3,466	-28.0%	-28.1%
Total revenue	166,904	138,793	20.3%	19.3%

The two companies acquired at the end of 2018 operate in the HVAC market which, on a like-for-like basis, grew by 8.3% (7.0% at constant exchange rates).

Both the reference markets (HVAC and refrigeration) grew considerably across all geographical segments, particularly thanks to the continued development of the platforms for high energy efficiency, introduced using cross-selling and up-selling and the positive promotional action aimed at end users.

A breakdown of revenue by market showed HVAC revenue grew steadily in all reference geographical segments, with the sole exception of South America, where sales have been negatively affected by the above-mentioned difficult geopolitical situation. REF revenue was equally satisfactory and increased across all geographical segments, particularly in North America and APAC (Asia Pacific).

Non-core revenue for the first half of 2019 amounted to €2,495 thousand (€3,466 thousand at 30 June 2018) with a decrease of 28.1%, mainly due to the decrease in the sale of non-core products by the subsidiary CRC S.r.l.; these lower sales were compensated by the increase in the sales of the subsidiary's core products.

MAIN FINANCIAL INDICATORS

The main financial indicators for the first half of 2019 compared with the corresponding period of the previous year are set out below:

(€'000)	First half 2019	First half 2018	Variation %
EBITDA ⁽¹⁾	33,687	24,165	39.4%
EBITDA % ⁽²⁾	20.2%	17.4%	15.9%
EBITDA ADJUSTED ⁽³⁾	34,173	29,185	17.1%
EBITDA ADJUSTED % ⁽⁴⁾	20.5%	21.0%	-2.6%
Net result	19,012	15,623	21.7%

(1) The group calculates EBITDA as the sum of the profit before tax, the share of profit if equity-accounted investees, exchange rate differences, net financial income (expense) and amortisation, depreciation and impairment losses. It uses EBITDA to assess its operating performance.

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

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

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

The group's EBITDA % for the first half of 2019 was 20.2%, up 15.9% on the corresponding period of the previous year (17.4%). This increase is mainly due to the adoption, starting from 1 January 2019, of IFRS 16, the effect of which, in absolute terms, amounted to approximately €1,950 thousand on EBITDA. Reference should be made to the Notes for more information on the accounting impacts due to adoption of IFRS 16.

Due to the effect of IFRS 16, greater depreciation totalling €1,847 thousand and interest expense of €166 thousand were recognised during the period.

Furthermore, the acquirees contributed €4,260 thousand to EBITDA.

Adjusted EBITDA % amounted to 20.5% compared to 21.0% in the corresponding period of the previous year. The adjustments in the two periods were as follows:

Adjustments	First half 2019	First half 2018
Consultancies	314	4,461
Wages and salaries	-	412
Business trips and travel	15	56
Marketing and advertising	-	50
Other services	-	34
Accruals to provisions	-	-
Sundry cost recoveries	-	8
Prior year expense	158	-
Total adjustments	486	5,020

The costs the parent incurred in the first half of 2018 mainly relate to the cost of listing on the STAR segment of Borsa Italiana S.p.A.'s stock market while those related to the reporting period mainly refer to costs incurred for M&A activities.

Amortisation, depreciation and impairment losses amounted to €8,143 thousand (first half of 2018: €4,175 thousand). The increase was mainly due to the depreciation of right-of-use assets following the adoption of IFRS 16, the allocations made upon first-time consolidation of Recuperator S.p.A. and Hygromatik GmbH and the increase in investments made in the last 12 months.

Net financial expense amounted to €682 thousand compared to net financial income of €66 thousand in the corresponding period of the previous year due to the cancellation of the income from non-repetition of the gains on financial assets, higher interest expense on bank loans and interest expense on lease liabilities recognised in accordance with IFRS 16.

Income taxes were largely in line with the corresponding period of the previous year. The group's tax rate amounted to 22.9% (first half 2018: 20.5%).

Profit amounted to €19,012 thousand compared to €15,623 thousand in the corresponding period of the previous year, showing an increase of 21.7%.

MAIN STATEMENT OF FINANCIAL POSITION INDICATORS

The main statement of financial position indicators at 30 June 2019 compared with those at 31 December 2018 are set out below:

Statement of financial position (€'000)	30.06.2019	31.12.2018	Variation %
Non-current assets ⁽⁵⁾	151,208	131,364	15.1%
Working capital ⁽⁶⁾	59,313	53,383	11.1%
Defined benefit plans	(7,919)	(7,333)	8.0%
Net invested capital ⁽⁷⁾	202,601	177,414	14.2%
Equity	126,530	118,288	7.0%
Net financial debt	76,071	59,125	28.7%
Total	202,601	177,414	14.2%

(5) Net non-current assets is the sum of property, plant and equipment, intangible assets, equity-accounted investments and other non-current assets.

(6) Net working capital is the sum of trade receivables, inventories, tax assets, other assets, deferred tax assets, trade payables, tax liabilities, other current liabilities, deferred tax liabilities and provisions for risks.

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

Non-current assets increased by €19,844 thousand compared to 31 December 2018.

Investments in property, plant and equipment amounted to €9,020 thousand, compared to €5,723 thousand in the first half of 2018; intangible assets increased by €2,200 thousand (€1,522 thousand at 30 June 2018). The main investments were related to the development of the new Chinese production site and the extension of the American one; total investments in the two companies acquired in 2018 amounted to €962 thousand.

Lastly, the increase was due to the adoption of IFRS 16 on 1 January. As reported in more detail in the notes, at 30 June 2019, the rights of use assets recognised under property, plant and equipment amounted to €14,829 thousand.

The breakdown of investments, net of right of use, by geographical segment is as follows:

Investments	30.06.2019	30.06.2018	Variation
Europe, Middle East and Africa	5,409	4,293	1,116
APAC	3,504	1,500	2,004
North America	2,258	1,445	813
South America	48	6	42
Total investments	11,220	7,245	3,975

Working capital increased from €53,383 thousand at 31 December 2018 to €59,313 thousand at 30 June 2019. The main driver was the seasonality of the trade receivables which increased by €11,007 thousand (€70,957 thousand at 30 June 2019 compared to €59,951 thousand at 31 December 2018), partially offset by lower inventories (€1,982 thousand) and current tax assets (€2,723 thousand). Trade payables were almost in line with 31 December 2018 (€40,200 thousand compared to €41,289 thousand at 31 December 2018).

The net financial debt amounted to €76,071 thousand, compared to €59,125 thousand at 31 December 2018, as shown below:

	30.06.2019	31.12.2018
Non-current financial liabilities	92,540	68,866
Current financial liabilities	34,341	45,651
Non-current lease liabilities (IFRS 16)	11,540	-
Current lease liabilities (IFRS 16)	3,144	-
Cash and cash equivalents	(65,450)	(55,319)
Current financial assets	(43)	(72)
Net financial debt	76,071	59,125

The increase in the net financial debt was mainly due to the recognition of lease liabilities of €14,684 thousand, following the adoption of IFRS 16. Furthermore, in April 2019, two medium-term loans were taken out to reschedule the deadlines of the debt considering the expected cash outflows.

During the period, dividends of €9,992 thousand were distributed.

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

HUMAN RESOURCES

The workforce increased by 55 employees at 30 June 2019 and is broken down by geographical segment as follows:

	30.06.2019	31.12.2018	Variation
Europe, Middle East and Africa	1,149	1,107	42
APAC	326	311	15
North America	110	112	(2)
South America	47	47	0
Total workforce	1,632	1,577	55

The growth in the workforce was mainly concentrated in Western Europe, particularly at the parent and in other European countries, following investments made in the production lines and to support the staff at the Croatian branch.

Significant events of the period

INCORPORATION OF CAREL UKRAINE LLC

On 16 January 2019, Carel Ukraine LLC, a commercial company operating in Ukraine and 100% owned by the subsidiary Alfaco Polska s.p.z.o.o., was incorporated.

SIGNING OF NEW MEDIUM-TERM LOANS

In April 2019, two medium-term loans were agreed for €20,000 each to reschedule the deadlines of the group's debt considering the cash outflows expected for 2019. Interest rate swaps (IRS) were put in place for both loans.

DIVIDEND DISTRIBUTIONS

In June, the parent distributed dividends of €9,992 thousand, in accordance with the shareholders' resolution of 15 April 2019.

REPURCHASE OF TREASURY SHARES

During the period, the parent repurchased 83,335 treasury shares, in accordance with the board of directors' resolution of 25 January 2019.

Condensed interim consolidated
financial statements as at
and for the six months ended
30 June 2019 and notes thereto

Statement of financial position

(€'000)

	Note	30.06.2019	31.12.2018
Property, plant and equipment	1	57,986	37,560
Intangible assets	2	90,435	91,126
Equity-accounted investments	3	475	335
Other non-current assets	4	2,311	2,343
Deferred tax assets	5	4,247	4,128
Non-current assets		155,455	135,491
Trade receivables	6	70,957	59,951
Inventories	7	52,303	54,285
Current tax assets	8	3,332	6,055
Other current assets	9	6,202	6,001
Current financial assets	10	43	72
Cash and cash equivalents	11	65,450	55,319
Current assets		198,288	181,683
TOTAL ASSETS		353,743	317,174
Equity attributable to the owners of the parent	12	126,197	117,992
Equity attributable to non-controlling interests	13	333	296
Total equity		126,530	118,288
Non-current financial liabilities	14	104,080	68,866
Provisions for risks	15	1,426	1,332
Defined benefit plans	16	7,919	7,333
Deferred tax liabilities	17	11,472	11,820
Non-current liabilities		124,898	89,351
Current financial liabilities	14	37,485	45,651
Trade payables	18	40,200	41,289
Current tax liabilities	19	2,514	1,539
Provisions for risks	15	1,239	1,649
Other current liabilities	20	20,878	19,407
Current liabilities		102,316	109,535
TOTAL LIABILITIES AND EQUITY		353,743	317,174

Statement of profit or loss

(€'000)	Note	First half 2019	First half 2018
Revenue	21	166,904	138,793
Other revenue	22	1,156	766
Costs of raw materials, consumables and goods and changes in inventories	23	(69,951)	(55,759)
Services	24	(22,726)	(25,488)
Capitalised development expenditure	25	1,339	1,066
Personnel expense	26	(42,139)	(34,710)
Other expense, net	27	(897)	(504)
Amortisation, depreciation and impairment losses	28	(8,143)	(4,175)
OPERATING PROFIT		25,544	19,990
Net financial income (expense)	29	(682)	66
Net exchange losses	30	(326)	(418)
Share of profit of equity-accounted investees	31	136	15
PROFIT BEFORE TAX		24,673	19,653
Income taxes	32	(5,660)	(4,030)
PROFIT FOR THE PERIOD		19,012	15,623
Non-controlling interests		23	27
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT		18,990	15,596

Statement of comprehensive income

(€'000)	First half 2019	First half 2018
Profit for the period	19,012	15,623
Items that may be subsequently reclassified to profit or loss:		
- Fair value losses on hedging derivatives net of the tax effect	(455)	(9)
- Exchange differences	698	(286)
Items that may not be subsequently reclassified to profit or loss:		
- Actuarial gains (losses) on employee benefits net of the tax effect	(368)	63
Comprehensive income	18,887	15,391
attributable to:		
- Owners of the parent	18,851	15,360
- Non-controlling interests	37	31

Earnings per share

Earnings per share (in Euros)	12	0.19	0.16
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Statement of cash flows

(€'000)	First half 2019	First half 2018
Profit for the period	19,012	15,623
Adjustments for:		
Amortisation, depreciation and impairment losses	8,143	4,175
Accruals to/utilisations of provisions	998	970
Non-monetary net financial (income) expense	613	(59)
Income taxes	-	5
	28,766	20,714
Changes in working capital:		
Change in trade receivables and other current assets	(8,286)	(11,961)
Change in inventories	1,576	(9,103)
Change in trade payables and other current liabilities	622	13,043
Change in non-current assets	317	(771)
Change in non-current liabilities	(172)	265
Cash flows from operating activities	22,823	12,187
Net interest paid	(785)	(254)
Net cash flows generated by operating activities	22,038	11,933
Investments in property, plant and equipment	(9,020)	(5,723)
Investments in intangible assets	(2,200)	(1,522)
Disinvestments of financial assets	-	36,223
Disinvestments of property, plant and equipment and intangible assets	90	86
Interest collected	-	245
Investments in equity-accounted investees	-	(40)
Cash flows generated by (used in) investing activities	(11,130)	29,269
Disposals (acquisitions) of non-controlling interests	-	-
Capital increases	-	31
Repurchase of treasury shares	(807)	-
Dividend distributions	(9,992)	(10,000)
Dividends distributed to non-controlling interests	(74)	-
Increase in financial liabilities	40,000	33,166
Decrease in financial liabilities	(28,158)	(15,177)
Decrease in lease liabilities	(2,043)	-
Cash flows generated by (used in) financing activities	(1,074)	8,020
Change in cash and cash equivalents	9,834	49,223
Cash and cash equivalents - opening balance	55,319	43,900
Exchange differences	297	(52)
Cash and cash equivalents - closing balance	65,450	93,071

Statement of changes in equity

(€'000)	Share capital	Legal reserve	Translation reserve	Hedging reserve
Balance at 1.01.2018	10,000	2,000	3,430	33
Owner transactions				
Allocation of profit for the period				
Capital increases				
Dividend distributions				
Change in consolidation scope				
Total owner transactions	10,000	2,000	3,430	33
Profit for the period				
Other comprehensive expense			(290)	(9)
Total other comprehensive expense	-	-	(290)	(9)
Balance at 30.06.2018	10,000	2,000	3,140	24
Balance at 1.01.2019	10,000	2,000	2,660	(93)
Owner transactions				
Allocation of profit for the period				
Capital increases				
Defined benefit plans				
Repurchase of treasury shares				
Dividend distributions				
Change in consolidation scope				
Total owner transactions	10,000	2,000	2,660	(93)
Profit for the period				
Other comprehensive expense			684	(455)
Total other comprehensive expense	-	-	684	(455)
Balance at 30.06.2019	10,000	2,000	3,344	(548)

Other reserves	Retained earnings	Profit for the period	Equity	Equity att. to non-controlling interests	Total equity
35,195	36,294	31,117	118,068	248	118,316
					-
27,612	3,505	(31,117)	-	-	-
			-	31	31
(30,000)			(30,000)		(30,000)
			-		-
32,807	39,798	-	88,068	279	88,347
		15,596	15,596	27	15,623
63			(236)	4	(232)
63	-	15,596	15,360	31	15,391
32,870	39,798	15,596	103,427	310	103,737
32,950	39,798	30,678	117,992	296	118,288
23,990	6,689	(30,678)	-	-	-
			-		-
153			153		153
(807)			(807)		(807)
(9,992)			(9,992)		(9,992)
			-		-
46,293	46,487	-	107,346	296	107,642
		18,990	18,990	23	19,012
(369)			(139)	14	(125)
(369)	-	18,990	18,851	37	18,887
45,924	46,487	18,990	126,197	333	126,530

Notes to the condensed interim consolidated financial statements

Content and format of the condensed interim consolidated financial statements

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

The group provides control instruments to the air-conditioning (HVAC), commercial and industrial refrigeration (REF) markets and also produces air humidification systems. It has seven production sites and 18 commercial branches which serve all the main markets.

The IFRS condensed interim consolidated financial statements at 30 June 2019 refer to the period from 1 January 2019 to 30 June 2019.

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

The parent’s board of directors approved the condensed interim consolidated financial statements at 30 June 2019 on 9 September 2019.

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

Statement of compliance and basis of preparation

The condensed interim consolidated financial statements at 30 June 2019 have been prepared in compliance with IAS 34 Interim financial reporting issued by the International Accounting Standard Board (IASB). Pursuant to IAS 34, these notes have been prepared in a condensed format and do not include all the disclosures required for annual financial statements. They solely provide information about those captions that, due to their size, content or changes therein during the period, are key to an understanding of the group’s financial position, performance and cash flows. Therefore, these condensed interim consolidated financial

statements shall be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2018. The condensed interim consolidated financial statements include the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes, which are an integral part thereof.

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

Preparation of condensed interim consolidated financial statements under the IFRS requires management to make estimates and assumptions that affect the amounts presented therein and in the notes. Actual results may differ from these estimates. Reference should be made to the consolidated financial statements at 31 December 2018 for details of the main captions that require the use of estimates and assumptions. Reference should be made to the following paragraphs for details about the assumptions related to the reporting standards adopted from 1 January 2019.

Consolidation scope

The condensed interim consolidated financial statements include the financial statements at 30 June 2019 of the parent, Carel Industries S.p.A., and its Italian and foreign subsidiaries.

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

Note [33] "Other information" lists the entities included in the consolidation scope at 30 June 2019.

There were no changes in the consolidation scope with respect to 31 December 2018, apart from the incorporation of the new company in Ukraine, Carel Ukraine LLC.

Basis of consolidation

The condensed interim consolidated financial statements at 30 June 2019 include the financial statements of Carel Industries S.p.A. and the Italian and foreign entities over which it has direct or indirect control. Specifically, the consolidation scope includes:

- the subsidiaries, over which the parent has control as defined by IFRS 10 Consolidated financial statements; these entities 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 entities 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 entities are excluded from the consolidation scope when control thereover ceases to exist and any effects of exclusion are recognised as owner transactions in equity;
- intragroup receivables and payables, revenue and expenses and all significant transactions are eliminated, including intragroup dividends. Unrealised profits and gains and losses on intragroup transactions are also eliminated;
- equity attributable to non-controlling interests is presented separately under equity; their share of the profit or loss for the period is recognised in the statement of profit or loss;
- the financial statements of the consolidated foreign entities using a functional currency other than the Euro are translated into Euros using the average exchange rate for the six months for the statement of profit or loss captions and the closing rate for the statement of financial position captions. Any differences between these exchange rates or due to changes in the exchange rates at the start and end of the period are recognised under equity.

Accounting policies

In preparing these condensed interim consolidated financial statements, the group applied the same accounting policies as those adopted in drafting the consolidated financial statements at 31 December 2018, to which reference should be made, with the exception of that set out in the following paragraph with regard to standards, amendments and interpretations applicable to annual periods beginning on or after 1 January 2019.

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2019

The group applied the following standards, amendments and interpretations for the first time starting from 1 January 2019:

- **On 13 January 2016, the IASB published IFRS 16 Leases which replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.**

This standard provides a new definition of a lease and introduces a criterion based on control (right of use) of an asset to differentiate leases from service contracts based on the identification of the asset, right of substitution, the right to obtain substantially all the benefits from the use of the asset and, lastly, the right to identify the asset's use.

The standard establishes a single model for the recognition and measurement of leases by the lessee. It provides for the recognition of the leased asset, including assets under operating lease, under assets, and a lease liability. The standard does not provide for significant changes for lessors.

The group chose to apply the standard retrospectively, recognising the cumulative effect of the application of the standard on equity at 1 January 2019 (not modifying the comparative data for 2018), in accordance with paragraphs IFRS 16:C7-C13. Specifically, with regard to the leases formerly classified as operating leases, the group recognised:

- a financial liability equal to the present value of future payments at the transaction date, discounted using the incremental borrowing rate applicable at the transaction date for each contract;
- a right-of-use asset equal to the amount of the financial liability at the transaction date, net of any prepayments and accrued income/accrued expenses and deferred income related to the lease and recognised in the statement of financial position at the reporting date.

The following table details the estimated impacts of the adoption of IFRS 16 at the transition date and at 30 June 2019:

Non-current assets	Impacts at the transition date 01.01.2019	30.06.2019
Buildings	14,136	13,184
Industrial and commercial equipment	388	406
Other items of property, plant and equipment	1,300	1,239
Total	15,824	14,829

Financial liabilities	Impacts at the transition date 01.01.2019	30.06.2019
Non-current financial liabilities	11,191	11,540
Current financial liabilities	4,633	3,144
Total	15,824	14,684

Statement of profit or loss	Impacts at the transition date 01.01.2019	30.06.2019
Depreciation	-	(1,847)
Interest expense	-	(166)
Total	-	(2,013)

Non-current assets related to operating leases increased due to the prepayments totalling €116 thousand. In adopting IFRS 16, the group used the exemption provided by IFRS 16.5(a) in relation to short-term leases mainly related to vehicles and industrial and commercial equipment.

Similarly, the group used the exemption provided by IFRS 16.5(b) for leases for which the underlying asset is of a low value (that is that they are worth less than €5 thousand when new). The leases to which the exemption has been applied mainly fall within the categories of computers, telephones and tablets, printers, other electronic devices and furniture and furnishings.

For such leases, the introduction of IFRS 16 did not require the recognition of a financial liability and the related right-of-use asset, but the lease payments are recognised in profit or loss on a straight-line basis over the lease term.

Furthermore, with reference to the transition rules, the group elected to use the following practical expedients available in the case of the selection of the modified retrospective transition method:

- classification of leases for which the term ends within 12 months of the date of initial recognition as short-term leases. For such leases, the lease payments are recognised in profit or loss on a straight-line basis

The transition to IFRS 16 introduces elements of professional judgement which require the definition of certain accounting policies and the use of assumptions and estimates related to lease terms and the incremental borrowing rate. The main elements are summarised below:

- the group has decided not to apply IFRS 16 for contracts containing a lease which have an underlying intangible fixed asset;
 - lease term: the group analysed all of its leases, defining a lease term for each considering the period in which the lease is deemed non-cancellable together with the effects of any extension clauses to extend or terminate the lease early, the exercise of which is reasonably certain. Specifically, for buildings such evaluation considered the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly company cars and equipment, the group generally believed it was unlikely to exercise any extension or early termination clauses considering the group's normal practices;
 - definition of the incremental borrowing rate: since in most leases agreed by the group, there is no implicit interest rate, the discount rate to be applied to future lease payments is calculated as the risk-free rate of each country in which the contracts were agreed, with deadlines proportionate to the duration of the specific lease contract, increased by the specific credit spread applied in the country for similar assets. The average rate applied was 2,58%.
- On 7 June 2017, the IASB published "Uncertainty over income tax treatments (IFRIC 23)". The interpretation tackles the subject of uncertainties surrounding tax treatment to be adopted for income taxes. Specifically, the interpretation requires entities to analyse the uncertain tax treatments (individually or collectively, depending on their characteristics) assuming that the tax authorities will examine the tax position and will have full knowledge of all the relevant information. If the entity believes that it is not probable that the tax treatment will be accepted, the entity must reflect the effect of the uncertainty in the calculation of its current and deferred income taxes. Furthermore, the document does not contain any new disclosure obligation, but highlights that the entity shall establish whether it is necessary to provide information about management's considerations related to the uncertainty inherent to the tax recognition, in accordance with IAS 1. IFRIC 23 applies to annual periods beginning on or after 1 January 2019. The group has not identified significant uncertain tax treatments and, therefore, the adoption of IFRIC 23 has had no effect on the group's consolidated financial statements.
 - On 12 December 2017, IASB published the "Annual Improvements to IFRSs: 2015-2017 Cycle" that include the amendments to some standards as part of the annual improvement process. The main changes regard:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendments clarify that when an entity obtains control of a business that is a joint operation, it shall remeasure the previously held interests in that business. This process is not, however, required when an entity obtains joint control of a business that is a joint operation.
 - IAS 12 Income Taxes: the amendments clarify that all the income tax consequences of dividends (including payments on financial instruments classified under equity) shall be recognised consistently with the transaction that generated such distributable profits (profit or loss, OCI or equity).

– IAS 23 Borrowing costs: the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that the entity borrows generally when calculating the capitalisation rate on general borrowings.

The adoption of these amendments did not affect the group's consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EU

At the reporting date, the EU's relevant bodies had not yet completed the endorsement process for adoption of the following amendments and standards.

- On 18 May 2017, the IASB published IFRS 17 Insurance contracts, which will supersede IFRS 4 Insurance contracts.
- On 22 October 2018, the IASB published "Definition of a Business (Amendments to IFRS 3)". The document provides clarification regarding the definition of a business for the purposes of the correct application of IFRS 3.
- On 31 October 2018, the IASB published the "Definition of Material (Amendments to IAS 1 and IAS 8)". The document amended the definition of "material" contained in IAS 1 – Presentation of financial statements and IAS 8 – Accounting policies, changes in accounting estimates and errors. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" to the definitions of omitted or misstated erroneous information already present in the two standards subject to the amendment. The amendment clarifies that information is "obscured" if it has been described in such a way that it has the same effect as if it had been omitted or misstated. The amendments introduced by the document apply to all transactions after 1 January 2020.
- On 11 September 2014, the IASB published amendments to IFRS 10 and IAS 28 Investments in Associates and Joint Ventures. The amendments were published to resolve the current conflict between IAS 28 and IFRS 10.

Translation of foreign currency financial statements and transactions

The main exchange rates (against €1) used to translate the foreign currency financial statements at 30 June 2019, 31 December 2018 and 30 June 2018 are set out below:

Currency	Average rate		Closing rate	
	First half 2019	First half 2018	30.06.2019	2018
US dollar	1.130	1.210	1.138	1.145
Australian dollar	1.600	1.569	1.624	1.622
Hong Kong dollar	8.861	9.486	8.887	8.968
Brazilian real	4.342	4.142	4.351	4.444
Pound sterling	0.874	0.880	0.897	0.895
South African rand	16.043	14.891	16.122	16.459
Indian rupee	79.124	79.490	78.524	79.730
Chinese renminbi (yuan)	7.668	7.709	7.819	7.875
South Korean won	1,295.200	1,302.380	1,315.350	1,277.930
Russian ruble	73.744	71.960	71.598	79.715
Swedish krona	10.518	10.151	10.563	10.255
Japanese yen	124.284	131.606	122.600	125.850
Mexican peso	21.654	23.085	21.820	22.492
UAE dirham	4.149	4.445	4.179	4.205
Croatian kuna	7.420	7.418	7.397	7.413
Thai baht	35.714	38.419	34.897	37.052
Polish zloty	4.292	4.221	4.250	4.301
Singapore dollar	1.536	1.605	1.540	1.559
Ukrainian hryvnia	30.423	n.a.	29.765	n.a.

Use of estimates. Preparation of the condensed interim 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. The end results of the measurements for which the estimates and assumptions were used may differ from those presented in the condensed interim consolidated financial statements due to the uncertainty underlying the assumptions and the conditions on which the estimates were based.

Some assessments, particularly the more complex procedures such as determining any impairment losses on intangible assets, are only carried out fully during the preparation of the annual consolidated financial statements unless there are indicators of impairment requiring immediate impairment testing

Notes to the Statement of Financial Position

[1] PROPERTY, PLANT AND EQUIPMENT

At 30 June 2019, property, plant and equipment amounted to €57,986 thousand compared to €37,560 thousand at 31 December 2018. The following table provides a breakdown of the caption and the changes of the period.

CHANGES	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 2018	7,799	14,300	7,379	4,178	3,904	37,560
- Historical cost	12,274	31,475	35,415	14,438	3,904	97,505
- Accumulated depreciation	(4,474)	(17,176)	(28,036)	(10,260)	-	(59,946)
Changes in 2019						
- Right-of-use assets at 01.01.2019	14,137	-	388	1,300	-	15,824
- Investments	143	1,387	1,298	957	5,235	9,020
- Investments in right-of-use assets	427	-	101	225	-	752
- Reclassifications (historical cost)	1,061	(207)	46	2	(772)	130
- Sales (historical cost)	0	(17)	(108)	(446)	-	(571)
- Exchange rate gains (losses) on historical cost	14	63	36	50	(45)	117
- Exchange rate gains (losses) on accumulated depreciation	(9)	(24)	(21)	(26)	-	(80)
- Depreciation	(248)	(1,093)	(1,467)	(688)	-	(3,497)
- Depreciation of right-of-use assets	(1,479)	-	(82)	(286)	-	(1,847)
- Reclassifications (accumulated depreciation)	(440)	405	-	-	-	(35)
- Restatement of right-of-use assets	99	-	-	-	-	99
- Sales (acc. depreciation)	-	17	97	397	-	511
Total changes	13,705	530	287	1,485	4,417	20,426
Balance at 30 June 2019	21,505	14,830	7,666	5,663	8,321	57,986
including:						
- Historical cost	28,055	32,701	37,176	16,525	8,321	122,778
- Accumulated depreciation	(6,550)	(17,871)	(29,510)	(10,862)	-	(64,793)

As reported in the section on the Accounting policies, the main increase in property, plant and equipment was due to the recognition of the right-of-use assets in accordance with IFRS 16. On 1 January 2019, the right-of-use assets recognised amounted to a total of €15,824 thousand and they increased by €752 thousand during the period. The main right of use assets are buildings leased by group companies, specifically the parent, Recuperator S.p.A. and Carel Adriatic d.o.o..

Investments in the first half of 2019 were concentrated in China and the US for the construction and expansion of production sites. The increase was recognised under Assets under construction and payments on account. The new Chinese site was inaugurated in July 2019 while the American site will be completed in the third quarter of the year.

Further investments were made in plant and machinery, specifically for the subsidiary Recuperator S.p.A. and Carel Adriatic d.o.o. and in industrial and commercial equipment for the parent and the Croatian branch. The group's property, plant and equipment were not mortgaged or pledged during the period. 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 periods.

[2] INTANGIBLE ASSETS

At 30 June 2019, this caption amounted to €90,435 thousand compared to €91,126 thousand at the end of 2018. The following table presents changes in these assets:

CHANGES	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
Balance at 31 December 2018	3,282	11,516	47,628	25,181	3,519	91,126
- Historical cost	18,880	22,501	47,628	25,877	3,519	118,405
- Accumulated amortisation	(15,598)	(10,985)	-	(697)	-	(27,279)
Changes in 2019						
- Investments	11	843	-	-	1,346	2,200
- Reclassifications	-	(123)	-	-	(8)	(130)
- Sales (historical cost)	(7)	(6)	-	-	(23)	(37)
- Exchange rate gains (losses) on historical cost	-	23	15	5	(2)	41
- Exchange rate gains (losses) on accumulated amortisation	-	(2)	-	(1)	-	(4)
- Amortisation	(754)	(1,051)	-	(996)	-	(2,802)
- Reclassifications (accumulated amortisation)	-	35	-	-	-	35
- Sales (accumulated amortisation)	-	6	-	-	-	6
Total changes	(750)	(276)	15	(992)	1,312	(691)
Balance at 30 June 2019	2,532	11,240	47,643	24,189	4,832	90,435
including:						
- Historical cost	18,883	23,238	47,643	25,883	4,832	120,478
- Accumulated amortisation	(16,352)	(11,998)	-	(1,694)	-	(30,043)

Specifically:

- the balance of Development expenditure shows the expenditure related to projects developed internally by the parent 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. Assets under development and payments on account mainly include similar costs incurred for projects that had not been completed at the reporting date;
- Trademarks, industrial patents and software licences include software for management programs and network applications and the Hygromatik trademark recognised following the allocation of the acquisition price.
- Other assets mainly include the allocations made upon the first-time consolidation of the companies Hygromatik GmbH and Recuperator S.p.A., in particular Customer Lists and Technology;
- 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.

Amortisation amounted to €2,802 thousand, of which €1,275 thousand refers to the allocation of the gain generated by the first-time consolidation of the companies acquired in December 2018.

The goodwill considered material is shown separately in the next table, while the other goodwill balances allocated to the other CGUs are both individually and collectively immaterial and are recognised as Other goodwill.

Goodwill	30.06.2019	Change in translation reserve	31.12.2018
Hygromatik GmbH	38,499	-	38,499
Recuperator S.p.A.	6,326		6,326
Carel Thailand Co Ltd	2,055	15	2,040
Other goodwill	763	-	763
Total	47,643	15	47,628

During the first half of 2019, there were no significant events or indicators of impairment such to require impairment testing of goodwill.

The group has not recognised significant goodwill that can be deducted for tax purposes.

[3] EQUITY-ACCOUNTED INVESTMENTS

At 30 June 2019, this caption amounted to €475 thousand compared to €335 thousand at 31 December 2018. It may be analysed as follows:

Entity	Registered office	Investment %	30.06.2019	Change in translation reserve	Measurement at equity	31.12.2018
Arion S.r.l.	Brescia (IT)	40%	71	-	-	71
Free Polska s.p.z.o.o.	Krakow (PL)	23%	404	4	136	264
Total			475	4	136	335

In the first half of 2019, the investment in Free Polska s.p.z.o.o. was revalued by €136 thousand based on its most recently approved financial statements.

[4] OTHER NON-CURRENT ASSETS

At 30 June 2018, other non-current assets amounted to €2,311 thousand compared to €2,343 thousand at 31 December 2018. They are mainly comprised of a VAT asset recognised by a foreign branch, guarantee deposits and long-term loan assets.

[5] DEFERRED TAX ASSETS

At 30 June 2019, deferred tax assets amounted to €4,247 thousand compared to €4,128 thousand at 31 December 2018. The group has recognised deferred tax assets and liabilities on temporary differences between the carrying amount of assets and liabilities and their tax base.

Current Assets

[6] TRADE RECEIVABLES

At 30 June 2019, this caption amounted to €70,957 thousand compared to €59,951 thousand at 31 December 2018. It may be analysed as follows:

	30.06.2019	31.12.2018
Trade receivables	72,227	61,249
Loss allowance	(1,269)	(1,298)
Total	70,957	59,951

The next table shows the gross trade receivables by geographical segment:

	30.06.2019	31.12.2018
Europe, Middle East and Africa	53,208	43,640
APAC	11,186	11,079
North America	6,242	5,070
South America	1,591	1,460
Total	72,227	61,249

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

	30.06.2019	
	Trade receivables	Loss allowance
Not yet due	61,968	(471)
Past due < 6 months	9,009	(162)
Past due > 6 months	323	(37)
Past due > 12 months	927	(599)
Total	72,227	(1,269)

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

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

	30.06.2019	Accruals	Reversals	Utilisations	Exchange rate gains (losses)	31.12.2018
Loss allowance	(1,269)	-	-	31	(2)	(1,298)

[7] INVENTORIES

At 30 June 2018, this caption amounted to €52,303 thousand compared to €54,258 thousand at 31 December 2018. It may be analysed as follows:

	30.06.2019	31.12.2018
Raw materials	24,961	25,485
Allowance for inventory write-down	(725)	(591)
Semi-finished products and work in progress	3,052	3,243
Finished goods	26,798	27,210
Allowance for inventory write-down	(2,141)	(1,458)
Payments on account	357	396
Total	52,303	54,285

The group recognised an allowance for obsolete or slow-moving items to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods.

The accrual to the statement of profit or loss was recognised in the caption "Costs of raw materials, consumables and goods and changes in inventories".

[8] CURRENT TAX ASSETS

This caption includes current direct tax assets which amounted to €3,332 thousand at 30 June 2019 compared to €6,055 thousand at 31 December 2018. These tax assets refer to the 2018 tax asset, also thanks to the patent box regulation. The decrease is due to the offsetting against the tax expense for the period.

[9] OTHER ASSETS

At 30 June 2019, this caption amounted to €6,202 thousand compared to €6,001 thousand at 31 December 2018. It may be analysed as follows:

	30.06.2019	31.12.2018
Payments on account to suppliers	655	292
Other tax assets	1,422	1,014
VAT assets	1,198	2,051
Prepayments and accrued income	1,863	2,164
Other	1,064	480
Total	6,202	6,001

Other tax assets mainly consist of the tax assets for research and development expenditure (pursuant to article 3 of Law decree no. 145 of 23 December 2013). "Other" mainly comprises receivables from personnel and social security institutions.

[10] CURRENT FINANCIAL ASSETS

At 30 June 2019, this caption amounted to €43 thousand compared to €72 thousand at 31 December 2018. It may be analysed as follows:

	30.06.2019	31.12.2018
Derivatives	36	40
Other loans	7	32
Current financial assets	43	72

The derivatives are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. Fair value gains and losses are recognised in profit or loss. More information is available in the paragraph on financial instruments in note [33] Other information.

[11] CASH AND CASH EQUIVALENTS

At 30 June 2019, this caption amounted to €65,450 thousand compared to €55,319 thousand at 31 December 2018. Reference should be made to the statement of cash flows for details of changes in the group's cash and cash equivalents.

	30.06.2019	31.12.2018
Current accounts and post office deposits	65,401	55,284
Cash	49	35
Total	65,450	55,319

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

At 30 June 2019, the group's current account credit balances were not pledged in any way.

Equity and Non-current Liabilities

[12] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

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

Equity may be analysed as follows:

	30.06.2019	31.12.2018
Share capital	10,000	10,000
Legal reserve	2,000	2,000
Translation reserve	3,344	2,660
Hedging reserve	(548)	(93)
Other reserves	45,924	32,949
Retained earnings	46,487	39,798
Profit for the year/period	18,990	30,678
Equity	126,197	117,992

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

A resolution to distribute a dividend of €0.1 per share, totalling €9,992 thousand was made on 15 April 2019. Throughout February, March and April 2019, the parent repurchased 83,335 treasury shares for a total of €807 thousand, to service the performance shares incentive plan. This amount was recognised in a specific reserve as a decrease in equity included under Other reserves.

For the purposes of the performance share plan, costs totalling €153 thousand were recognised during the period with a balancing entry in Other reserves as the plan is equity settled.

Earnings per share were calculated by dividing the profit attributable to the owners of the parent by the weighted average number of outstanding ordinary shares. At 30 June 2019, following the above-mentioned repurchase of treasury shares, the average number of outstanding ordinary shares was 99,940,566.

The earnings per share were therefore as follows:

	30.06.2019	30.06.2018
Number of shares (in thousands)	99,941	100,000
Profit for the period (in thousands of Euros)	18,990	15,596
Earnings per share (in Euros)	0.19	0.16

[13] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 30 June 2019, this caption amounted to €333 thousand compared to €296 thousand at 31 December 2018 and comprised the non-controlling interest in Carel Thailand Co. Ltd (20%).

	30.06.2019	Profit for the period	Other comprehensive income	Dividends distributed	Share capital increases	31.12.2018
Equity attributable to non-controlling interests	333	23	14	-	-	296

[14] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

This caption may be analysed as follows:

	30.06.2019	31.12.2018
Bank loans and borrowings at amortised cost	90,162	66,922
Lease liabilities	11,540	-
Effective designated derivative hedges	775	170
Other loans and borrowings at amortised cost	1,604	1,774
Non current financial liabilities	104,080	68,866

	30.06.2019	31.12.2018
Bank loans at amortised cost	33,466	43,771
Lease liabilities	3,144	0
Bank borrowings at amortised cost	148	872
Derivatives held for trading at fair value through profit or loss	102	14
Other loans and borrowings at amortised cost	625	994
Current financial liabilities	37,485	45,651

The following table shows the main characteristics of the bank loans and other loans and borrowings by maturity at 30 June 2019:

30.06.2019	Currency	Original amount	Maturity	Interest rate	Terms	Outstanding liability	Current	Non-current
Deutsche bank	EUR	400	2023	Fixed	2.68%	174	43	131
BNP Paribas	EUR	15,000	2020	Fixed	0.37%	5,015	5,015	-
BNP Paribas	EUR	30,000	2022	Floating	6m Euribor + 0.78%	29,942	8,571	21,371
Unicredit	EUR	20,000	2023	Floating	3m Euribor + 0.92%	20,000	-	20,000
MedioCredito Italiano	EUR	15,000	2021	Floating	3m Euribor + 0.55%	6,668	3,333	3,335
Mediobanca	EUR	30,000	2021	Fixed	0.88%	23,967	12,000	11,967
Unicredit	EUR	20,000	2023	Fixed	0.45%	17,778	4,444	13,334
BNP Paribas	EUR	20,000	2023	Floating	3m Euribor + 0.98%	20,000	-	20,000
Pennsylvania Industrial Development Authority	USD	800	2020	Fixed	4.75%	84	60	24
Total						123,628	33,466	90,162

30.06.2019	Currency	Original amount	Maturity	Interest rate	Terms	Outstanding liability	Current	Non-current
Simest Middle East	EUR	1,000	2021	Fixed	0.50%	500	250	250
MedioCredito Centrale Progetto Horizon 2020	EUR	1,241	2026	Fixed	0.80%	1,183	164	1,019
Other loans						546	211	335
Total						2,229	625	1,604

Other loans and borrowings refer to the lease liabilities recognised following the adoption of IFRS 16.

The following tables detail the expected cash flows with regard to contractual due dates and interest to be paid by type of loan:

30.06.2019	TOTAL	Total cash flows	Within one year	From one to five years	After five years
Bank loans and borrowings at amortised cost	90,162	91,290	-	91,290	-
Lease liabilities	11,540	12,790	-	7,331	5,459
Effective designated derivative hedges	775	775	-	775	-
Other loans and borrowings at amortised cost	1,604	1,679	-	1,263	416
Non-current financial liabilities	104,080	106,534	-	100,659	5,875
Bank loans at amortised cost	33,466	34,101	34,101	-	-
Lease liabilities	3,144	3,487	3,487	-	-
Bank borrowings at amortised cost	148	148	148	-	-
Other loans and borrowings at amortised cost	625	634	634	-	-
Derivatives held for trading at fair value through profit or loss	102	102	102	-	-
Current financial liabilities	37,485	38,471	38,471	-	-

The following financing agreements require compliance with covenants:

- Mediobanca (loan of €30,000 thousand): Net financial position / EBITDA < 3.5 and EBITDA / Net financial expense > 5;
- BNP Paribas (loan of 20,000): Net financial position / EBITDA < 3.5.

At 30 June 2019, such covenants were respected.

The derivatives included under current financial liabilities are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. More information is available in the paragraph on financial instruments in note [33] Other information. The effective designated derivative hedges include the fair value of IRS agreed to hedge interest rate risk.

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

	30.06.2019	Net cash flows	Change in fair value gains or losses	Reclassification	First-time adoption of IFRS 16	Change in translation reserve	31.12.2018
Bank loans	33,466	(27,062)	-	16,760	-	(3)	43,771
Lease liabilities	3,144	(1,611)	-	126	4,633	(4)	-
Bank borrowings	148	(725)	-	-	-	0	872
Other loans and borrowings	625	(588)	-	207	-	12	994
Derivatives	102	(14)	102	-	-	-	14
Current financial liabilities	37,485	(30,000)	102	17,093	4,633	5	45,651

	30.06.2019	Net cash flows	Change in fair value gains or losses	Reclassification	First-time adoption of IFRS 16	Change in translation reserve	31.12.2018
Bank loans and borrowings at amortised cost	90,162	40,000	-	(16,760)	-	-	66,922
Lease liabilities	11,540	468	-	(126)	11,191	7	0
Effective designated derivative hedges	775	(170)	775	-	-	-	170
Other loans and borrowings at amortised cost	1,604	34	-	(207)	-	3	1,774
Non-current financial liabilities	104,080	40,332	775	(17,093)	11,191	10	68,866

[15] PROVISIONS FOR RISKS

At 30 June 2019, provisions amounted to €2,665 thousand compared to €2,981 thousand at 31 December 2018, as follows:

	30.06.2019	31.12.2018
Provision for agents' termination benefits	743	698
Provision for legal and tax risks	23	39
Provision for commercial complaints	365	301
Provision for product warranties	270	274
Other provisions	25	19
Total - non-current	1,426	1,332
Provision for legal and tax risks	191	405
Provision for commercial complaints	1,048	1,244
Total - current	1,239	1,649
Total	2,665	2,981

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.

The provision for legal and tax risks amounted to €214 thousand, down from €444 thousand at 31 December 2018, of which non-current €23 thousand and €39 thousand, respectively. In May 2019, the parent opted to avail of the option to settle pending tax disputes introduced by law decree no. 119/2018 and settled the first-level proceedings related to 2011 with a payment of €214 thousand.

In response to the audit by the Venice regional tax office completed in June 2018, in 2018, with the support of its consultants, the parent's directors accrued €191 thousand for 2015. This amount refers to the estimated contingent liability, considering the possibility of agreeing to the higher taxes in 2019.

The provisions for product warranties and commercial complaints were set up to cover liabilities arising on product defects which entail the repair or replacement of the defective parts or payment of a cash compensation to the customer. Management estimated the provisions based on available information and past experience. It did not discount them as it expects to use the provisions in 2020.

[16] DEFINED BENEFIT PLANS

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

[17] DEFERRED TAX LIABILITIES

At 30 June 2019, deferred tax liabilities amounted to €11,472 thousand compared to €11,820 thousand at 31 December 2018. This decrease is mainly due to depreciation of property, plant and equipment and amortisation of Intangible assets upon the first-time consolidation of Recuperator S.p.A. and Hygromatik GmbH.

[18] TRADE PAYABLES

At 31 June 2018, trade payables amounted to €40,200 thousand, compared to €41,289 thousand at 31 December 2018. They included payables for materials and services.

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

[19] CURRENT TAX LIABILITIES

At 30 June 2019, this caption amounted to €2,514 thousand compared to €1,539 thousand at 31 December 2018. It entirely consists of direct income tax liabilities. The change during the period was mainly related to the calculation of current taxes for the period in accordance with IAS 34.

[20] OTHER CURRENT LIABILITIES

Other current liabilities are broken down in the following table:

	30.06.2019	31.12.2018
Social security contributions	3,604	4,101
Tax withholdings	1,494	1,641
Other current tax liabilities	507	454
VAT liabilities	2,323	899
Wages and salaries, bonuses and holiday pay	12,138	11,387
Other	812	924
Total	20,878	19,407

The caption mostly includes personnel-related liabilities (wages and salaries, tax withholdings and social security contributions) and tax liabilities, specifically VAT liabilities which showed the largest increase compared to 31 December 2018.

Wages and salaries, bonuses and holiday pay, as well as social security contributions, decreased due to the utilisation of provisions made at year end.

Notes to the statement of profit or loss

[21] REVENUE

Revenue amounted to €166,904 thousand, compared to €138,793 thousand for the corresponding period of 2018 (+20.3%). It is shown net of discounts and allowances.

Revenue generated by services amounted to €1,480 thousand compared to €1,199 thousand for the first half of 2018. A breakdown of revenue by market is as follows:

	First half 2019	First half 2018	Variation %
HVAC revenue	110,545	85,434	29.4%
REF revenue	53,864	49,893	8.0%
Total core revenue	164,409	135,328	21.5%
Non-core revenue	2,495	3,466	(28.0%)
Total	166,904	138,793	20.3%

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

A breakdown of revenue by geographical segment is as follows:

	First half 2019	First half 2018	Variation %
Europe, Middle East and Africa	117,910	96,775	21.8%
APAC	23,104	21,098	9.5%
North America	22,152	17,206	28.7%
South America	3,739	3,714	0.7%
Total	166,904	138,793	20.3%

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

[22] OTHER REVENUE

Other revenue amounted to €1,156 thousand, an increase on the €766 thousand balance for the corresponding period of 2018. The caption may be broken down as follows:

	First half 2019	First half 2018	Variation %
Grants received	21	6	>100%
Sundry cost recoveries	940	574	63.8%
Other revenue and income	195	187	4.2%
Total	1,156	766	50.8%

Sundry cost recoveries mostly refer to the recovery of transport and other costs and increased due to the consolidation of the two companies acquired in December 2018.

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

[23] PURCHASES OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGES IN INVENTORIES

This caption amounted to €69,951 thousand for the first half of 2019 compared to €55,759 thousand for the corresponding period of 2018. The increase is mostly due to the greater purchase volumes of raw materials, consumables and goods in line with the higher revenue. The following table shows a breakdown of the caption:

	First half 2019	First half 2018	Variation %
Costs of raw materials, consumables and goods and changes in inventories	(69,951)	(55,759)	25.5%
% of revenue	(41.9%)	(40.2%)	4.3%

[24] SERVICES

The group incurred costs of €22,726 thousand for services in the first half of 2019, down 10.8% on the corresponding period of the previous year. A breakdown of the caption is provided below, highlighting the amounts used to normalise EBITDA in the columns "ADJ 30.06.2019" and "ADJ 30.06.2018".

	First half 2019	First half 2018	Variation %	ADJ 30.06.2019	ADJ 30.06.2018
Transport	(4,901)	(4,207)	16.5%		
Consultancies	(3,450)	(7,483)	(53.9%)	(314)	(4,461)
Business trips and travel	(2,348)	(2,285)	2.8%	(15)	(56)
Use of third party assets	(874)	(2,257)	(61.3%)		
Maintenance and repairs	(1,903)	(1,445)	31.7%		
Marketing and advertising	(1,284)	(1,524)	(15.8%)		(50)
Outsourcing	(869)	(901)	(3.5%)		
Agency commissions	(1,031)	(609)	69.4%		
Utilities	(839)	(598)	40.1%		
Fees to directors, statutory auditors and independent auditors	(1,199)	(696)	72.4%		
Insurance	(552)	(459)	20.3%		
Telephone and connections	(480)	(388)	23.5%		
Other services	(2,997)	(2,636)	13.7%		(42)
Total service costs	(22,726)	(25,488)	(10.8%)	(329)	(4,608)

Overall, costs increased due to the first-time consolidation of Recuperator S.p.A. and Hygromatik GmbH, which were not part of the group in the first half of 2018.

The main decrease compared to the previous period was in consultancies, which in the first half of 2018, also included non-recurring costs for the listing on the stock market.

Use of third party assets decreased due to the adoption of IFRS 16, which resulted in the elimination of costs totalling €1,967 thousand.

Net of the costs of the two acquirees, non-recurring costs and the adoption of IFRS 16, service costs decreased as a percentage of revenue compared to the first half of 2018.

[25] CAPITALISED DEVELOPMENT EXPENDITURE

This caption amounted to €1,339 thousand, compared to €1,066 thousand in the first half of 2018. It is entirely related to development projects capitalised under intangible assets. The group incurred development expenditure of €8,877 thousand and €7,751 thousand in the first half of 2019 and 2018, respectively (5.3% and 5.6%, respectively, as a percentage of revenue). Only the amounts described above can be capitalised.

[26] PERSONNEL EXPENSE

This caption amounted to €42,139 thousand for the first half of 2019 compared to €34,710 thousand for the corresponding period of the previous year. A breakdown of this caption and of the workforce by employee category is as follows:

	First half 2019	First half 2018	Variation %
Wages and salaries, including bonuses and accruals	(32,765)	(27,177)	20.6%
Social security contributions	(7,623)	(6,172)	23.5%
Defined benefit plans	(1,172)	(852)	37.6%
Other costs	(578)	(510)	13.5%
Total	(42,139)	(34,710)	21.4%

	First half 2019		First half 2018	
	period end	average	period end	average
Managers	45	43	32	34
White collars	1,028	1,008	884	873
Blue collars	559	555	460	464
Total	1,632	1,605	1,376	1,370

Personnel expense related to Recuperator S.p.A. and Hygromatik GmbH amounted to a total of €4,446 thousand in the first half of the year with an increase in the workforce of 130 employees at 30 June 2019.

[27] OTHER EXPENSE, NET

This caption amounted to €897 thousand for the first half of 2019, compared to €504 thousand for the corresponding period of the previous year. It may be broken down as follows:

	First half 2019	First half 2018	Variation %
Capital gains on disposal of assets	7	7	2.8%
Prior year income	178	296	(39.8%)
Release of provisions for risks	-	36	< 100%
Other income	186	339	(45.3%)
Capital losses on disposal of assets	(7)	(2)	>100%
Prior year expense	(212)	(110)	91.7%
Other taxes and duties	(428)	(429)	(0.2%)
Accrual to the loss allowance	-	(130)	< 100%
Accrual to the provisions for risks	(95)	-	> 100%
Credit losses	(17)	(16)	5.3%
Other costs	(322)	(156)	>100%
Other expense	(1,083)	(843)	28.4%
Other expense, net	(897)	(504)	78.0%

[28] AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

This caption amounted to €8,143 thousand compared to €4,175 thousand in the first half of the previous year. This increase was mainly due to:

- depreciation of the right-of-use assets recognised under property, plant and equipment for a total of €1,845 thousand;
- amortisation of intangible assets recognised following the consolidation of the two companies in December 2018 for a total of €1,276 thousand;
- greater amortisation of investments made in the past 12 months.

	First half 2019	First half 2018	Variation %
Amortisation	(2,802)	(1,601)	75.0%
Depreciation	(5,342)	(2,479)	>100%
Impairment losses	-	(96)	< 100%
Total	(8,143)	(4,175)	95.0%

[29] NET FINANCIAL EXPENSE

Net financial expense for the first half of 2019 came to €682 thousand, compared to net financial income of €66 thousand for the corresponding period of 2018, as follows:

	First half 2019	First half 2018	Variation %
Gains on financial assets	-	374	(100.0%)
Interest income	158	110	43.4%
Gains on derivatives	-	32	(100.0%)
Other financial income	105	61	71.9%
Financial income	262	577	(54.5%)
Bank interest expense	(454)	(113)	>100%
Interest expense on leases	(166)	-	>100%
Other interest expense	(23)	(12)	96.7%
Losses on derivatives	(71)	(129)	(45.0%)
Other financial expense	(230)	(257)	(10.4%)
Financial expense	(944)	(511)	84.9%
Net financial income (expense)	(682)	66	< 100%

The decrease in gains on financial assets refers exclusively to the fact that no interest income on insurance policies was recognised in the reporting period following their termination in 2018.

Bank interest expense increased due to the increased credit lines granted to the parent.

Interest expense on other loans and borrowings was recognised for a total of €166 thousand following the adoption of IFRS 16.

[30] NET EXCHANGE RATE LOSSES

This caption showed net exchange rate losses of €326 thousand for the first half of 2019 compared to €418 thousand for the corresponding period of 2018, as follows:

	First half 2019	First half 2018	Variation %
Exchange rate losses	(1,987)	(3,118)	(36.3%)
Exchange rate gains	1,661	2,700	(38.5%)
Net exchange rate losses	(326)	(418)	(22.0%)

[31] SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEEES

This caption amounted to €136 thousand. In the first half of 2019, an investment held by Alfaco Polska s.p.z.o.o. was remeasured using the equity method.

[32] INCOME TAXES

This caption amounted to €5,660 thousand for the first half of 2019, compared to €4,030 thousand for the corresponding period of 2018. Income taxes were calculated based on the average tax expense determined on the basis of the actual annual tax rate in accordance with the provisions of IAS 34.

Segment Reporting

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

[33] OTHER INFORMATION

Financial instruments

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

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

	30.06.2019				31.12.2018			
	Purchases *	Sales *	Positive fair value **	Negative fair value **	Purchases *	Sales *	Positive fair value **	Negative fair value **
<i>forward</i>								
USD/EUR	-	3,550	15	(5)	-	1,865	10	(0)
JPY/EUR	18,241	-	-	(2)	17,694	-	3	
AUD/EUR	-	-	-	-	-	-	-	
USD/CNY	-	4,000	-	(11)	-	2,000	10	-
EUR/ZAR	-	4	-	(0)	-	14	0	(0)
ZAR/USD	-	9,500	-	(22)	-	7,500	4	-
USD/ZAR	-	93	-	(2)	-	-	-	
PLN/EUR	-	10,801	-	(33)	-	9,181	-	(12)
EUR/CNY	-	1,000	-	(23)	-	-	-	
THB/USD	-	4,500	-	(5)	-	4,000	-	(3)
Total forwards			15	(102)			28	(14)

	30.06.2019				31.12.2018			
	Purchases *	Sales *	Positive fair value **	Negative fair value **	Purchases *	Sales *	Positive fair value **	Negative fair value **
Options								
USD/EUR	-	-	-	-	-	-	-	-
JPY/EUR	(66,000)	-	7	-	-	-	-	-
AUD/EUR	-	-	-	-	-	-	-	-
ZAR/EUR	-	-	-	-	-	-	-	-
USD/CNY	(8,000)	-	1	-	-	(9,000)	3	-
EUR/CNY	-	-	-	-	-	(4,000)	3	-
ZAR/USD	(4,000)	-	7	-	-	(12,000)	5	-
THB/USD	(13,000)	-	7	-	-	(26,000)	1	-
Total options			21	-			12	-
Total			36	(102)			40	(14)

(*) Amount in thousands of local currency.

(**) Amount in thousands of Euros.

The next table provides information about the interest rate swaps agreed to hedge against the related risk:

	Notional amount	Floating interest rate	Fixed interest rate	Maturity	Fair value 30.06.2019	Fair value 31.12.2018
Interest rate swap	15,000	3m Euribor > -0.55% / -0.55% > 3m Euribor	-0.10%	30/06/2021	(25)	(16)
Interest rate swap	30,000	6m Euribor > -0.78% / -0.78% if 6m Euribor < -0.78%	-0.78%	19/11/2022	(270)	(153)
Interest rate swap	20,000	3m Euribor > -0.98% / -0.98% if 3m Euribor < -0.98%	-0.02%	30/04/2023	(285)	n.a.
Interest rate swap	20,000	3m Euribor > -0.92% / -0.92% if 3m Euribor < -0.92%	-0.04%	30/04/2023	(195)	n.a.

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

Categories of financial instruments and fair value hierarchy

The next table shows the categorisation of financial assets and liabilities pursuant to IFRS 7, using the categories established by IFRS 9, and their fair value:

30.06.2019	IFRS 9 category	Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
Securities	Available-for-sale financial assets	0		0	
Derivatives	Financial instruments held for trading	36		36	
Other loans	Loans and receivables	7			7
Other current financial assets		43			
Current accounts and post office deposits	Loans and receivables	65,401		65,401	
Cash	Loans and receivables	49		49	
Cash and cash equivalents		65,450			
Trade receivables	Loans and receivables	70,957			70,957
Total financial assets		136,451			
including:	Available-for-sale financial assets	0			
	Financial instruments held for trading	36			
	Loans and receivables	136,415			
Bank loans and borrowings	Financial liabilities at amortised cost	90,162		90,162	
Other loans and borrowings	Financial liabilities at amortised cost	13,144		13,144	
Effective designated derivative hedges	Financial instruments held for trading	775		775	
Non-current financial liabilities		104,080			
Bank borrowings	Financial liabilities at amortised cost	148		148	
Bank loans	Financial liabilities at amortised cost	33,466		33,466	
Derivatives	Financial instruments held for trading	102		102	
Other loans and borrowings	Financial liabilities at amortised cost	3,769		3,769	
Current financial liabilities		37,485			
Trade payables	Financial liabilities at amortised cost	40,200			40,200
Total financial liabilities		181,765			
including	Financial liabilities at amortised cost	180,889			
	Financial instruments held for trading	877			

Related party transactions

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

Transaction at 30.06.2019	Trade receivables	Loan assets	Trade payables	Financial liabilities	Revenue	Costs	Financial expense
Arion S.r.l.	-	160	(114)	-	1	(555)	-
Free Polska s.p.z.o.o.	1	-	(667)	-	6	(2,344)	-
Total associates	1	160	(781)	-	7	(2,899)	-
RN Real Estate S.r.l.	3	-	(14)	(3,017)	24	(3)	(10)
Arianna S.p.A.	139	-	-	-	6	-	-
Eurotest laboratorij S.r.l.	11	-	(49)	(13)	20	(106)	(0)
Carel Real Estate Adriatic d.o.o.	2	-	-	(2,818)	2	(1)	(34)
Eurotec Ltd	104	-	(6)	-	278	(15)	-
Others	-	-	(11)	-	-	(30)	-
Total other related parties	257	-	(79)	(5,849)	329	(155)	(45)
Total related parties	259	160	(860)	(5,849)	336	(3,054)	(45)

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

Financial liabilities from RN Real Estate S.r.l and Carel Real Estate Adriatic d.o.o. refer to the recognition of financial liabilities following the application of IFRS 16 from 1 January 2019.

Others include transactions that are individually and collectively irrelevant.

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

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

	Registered office	Country	Currency
Parents:			
CAREL INDUSTRIES S.p.A	Brugine (Padua)	Italy	EUR
Consolidated investees:			
C.R.C. S.r.l.	Bologna	Italy	EUR
CAREL Deutschland GmbH	Frankfurt	Germany	EUR
CAREL France SAS	St. Priest, Rhone	France	EUR
CAREL U.K. Ltd	London	GB	GBP
CAREL Sud America Instrumentacao Eletronica Ltda	San Paulo	Brazil	BRL
CAREL Usa LCC	Wilmington Delaware	US	USD
CAREL Asia Ltd	Hong Kong	Honk Kong	HKD
CAREL HVAC&R Korea Ltd	Seul	South Korea	KRW
CAREL South East Asia Pte. Ltd.	Singapore	Singapore	SGD
CAREL Australia PTY Ltd	Sydney	Australia	AUD
CAREL Electronic Suzhou Ltd	Suzhou	People's Republic of China	CNY
CAREL Controls Iberica SI	Barcelona	Spain	EUR
CAREL Controls South Africa (Pty) Ltd	Johannesburg	South Africa	ZAR
CAREL ACR System India (Pvt) Ltd	Mumbai	India	INR
CAREL RUS LLC	St. Petersburg	Russia	RUB
CAREL Nordic AB	Hoganas	Sweden	SEK
CAREL Middle East	Dubai	Dubai	AED
CAREL Mexicana, S. DE R.L. DE C.V.	Guerra, Tlalpan	Mexico	MXN
CAREL Adriatic D.o.o.	Rijeka	Croatia	HRK
CAREL (Thailand) Co. Ltd.	Bangkok	Thailand	THB
Alfacco Polska Sp.z.o.o.	Wroclaw	Poland	PLN
CAREL Japan	Tokyo	Japan	JPY
Recuperator S.p.A.	Rescaldina (MI)	Italy	EUR
Hygromatik G.m.b.H.	Henstedt-Ulzburg	Germany	EUR
CAREL Ukraine LLC	Kiev	Ukraine	UAH

Share/quote capital at	Share/quote capital at	Investment%	Investor	Consolidation method	Profit (loss) (Euro)
31/12/2018	30/06/2019	30/06/2019	Share/quotaholder		for the first half of 2019
10,000,000	10,000,000				11,902,954
98,800	98,800	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	278,522
25,565	25,565	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	441,741
100,000	100,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	214,314
350,000	350,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	637,374
31,149,059	31,149,059	53.02%	CAREL INDUSTRIES S.p.A.	Line-by-line	325,500
		48.06%	CAREL Electronic Suzhou Ltd		
3,000,000	3,000,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	1,084,247
15,900,000	15,900,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	132,401
550,500,000	550,500,000	100%	CAREL Electronic Suzhou Ltd	Line-by-line	(54,904)
100,000	100,000	100%	CAREL Asia Ltd	Line-by-line	32,845
100	100	100%	CAREL Electronic Suzhou Ltd	Line-by-line	177,483
75,019,566	75,019,566	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	3,200,342
3,005	3,005	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	319,526
4,000,000	4,000,000	100%	CAREL Electronic Suzhou Ltd	Line-by-line	58,123
1,665,340	1,665,340	0.01%	CAREL France Sas	Line-by-line	68,315
		99.99%	CAREL Electronic Suzhou Ltd		
6,600,000	6,600,000	99%	CAREL INDUSTRIES S.p.A.	Line-by-line	(18,386)
		1%	CAREL France Sas		
550,000	550,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	(49,819)
4,333,877	4,333,877	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	(130,185)
12,441,149	12,441,149	100%	CAREL Usa LCC	Line-by-line	67,336
54,600,000	54,600,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	3,104,361
10,000,000	10,000,000	79.994%	CAREL Electronic Suzhou Ltd	Line-by-line	113,179
		0.006%	CAREL Australia PTY Ltd		
420,000	420,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	889,616
60,000,000	60,000,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	(32,653)
500,000	500,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	355,954
639,115	639,115	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	1,955,077
n.a.	700,000	100%	Alfacco Polska Zoo	Line-by-line	(81,991)

Events after the reporting date

No significant event have taken place since the reporting date.

Statement on the condensed interim consolidated financial statements pursuant to article 154-bis of Legislative decree no. 58/98 and article 81-ter of Consob regulation n.11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Francesco Nalini, as chief executive officer, and Giuseppe Viscovich, 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 procedures adopted for the preparation of the condensed interim consolidated financial statements at 30 June 2019:
 - are adequate in relation to the group's characteristics and
 - the administrative and accounting procedures to prepare the condensed interim consolidated financial statements have been effectively applied during the semester.
2. There is nothing to report
3. Moreover, they state that:
 - 3.1 the condensed interim consolidated financial statements as at and for the six months ended 30 June 2019:
 - 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 Council on 19 July 2002;
 - b) are consistent with the accounting ledgers and records;
 - c) are suitable to give a true and fair view of the financial position, financial performance and cash flows of the issuer and the group of companies included in the consolidation scope.
 - 3.2 The directors' report includes a reliable analysis of the key events of the period and their impact on the condensed interim consolidated financial statements, as well as a description of the main risks and uncertainties for the second half of the year and information about significant related party transactions.

Brugine, 9 September 2019

Chief Executive Officer

Manager in charge of financial reporting

Francesco Nalini

Giuseppe Viscovich

Report of the auditors



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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**To the Shareholders of
CAREL INDUSTRIES S.p.A.**

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Carel Industries S.p.A. and subsidiaries (the "Carel Group"), which comprise the statement of financial position as of 30 June 2019 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Carel Group as at 30 June 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
12 September 2019

This report has been translated into the English language solely for the convenience of international readers.

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