CAREL

SEPARATE FINANCIAL STATEMENTS

2020

E-MARKET SDIR CERTIFIED

Share capital €10,000,000.00 - fully paid up
Padua company registration no. 04359090281 Padua Chamber of commerce registration no. 383236
Tax code and VAT no. 04359090281

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Corporate bodies

Board of directors	*Chairperson*	*Luigi Rossi Luciani*
	Executive deputy chairperson	*Luigi Nalini*
	Chief executive officer	*Francesco Nalini*
	Director	*Carlotta Rossi Luciani*
	Director	*Cinzia Donalisio*
	Director	*Marina Manna*
	Director	*Giovanni Costa*
Board of statutory auditors	*Chairperson*	*Saverio Bozzolan*
	Standing statutory auditor	*Claudia Civolani*
	Standing statutory auditor	*Paolo Ferrin*
	Alternate statutory auditor	*Fabio Gallio*
	Alternate statutory auditor	*Giovanni Fonte*
Independent auditors		*Deloitte & Touche SpA*
Control and risks committee	*Chairperson*	*Marina Manna*
	Member	*Cinzia Donalisio*
	Member	*Giovanni Costa*
Remuneration committee	*Chairperson*	*Cinzia Donalisio*
	Member	*Marina Manna*
	Member	*Giovanni Costa*
Supervisory body pursuant to Legislative decree no. 231/2001	*Chairperson*	*Fabio Pinelli*
	Member	*Alessandro Grassetto*
	Member	*Arianna Giglio*


CAREL

Separate financial statements and notes thereto

at 31 December 2020

Statement of Financial Position

(in Euros)	NOTE	31.12.2020	31.12.2019
Property, plant and equipment	1	25,020,848	12,054,056
Intangible assets	2	12,027,142	11,574,187
Equity investments	3	117,497,857	120,767,229
Other non-current assets	4	9,884,981	11,973,821
Deferred tax assets	5	1,771,274	1,546,845
Non-current assets		**166,202,102**	**157,916,138**
Trade receivables	6	36,782,785	37,195,194
Inventories	7	18,821,530	18,527,217
Current tax assets	8	1,552,727	650,168
Other assets	9	5,222,898	3,693,654
Current financial assets	10	7,522,254	3,341,258
Cash and cash equivalents	11	70,705,564	25,585,386
Total current assets		**140,607,758**	**88,992,877**
TOTAL ASSETS		**306,809,860**	**246,909,015**
Equity	12	89,915,930	81,334,813
Equity		**89,915,930**	**81,334,813**
Financial liabilities	13	101,994,987	75,620,774
Provisions for risks	14	1,042,510	1,168,540
Defined benefit plans	15	5,140,774	5,255,600
Deferred tax liabilities	16	241,861	310,707
Non-current liabilities		**108,420,132**	**82,355,621**
Financial liabilities	13	55,763,973	40,705,154
Trade payables	17	37,634,976	29,649,513
Tax liabilities	18	118,958	201,393
Provisions for risks	14	2,103,893	2,098,105
Other current liabilities	19	12,851,998	10,564,416
Current liabilities		**108,473,798**	**83,218,581**
TOTAL LIABILITIES AND EQUITY		**306,809,860**	**246,909,015**

Statement of profit or loss

(in Euros)	NOTE	2020	2019
Revenue	20	180,367,359	176,045,594
Other revenue	21	4,667,811	4,490,304
Costs of raw materials, consumables and goods and change in inventories	22	(94,417,153)	(90,423,975)
Services	23	(26,281,340)	(25,791,844)
Capitalised development expenditure	24	1,856,559	2,489,141
Personnel expense	25	(42,172,501)	(39,368,440)
Other expense, net	26	(538,652)	(1,108,750)
Amortisation, depreciation and impairment losses	27	(8,244,653)	(7,374,442)
OPERATING PROFIT		**15,237,430**	**18,957,588**
Net financial income	28	13,900,532	9,010,722
Net exchange losses	29	(428,062)	(24,122)
Net (reversals of) impairment losses on financial assets	30	(3,284,372)	237,313
PROFIT BEFORE TAX		**25,425,528**	**28,181,501**
Income taxes	31	(4,529,610)	(5,473,041)
PROFIT FOR THE YEAR		**20,895,918**	**22,708,460**

Statement of comprehensive income

(in Euros)	NOTA	2020	2019
PROFIT FOR THE YEAR		**20,895,918**	**22,708,460**
Other items that may be subsequently reclassified to profit or loss:			
Variation in hedging reserve	12	(96,130)	(355,126)
Variation in hedging reserve - tax effect	12	23,071	85,230
Total items that may be subsequently reclassified to profit or loss		**(73,059)**	**(269,896)**
Other items that may not be subsequently reclassified to profit or loss:			
IAS 19 - Net actuarial losses from discounting of post-employment benefits	12	(76,156)	(275,572)
IAS 19 - Net actuarial gains from discounting of post-employment benefits - tax effect	12	21,247	76,884
IAS 19 - Actuarial gains /(losses) from discounting of post-term of office benefits for directors	12	23,556	(65,330)
IAS 19 - Actuarial gains /(losses) from discounting of post-term of office benefits for directors - tax effect	12	(39,598)	18,227
Total other items that may not be subsequently reclassified to profit or loss		**(70,951)**	**(245,791)**
COMPREHENSIVE INCOME		**20,751,908**	**22,192,773**

Statement of Cash Flows

(in Euros)	2020	2019
Profit for the year	20,895,918	22,708,460
Adjustments for:		
Amortisation, depreciation and impairment losses	11,529,025	7,137,129
Accruals to provisions	1,706,965	1,150,946
Non-monetary financial expense (income)	(13,998,823)	(9,057,299)
Income taxes	3,268,767	5,750,387
Gains on the sale of non-current assets	(1,505)	(8,426)
	23,400,347	**27,681,197**
Changes in working capital:		
Change in trade receivables and other current assets	(517,127)	(930,542)
Change in inventories	(942,584)	3,292,401
Change in trade payables and other current liabilities	9,827,478	(5,917,453)
Change in non-current liabilities	(394,171)	(260,347)
Cash flows from operating activities	**31,373,943**	**23,865,256**
Net interest paid	(978,052)	(995,576)
Income taxes paid	(3,536,632)	(12,088,666)
Net cash flows from operating activities	**26,859,259**	**10,781,014**
Investments in property, plant and equipment	(3,760,667)	(3,722,890)
Investments in intangible assets	(4,226,321)	(5,319,786)
Disinvestments of property, plant and equipment and intangible assets	98,685	38,532
Investments in investees	(15,000)	(1,825,640)
Cash flows used in investing activities	**(7,903,303)**	**(10,829,784)**
Repurchase of treasury shares	(957,622)	(807,278)
Dividend distributions	(11,979,815)	(9,991,667)
Dividends collected	14,944,286	10,075,319
Interest collected	41,802	69,258
Increase in financial liabilities	74,022,395	50,447,806
Decrease in financial liabilities	(44,971,375)	(52,660,263)
Decrease in lease liabilities	(1,446,634)	(1,381,963)
Increase in financial assets	(7,500,023)	(1,807,086)
Decrease in financial assets	4,011,208	7,683,806

(in Euros)	2020	2019
Cash flows from financing activities	**26,164,222**	**1,627,932**
Change in cash and cash equivalents	**45,120,178**	**1,579,162**
Cash and cash equivalents - opening balance	**25,585,386**	**24,006,224**
Cash and cash equivalents - closing balance	**70,705,564**	**25,585,386**

The increase and decrease in current financial assets which had been recognised under cash flows from investing activities in 2019 (increase of €1,126 thousand and decrease of €5,875 thousand) were reclassified to cash flows from financing activities in order to better present the company's cash flows.

Statement of Changes in Equity

(in Euros)	Share capital	Legal reserve	Hedging reserve	Actuarial reserve	Income-related reserves and other reserves
Balance at 31 December 2018	**10,000,000**	**2,000,000**	**(92,802)**	**25,394**	**20,584,887**
Allocation of prior year profit					
- dividend distributions					
- other allocations					13,995,391
Movements in stock grant reserve					
Repurchase of treasury shares					
Profit for the year					
Other comprehensive expense			(269,896)	(245,791)	
Balance at 31 December 2019	**10,000,000**	**2,000,000**	**(362,698)**	**(220,397)**	**34,580,278**
Allocation of prior year profit					
- dividend distributions					
- other allocations					10,728,645
Movements in stock grant reserve					
Repurchase of treasury shares					
Profit for the year					
Other comprehensive expense			(73,059)	(70,951)	
Balance at 31 December 2020	**10,000,000**	**2,000,000**	**(435,757)**	**(291,348)**	**45,308,923**

Equity-related reserves	IFRS reserve	Treasury shares	Stock grant reserve	Retained earnings	Profit (loss) for the year	Total
10,397,335	**2,145,495**	**-**	**77,257**	**476,149**	**23,987,058**	**69,600,773**
					(9,991,667)	(9,991,667)
					(13,995,391)	-
			340,212			340,212
		(807,278)				(807,278)
					22,708,460	22,708,460
				-	-	(515,687)
10,397,335	**2,145,495**	**(807,278)**	**417,469**	**476,149**	**22,708,460**	**81,334,813**
					(11,979,815)	(11,979,815)
					(10,728,645)	-
			766,646			766,646
		(957,622)				(957,622)
					20,895,918	20,895,918
				-	-	(144,010)
10,397,335	**2,145,495**	**(1,764,900)**	**1,184,115**	**476,149**	**20,895,918**	**89,915,930**

Notes to the Separate Financial Statements at 31 december 2020

Content and format of the separate financial statements

Carel Industries S.p.A. (the "company") is an Italian company limited by shares, with registered office in Via Dell'Industria 11, Brugine (PD). It is registered with the Padua company registrar.
Carel Industries S.p.A. provides control instruments to the air-conditioning and commercial and industrial refrigeration markets and also produces air humidification systems.
These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and cover the year from 1 January to 31 December 2020.
The company has prepared its separate and consolidated financial statements in accordance with the IFRS endorsed by the European Union on 1 January 2015 (the transition date).
The company's board of directors approved the separate financial statements at 31 December 2020 on 4 March 2021.
The separate financial statements have been prepared in accordance with the updated accounting records.

Statement of compliance and basis of preparation

The separate financial statements at 31 December 2020 were prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission with the procedure set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.
The IFRS include all the standards as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union at the reporting date and included in the related EU regulations published at that date.
The separate financial statements include the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and these notes. They were prepared using the historical cost principle and assuming the company will continue as a going concern.
The company assumed that it could adopt the going concern assumption pursuant to IAS 1.25/26 given its strong market position, very satisfactory profits and solid financial structure.
The separate financial statements were prepared in Euros, which is the company's functional and presentation currency as per IAS 21, unless indicated otherwise.
The company availed itself of the option allowed by article 40.2-bis of Legislative decree no. 127 of 9 April 1991, as amended by Legislative decree no. 32 of 2 February 2007, which provides for the preparation of a single directors' report for the separate and consolidated financial statements of Carel Industries S.p.A..

Financial statements schedules

Statement of financial position. Assets and liabilities are presented as current or non-current as required by paragraph 60 and following paragraphs of IAS 1.
An asset or liability is classified as current when it meets one of the following criteria:

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

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

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

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

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

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

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

Business combinations

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

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

Goodwill is calculated as the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree and the net of the acquisition-date fair value of the assets acquired and liabilities assumed. If this fair value is greater than the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the resulting gain is recognised immediately in profit or loss.
The amount of any non-controlling interest in the acquiree at the acquisition date is the pre-combination carrying amount of the acquiree's net assets.
Contingent consideration is measured at its acquisition-date fair value and included in the consideration exchanged for the acquiree to calculate goodwill. Any subsequent changes in fair value, which are measurement period adjustments, are included in goodwill retrospectively. Changes in fair value which are measurement period adjustments are those that arise due to additional information becoming available about facts and circumstances that existed at the acquisition date and was obtained during the measurement period (that cannot exceed one year from the acquisition date). Any subsequent change in contingent consideration is included in profit or loss.

Accounting policies

The separate financial statements at 31 December 2020 were prepared in accordance with the IFRS issued by the IASB, endorsed by the European Commission and applicable at the reporting date. They are presented in Euros, which is the company's functional currency, i.e., the currency of the primary economic environment in which it mainly operates. Amounts are rounded to the nearest unit.

The separate financial statements at 31 December 2020 reflect the company's financial position and performance, in accordance with the IFRS.

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

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

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

Following its decision to adopt the IFRS starting from the separate financial statements at 31 December 2017, the company referred to the standards applicable from 1 January 2017 to prepare its separate financial statements at 31 December 2020, in accordance with the provisions of IFRS 1.

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020

The company applied the following standards, amendments and interpretations for the first time starting from 1 January 2020:

- 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 flank the definitions of omitted or misstated 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 adoption of this amendment did not affect the separate financial statements.

- On 29 March 2018, the IASB published an amendment to the **References to the conceptual framework in IFRS standards**, which applies to annual periods beginning on or after 1 January 2020 but earlier application is allowed. The conceptual framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS standards. It helps to ensure that the standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The conceptual framework also assists companies in developing accounting policies when no IFRS standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the standards. The adoption of this amendment did not affect the separate financial statements.

- On 26 September 2019, the IASB published **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform**. They amend IFRS 9 Financial instruments and IAS 39 Financial instruments: recognition and measurement in addition to IFRS 7 Financial instruments: disclosures. Specifically, they amend certain requirements for hedge accounting, providing temporary departures thereto, in order to mitigate the impact of the uncertainty arising from the IBOR reform (which is still in progress) on future cash flows in the period preceding its completion. Moreover, the amendments require entities to provide additional disclosures about their hedging relationships that are directly affected by the uncertainties stemming from the reform, to which the departures apply. The adoption of this amendment did not affect the separate financial statements.

- 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. Specifically, the amendment clarifies that while a business usually produces output, the presence of output is not strictly necessary to identify a business in the presence of an integrated set of assets/processes and goods. However, to be considered a business, an acquired set of activities/processes and assets must include at least one input and one substantive process, which, together, contribute significantly to the ability to create outputs. To this end, IASB replaced the term "ability to create outputs" with "ability to contribute to the creation of output" to clarify that a business can exist without the presence of all the inputs and processes necessary to create an output. The amendment also introduced an optional test (the concentration test) to determine that an acquired set of activities and assets is not a business if the price paid substantially refers to a single asset or group of assets. The amendment applies to all business combinations and acquisitions subsequent to 1 January 2020 but earlier application is allowed. The adoption of this amendment did not affect the separate financial statements.

- On 28 May 2020, the IASB published **Covid-19-Related Rent Concessions (Amendment to IFRS 16).** The amendment allows lessees to recognise rent concessions granted as a result of Covid-19 without having to analyse the contracts to see if they meet the definition of lease modifications as per IFRS 16. Therefore, the lessees that apply this exemption can account for such rent concessions directly in profit or loss at the effective date of the concession. The adoption of this amendment did not affect the separate financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU BUT NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE COMPANY AT 31 DECEMBER 2020

- In light of the reform of interbank interest rates such as IBOR, on 27 August 2020, the IASB published Interest Rate Benchmark Reform - Phase 2 which contains amendments to the following standards:
  - IFRS 9 Financial instruments;
  - IAS 39 Financial instruments: recognition and measurement;
  - IFRS 7 Financial instruments: disclosures;
  - IFRS 4 Insurance contracts;
  - IFRS 16 Leases.

These amendments become effective on 1 January 2021. The directors do not expect these amendments to significantly affect the company's separate financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

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

- On 23 January 2020, the IASB published **Amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current**. These amendments become effective on 1 January 2023 but earlier application is allowed. The directors do not expect these amendments to significantly affect the company's separate financial statements.
- On 14 May 2020, the IASB published the following amendments:
  - **Amendments to IFRS 3 Business combinations**: to update the reference to the conceptual framework in IFRS 3 without changing the requirements of the standard.
  - **Amendments to IAS 16 Property, plant and equipment**: to prohibit deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while testing the asset. Instead, the sales proceeds and relevant costs shall be recognised in profit or loss.
  - **Amendments to IAS 37 Provisions, contingent liabilities and contingent assets**: to clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Accordingly, the costs of fulfilling a contract shall include both incremental costs (e.g., materials directly used in production) and all other costs that relate directly to fulfilling contracts (e.g., the portion of personnel expense and the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
  - **Annual improvements 2018-2020**: amendments were made to IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 Financial instruments, IAS 41 Agriculture and Illustrative examples of IFRS 16 Leases.

These amendments become effective on 1 January 2022. The directors do not expect these amendments to significantly affect the company's separate financial statements.

Accounting policies

Revenue and costs.

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

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

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

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

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

Interest.

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

Dividends.

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

Income taxes.

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

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

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

Translation criteria.

Foreign currency receivables and payables are translated into Euros using the transaction-date exchange rate. Any gains or losses when the foreign currency receivable is collected or the payable settled are recognised in profit or loss.

Revenue, income, costs and expenses related to foreign currency transactions are recognised at the spot rate ruling on the transaction date. At the closing date, foreign currency assets and liabilities, excluding non-current assets (which continue to be recognised using the transaction-date exchange rate) are re-translated using the spot closing rate and the related exchange gains or losses are recognised in profit or loss.

Property, plant and equipment.

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

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

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

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

	Rate %
Buildings:	
- Light constructions	10,00%
- Industrial buildings	3,00%
Plant and machinery:	
- Generic plant	10,00%
- Automatic operating machinery	10,00%-15,50%
Industrial and commercial equipment	25,00%
Other items of property, plant and equipment:	
- Office furniture and equipment	12,00%-20,00%
- Hardware	20,00%
- Cars	25,00%
- Telecommunication systems	20,00%
- Other items of property, plant and equipment	20,00%
- Right-of-use assets	Contract term

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

Assets held under lease are recognised as assets at the present value of the minimum lease payments.

The liability to the lessor is shown under financial liabilities.

The leased assets are depreciated over the lease term.

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

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

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

Intangible assets.

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

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

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

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

Goodwill.

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

Development expenditure.

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

Impairment losses on non-financial assets.

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

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

Amortisable assets are tested for impairment whenever events or circumstances suggest that their carrying amount cannot be recovered (trigger events). In both cases, the impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. If it is not possible to determine an asset's value in use, the recoverable value of the cash-generating unit (CGU) to which the asset belongs is calculated. Assets are grouped into the smallest

identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The company calculates the present value of the estimated future cash flows of the CGU using a discount rate that reflects the time value of money and the risks specific to the asset.
If an impairment loss on an asset other than goodwill subsequently decreases or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimate of its recoverable amount which will not, in any case, exceed the carrying amount the asset would have had if no impairment loss had been recognised.
Reversals of impairment losses are recognised immediately in profit or loss using the model provided for in IAS 16 Property, plant and equipment.

Equity investments.

Investments in subsidiaries and associates are recognised as financial assets based on the acquisition cost criterion, including ancillary costs and are adjusted for impairment in accordance with IAS 36. Specifically, if there are indicators of potential impairment losses, an impairment test is carried out.
The carrying amount is adjusted for impairment, the effect of which is recognised in profit or loss as a reduction of the asset. If these losses no longer exist or they decrease, the carrying amount is increased in line with the new recoverable amount, which must not exceed the original cost. The reversal of impairment is recognised in profit or loss.

Financial assets.

They are initially recognised at their fair value and subsequently measured at amortised cost. Financial assets are initially recognised at their fair value increased, in the case of assets other than those recognised at fair value through profit or loss, by ancillary costs. When subscribed, the company assesses whether a contract includes embedded derivatives. The embedded derivatives are separated from the host contract if this is not measured at fair value when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
The company classifies its financial assets after initial recognition and, when appropriate and permitted, reviews this classification at the reporting date.
It recognises all purchases and sales of financial assets at the transaction date, i.e., the date on which the company assumes the commitment to buy the asset.
All financial assets within the scope of IFRS 9 are recognised at amortised cost or fair value depending on the business model for managing the financial asset and the asset's contractual cash flow characteristics.

Specifically:

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

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. On the other hand, when an equity instrument measured at FVTOCI is derecognised, the cumulative gain or loss that was previously recognised in other comprehensive income is transferred to retained earnings, without affecting profit or loss.
Debt instruments subsequently measured at amortised cost or FVTOCI are tested for impairment.
Any impairment losses are recognised in profit or loss after use of the fair value reserve if this has been set up.

Subsequent reversals of impairment losses are recognised in profit or loss except in the case of equity instruments for which the reversal is recognised in equity.

The company has zero-balance cash pooling contracts with certain European group companies. These instruments are intended to ensure optimal management of cash flows, allowing for the centralised management of the group's financial needs by transferring to a pooler, namely Carel Industries S.p.A., the credit and debit balances of current accounts of the individual group companies. The main aim is to use the cash surplus of one or more group companies to eliminate or reduce the debt exposure of the other companies. Following the transfer of the balances to the pool account, the individual companies must recognise a liability in the case of a negative balance and an asset in the case of a positive balance. Subsequently, the pooler recognises the individual transactions, sending a statement to the group companies on a regular basis. At the agreed expiry, the pooler manages the payment of the assets/liabilities.
The companies that take part in the cash pooling scheme are: CAREL INDUSTRIES S.p.A. (pooler) and the subsidiaries Carel U.K. Ltd, Carel France s.a.s., Carel Deutschland GmbH, Carel Control Iberica Sl, Carel Adriatic D.o.o., Alfaco Polska Sp.z.o.o. and HygroMatik GmbH.

Inventories.

They are measured at the lower of purchase and/or production cost, calculated using the weighted average cost method, and net realisable value. Purchase cost comprises all ancillary costs. Production cost includes the directly related costs and a portion of the indirect costs that are reasonably attributable to the products.
Work in progress is measured at average cost considering the stage of completion of the related contracts.
Obsolete and/or slow-moving items are written down to reflect their estimated possible use or realisation through an allowance.
The write-down is reversed in subsequent years if the reasons therefor no longer exist.

Trade receivables.

They are initially recognised at fair value, which is the same as their nominal amount, and subsequently measured at amortised cost and impaired, if appropriate. Their carrying amount is adjusted to their estimated realisable amount through the loss allowance.
Foreign currency trade receivables are translated into Euros using the transaction-date exchange rate and subsequently retranslated using the closing rate. The exchange gain or loss is recognised in profit or loss.

Cash and cash equivalents.

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

Employee benefits.

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

Provisions for risks.

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

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

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

Trade payables and other current liabilities.

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

Financial liabilities.

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

Derivative financial instruments.

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

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

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

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

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

Use of estimates.

Preparation of the separate financial statements requires management to apply accounting policies and methods that, in certain circumstances, are based on 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 or profit or loss and the statement of cash flows as well as the disclosures. Actual results may differ

from those presented in the separate financial statements due to the uncertainty underlying the assumptions and the conditions on which the estimates were based. As detailed later on, the estimates took into consideration the uncertainties generated by the ongoing Covid-19 pandemic, also beyond the reporting date.
The captions that require the greater use of estimates and for which a change in the conditions underlying the assumptions may affect the separate financial statements are:

- **loss allowance:** this allowance comprises management's best estimates about expected credit losses on receivables from end customers. Management estimates the allowance on the basis of the expected credit losses, considering past experience for similar receivables, the performance of past due receivables, assessments of the credit quality and forecasts of economic and market conditions. Management's estimates, which are based on past experience and the market, may be affected by changes in the competitive scenario or the market in which the company operates, especially in an economic situation still impacted by the ongoing Covid-19 pandemic, although the company did not detect a worsening in credit positions at the reporting date;
- **allowance for inventory write-down:** slow-moving raw materials and finished goods are tested for obsolescence regularly using historical data and the possibility of their sale at below-market prices. If this test shows the need to write-down inventory items, the company sets up an allowance; like for the loss allowance, this allowance is calculated considering past experience and the market, potentially worsened by the uncertainties generated by the pandemic. Any changes in the reference scenarios or market trends could significantly modify the criteria used as a basis for the estimates;
- **leases:** the recognition of right-of-use assets and the related lease liabilities requires significant management estimates, especially in determining the lease term and the incremental borrowing rate. In determining the lease term, in addition to the contractual deadlines, the company considers any renewal options that it reasonably expects to exercise. The incremental borrowing rate is calculated by considering the type of leased asset, the jurisdictions in which it is acquired and the currency in which the lease is denominated. Any changes in the reference scenarios or market trends could require a review of the above components. The continuation of the pandemic could impact the estimates related to leases, changing the directors' decisions on determining the lease term in addition to affecting the incremental borrowing rate.

Impairment test.

If there are any internal or external factors that could lead to a loss in value, the company tests property, plant and equipment, intangible assets and equity investments for impairment. It calculates the recoverable amount of the CGU as the value in use using the discounted cash flow method applying assumptions, such as estimates of future increases in sales, operating costs, the growth rate of the terminal value, investments, changes in working capital and the weighted average cost of capital (discount rate).
The value in use may change if the main estimates and assumptions made in the plan change and, hence, the impairment test. Therefore, the realisable value of the recognised assets may also change.
The impairment test took into consideration the effects of the Covid-19 pandemic, especially with regard to forecast cash flows which were estimated using the information available to the directors regarding market conditions and the prospects of recovery from the crisis.

Fair value.

IFRS 13 is the only reference source for fair value measurement and the related disclosures when this measurement is required or permitted by another standard. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard replaces and extends the disclosure required about fair value measurement in other standards, including IFRS 7 Financial instruments: disclosures.

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

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

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

The fair value of financial instruments not quoted on an active market is calculated in accordance with valuation techniques generally adopted by the financial sector and specifically:
- the fair value of interest rate swaps (IRS) is calculated using the present value of the future cash flows;
- the fair value of forwards to hedge foreign currency risk is calculated using the present value of the difference between the contractual forward exchange rate and the spot exchange rate at the reporting date;
- the fair value of the options to hedge foreign currency risk is calculated using mathematical models that consider the contractual forward exchange rate, the spot exchange rate at the reporting date and the cost incurred to agree such option;
- reference should be made to note [10] for information on the fair value of the short-term investments.

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

Risks and financial instruments

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

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

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

This section presents the supplementary disclosures required by IFRS 7.

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

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

These risks include:

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

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

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

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

Credit risk

The company operates on various national markets with a high number of medium and large-sized customers, mostly regional or local distributors. Therefore, it is exposed to credit risk in conjunction with its customers' ability to obtain credit from banks.
The company's credit risk management policy includes rating its customers, setting purchase limits and taking legal action. It prepares periodic reports to ensure tight control over credit collection.
The company has a credit manager in charge of credit collection on sales made in their markets. Group companies active in the same market (e.g., the Italian companies) exchange information about common customers electronically and coordinate delivery blocks or the commencement of legal action.
The loss allowance is equal to the nominal amount of the uncollectible receivables after deducting the part of the receivables secured with bank collateral. The company analyses all the collateral given to check collectability. Impairment losses are recognised considering past due receivables from customers with financial difficulties and receivables for which legal action has commenced.
The directors did not detect a deterioration in credit quality or collection times due to the spread of Covid-19, as can be seen in the breakdown below. Furthermore, the company did not modify payment terms applied to customers or its credit risk management policies, while it prudently reinforced monitoring of credit positions with customers.

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

	31.12.2020		31.12.2019	
(in Euros)	Allowance	Trade receivables	Allowance	Fondo
Not yet due	35,405,508	(111,791)	36,012,869	(109,260)
Past due < 6 months	1,214,514	(3,957)	928,554	(4,296)
Past due > 6 months and < 12 months	303,559	(25,048)	345,118	(10,611)
Past due > 12 months	331,121	(331,121)	378,898	(346,078)
Total	**37,254,702**	**(471,917)**	**37,665,439**	**(470,245)**

Liquidity risk

The company has a high level of liquidity and limited net financial debt. During the year, despite the complicated situation arisen in 2020 caused by the spread of Covid-19, the company had easy access to additional funding, without additional costs, even during the lockdown period. Regardless of the considerable contraction in the second quarter of the year, the company was profitable and able to generate significant liquidity. Therefore, it is not believed that liquidity risk was increased by the pandemic.
The company mainly deals with well-known and reputable customers. Its policy is to constantly monitor those customers that request payment extensions.

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

31.12.2020 (in Euros)	TOTAL	Total cash flows	Within one year	From one to five years	After five years
- Bank loans and borrowings at amortised cost	86,908,727	87,593,024	-	87,593,024	-
- Lease liabilities	13,635,510	14,040,611	-	4,941,958	9,098,653
- Effective designated derivative hedges	578,334	578,334	-	578,334	-
- Other loans and borrowings at amortised cost	872,416	890,172	-	791,264	98,908
Non-current financial liabilities	**101,994,987**	**103,102,141**	**-**	**93,904,580**	**9,197,561**
- Current portion of bank loans at amortised cost	42,462,870	42,946,044	42,946,044	-	-
- Lease liabilities	1,351,377	1,405,679	1,405,679		
- Other loans and borrowings at amortised cost	314,653	323,131	323,131	-	-
- Derivatives held for trading at fair value through profit or loss	2,744	2,744	2,744	-	-
- Financial liabilities with group companies	11,632,329	11,632,329	11,632,329	-	-
Current financial liabilities	**55,763,973**	**56,309,927**	**56,309,927**	**-**	**-**

31.12.2019 (in Euros)	TOTAL	Total cash flows	Within one year	From one to five years	After five years
- Bank loans and borrowings at amortised cost	72,538,335	73,319,759		73,319,759	-
- Lease liabilities	1,382,711	1,403,682		1,379,203	24,479
- Effective designated derivative hedges	512,658	512,658	-	512,658	-
- Other loans and borrowings at amortised cost	1,187,070	1,213,302		1,114,394	98,908
Non-current financial liabilities	**75,620,774**	**76,449,401**	**-**	**76,326,014**	**123,387**
- Current portion of bank loans at amortised cost	34,312,949	34,854,755	34,854,755	-	-
- Lease liabilities	1,272,420	1,293,886	1,293,886		
- Other loans and borrowings at amortised cost	438,148	449,383	449,383	-	-
- Derivatives held for trading at fair value through profit or loss	14,366	14,366	14,366	-	-
- Financial liabilities with group companies	4,667,271	4,667,271	4,667,271	-	-
Current financial liabilities	**40,705,154**	**41,279,661**	**41,279,661**	**-**	**-**

The next table shows the categorisation of financial assets and liabilities at the reporting date in accordance with IFRS 9 and their fair value:

31.12.2020 (in Euros)	**IFRS 9 category**	**Carrying amount**	*Fair value* **Level 1**	**Level 2**	**Level 3**
Other financial assets	Loans and receivables	415			415
Financial assets with the group	Loans and receivables	160,000			160,000
Other non-current financial assets		**160,415**			
Other current financial assets	Available-for-sale financial assets	7,520,536		7,520,536	
Financial assets with the group	Loans and receivables	1,718			1,718
Other current financial assets		**7,522,254**			
Trade receivables	Loans and receivables	**36,782,785**			36,782,785
Total financial assets		**44,465,454**			
including:	**Available-for-sale financial assets**	**7,520,536**	**-**	**7,520,536**	**-**
	Loans and receivables	**36,944,918**	**-**	**-**	**36,944,918**
Bank loans and borrowings	Financial liabilities at amortised cost	(86,908,727)		(86,908,727)	
Other loans and borrowings	Financial liabilities at amortised cost	(872,416)		(872,416)	
Lease liabilities	Financial liabilities at amortised cost	(13,635,510)			(13,635,510)
Effective derivatives	Derivatives	(578,334)		(578,334)	
Non-current financial liabilities		**(101,994,987)**			
Current bank loans	Financial liabilities at amortised cost	(42,462,870)		(42,462,870)	
Other loans and borrowings	Financial liabilities at amortised cost	(314,653)		(314,653)	
Lease liabilities	Financial liabilities at amortised cost	(1,351,377)			(1,351,377)
Effective derivatives	Derivatives	(2,744)		(2,744)	
Financial liabilities with group companies	Financial liabilities at amortised cost	(11,632,329)			(11,632,329)
Current financial liabilities		**(55,763,973)**			
Trade payables	Financial liabilities at amortised cost	**(37,634,976)**			(37,634,976)
Total financial liabilities		**(195,393,936)**			
including:	**Financial liabilities at amortised cost**	**(194,812,858)**	**-**	**(130,558,666)**	**(64,254,192)**
	Derivatives	**(581,078)**	**-**	**(581,078)**	**-**

31.12.2019 (in Euros)	**IFRS 9 category**	**Carrying amount**	*Fair value* **Level 1**	**Level 2**	**Level 3**
Other financial assets	Loans and receivables	415			415
Financial assets with the group	Loans and receivables	841,290			841,290
Other non-current financial assets		**841,705**			
Securities	Available-for-sale financial assets	-		-	
Derivatives	Financial instruments held for trading	9,644		9,644	
Financial assets with the group	Loans and receivables	3,331,614			3,331,614
Other current financial assets		**3,341,258**			
Trade receivables	Loans and receivables	**37,195,194**			37,195,194
Total financial assets		**41,378,157**			
including:	**Available-for-sale financial assets**	**-**	**-**	**-**	**-**
	Financial instruments held for trading	**9,644**	**-**	**9,644**	**-**
	Loans and receivables	**41,368,513**	**-**	**-**	**41,368,513**
Bank loans and borrowings	Financial liabilities at amortised cost	(72,538,335)		(72,538,335)	
Other loans and borrowings	Financial liabilities at amortised cost	(1,187,070)		(1,187,070)	
Lease liabilities	Financial liabilities at amortised cost	(1,382,711)			(1,382,711)
Effective derivatives	Derivatives	(512,658)		(512,658)	
Non-current financial liabilities		**(75,620,774)**			
Current bank loans	Financial liabilities at amortised cost	(34,312,949)		(34,312,949)	
Other loans and borrowings	Financial liabilities at amortised cost	(438,148)		(438,148)	
Lease liabilities	Financial liabilities at amortised cost	(1,272,420)			(1,272,420)
Derivatives	Financial instruments held for trading	(14,366)		(14,366)	
Financial liabilities with group companies	Financial liabilities at amortised cost	(4,667,271)			(4,667,271)
Current financial liabilities		**(40,705,154)**			
Trade payables	Financial liabilities at amortised cost	**(29,649,513)**			(29,649,513)
Total financial liabilities		**(145,975,441)**			
including:	**Financial liabilities at amortised cost**	**(145,448,417)**	**-**	**(108,476,502)**	**(36,971,915)**
	Financial instruments held for trading	**(14,366)**	**-**	**(14,366)**	**-**
	Derivatives	**(512,658)**	**-**	**(512,658)**	**-**

Market risk

Currency risk

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

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

Interest rate risk

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

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

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

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

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

Given its ample liquidity, it has an immaterial liquidity risk with respect to its short-term deadlines and, therefore, this risk principally refers to its medium to long-term financing. In 2020, notwithstanding the difficult market conditions caused by Covid-19, the company had significant access to credit at reduced interest rates. Therefore, it is not believed that interest rate risk increased during the year.

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

Its counterparties are major banks.

Derivatives are measured at fair value.

Other market and/or price risks

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

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

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

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

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

In 2020, demand for group products did not significantly slow down due to the Covid-19 pandemic. The dynamics of the different markets, in terms of both their geographical size and product families, included in legislative measures, were closely monitored, both in order to adjust commercial, procurement and production policies and to identify opportunities to develop new products.

Climate change and possible impact on the company and Carel Industries Group

The increasing attention paid to environmental issues and climate change by the main global institutions, as well as the growing awareness among the world's population of the climate impacts that industries have both at production level and in terms of consumption of their products, have led the directors to assess the possible risks and opportunities that these changes could have on the management of the business.

Dedicated resources at the company, HygroMatik and Carel Electronic (Suzhou) Co. Ltd. manage environmental issues as these sites have the international ISO 14001:2015 certification and, accordingly, draw up specific environmental policies to accompany the policy defined at group level.

The directors do not currently believe that there are specific risks that climate change could impact the assets of the company and the group that should be considered, for example, as part of the forward-looking information underlying impairment testing, since there are no production and commercial sites in high-risk areas

Notes to the Statement of Financial Position

The changes shown below are calculated using the balances at 31 December 2019 related to the statement of financial position and for 2019 with regard to the statement of profit or loss. As already mentioned, amounts are in Euros.

Property, Plant and Equipment (note 1)

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

(in Euros)	Buildings	Light constructions	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Historical cost	3,433,121	7,095	12,243,180	27,002,536	8,245,895	460,050	51,391,877
Accumulated depreciation and impairment losses	(1,041,241)	(4,808)	(9,902,376)	(22,156,177)	(6,233,219)	-	(39,337,821)
Balance at 31 December 2019	**2,391,880**	**2,287**	**2,340,804**	**4,846,359**	**2,012,676**	**460,050**	**12,054,056**
Changes in 2020							
Investments	253,798	3,614	957,096	1,472,269	359,521	679,224	3,725,522
Investments in right-of-use assets	639,705	-	-	-	313,922		953,627
Restatement of right-of-use assets	12,814,584	-	-	-	6,381	-	12,820,965
Internal cost capitalisation	-	-	-	-	-	-	-
Reclassifications	-	-	-	436,941	-	(436,941)	-
Closing investments in right-of-use assets	-	-	-	-	(89,023)	-	(89,023)
Disinvestments - cost	-	-	-	(58,987)	(72,647)	-	(131,634)
Disinvestments - accumulated depreciation	-	-	-	28,381	71,959	-	100,340
Depreciation	(12,815)	(878)	(422,466)	(2,115,445)	(492,293)	-	(3,043,897)
Depreciation of right-of-use assets	(1,143,112)	-	-	-	(284,278)	-	(1,427,390)
Impairment losses	-	-	-	-	-	-	-
Closing investments in right-of-use assets - acc.	-	-	-	-	58,282	-	58,282
Total changes	**12,552,160**	**2,736**	**534,630**	**(236,841)**	**(128,176)**	**242,283**	**12,966,792**
Balance at 31 December 2020	**14,944,040**	**5,023**	**2,875,434**	**4,609,518**	**1,884,500**	**702,333**	**25,020,848**
including:							
Historical cost	17,141,208	10,709	13,200,276	28,852,759	8,764,049	702,333	68,671,334
Accumulated depreciation and impairment losses	(2,197,168)	(5,686)	(10,324,842)	(24,243,241)	(6,879,549)	-	(43,650,486)

The variations in the historical cost of buildings refer to:

- the restatement of right-of-use assets related to leases for buildings where the company carries out its production activities (€12,812 thousand). Based on the estimates made and the data available to date, the directors deemed it reasonable to presume that the lease will be renewed. Accordingly, the leases for the Brugine production site were renewed to 2033 (the first and main lease was due to expire in 2021). There was no effect on profit or loss for the year;
- new leases signed during the year for buildings used as offices (€640 thousand);
- leasehold improvements that are not economically separable from the assets in use on the leased buildings where the company operates (€254 thousand).

Plant and machinery include generic and specific plant related to production lines for a total of €535 thousand. Among the increases of the year in generic plant, €159 thousand relates to a new air-conditioning system, €25 thousand for a new air circulation system and €39 thousand for upgrading the fire prevention system. The increases of the year in specific plant include the purchase of a high-efficiency modular positioning system (€418 thousand) and a laser welding system (€204 thousand).

The increase in industrial and commercial equipment mainly relates to moulds, testing machines and other production equipment. It also relates to the acquisition of moulds for €215 thousand, pressing stations for €113 thousand, a furnace for the conformal coating process for €105 thousand, a compact steam testing system for €110 thousand, a sensor assembly line for €50 thousand and a robot with a laser scanner for €45 thousand.

Equipment includes divestments for €59 thousand, mainly scrapping of obsolete and disused goods (testing equipment, welding units and acceptance tests).

Increases in other items of property, plant and equipment mainly include, in addition to the recognition of new right-of-use assets relating to leased vehicles for €314 thousand, furniture and fittings for €31 thousand, office and electronic machines for €320 thousand, internal means of transport for €3 thousand and telephone systems for €5 thousand.

The decrease is mostly due to the replacement of electronic office equipment (mainly as part of the upgrading of the company's information systems), owned cars and telephone systems.

Assets under construction include payments on account and ongoing investments in machinery constructed internally, not yet completed at 31 December 2020.
Depreciation amounts to €4,471 thousand and was calculated based on all depreciable assets at 31 December 2020, applying the criteria and rates indicated in the section on Property, plant and equipment.

The company's property, plant and equipment were not mortgaged or pledged at 31 December 2020. They are suitably hedged for risks deriving from losses and/or damage thereto through insurance policies taken out with leading insurers.

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

Intangible assets (note 2)

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

(in Euros)	Development expenditure	Software	Goodwill	Assets under development and payments on account	Other assets	Total
Historical cost	22.357.388	14.832.657	358.592	2.798.791	80.216	40.427.644
Accumulated amortisation and impairment losses	(17.147.870)	(11.568.508)	-	(92.887)	(44.192)	(28.853.457)
Balance at 31 December 2020	**5.209.518**	**3.264.149**	**358.592**	**2.705.904**	**36.024**	**11.574.187**
Changes in 2020						
Investments	-	2.117.358	-	1.934.019	-	4.051.377
Internal cost capitalisation	210.089	-	-	-	-	210.089
Reclassifications	865.447	164.800	-	(1.030.247)	-	-
Sales	-	-	-	(35.145)	-	(35.145)
Amortisation	(1.756.321)	(2.004.531)	-	-	(12.514)	(3.773.366)
Total changes	**(680.785)**	**277.627**	**-**	**868.627**	**(12.514)**	**452.955**
Balance at 31 December 2020	**4.528.733**	**3.541.776**	**358.592**	**3.574.531**	**23.510**	**12.027.142**
including:			-	-	-	
Historical cost	23.432.924	17.114.815	358.592	3.667.418	80.216	44.653.965
Accumulated amortisation and impairment losses	(18.904.191)	(13.573.039)	-	(92.887)	(56.706)	(32.626.823)

Development expenditure: in 2020, the company capitalised development expenditure related to projects developed internally for a total of €1,075 thousand, of which €210 thousand related to 2020 and €865 thousand related to projects that were ongoing at 31 December 2019 and completed in 2020.
Amortisation is applied over the estimated useful life of five years.
Capitalised development expenditure refers entirely to the development of projects for the production of new innovative products or substantial improvements to existing products. The capitalisation is based on feasibility studies and business plans approved by management.

Software refers to management programs and network applications. During the year, new management software was purchased to support the relevant functions. Specifically, €507 thousand relates to new implementations and evolutions of the Oracle management system, €325 thousand to sales forecasting and long-term production planning software, €135 thousand to improvement of the help desk service, €115 thousand to the purchase of improvements and upgrades of the HFM (Hyperion Finance Management) system, €56 thousand to the purchase of CAD software and €51 thousand to upgrade and reinforce cyber security protection.

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

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

- €1,622 thousand related to capitalised expenditure for the development of innovative products still in progress at the reporting date;

- €312 thousand related to payments on account to suppliers for the implementation and launch of new management software.

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

Equity Investments (note 3)

This caption may be broken down as follows:

(in Euros)	Investments in subsidiaries	Other equity investments (associates and others)	Total
Balance at 31 December 2019	**120,606,109**	**161,120**	**120,767,229**
Changes in 2020			
Initial cost:			
Increases	-	15,000	15,000
Impairment gains	479,960	-	479,960
Impairment losses	(3,721,974)	(42,358)	(3,764,332)
Total changes	**(3,242,014)**	**(27,358)**	**(3,269,372)**
Balance at 31 December 2020	**117,364,095**	**133,762**	**117,497,857**

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

(in Euros)	2020
Investments in associates and other companies	
Smact Società Consortile per azioni	15,000
Total increases	**15,000**

Using the comparison between the carrying amount of the equity investments and the company's share of each investee's equity, the company's directors decided to reverse the impairment loss previously recognised on the investments' carrying amount since they deemed that it would continue to recognise positive results:

(in Euros)	2019
Investments in subsidiaries	
Carel Asia Ltd	211,555
Carel Controls Iberica SL	268,405
Total increases	**479,960**

The directors deemed it necessary to carry out an impairment test in accordance with IAS 36 on the investments in the subsidiaries HygroMatik and Recuperator (acquisition amount of €57,216 thousand and €25,744 thousand, respectively). This was prompted by the deceleration in the forecast growth of the two companies due to the spread of Covid-19 which led the directors to adjust their financial forecasts, though without changing long-term strategies and objectives.

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

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

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

The plan used for testing the Recuperator CGU for impairment covers the 2021-2024 period and was approved by the subsidiary's board of directors on 17 February 2021, while that used for testing the HygroMatik CGU for impairment covers the same period and was approved by the subsidiary's board of directors on 11 February 2021.

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

CGU	Plan horizon	Growth rate g	WACC
Recuperator	2021-2024	1.96%	8.08%
HygroMatik	2021-2024	2.00%	7.89%

As per the guidelines set by the regulators, the financial parameters were not modified to consider Covid-19 as the uncertainties related to the continuation of the pandemic are already reflected in the cash flow forecasts.

The value in use calculated using the discounted cash flows with reference to the equity value:

- confirmed the carrying amount of the HygroMatik CGU. Specifically, the test shows that the carrying amount is €6.3 million higher than the CGU's recoverable amount;
- showed an impairment loss of €3,700 on the carrying amount of the Recuperator CGU. Mainly caused by the effect of the dividends distributed in previous years, such impairment loss is not deemed recoverable due to the deceleration in growth caused by the spread of Covid-19, though the CGU is expected to record positive results in future years.

Although the directors believe that the assumptions used are reasonable and represent the most probable scenarios based on the available information, the result of the test could differ should the above assumptions significantly change. Specifically, the growth estimates could change considerably due to the continuation of the pandemic or in the event of an upsurge of the pandemic in certain geographical segments.

Accordingly, stress tests were carried out on the HygroMatik CGU related, in particular, to:

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

For the HygroMatik CGU, the stress test is passed even if the WACC increases by 0.65% or the gross operating profit decreases, in the explicit projections, by 50%.

Therefore, there was no indication of impairment of the HygroMatik CGU at 31 December 2020.

In light of the results of the impairment test on the Recuperator CGU, a stress test was not carried out.

The investees for which the comparison between the carrying amount of the equity investment and the company's share of the investee's equity resulted in an impairment loss are the following:

(in Euros)	**2020**
Investments in subsidiaries	
Recuperator S.p.A.	(3,700,000)
Carel Middle East DWC Llc	(21,974)
Investments in associates	
Arion S.r.l	(42,358)
Total increases	**(3,764,332)**

At 31 December 2020, the company has not accrued a provision for equity investment risks, recognised in the medium-long term provisions for the recapitalisation obligations of the investees.

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

(in Euros)	31.12.2020 Historical cost	31.12.2020 Loss allowance	31.12.2020 Carrying amount	31.12.2019 Historical cost	31.12.2019 Loss allowance	31.12.2019 Carrying amount
Subsidiaries:						
Recuperator S.p.A.	25,743,625	(3,700,000)	22,043,625	25,743,625	-	25,743,625
Carel Deutschland GmbH	138,049	-	138,049	138,049	-	138,049
Carel Adriatic d.o.o.	7,370,289	-	7,370,289	7,370,289	-	7,370,289
C.R.C S.r.l.	1,600,000	-	1,600,000	1,600,000	-	1,600,000
HygroMatik GmbH	57,216,335	-	57,216,335	57,216,335	-	57,216,335
Carel France Sas	91,469	-	91,469	91,469	-	91,469
Carel South America Ltda	5,396,848	(1,983,740)	3,413,108	5,396,848	(1,983,740)	3,413,108
Carel U.K. Ltd	1,624,603	-	1,624,603	1,624,603	-	1,624,603
Carel Asia Ltd	1,761,498	(285,396)	1,476,102	1,761,498	(496,951)	1,264,547
Carel Electronic (Suzhou) Co. Ltd	9,276,379	-	9,276,379	9,276,379	-	9,276,379
Carel Controls Iberica SL	4,330,149	(1,210,720)	3,119,429	4,330,149	(1,479,125)	2,851,024
Carel RUS Llc	160,936		160,936	160,936		160,936
Carel USA Llc	5,466,439		5,466,439	5,466,439		5,466,439
Carel Nordic AB	60,798		60,798	60,798		60,798
Carel Middle East	1,060,614	(1,004,601)	56,013	1,060,614	(982,627)	77,987
Alfaco Polska Sp.z.o.o.	3,820,413	-	3,820,413	3,820,413	-	3,820,413
Carel Japan Co. Ltd	475,003	(44,895)	430,108	475,003	(44,895)	430,108
Total	125,593,447	(8,229,352)	117,364,095	125,593,447	(4,987,338)	120,606,109
Associates:						
Arion S.r.l	140,000	(42,358)	97,642	140,000		140,000
Total	140,000	(42,358)	97,642	140,000	-	140,000
Other companies:						
CONAI	45	-	45	45	-	45
Smact Società Consortile per azioni	36,075	-	36,075	21,075	-	21,075
Total	36,120	-	36,120	21,120	-	21,120
Total equity investments	**125,769,567**	**(8,271,710)**	**117,497,857**	**125,754,567**	**(4,987,338)**	**120,767,229**

The following table provides the information about equity investments at 31 December 2020 in accordance with article 2427 of the Italian Civil Code:

(in Euros)	Registered office	Currency	Share/quota capital (in currency)
Subsidiaries:			
Carel Deutschland GmbH	Frankfurt	EUR	25,565
Carel Adriatic d.o.o.	Labin-HR	HRK	54,600,000
C.R.C S.r.l.	Bologna-IT	EUR	98,800
Carel France Sas	St. Priest, Rhone-FR	EUR	100,000
Carel Sud America Instrumentacao Eletronica Ltda	São Paulo-BR	BRL	31,149,059
Carel U.K. Ltd	London-GB	GBP	350,000
Carel Asia Ltd	Honk Kong-HK	HKD	15,900,000
Carel Electronic (Suzhou) Co. Ltd	Suzhou-RC	CNY	75,019,566
Carel Controls Iberica SL	Barcelona-ES	EUR	3,005
Carel RUS Llc	St. Petersburg-RU	RUB	6,600,000
Carel USA Llc	Wilmington Delaware-USA	USD	5,000,000
Carel Nordic AB	Höganäs-SE	SEK	550,000
Carel Middle East	Dubai-UAE	AED	4,333,878
Alfaco Polska Sp.z.o.o.	Wrocław-PL	PLN	420,000
Recuperator S.p.A.	Rescaldina-IT	EUR	500,000
HygroMatik GmbH	Henstedt-Ulzburg-DE	EUR	639,115
Carel Japan Co. Ltd	Tokyo-JP	JPY	60,000,000
Total			
Associates:			
Arion S.r.l (*)	Brescia-IT	EUR	100,000
Total			
Other companies:			
CONAI		EUR	
SMACT Società Consortile per azioni		EUR	
Total			
Total equity investments			

(*) amounts at 31.12.2019

Equity (Euro)	Profit/loss for the year (Euro)	Investment percentage		Carrying amount (Euro)	Equity diff % and carrying amount (Euro)
		Direct	Indirect		
1,904,739	1,105,460	100.00%		138,049	1,766,690
21,889,546	7,680,717	100.00%		7,370,289	14,519,257
4,024,158	564,583	100.00%		1,600,000	2,424,158
2,004,589	406,458	100.00%		91,469	1,913,120
5,432,291	1,057,697	53.02%	46.98%	3,413,108	(532,907)
2,663,398	1,132,770	100.00%		1,624,603	1,038,795
1,476,102	336,342	100.00%		1,476,102	-
42,867,443	6,267,260	100.00%		9,276,379	33,591,064
3,119,429	768,405	100.00%		3,119,429	-
1,000,397	963,081	99.00%	1.00%	160,936	829,457
18,979,354	2,749,057	100.00%		5,466,439	13,512,915
586,006	208,364	100.00%		60,798	525,208
56,013	(7,067)	100.00%		56,013	-
7,517,198	2,628,957	100.00%		3,820,413	3,696,785
7,888,488	674,619	100.00%		22,043,625	(14,155,137)
7,187,297	2,868,867	100.00%		57,216,335	(50,029,038)
247,033	23,252	100.00%		430,108	(183,075)
				117,364,095	
244,105	(33,598)	40.00%		97,642	-
				97,642	
				45	-
				36,075	-
				36,120	
				117,497,857	

Other non-current assets (note 4)

These amount to €9,885 thousand and can be analysed as follows:

		Change during the year			
(in Euros)	31.12.2020	Increases	Reclassification	Decreases	31.12.2019
Subsidiaries	-			(681,290)	681,290
Associates	160,000	-		-	160,000
Substitute tax	8,905,693		(2,226,423)	-	11,132,116
Other tax assets	818,873	757,641	61,232	-	-
Others	415	-		-	415
TOTAL	**9,884,981**	**757,641**		**(681,290)**	**11,973,821**

Amounts due from subsidiaries were zeroed following the repayment of the residual amount of the interest-bearing loan of USD1,500 thousand expiring in January 2022 granted to the investee Carel USA Inc.

Amounts due from associates of €160 thousand relate entirely to a non-interest-bearing long-term loan (expiring on 31 December 2022) granted to the associate Arion S.r.l..

The substitute tax reflects the directors' decision in 2019, supported by their consultants, to pay the substitute tax in order to obtain acceptance from the tax authorities of the higher values recorded at the time of the acquisition against consideration of Recuperator S.p.A. (Italy) and HygroMatik GmbH (Germany), as per article 15.10-bis of Decree law no. 185/2008, which took place in December 2019. The variation of the year refers to the reclassification of the portion of the tax related to 2021 to current assets.

Other tax assets refer to tax credits accrued during the year ("Industry 4.0 – Law no. 160/2019"; "Maxi-depreciation – Law no. 178/2020; "Ecobonus – Law no. 296/2006"; "Tax credit for research and development activities – Law no. 178/2020") that will be offset with other taxes and contributions starting from 2022 depending on the timeframes set by the relevant laws.

Amounts due from others refer to term deposits for utilities.

Deferred tax assets (note 5)

Deferred tax assets at 31 December 2020 were generated by the temporary differences between the carrying amounts of assets and liabilities and their tax bases calculated with reference to the tax rates expected to be enacted in the years in which the differences will reverse.
The company considered it appropriate to recognise the deferred tax assets arising on the temporary differences indicated below in the separate financial statements, as it is reasonably certain that they will be offset against taxable profits in the years in which the deductible temporary differences will reverse.

(in Euros)	31.12.2020 Tax base	31.12.2020 Deferred tax assets	31.12.2019 Tax base	31.12.2019 Deferred tax assets
Allowance for inventory write-down	2,001,840	480,442	1,353,569	324,857
Provision for product warranties	222,599	62,105	214,635	59,883
Provision for complaints	2,130,392	594,379	2,297,804	641,087
Provision for agents' termination indemnity and bonuses	74,026	17,766	74,026	17,766
Unrealised exchange differences	305,078	73,219	78,635	18,872
Deductible cash fees	286,333	68,720	108,817	26,116
Amortisation of goodwill - transfer	79,217	22,101	81,667	22,786
Substitute tax on goodwill (16%)	79,217	12,676	81,667	13,067
Amortisation of goodwill - merger	231,484	64,584	238,643	66,581
Substitute tax on goodwill (12%)	231,484	27,796	238,643	28,637
Amortisation of goodwill - acquisition of business unit	3,822	1,067	3,940	1,100
Discounting - Post-employment benefits and post-term of office benefits	530,194	147,923	562,776	157,013
Difference between amortisation/depreciation and fiscally-driven amortisation/depreciation	213,958	59,696	175,842	49,061
Fair value of derivatives	578,334	138,800	500,081	120,019
Total	**6,967,978**	**1,771,274**	**6,010,745**	**1,546,845**

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

(in Euros)	31.12.2020	Recognised in profit or loss	Recognised in other comprehensive income	31.12.2019
Allowance for inventory write-down	480,442	155,585	-	324,857
Provision for product warranties	62,105	2,222	-	59,883
Provision for complaints	594,379	(46,708)	-	641,087
Provision for agents' termination indemnity and bonuses	17,766	-	-	17,766
Unrealised exchange differences	73,219	54,347	-	18,872
Deductible cash fees	68,720	42,604	-	26,116
Amortisation of goodwill - transfer	22,101	(685)	-	22,786
Substitute tax on goodwill (16%)	12,676	(391)	-	13,067
Amortisation of goodwill - merger	64,584	(1,997)	-	66,581
Substitute tax on goodwill (12%)	27,796	(841)	-	28,637

(in Euros)	31.12.2020	Recognised in profit or loss	Recognised in other comprehensive income	31.12.2019
Amortisation of goodwill - acquisition of business unit	1,067	(33)	-	1,100
Discounting - Post-employment benefits and post-term of office benefits	147,923	9,261	(18,351)	157,013
Difference between amortisation/depreciation and fiscally-driven amortisation/depreciation	59,696	10,635	-	49,061
Fair value of derivatives	138,800	-	18,781	120,019
Total	**1,771,274**	**223,999**	**430**	**1,546,845**

Trade receivables (note 6)

These amount to €36,783 thousand (€37,195 thousand at 31 December 2019) and can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Third parties	23,293,781	361,349	22,932,432
Parents	-	-	-
Subsidiaries	13,941,115	(772,355)	14,713,470
Associates		-	
Subsidiaries of parents	15,256	(1,231)	16,487
Related parties	4,550	1,500	3,050
Total trade receivables	37,254,702	(410,737)	37,665,439
Loss allowance	(471,917)	(1,672)	(470,245)
Total	**36,782,785**	**(412,409)**	**37,195,194**

Trade receivables in foreign currency were retranslated using the closing rate, adjusting the originally-recognised amount.
Trade receivables, net of the loss allowance, refer to the following geographical segments:

(in Euros)	31.12.2020	31.12.2019
Europe, Middle East and Africa	29,793,221	30,091,587
APAC	4,538,265	4,303,822
North America	2,186,076	2,500,307
South America	737,140	769,723
Total	**37,254,702**	**37,665,439**

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

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

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

Changes in the allowance are shown in the following table:

		Change during the year			
(in Euros)	31.12.2020	Accruals	Utilisations	Reversals	31.12.2019
Loss allowance	471,917	82,164	(80,492)	-	470,245
TOTAL	**471,917**	**82,164**	**(80,492)**	**-**	**470,245**

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

(in Euros)	31.12.2020	31.12.2019
C.R.C. S.r.l.	117,696	152,756
Recuperator S.p.A.	38,750	36,716
Carel U.K. Ltd	1,394,281	1,249,590
Carel France s.a.s.	1,204,874	1,345,547
Carel Asia Ltd	780,675	1,203,439
Carel Sud America Instrumentacao Eletronica Ltda	585,251	567,038
Carel USA Llc	2,096,757	2,442,734
Carel Australia Pty. Ltd		19,485
Carel Deutschland GmbH	747,070	2,338,715
Carel Electronic (Suzhou) Co Ltd	2,174,835	1,864,539
Carel Controls Iberica S.L.	1,281,805	841,450
Carel ACR Systems India (Pvt) Ltd	621,301	474,389
Carel Controls South Africa (Pty) Ltd	1,313	5,250
Carel Rus Llc	61,830	
Carel Korea Ltd	140,664	123,945

(in Euros)	31.12.2020	31.12.2019
Carel Nordic AB	1,000	487
Carel Japan Co. Ltd	10,907	10,819
Carel Mexicana S.De.RL	89,319	57,573
Carel Middle East DWC Llc	72,500	37,005
Alfaco Polska Sp.z.o.o	1,769,833	1,179,254
Carel Adriatic D.o.o.	744,744	762,739
HygroMatik GmbH	5,710	-
Subsidiaries	**13,941,115**	**14,713,470**
Eurotest Laboratori S.r.l.	10,681	10,662
Arianna S.p.A.	4,575	5,825
Subsidiaries of parents	**15,256**	**16,487**
RN Real Estate S.r.l	3,050	3,050
Tre Valli S.r.l. Società Agricola	1,500	-
Related parties	**4,550**	**3,050**

Inventories (note 7)

These amount to €18,822 thousand. They are comprised as follows, net of the allowance for inventory write-down for slow-moving or obsolete inventories:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Raw materials and consumables	12.701.870	1.509.496	11.192.374
Allowance for inventory write-down	(1.407.065)	(513.343)	(893.722)
Total raw materials, consumable and supplies	11.294.805	996.153	10.298.652
Work in progress and semi-finished goods	1.965.276	567.209	1.398.067
Allowance for inventory write-down	(77.055)	(4.486)	(72.569)
Total work in progress and semi-finished goods	1.888.221	562.723	1.325.498
Finished goods	6.119.703	(1.145.187)	7.264.890
Allowance for inventory write-down	(517.720)	(130.442)	(387.278)
Total finished goods	5.601.983	(1.275.629)	6.877.612
Payments on account	36.521	11.066	25.455
Total	**18.821.530**	**294.313**	**18.527.217**

Inventories, gross of the allowance for inventory write-down, increased by a total of €932 thousand. This was due to the combined effect of a rise in inventories of raw materials and semi-finished products (€2,077 thousand), in order to pre-empt any critical issues caused by shortages in components in early 2021, and a reduction in inventories of finished goods (€1,145 thousand), thanks to the company's continuous effort to reduce its level of such inventories.

The company recognised an allowance for inventory write-down to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods. The accrual to the statement of profit or loss was recognised in the caption "Costs of raw materials, consumables and goods and change in inventories".
Inventories were not pledged or subject to property rights restrictions.

Current tax assets (note 8)

These amount to €1,557 thousand and can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
IRES tax asset	1,176,871	679,665	497,206
IRAP tax asset	375,856	222,894	152,962
Total	**1,552,727**	**902,559**	**650,168**

Current tax assets are as follows:

- IRES tax asset of €839 thousand resulting from the calculation of the taxes for 2020;
- IRES tax asset of €338 thousand related to the IRES on personnel expense pertaining to 2012, claimed for reimbursement in 2015, unchanged compared to the previous year;
- IRAP tax asset of €327 thousand resulting from the calculation of the taxes for 2020;
- IRAP tax asset of €49 thousand related to the IRES on personnel expense pertaining to 2012, claimed for reimbursement in 2015, unchanged compared to the previous year.

Other assets (note 9)

These amount to €5,223 thousand (€3,694 thousand at 31 December 2019) and can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Other tax assets	3,366,904	1,831,366	1,535,538
Other assets	1,855,994	(302,122)	2,158,116
Total	**5,222,898**	**1,529,244**	**3,693,654**

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

(in Euros)	31.12.2020	Change during the year	31.12.2019
VAT assets	743,383	150,833	592,550
Tax assets	397,098	(545,890)	942,988
Substitute tax	2,226,423	2,226,423	-
Total	**3,366,904**	**1,831,366**	**1,535,538**

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

The substitute tax reflects the 2021 portion of the substitute tax paid in order to obtain acceptance from the tax authorities of the higher values recorded at the time of the acquisition against consideration of Recuperator S.p.A. (Italy) and HygroMatik GmbH (Germany), as per article 15.10-bis of Decree law no. 185/2008, which took place in December 2018.

Tax assets refer to the portion recoverable in 2021 of tax credits accrued during the year offset with other taxes and contributions. These include: "Industry 4.0 – Law no. 160/2019" (€50 thousand); "Maxi-depreciation – Law no. 178/2020" (€52 thousand); "Ecobonus – Law no. 296/2006" (€9 thousand); and "Tax credit for research and development activities – Law no. 178/2020" (€252 thousand).

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

(in Euros)	31.12.2020	Change during the year	31.12.2019
Advances to suppliers	158,885	(55,970)	214,855
Other assets	316,296	(435,189)	751,485
Other accrued income	-	(5)	5
Prepayments related to more than one year	43,028	(15,249)	58,277
Other prepayments	1,337,785	204,291	1,133,494
Total	**1,855,994**	**(302,122)**	**2,158,116**

Advances to suppliers refer to payments on account for services.

With regard to the €750 thousand related to insurance compensation recognised under other assets at 31 December 2019, the insurance company reimbursed €430 thousand during the year as an advance based on the documentation presented and accepted by the insurance appraisers. The balance will be paid once the units that lost functionality have been reconditioned and the documentation on the costs incurred has been sent to the insurance appraisers.

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

Other prepayments include costs pertaining to the subsequent year including €582 thousand for software maintenance instalments, €508 thousand for insurance premiums and €61 thousand for fairs and exhibitions.

Current financial assets (note 10)

These amount to €7,522 thousand (€3,341 thousand at 31 December 2019) and can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Subsidiaries	-	(1,564,876)	1,564,876
Other financial assets	7,520,536	7,520,536	-
Cash pooling arrangement	1,718	(1,765,020)	1,766,738
Derivatives	-	(9,644)	9,644
Total	**7,522,254**	**4,180,996**	**3,341,258**

The investees HygroMatik GmbH, C.R.C S.r.l. and Carel USA Inc regularly paid the loan instalment of the year; specifically:

- HygroMatik GmbH: €609 thousand;
- C.R.C S.r.l.: €502 thousand;
- Carel USA Inc: €454 thousand.

Other financial assets refer to temporary deposits of liquidity, including accrued interest income gross of tax withholdings, at banks; specifically:

Counterpart (in Euros)	Notional amount	Maturity	Balance at 31/12/2020	Total cash flows	Within one year	From one to five years	After five years
Banca Vasabbina S.C.p.A.	2,000,000	08,02,2021	2,005,638	2,007,134	2,007,134		
Banca Vasabbina S.C.p.A.	2,000,000	06,08,2021	2,008,860	2,022,000	2,022,000		-
Intesa San Paolo Private Banking S.p.A.	3,500,000	02,02,2021	3,506,041	3,509,199	3,509,199		-
Available-for-sale securities			**7,520,539**	**7,538,333**	**7,538,333**		**-**

Such temporary deposits of liquidity, including accrued interest income gross of tax withholdings, were agreed as a form of investment of part of the company's temporary excess liquidity. They do not have an active market and are highly liquid without any additional cost to the company. The deposits' reimbursement value equals the invested principal plus part of the accruing interest. Due to the lack of an active market and a method to determine the reimbursement amount based on the contractual terms, the directors initially recognised the investments at the invested capital, increased by the accrued unpaid interest at the reporting date. Based on these reasons, management deems that the carrying amount of these investments equals their fair value.

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

(in Euros)	31.12.2020	31.12.2019
Alfaco Polska Sp.z.o.o.	1,696	1,596,262
Carel France s.a.s.	-	170,476
HygroMatik GmbH	22	-
Total	**1,718**	**1,766,738**

The company has no derivatives with a positive fair value at the reporting date. The following table reclassifies derivatives by type of financial instrument compared with the previous year end.

	31.12.2020				31.12.2019			
	Fair value **	Nominal amount **	Currency purchases*	Currency sales*	Fair value **	Nominal amount **	Currency purchases*	Currency sales*
Forward USD	-	-	-	-	9,644	1,078,053	-	1,200,000
Total	**-**				**9,644**			

* Importi in unità di valuta
** Importi in unità di Euro

Cash and cash equivalents (note 11)

This caption comprises temporary liquidity in bank accounts and petty cash and amount to €70,706 thousand.

(in Euros)	31.12.2020	Change during the year	31.12.2019
Bank deposits	70,700,353	45,124,087	25,576,266
Cash and cash equivalents	5,211	(3,909)	9,120
Total	**70,705,564**	**45,120,178**	**25,585,386**

Cash and cash equivalents are not subject to any obligations or use restrictions by the company. For more information about changes in such caption, reference should be made to the statement of cash flows.

Equity (note 12)

Equity is comprised as follows and underwent the following changes:

(in Euros)	31.12.2020	Change during the year					31.12.2019
		Total changes	Allocation of prior year profit	Reclas-sifica-tion	Dividends	Profit for the year	
Share capital	10,000,000	-					10,000,000
Share premium reserve	867,350	-					867,350
Revaluation reserves	3,424,658	-					3,424,658
Legal reserve	2,000,000	-					2,000,000
Treasury shares	(1,764,900)	(957,622)				(957,622)	(807,278)
Hedging reserve	(435,757)	(73,059)				(73,059)	(362,698)
Other reserves							
- Extraordinary reserve	45,191,666	10,638,744	10,638,744	-	-		34,552,922
- Transfer premium reserve	6,105,327	-					6,105,327
- Reserve for unrealised exchange gains	117,257	89,901	89,901	-			27,356
- IFRS FTA reserve	2,145,495	-					2,145,495
- Stock grant reserve	1,184,115	766,646				766,646	417,469
- Actuarial reserve	(291,348)	(70,951)				(70,951)	(220,397)
Retained earnings	476,149	-	-				476,149
Profit for the year	20,895,918	(1,812,542)	(10,728,645)		(11,979,815)	20,895,918	22,708,460
Total	**89,915,930**	**8,581,117**	**-**		**(11,979,815)**	**20,560,932**	**81,334,813**

The fully paid-up and subscribed share capital consists of 100,000,000 ordinary shares without a nominal amount for a total of €10,000,000.
The company's shares are not pledged as guarantees or liens.

The share premium reserve includes the carrying amount resulting from the company's merger of the industrial and commercial business units of the former Samos S.r.l. in 2013.

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

The legal reserve reached the limit set by article 2430 of the Italian Civil Code.

Treasury shares amount to 168,209. An additional 84,874 were repurchased during the year within the limits and for the purposes resolved by the shareholders' meeting of 15 April 2019.

The hedging reserve includes the fair value gains or losses, net of the deferred tax effects on the effective portion of five interest rate hedging derivatives entered into to hedge the interest rate risk of floating-rate non-current loans entered into in 2016, 2018, 2019 and 2020. The changes are shown in the following table:

(in Euros)	
31 December 2019	**(362,698)**
Change during the year	
Fair value decreases	(96,130)
Deferred tax effect	23,071
Total changes	(73,059)
31 December 2020	**(435,757)**

The increase in the extraordinary reserve is due to the resolution passed by the shareholders in their meeting of 20 April 2020 which approved the separate financial statements at 31 December 2019.

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

With regard to the reserve for unrealised exchange gains, in their meeting of 20 April 2020 called to approve the separate financial statements at 31 December 2019, the shareholders acknowledged the adjustment of the equity reserve distributable upon realisation as per article 2426.8-bis of the Italian Civil Code

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

The stock grant reserve includes the fair value at 31 December 2020 of the incentive plan based on financial instruments for the free allocation of the company's ordinary shares approved by the shareholders on 7 September 2018.
For more information, reference should be made to the section on "Share-based payment arrangements" of note 32.
In order to service the incentive plan, the shareholders authorised the repurchase of treasury shares, up to 5,000,000 or 5% of the company's share capital. At the reporting date, the company had 168,209 treasury shares totalling €1,765 thousand.

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

Retained earnings reflect the adoption of the IFRS and relate to 2015 and 2016.

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

Table pursuant to article 2427.7-bis of the Italian Civil Code

(in Euros)

	Amount	Possible use	Available portion	Distributable portion	Use in the past three years: To cover losses	Use in the past three years: Distribution of reserves
Share capital	10,000,000					
Equity-related reserves:						
Share premium reserve	867,350	A, B, C	867,350	867,350		
Revaluation reserves	3,424,658	A, B, C	3,424,658	3,424,658		
Transfer premium reserve	6,105,327	A, B, C	6,105,327	6,105,327		
Reserve for treasury shares	(1,764,900)					
Income-related reserves:						
Legal reserve	2,000,000	B	2,000,000			
Extraordinary reserve	45,191,666	A, B, C	43,426,766	35,638,708		30,000,000
Reserve for unrealised exchange gains	117,257	A, B	117,257			
IFRS FTA reserve	2,145,495	B	2,145,495			
Actuarial reserve	(291,348)		(291,348)			
Hedging reserve	(435,757)		(435,757)			
Stock grant reserve	1,184,115	B	1,184,115			
Retained earnings	476,149	B	476,149			
Total (net of profit for 2020)	**69,020,012**		**59,020,012**	**46,036,043**	**-**	**30,000,000**
Profit for 2020	20,895,918					
Total equity	**89,915,930**					

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

Pursuant to article 2426.5 of the Italian Civil Code, start-up and capital costs and development expenditure pertaining to more than one year may be recognised as assets with the approval, where necessary, of the board of statutory auditors and they are amortised over five years. Until the amortisation is complete, dividends may only be distributed if there are sufficient available reserves to cover the amount of non-amortised costs.

At 31 December 2020, development expenditure not yet amortised amount to €7,788,058.

The following table provides an indication of the tax regime for the share capital and reserves at 31 December 2020 in case of their repayment or distribution:

(in Euros)	Total amount of reserves and non-distributable earnings	Share capital and reserves that make up the company's income	Share capital and reserves that make up the shareholders' income	Share capital and reserves that do not make up income for the company or shareholders	Total
Share capital				10,000,000	10,000,000
Share premium reserve				867,350	867,350
Revaluation reserves				3,424,658	3,424,658
Legal reserve	2,000,000				2,000,000
Treasury shares	(1,764,900)				(1,764,900)
Hedging reserve	(435,757)				(435,757)
Other reserves					-
- Extraordinary reserve			45,191,666		45,191,666
- Reserve for unrealised exchange gains			117,257		117,257
- Transfer premium reserve				6,105,327	6,105,327
- IFRS FTA reserve	2,145,495				2,145,495
- Stock grant reserve	1,184,115				1,184,115
- Actuarial reserve	(291,348)				(291,348)
Retained earnings	476,149				476,149
Total	**3,313,754**	**-**	**45,308,923**	**20,397,335**	**69,020,012**

Earnings per share

Earnings per share were calculated by dividing the profit attributable to the owners of the company by the weighted average number of outstanding ordinary shares. At 31 December 2020, following the above-mentioned repurchase of treasury shares, the weighted average of outstanding ordinary shares was 99,851,068.

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

(in Euros)	31.12.2020	31.12.2019
Earnings per share	20,895,918	22,708,460
Average number of ordinary shares	99,851,068	99,928,615
Basic earnings per share	**0.2093**	**0.2272**

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

Non-current and current financial liabilities (note 13)

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

(in Euros)	31.12.2020	Change during the year	31.12.2019
Bank loans and borrowings at amortised cost	86,908,727	14,370,392	72,538,335
Lease liabilities	13,635,510	12,252,799	1,382,711
Other loans and borrowings at amortised cost	872,416	(314,654)	1,187,070
Effective designated derivative hedges	578,334	65,676	512,658
Non-current financial liabilities	**101,994,987**	**26,374,213**	**75,620,774**

Current loans and borrowings can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Current portion of bank loans at amortised cost	42,462,870	8,149,921	34,312,949
Lease liabilities	1,351,377	78,957	1,272,420
Other loans and borrowings at amortised cost	314,653	(123,495)	438,148
Derivatives held for trading at fair value through profit or loss	2,744	(11,622)	14,366
Cash pooling arrangement	11,632,329	6,965,058	4,667,271
Current financial liabilities	**55,763,973**	**15,058,819**	**40,705,154**

Lease liabilities refer to the lease liabilities recognised following the adoption of IFRS 16. The increase is due to the restatement of lease liabilities related to the Brugine site owned by the related party RN Real Estate S.r.l.. Reference should be made to note 32 for more details.

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

(in Euros)	Currency	Original amount	Maturity	Rate	Outstanding liabilities in Euros	Within one year	After one year
Intesa San Paolo loan	EUR	6,000,000	02/2021	Fixed	6,000,000	6,000,000	-
Medio Credito Italiano (Intesa San Paolo) loan	EUR	15,000,000	06/2021	Floating	1,666,227	1,666,227	-
BNL (BNP Paribas) loan no. 280971	EUR	10,000,000	09/2021	Fixed	10,000,000	10,000,000	-
Unicredit S.p.A. loan	EUR	20,000,000	04/2023	Fixed	11,111,111	4,444,444	6,666,667
Unicredit S.p.A. loan	EUR	20,000,000	04/2023	Floating	16,666,667	6,666,667	10,000,000
BNL (BNP Paribas) loan no. 6141372	EUR	20,000,000	04/2023	Floating	19,973,961	-	19,973,961
BNL (BNP Paribas) loan no. 6139218	EUR	30,000,000	05/2023	Floating	21,371,198	8,571,429	12,799,769

(in Euros)	Currency	Original amount	Maturity	Rate	Outstanding liabilities in Euros	Within one year	After one year
Mediobanca – Banca di Credito Finanziario S.p.A. loan	EUR	25,000,000	08/2023	Floating	24,964,091	-	24,964,091
Intesa San Paolo loan	EUR	10,000,000	03/2024	Fixed	8,734,724	2,486,260	6,248,464
Crédit Agricole FriulAdria S.p.A. loan	EUR	10,000,000	04/2024	Fixed	8,739,539	2,483,764	6,255,775
Total					**129,227,518**	**42,318,791**	**86,908,727**

All loans bear a rate of less than 1%.

The company carried out the following transactions during the year:

- in March, it took out an 18-month unsecured loan for €10,000 thousand with BNL (BNP Paribas);
- in March, it took out a 48-month unsecured loan for €10,000 thousand with Intesa San Paolo S.p.A.;
- in April, it took out a 48-month unsecured loan for €10,000 thousand with Crédit Agricole FriulAdria S.p.A.;
- in August, it prepaid a Mediobanca – Banca di Credito Finanziario S.p.A. loan. Taken out in December 2018 for €30,000 thousand for a duration of 36 months, the company repaid the residual amount of €18,000 thousand plus interest accrued to date.

The company simultaneously took out a new unsecured loan with the same bank for €25,000 thousand with a duration of 36 months. To hedge the interest rate risk, the parent entered into an IRS with the same duration;

- in September, it obtained a current account overdraft of €6,000 thousand from Intesa San Paolo S.p.A. expiring in February 2021.

The following loans require compliance with covenants:

- Mediobanca (loan of €25,000 thousand): the loan requires that the following covenants be respected on a six-monthly basis at 31 December and 30 June of each year starting from 30 June 2020 based on the figures recognised in the consolidated financial statements:
  - Net financial position / gross operating profit < 3.50x;
  - Net financial expense / gross operating profit > 5.00x
- BNN – BNP Paribas (loan no. 6141372 of €20,000 thousand): the loan requires that the following covenants be respected at 31 December of each year starting from 31 December 2019 based on the figures recognised in the consolidated financial statements:
  - Net financial position / gross operating profit < 3.50x.

At 31 December 2020, such covenants have been respected.

Finally, with regard to the unsecured loan granted by BNL (BNL Paribas) in November 2018 for an original amount of €30,000, the company obtained a six-month moratorium on repaying the principal amount only due to the exceptional events of 2020 caused by the Covid-19 pandemic. This led to the lengthening of the loan term, extending the original expiry date of November 2022 to May 2023.

With reference to financial liabilities to others at amortised cost, their main characteristics are broken down by due date below:

(in Euros)	Currency	Original amount	Maturity	Rate	Outstanding liabilities in Euros	Current	Non-current
Simest S.p.A. Middle East programme loan no. 5063	EUR	1,000,025	06/2021	Fixed	125,003	125,003	-
MedioCredito Centrale Horizon 2020 project	EUR	1,489,851	06/2026	Fixed	1,062,066	189,650	872,416
Total					**1,187,069**	**314,653**	**872,416**

The loan granted by Simest S.p.A. (the Italian company that supports overseas expansion) has been granted as part of the programme for commercial expansion in the UAE.

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

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

Lender (in Euros)	Instrument	Notional amount	Floating interest rate	Fixed interest rate	Maturity	Fair value loss
BNL (BNP Paribas) loan	*Interest rate swap*	30,000,000	6m Euribor > -0,78% -0,78% ≤ 6m Euribor	-0.11%	21.11.2022	135,400
BNL (BNP Paribas) loan	*Interest rate swap*	20,000,000	3m Euribor ≥ -0,98% -0,98% < 3m Euribor	-0.02%	30.04.2023	261,620
UNICREDIT loan	*Interest rate swap*	20,000,000	3m Euribor > -0,92% -0,92% ≤ 3m Euribor	-0.04%	30.04.2023	113,396
MEDIOBANCA loan	*Interest rate swap*	25,000,000	3m Euribor > -0,95% -0,95% ≤ 3m Euribor	-0.42%	04.08.2023	67,918
Total						**578,334**

The derivatives held for trading at fair value through profit or loss recognised under current financial liabilities include the fair value of IRSs signed to hedge the interest rate risk of the loans which expire in 2021.

Lender (in Euros)	Instrument	Notional amount	Floating interest rate	Fixed interest rate	Maturity	Fair value loss
Medio Credito Italiano	*Interest rate swap*	15,000,000	3m Euribor > -0,55% -0,55% ≤ 3m Euribor	-0.10%	30.06.2021	2,744
Total						**2,744**

At 31 December 2020, the company has no forwards or currency options agreed to hedge commercial transactions. The following table reclassifies the derivatives by type of financial instrument.

	31.12.2020				31.12.2019			
	Fair value **	Nominal amount **	Currency purchases*	Currency sales*	Fair value **	Nominal amount **	Currency purchases*	Currency sales*
Forward JPY	-	-	-	-	463	36,806	4,430,950	-
Forward PLN	-	-	-	-	13,903	1,600,776	-	6,920,604
Total	**-**				**14,366**			

* In foreign currency
** In Euros

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

(in Euros)	31.12.2020	31.12.2019
Carel U.K. Ltd	1,298,799	1,271,363
Carel France s.a.s.	371,262	-
Carel Deutschland GmbH	2,118,983	1,956,251
Carel Controls Iberica Sl	1,596,962	700,158
Carel Adriatic Doo	6,246,323	739,499
Total	**11,632,329**	**4,667,271**

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

(in Euros)	31.12.2020	Net cash flows	Change in fair value	Reclassification	31.12.2019
Bank loans and borrowings at amortised cost	86,908,727	31,435,438	-	(17,065,046)	72,538,335
Other loans and borrowings at amortised cost	872,416	-	-	(314,654)	1,187,070
Effective designated derivative hedges	578,334	(220,550)	298,804	(12,578)	512,658
Non-current financial liabilities	**88,359,477**	**31,214,888**	**298,804**	**(17,392,278)**	**74,238,063**

(in Euros)	31.12.2020	Net cash flows	Change in fair value	Reclassification	31.12.2019
Bank loans and borrowings at amortised cost	42,462,870	(8,915,125)	-	17,065,046	34,312,949
Other loans and borrowings at amortised cost	314,653	(438,149)	-	314,654	438,148
Derivatives held for trading at fair value through profit or loss	2,744	(25,848)	1,648	12,578	14,366
Cash pooling arrangement	11,632,329	6,965,058	-	-	4,667,271
Current financial liabilities	**54,412,596**	**(2,414,064)**	**1,648**	**17,392,278**	**39,432,734**

(in Euros)	31.12.2020	*Increases*	Restatement of financial liabilities	Repayments	Interest	Termination of contracts	31.12.2019
Lease liabilities	**14,986,887**	**930,450**	**12,844,143**	**(1,446,634)**	**37,029**	**(33,232)**	**2,655,131**

Non-current and current provisions for risks (note 14)

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

		Change during the year					
(in Euros)	31.12.2020	Actuarial benefits	Accruals	Reversals	Utilisations	Reclassifications	31.12.2019
Provision for agents' termination benefits	793,410	23,552	26,273	-	(10,619)	-	754,204
Provision for product warranties	222,600	-	84,531		(76,567)	-	214,636
Provision for commercial complaints	26,500	-	-	(168,200)	(5,000)	-	199,700
Total - non-current	**1,042,510**	**23,552**	**110,804**	**(168,200)**	**(92,186)**	**-**	**1,168,540**
Provision for legal and tax risks	125,000	-	125,000	-	-	-	-
Provision for commercial complaints	1,978,893	-	1,080,456	(1,034,107)	(165,561)	-	2,098,105
Total - current	**2,103,893**	**-**	**1,205,456**	**(1,034,107)**	**(165,561)**	**-**	**2,098,105**
Total provisions for risks	**3,146,403**	**23,552**	**1,316,260**	**(1,202,307)**	**(257,747)**	**-**	**3,266,645**

The provision for agents' termination benefits, accrued for the potential risks of the termination of agency contracts, considers the estimated liabilities related to contacts in place at year end.

The provision for agents' termination benefits is calculated by an independent actuary using the closed group approach in accordance with IAS 37. The assessments were carried out by quantifying future payments through the projection of agency commissions accrued at the assessment date up to the estimated moment (uncertain) in which the contractual relationship will be terminated.

With regard to the demographic assumptions, the Mortality table RG48 published by the General Accounting Office was taken into consideration, the INPS tables split by age and gender for disabilities, while for the pensionable age, the requirements are set out by ENASARCO.

With regard to the possible termination of relationships with agents following the interruption of their relationship with the company or for other causes, the estimated annual termination rate was used, based on company data of 2.50% for voluntary resignations and 2.00% for company reasons.

The financial assumptions, on the other hand, essentially relate to the discount rate, which at 31 December 2020 was in line with the Iboxx AA Corporate index equal to -0.02%, with the same duration as the closed group subject to assessment.

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

The provision for commercial complaints refers to the prudent accrual for costs incurred for commercial complaints from customers related to products sold.

The provision increased due to the estimated larger costs that the company might occur on claims with customers. With regard to the provision at 31 December 2019, due to the estimated larger cost for reconditioning certain products which, for reasons related to the technical characteristics of the electrical network in which they are installed, have lost functionality, the company revised the estimate of the costs to be incurred and, accordingly, released a portion of the provision for a net amount of €504 thousand.

The use during the year relates to specific customer complaints.

The provision for legal and tax risks represents management's best estimate of the liabilities arising from legal procedures related to ordinary operating activities, estimated with the support of legal consultants.

Defined benefit plans (note 15)

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

As described in the Accounting policies, the actuarial gains or losses are recognised in a specific equity reserve with immediate recognition in other comprehensive income.

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

(in Euros)	31.12.2020	Change during the year	31.12.2019
Post-employment benefits	4,434,495	(192,098)	4,626,593
Post-term of office benefits for directors	706,279	77,272	629,007
Total	**5,140,774**	**(114,826)**	**5,255,600**

Post-employment benefits at year end were as follows:

(in Euros)	31.12.2020	31.12.2019
Opening balance	**4,626,593**	**4,486,581**
Accruals	1,746,099	1,693,590
Transfers to pension funds	(1,736,070)	(1,680,963)
Interest cost	33,731	52,913
Employee benefits paid	(301,985)	(188,473)
Substitute tax	(10,029)	(12,627)
Net actuarial losses	76,156	275,572
Closing balance	**4,434,495**	**4,626,593**

Law no. 296/06 changed the Italian post-employment benefits scheme and they are now classified as defined contribution plans regardless of whether the employee decides to have them transferred to the INPS treasury fund or an external pension plan. Benefits vested up until 31 December 2006 continue to be recognised as part of a defined benefit plan and are subject to actuarial valuation, excluding the future salary increase component.

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

(in Euros)	31.12.2020	31.12.2019
Opening balance	**629,007**	**492,907**
Accruals	95,931	74,979
Interest cost	4,897	3,838
Benefits paid to directors	-	(8,047)
Net actuarial (gains) losses	(23.556)	65.330
Closing balance	**706.279**	**629.007**

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

Deferred tax liabilities (note 16)

Deferred tax liabilities at 31 December 2020 were generated by the temporary differences between the carrying amount of assets and liabilities and their tax base calculated with reference to the tax rates that are expected to be enacted in the years in which the differences will reverse.

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

	31.12.2020		31.12.2019	
(in Euros)	Tax base	Deferred taxes	Tax base	Deferred taxes
Unrealised exchange differences	297,820	71,477	105,694	25,367
Fair value of derivatives	4,970	1,193	22,847	5,483
Diff. in amort/dep. calculated under IFRS/OIC FTA	188,696	52,646	265,684	74,126
Diff. in amort/dep. calculated under IFRS/OIC 2015	187,914	52,428	410,514	114,533
Diff. in amort/dep. calculated under IFRS/OIC 2016	140,197	39,115	213,706	59,624
Discounting of agents' termination benefits	89,618	25,002	113,170	31,574
Total	**909,215**	**241,861**	**1,131,615**	**310,707**

The changes in deferred tax liabilities were as follows:

(in Euros)	31.12.2020	Recognised in profit or loss	Recognised in other comprehensive income	31.12.2019
Unrealised exchange differences	71,477	46,110	-	25,367
Fair value of derivatives	1,193	-	(4,290)	5,483
Diff. in amort/dep. calculated under IFRS/OIC FTA	52,646	(21,480)	-	74,126
Diff. in amort/dep. calculated under IFRS/OIC 2015	52,428	(62,105)	-	114,533
Diff. in amort/dep. calculated under IFRS/OIC 2016	39,115	(20,509)	-	59,624
Discounting of agents' termination benefits	25,002	(6,572)	-	31,574
Total	**241,861**	**(64,556)**	**(4,290)**	**310,707**

Trade payables (note 17)

These amount to €37,635 thousand (€29,650 thousand at 31 December 2019) and can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Payments on account from customers	720,016	409,634	310,382
Third parties	23,902,078	3,576,561	20,325,517
Subsidiaries	12,860,620	4,055,972	8,804,648
Associates	55,493	55,493	-
Subsidiaries of parents	83,865	(13,489)	97,354
Related parties	12,904	(98,708)	111,612
Total	**37,634,976**	**7,985,463**	**29,649,513**

Payments on account from customers relate to supply contracts that entail the future provision of services.
Trade payables relate to transactions with suppliers to purchase raw materials, consumables, processing and services. These activities are part of the normal procurement management. The change recognised during the year is related to the normal commercial dynamics combined with business growth.
Trade payables in foreign currency were retranslated using the closing rate, adjusting the originally-recognised amount. Trade payables refer to the following geographical segments:

(in Euros)	31.12.2020	31.12.2019
Europe, Middle East and Africa	31.514.447	26.030.776
APAC	5.832.372	3.252.485
North America	234.750	328.262
South America	53.407	37.990
Total	**37.634.976**	**29.649.513**

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

(in Euros)	31.12.2020	31.12.2019
C.R.C. S.r.l.	43,361	51,057
Recuperator S.p.A..	2,013	-
Carel U.K. Ltd	45,000	54,071
Carel France Sas	29,422	73,787
Carel Asia Ltd	13,946	18,829
Carel Sud America Instrumentacao Eletronica Ltda	45,482	33,439
Carel USA Llc	15,027	114,957
Carel Australia Pty Ltd	5,120	90,932
Carel Deutschland GmbH	13,940	14,078
Carel Electronic (Suzhou) Co Ltd	5,455,811	2,675,206
Carel Controls Iberica Sl	2,068	1,648
Carel ACR Systems India (Pvt) Ltd	92,003	122,551
Carel Controls South Africa (Pty) Ltd	966	1,104
Carel Rus Llc	336,210	362,010
Carel Korea Ltd	10,311	69,941
Carel Nordic AB	334,660	251,230
Carel Japan Co. Ltd	3,038	2,797
Carel Mexicana S.De.RL	3,810	4,161
Carel Middle East DWC Llc	120,044	143,383
Alfaco Polska Sp.z.o.o	7,571	11,246
Carel Adriatic Doo	6,280,817	4,708,221
Subsidiaries	**12,860,620**	**8,804,648**
Arion S.r.l.	55,493	
Associates	**55,493**	**-**
Eurotest Laboratori S.r.l.	73,023	82,938
Nastrificio Victor S.p.A.	9,221	12,798
Panther S.r.l	1,621	1,618
Subsidiaries of parents	**83,865**	**97,354**
RN Real Estate S.r.l.	-	95,107
Other, minor	12,904	16,505
Related parties	**12,904**	**111,612**

Tax liabilities (note 18)

These amount to €119 thousand and can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Tax liabilities pertaining to previous years	118,958	(82,435)	201,393
Total	**118,958**	**(82,435)**	**201,393**

Tax liabilities pertaining to previous years relate to the payment plan, defined after the agreement of the mutually-agreed assessment settlement procedure for 2013 by the company and the Venice regional tax office following the preliminary assessment report issued in June 2018 upon conclusion of the audit into 2013, 2014, 2015 and 2016.

Other current liabilities (note 19)

These amount to €12,852 thousand and can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Other tax liabilities	1,482,347	15,353	1,466,994
Social security contributions	3,699,786	576,861	3,122,925
Other liabilities	7,318,576	1,442,528	5,876,048
Accrued expenses and deferred income	351,289	252,840	98,449
Total	**12,851,998**	**2,287,582**	**10,564,416**

Other tax liabilities can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Withholdings to be paid	1,482,347	15,353	1,466,994
Total	**1,482,347**	**15,353**	**1,466,994**

Social security contributions can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
INPS	2,396,381	352,233	2,044,148
Social security contributions on deferred remuneration	746,726	48,851	697,875
ENASARCO	13,183	1,030	12,153
Others	114,907	239	114,668
Pension funds	428,589	174,508	254,081
Total	**3,699,786**	**576,861**	**3,122,925**

Other liabilities can be broken down as follows:

(in Euros)	31.12.2020	Change during the year	31.12.2019
Wages and salaries	7,255,318	1,470,669	5,784,649
Directors' fees	57,110	(4,019)	61,129
Other sundry amounts	6,148	(24,122)	30,270
Total	**7,318,576**	**1,442,528**	**5,876,048**

Wages and salaries include €5,854 thousand related to bonuses and unused holidays at 31 December 2020. The remaining amount refers to December pay.

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

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

Year (in Euros)	**Amount**
2021	92,791
2022	92,791
2023	56,178
2024	21,853
2025	17,275
2026	17,275
2027	17,274
2028	17,274
2029	8,527
Total	**341,238**

Notes to the Statement of Profit or Loss

Revenue (note 20)

A breakdown of the caption for 2020 is as follows:

(in Euros)	2020	Variation	2019
Revenue from sales and services	180,367,359	4,321,765	176,045,594
Total	**180,367,359**	**4,321,765**	**176,045,594**

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

(in Euros)	2020	Variation	2019
Revenue from sales and services to third parties	98,437,194	671,870	97,765,324
Revenue from sales and services to group companies	81,930,165	3,649,895	78,280,270
Total	**180,367,359**	**4,321,765**	**176,045,594**

Reference should be made to the disclosures on related party transactions provided in note 32 for a breakdown of the composition and nature of the revenue from subsidiaries.

Revenue from sales of goods and services amounts to €98,437 thousand, up on €97,765 thousand in 2019.
A breakdown of revenue by market is as follows:

(in Euros)	2020	2019
HVAC revenue	62,383,707	61,710,331
REF revenue	34,606,204	34,454,812
Non-core revenue	1,447,283	1,600,181
Total	**98,437,194**	**97,765,324**

A breakdown of revenue for sales and services by geographical segment is as follows:

(in Euros)	2020	Breakdown %	2019	Breakdown %
Europe, Middle East and Africa	153,506,140	85,11%	149,271,178	82,76%
APAC	15,689,687	8,70%	13,934,843	7,72%
North America	8,297,769	4,60%	9,957,352	5,52%
South America	2,873,763	1,59%	2,882,221	1,60%
Total	**180,367,359**	**100,00%**	**176,045,594**	**97,60%**

For information on the performance of revenue, reference should be made to the directors' report.

Other revenue (note 21)

A breakdown of the caption at year end is as follows:

(in Euros)	2020	Variation	2019
Grants related to income	876,689	20,959	855,730
Licence fees	2,114,028	101,483	2,012,545
Sundry cost recoveries	1,404,496	192,736	1,211,760
Compensation	19,354	8,322	11,032
Company canteen cost recovery	63,452	(61,633)	125,085
Other revenue and income	189,792	(84,360)	274,152
Total	**4,667,811**	**177,507**	**4,490,304**

Grants related to income relate to the tax assets accrued during the year ("Industry 4.0 – Law no. 160/2019"; "Maxi-depreciation – Law no. 178/2020"; "Ecobonus – Law no. 296/2006"; and "Tax credit for research and development activities – Law no. 178/2020") and taken to profit or loss based on the relevant expense caption.

Licence fees relate to royalties fully received by group companies.

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

Costs of raw materials, consumables and goods and change in inventories (note 22)

A breakdown of the caption at year end is as follows:

(in Euros)	2020	Variation	2019
Costs of raw materials, supplies and goods	(93,303,698)	(8,204,649)	(85,099,049)
Costs of consumables	(1,396,702)	260,690	(1,657,392)
Change in raw materials and goods	996,153	2,808,035	(1,811,882)
Change in finished goods and semi-finished products	(712,906)	1,142,746	(1,855,652)
Total	**(94,417,153)**	**(3,993,178)**	**(90,423,975)**

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

(in Euros)	2020	Variation	2019
Costs of raw materials and semi-finished goods	(46,627,605)	(6,101,543)	(40,526,062)
Costs of goods held for resale	(44,637,501)	(2,702,882)	(41,934,619)
Costs of other materials	(2,143,483)	677,776	(2,821,259)
Total	**(93,408,589)**	**(8,126,649)**	**(85,281,940)**
Returns, markdowns, bonuses and discounts	104,891	(78,000)	182,891
Total costs of raw materials, supplies and goods	**(93,303,698)**	**(8,204,649)**	**(85,099,049)**

The costs of raw materials, consumables, supplies and goods related to the group companies in 2020 amount to €38,114 thousand (€35,832 thousand in 2019).
The change in costs for raw materials, consumables, supplies and goods is directly correlated with the company's sales performance.

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

(in Euros)	2020	Variation	2019
Work in progress	191,826	185,487	6,339
Semi-finished products	370,897	848,108	(477,211)
Finished goods	(1,275,629)	109,151	(1,384,780)
Total	**(712,906)**	**1,142,746**	**(1,855,652)**

Services (note 23)

A breakdown of the caption at year end is as follows:

(in Euros)	2020	Variation	2019
Services	(25,571,241)	(523,274)	(25,047,967)
Use of third party assets	(710,099)	33,778	(743,877)
Total	**(26,281,340)**	**(489,496)**	**(25,791,844)**

A breakdown of services is as follows:

(in Euros)	2020	Variation	2019
Transport	(4,398,641)	(917,708)	(3,480,933)
Consultancies	(2,802,659)	797,892	(3,600,551)
Business trips and travel	(195,454)	905,675	(1,101,129)
Maintenance and repairs	(3,091,504)	(548,701)	(2,542,803)
Marketing and advertising	(513,473)	(51,305)	(462,168)
Outsourcing	(4,403,815)	(478,147)	(3,925,668)
Agency contracts	(4,674,942)	(549,339)	(4,125,603)
Utilities	(659,897)	140,800	(800,697)
Fees to directors, statutory auditors and independent auditors	(1,459,375)	138,644	(1,598,019)
Insurance	(653,540)	(253,640)	(399,900)
Telephone and connections	(288,748)	45,051	(333,799)
Certifications	(818,474)	(82,311)	(736,163)
Personnel expense and temporary staff	(782,716)	360,513	(1,143,229)
Other services	(828,003)	(30,698)	(797,305)
Total	**(25,571,241)**	**(523,274)**	**(25,047,967)**

The main variation was the decrease in business trips and travel, which was due to actions implemented by management to contain costs and restrictions on movement imposed by the various governments.
Costs for consultancies also decreased as a result of the aforementioned actions.
On the other hand, there were higher outsourcing and transport costs incurred in order to overcome the reduced production capacity of certain sites in the first half of the year and to mitigate the longer delivery times for products and raw materials due to the shutdown in China.

Services include the costs charged by group companies for a total of €5,092 thousand (€4,552 thousand in 2019), of which €3,719 thousand for agency and sales assistance services and €617 thousand for administrative services.

Finally, during the year, the company incurred costs for non-recurring services of €172 thousand related to assistance with mergers and acquisitions.

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

(in Euros)	2020	Variation	2019
Car lease payments	(267,849)	(17,310)	(250,539)
Royalties on patents and trademarks	(133,191)	83,520	(216,711)
Other payments for the use of third party assets	(309,059)	(32,432)	(276,627)
Total	**(710,099)**	**33,778**	**(743,877)**

Car lease payments mainly include the related ancillary costs.

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

Building leases relate entirely to group companies.

Capitalised development expenditure (note 24)

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

A breakdown of the caption at year end is as follows:

(in Euros)	2020	Variation	2019
Development expenditure	1,832,402	(625,261)	2,457,663
Industrial and commercial equipment constructed on a time and materials basis	24,157	(7,321)	31,478
Total	**1,856,559**	**(632,582)**	**2,489,141**

Personnel expense (note 25)

A breakdown of personnel expense at year end is as follows:

(in Euros)	2020	Variation	2019
Wages and salaries	(31,504,365)	(2,244,412)	(29,259,953)
Social security contributions	(8,922,037)	(507,140)	(8,414,897)
Defined benefit plans	(1,746,099)	(52,509)	(1,693,590)
Total	**(42,172,501)**	**(2,804,061)**	**(39,368,440)**

Wages and salaries include the entire personnel expense for employees, including merit increases, share-based payment plans, promotions, unused holidays and accruals based on laws and national labour agreements. €1,475 thousand relates to temporary staff (€1,207 thousand in 2019).

Social security contributions refer to national insurance and supplementary contributions, net of taxation and accident insurance. The change is directly correlated with the changes in wages and salaries.

Defined benefit plans relate to the provision accrued pursuant to IAS 19.

The workforce at 31 December 2019 and changes therein during the year were as follows:

	31.12.2019	Hires	Departures	Promotions	31.12.2020	2020 average	2019 average
Managers	27	1	(2)	1	27	27	25
Junior managers	52	2	(3)	8	59	55	46
White collars	373	26	(21)	(8)	370	376	378
Blue collars	228	3	(4)	(1)	226	227	229
Total	**680**	**32**	**(30)**	**-**	**682**	**685**	**678**

Other expense, net (note 26)

A breakdown of the caption at year end is as follows:

(in Euros)	2020	Variation	2019
Gains on the sale of non-current assets	3,353	(5,986)	9,339
Prior year income	1,378,170	922,778	455,392
Other income	**1,381,523**	**916,792**	**464,731**
Losses on the sale of non-current assets	(1,848)	(935)	(913)
Prior year expense	(258,962)	32,214	(291,176)
Other taxes and duties	(103,081)	(4,765)	(98,316)
Accrual to the loss allowance	(82,164)	(82,164)	-
Accrual to the provisions for risks	(1,289,987)	(642,895)	(647,092)
Membership fees	(169,821)	314,362	(484,183)
Indemnities and compensation	(5,354)	31,704	(37,058)
Other costs	(8,958)	5,785	(14,743)
Other expense	**(1,920,175)**	**(346,694)**	**(1,573,481)**
Other expense, net	**(538,652)**	**570,098**	**(1,108,750)**

Prior year income relates to the non-existent expense and the recognition of income pertaining to previous years, €175 thousand of which is subject to taxation and €1,203 thousand which is not taxable. It mainly refers to the revised estimates of costs to be incurred for commercial complaints. Reference should be made to the section on "Provision for commercial complaints" of note 14 for more details.

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

The accruals to the provisions for risks relate to the prudent accrual for costs to be incurred for complaints from customers about products sold for €1,080 thousand. Membership fees decreased due to the fact that the 2019 balance included a one-off contribution of €315 thousand made to Consob following the company's listing on the STAR segment of the stock market organised and managed by Borsa Italiana S.p.A. in June 2018.

Amortisation, depreciation and impairment losses (note 27)

A breakdown of the caption at year end is as follows:

(in Euros)	2020	Variation	2019
Amortisation	(3,773,366)	(639,117)	(3,134,249)
Depreciation	(4,471,287)	(252,759)	(4,218,528)
Impairment losses	-	21,665	(21,665)
Total	**(8,244,653)**	**(870,211)**	**(7,374,442)**

Depreciation includes €1,427 thousand (2019: €1,396 thousand) related to the right-of-use assets recognised under property, plant and equipment following the adoption of IFRS 16.

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

Net financial income (note 28)

A breakdown of the caption at year end is as follows:

(in Euros)	2020	Variation	2019
Income from investments in subsidiaries	14,944,286	4,868,967	10,075,319
Income from financial assets with subsidiaries	15,589	(48,361)	63,950
Other financial income	86,363	(30,096)	116,459
Financial income	**15,046,238**	**4,790,510**	**10,255,728**
Interest and other financial expense to subsidiaries	(46,419)	(11,031)	(35,388)
Interest and other financial expense to others	(1,099,287)	110,331	(1,209,618)
Financial expense	**(1,145,706)**	**99,300**	**(1,245,006)**
	13,900,532	**4,889,810**	**9,010,722**

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

- €11,724 thousand from Carel Electronic (Suzhou) Co Ltd;
- €832 thousand from Carel U.K. Ltd;
- €554 thousand from Alfaco Polska Sp.z.o.o.;
- €500 thousand from Carel Controls Iberica SL;
- €400 thousand from Carel Adriatic d.o.o.;
- €357 thousand from Carel USA Llc;
- €326 thousand from Carel Rus LLC;
- €251 thousand from Carel Nordic AB.

Other financial income can be broken down as follows:

(in Euros)	2020	Variation	2019
Interest income from securities classified as current assets which are not equity investments	43,814	43,814	-
Interest income from cash pooling with subsidiaries	11,904	(78,625)	90,529
Bank interest income	2,934	(1,998)	4,932
Gains on derivatives	27,711	15,164	12,547
Other interest income	-	(8,451)	8,451
Total	**86,363**	**(30,096)**	**116,459**

- Interest income from securities classified as current assets which are not equity investments refers to interest accrued on temporary deposits of liquidity at banks. Reference should be made to note 10 "Current financial assets" for more details.
- Interest income from the cash pooling account relates to the interest accrued on the credit balance of the cash pooling account in place with group companies.
- Gains on derivatives refer to the ineffective portion of the interest rate swap signed to hedge the interest rate risk of a loan calculated as the difference between the change in the fair value of the derivative from inception of the hedge and the corresponding hypothetical derivative.

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

Interest and other financial expense to others are as follows:

(in Euros)	2020	Variation	2019
Interest and other financial expense on current bank loans and borrowings	(620)	3,617	(4,237)
Interest and other financial expense on non-current bank loans and borrowings	(908,303)	50,922	(959,225)
Losses on forwards	(19,100)	26,540	(45,640)
Lease interest expense	(34,539)	5,810	(40,349)
Financial expense on discounting of liabilities	(38,629)	18,122	(56,751)
Bank charges and fees	(97,649)	4,687	(102,336)
Other interest expense	(447)	633	(1,080)
Total	**(1,099,287)**	**110,331**	**(1,209,618)**

NET EXCHANGE LOSSES (note 29)

A breakdown of exchange gains and losses at year end is as follows:

(in Euros)	2020	Variation	2019
Realised exchange gains	1,143,594	663,067	480,527
Unrealised exchange gains	306,444	58,964	247,480
Exchange gains	**1,450,038**	**722,031**	**728,007**
Realised exchange losses	(1,158,396)	(536,490)	(621,906)
Unrealised exchange losses	(719,704)	(589,481)	(130,223)
Exchange losses	**(1,878,100)**	**(1,125,971)**	**(752,129)**
Net exchange losses	**(428,062)**	**(403,940)**	**(24,122)**
Net realised exchange losses	*(14,802)*	*126,577*	*(141,379)*
Net unrealised exchange gains (losses)	*(413,260)*	*(530,517)*	*117,257*

Exchange gains and losses are part of the company's normal performance.
Unrealised exchange gains and losses refer to the differences recognised in the adjustment of monetary captions mainly related to the performance of the US dollar, the Japanese yen and the Polish zloty.
The unrealised component shows losses of €413 thousand, namely greater unrealised exchange losses than gains (in 2019, the unrealised component was a net gain of €117 thousand).

Upon allocation of the profit for 2019, the equity reserve distributable upon realisation as per article 2426.8-bis of the Italian Civil Code was adjusted to €117 thousand to be held until the subsequent realisation.

As the unrealised component shows losses for 2020, the reasons to set up the equity reserve distributable upon realisation no longer apply. Therefore, it can be reclassified to a distributable reserve.

Net (reversals of) impairment losses on financial assets (note 30)

This caption, which shows a net impairment loss of €3,284 thousand, relates to:

- the €3,700 thousand impairment loss on the investment in the subsidiary Recuperator S.p.A. acquired in 2018, as commented on in note 3;
- the €22 thousand impairment loss on the investment in the subsidiary Carel Middle East DWC Llc. At 31 December 2020, the investee's carrying amount was deemed not recoverable given the company's results and expected profitability;
- the €42 thousand impairment loss on the investment in the associate Arion S.r.l. in order to adjust the carrying amount to the portion of equity as shown in the most recent approved financial statements. At 31 December 2020, the investee's carrying amount was deemed not recoverable given the company's results and expected profitability;
- the €212 thousand reversal of the prior year impairment loss recognised on the investment in Carel Asia Ltd. The impairment loss was recognised to reflect the losses recognised by the investee in the company's financial statements. Under the new business plan, the investee

increased its profitability, as confirmed by the profits of the past three years and, consequently, its equity. Therefore, the prior impairment losses were reversed for an amount equal to the difference between the carrying amount of the investment, net of impairment losses and the relevant portion of equity;

- the €268 thousand reversal of the prior year impairment loss recognised on the investment in Carel Controls Iberica SL. The impairment loss was recognised since the carrying amount was deemed not recoverable given the company's results and expected profitability. The profits achieved in the past few years enabled the investee to pay dividends to the company and to increase its equity. Consequently, the prior year impairment losses were reversed by an amount equal to the difference between the carrying amount of the investment, net of impairment losses, and the relevant portion of equity.

Note 3 provides more details about the effects of the measurement at equity of the investments.

INCOME TAXES (note 31)

A breakdown of income taxes is as follows:

(in Euros)	2020	Variation	2019
Current taxes	(5,018,972)	448,330	(5,467,302)
Change in deferred tax assets	223,999	(123,066)	347,065
Change in deferred tax liabilities	64,556	(68,300)	132,856
Prior year taxes	200,807	686,467	(485,660)
Total	**(4,529,610)**	**943,431**	**(5,473,041)**

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

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

(in Euros)	2020	2019
Profit before tax	25,425,528	28,181,502
Theoretical IRES	**6,102,127**	**6,763,560**
Lower taxes:		
- other prior-year income	(168,455)	(1,097)
- personnel expense and supplementary pension funds	(46,100)	(42,380)
- dividends from equity investments and gains on the sale of investments	(3,407,297)	(2,327,173)
- maxi-depreciation and hyper-depreciation	(330,107)	(280,402)
- amortisation of goodwill	(4,066)	-
- impairment gain on equity investments	(115,190)	(110,238)

(in Euros)	2020	2019
- patent box	(211,004)	(651,706)
- use of provisions for risks and charges	(59,071)	(137,165)
- tax asset on research and development	(208,531)	(205,375)
- other	(98,241)	(69,651)
Higher taxes:		
- undeductible amortisation/depreciation	127,024	163,685
- accruals to provisions	187,795	155,302
- prior year expense	2,380	21,579
- impairment of equity investments	903,440	53,283
- write-down of inventories	155,585	84,031
- other undeductible costs	65,939	87,651
- other	119,381	335,727
- unused tax withholdings	1,250,043	586,897
Total income taxes (IRES)	**4,265,652**	**4,426,528**
IRAP	**753,320**	**1,040,774**
Prior year taxes	**(200,807)**	**485,660**
Deferred tax assets/liabilities	**(288,555)**	**(479,921)**
TOTAL INCOME TAXES	**4,529,610**	**5,473,041**

Specifically, prior year taxes for 2020 are as follows:

(in Euros)	2020
Lower IRES and IRAP for supplementary patent box relief for 2018	(50,685)
Lower IRES and IRAP for supplementary patent box relief for 2019	(141,374)
Other prior year taxes	(8,748)
Prior year taxes	**(200,807)**

Other information (note 32)

Effects of the Covid-19 pandemic on the company and the Carel Industries Group

2020 was characterised by the global spread of the coronavirus Covid-19. The pandemic and, specifically, the lockdown policies imposed by various governments have had far reaching repercussions in many sectors of the global economy, including those in which the group is active. Nevertheless, thanks to the diversification of its products and its presence on a number of niche markets, the group managed to recoup the decrease in revenue incurred in the first half of the year by focusing on commercial actions in the segments least affected by the fallout of the pandemic.

The spread of the virus had a different impact, in terms of timing and significance, on the group's various production sites and companies, most of all affecting operations in the first half of the year; specifically:

- in February, the production site in China had to shut down for about one week; moreover, following the restrictions imposed by the Chinese authorities, which drastically limited freedom of movement, full production efficiency was only restored towards the end of March. In response to the production slowdown, the group promptly transferred part of the production scheduled for the period to other sites. In April and May, while the pandemic worsened in other continents, particularly in Europe, the site returned to full production capacity, internally saturating production lines to keep up with the demand for products, including outside Asia. Lastly, new production lines were set up and production continued as usual for the entire second half of the year in order to offset the production slowdown in Italy;
- the Italian production sites in Brugine (PD) and Rescaldina (MI) had to shut down production following the lockdown imposed by the Italian government. The Brugine production site remained closed for approximately two weeks, after which, production resumed solely for products classified as essential supplies, as set out by the authorities. Therefore, for the whole of April, production capacity was limited and some production was transferred to the Croatian site. From May, the production capacity at the Brugine (PD) site was saturated. The Rescaldina (MI) site was able to maintain a production capacity of approximately 30% during lockdown thanks to the products classified as essential by the existing legislation. From May, this site also restored operations, with a production capacity in line with that originally planned;
- the Brazilian production site did not experience significant shut-downs, although its production capacity is limited due to the ongoing diffusion of the pandemic throughout the whole of South America and the restrictions introduced at the site to curb the spread of the virus;
- the American and German production sites continued to operate during the first six months of the year;
- to offset these production slowdowns and to meet the rise in demand especially in the second half of the year, the Croatian site increased its production capacity by changing from two eight-hour shifts to three five-hour shifts per week, in compliance with the social distancing regulations imposed by the local government.

At the date of these separate financial statements, all production sites are operational.

With regard to commercial companies, the spread of the pandemic has required extensive use of remote working to allow operations, particularly commercial ones, to continue.

The main impacts of Covid-19 on company and group processes are shown below.

Supply chain and logistics

In the first quarter, certain supplies of raw materials, mainly from China, were delayed due to the extended lockdown in the country. Consequently, the group had to speed up the process which had been under way for a few years, for so-called "double sources", i.e., the approval of a second supplier in addition to the first. Such process mitigates the risk of serious disruptions to procurement processes by creating a regional system also for the supply chain. In fact, at the moment, regional acquisitions make up over 75% of the main production sites' acquisitions.

In tandem with this process, the group is implementing so-called production "mirroring", i.e., duplicating processes and technologies at several production sites in order to guarantee business continuity for the greatest number of products.

From a logistical point of view, the strict restrictions on the movement of people and goods required greater use of air rather than sea transport in order to cut delivery times for both intragroup products and products for end customers. This led to higher transport costs, negatively affecting 2020 compared to the previous year.

Health and safety

As occupational health and safety is a fundamental value for the group, during the Covid-19 emergency, close attention was paid to the management of all work processes at different production sites in order to effectively mitigate the risk of contagion.

To this end, following an organisational, structural and behavioural risk analysis, a series of measures were introduced, anticipating the indications included in the national protocols. At a structural level, for example, wearing protective face masks in work areas, introducing social distancing by rearranging some work stations, using hand sanitisers, sanitising work areas at the end of a shift, sanitising different areas with an atomiser, limiting access and checking everyone's temperature using a thermoscanner and limiting numbers in communal areas became mandatory. Lastly, although the work environment has continuous air intake, additional air circulation was facilitated in all work areas. At an organisational level, remote working was widely used, in-person meetings were limited and all national and international transfers were blocked. Thanks to a communication plan launched at the beginning of the emergency, the foreign commercial companies and production sites were guided by "Golden Rules" to prevent contagion in compliance with the local legislation.

Financial effects, use of support measures

During the year, the company and the group made use of instruments provided by local governments in order to mitigate the effects of a global economic downturn. Such measures mainly comprised non-repayable grants received by the various companies, in accordance with local legislation. However, the impact of such grants on the financial figures was not material either individually or collectively. Group companies were fully eligible to receive this support, which is not subject to other future conditions.

Finally, for an overview of the effects of the pandemic on the company's and group's markets, reference should be made to the directors' report.

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

In December 2018, the company signed an agreement with the relevant regional tax office for the definition of a reduced tax scheme for income derived from the direct use of intangible assets (patent box) covering 2015 and the following four years.

On 15 December 2020, the company signed an integration to the agreement with the relevant regional tax office of December 2018 for the definition of the methods and criteria for calculating the economic contribution for the direct use of intangible assets. The integration provides for the inclusion of patents, software under copyright, company information and know-how in the calculation of the reduced taxation for 2018 and 2019.

As a result, the company filed the IRES and IRAP supplementary tax returns for the 2018-2019 three-year period, recognising a greater amount of €211 thousand as tax assets.

Finally, the application for renewal of the scheme for 2020 and following four years presented in October 2019 is still pending with the relevant regional tax office to date.

Share-based payment arrangements

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

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

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

In 2020, the company recognised an expense of €766 thousand in profit or loss and the same amount was also recognised as an increase in equity. This amount represents the amount attributable to:

- the first cycle of the plan (2018-2020), equal to €307 thousand, whose total fair value amounts to €691 thousand;
- the second cycle of the plan (2019-2021), equal to €411 thousand, whose total fair value amounts to €855 thousand;
- the third cycle of the plan (2020-2022), equal to €48 thousand, whose total fair value amounts to €865 thousand.

Repurchase of treasury shares

On 20 April 2020, the shareholders resolved, inter alia, to authorise the board of directors to repurchase and transfer treasury shares for the purposes of:

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

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

At the reporting date, the company had repurchased 168,209 treasury shares, equal to 0.1682% of its share capital, for a total of €1,765 thousand.

Restatement of financial assets and liabilities as per IFRS 16

In compliance with the IFRIC agenda decision of November 2019 on the provisions of IFRS 16, in addition to the ESMA recommendations, in December, the company deemed it necessary to restate financial assets and liabilities linked to certain leases, specifically those for buildings where the company carries out its production activities. In restating the lease term of such contracts, the company not only assessed the contractual expiry date but also

the enforceable period, i.e., the period in which the lessee and the lessor each had the right to terminate the lease without any penalty or significant costs.
Based on the estimates made and the data available to date, the directors deemed it reasonable to presume that the lease will be renewed. Accordingly, the leases for the Brugine production site were renewed to 2033 (the first and main lease was due to expire in 2021). This modification led to an increase in right-of-use assets and lease liabilities for a total of €12,812 thousand. There was no effect on profit or loss for the year.

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 company's internal reporting system, the business activities from which it earns revenue and incurs expenses and the operating results which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and to assess its performance, the company has not identified individual operating segments but is an operating segment as a whole.

Fees paid to directors, statutory auditors and key management personnel

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

(in Euros)	2020	2019
Directors		
- Remuneration and fees	1,256,378	1,091,553
- Other non-monetary benefits	16,198	16,709
- Fair value of share-based payments	307,989	149,150
Total directors	**1,580,565**	**1,257,412**
Statutory auditors		
- Fixed fees and fees for participation in committees	90,000	90,000
Total statutory auditors	**90,000**	**90,000**
Key management personnel		
- Remuneration and fees	1,170,643	889,660
- Other non-monetary benefits	21,538	22,894
- Fair value of share-based payments	318,357	150,688
- Post-term of office benefits or termination benefits (2)	26,069	-
Total key management personnel	**1,536,607**	**1,063,242**

(2) paid in cash

Information pursuant to article 149-duodecies of Consob Issuers' Regulation

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

(in Euros)	2020	2019
Audit	204,750	194,510
Attestation services	41,000	42,000
Total	**245,750**	**236,510**

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

A list of the subsidies, grants, paid positions and any type of economic benefits received from public administrations and subjects defined as such by Article 1.125 of Law no. 124 of 2017, that the company received in 2020 is set out below: Decree law no. 34/2020, converted into Law no. 77/2020, regarding tax assets to the extent of 60% of costs incurred in 2020 to sanitise work areas and tools and to purchase personal protective equipment (PPE) and other equipment needed to ensure the health and safety of workers and users amounting to €28,297.

Off-statement of financial position commitments and guarantees

At the reporting date, the company has issued sureties of €2,151 thousand, including €132 thousand in favour of subsidiaries.

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

Indirect subsidiaries

A breakdown of the indirect subsidiaries at 31 December 2020 is as follows:

(in Euros)	Registered office	Parent	Currency
Subsidiaries:			
Carel Australia Pty. Ltd	SYDNEY-AU	Carel Electronic (Suzhou) Co Ltd	AUD
Carel ACR Systems India (Pvt) Ltd	MUMBAI-IN	Carel Electronic (Suzhou) Co Ltd Carel France s.a.s.	INR
Carel Controls South Africa (Pty) Ltd	JOHANNESBURG-ZA	Carel Electronic (Suzhou) Co Ltd	ZAR
Carel HVAC&R Korea Ltd	SEOUL-KR	Carel Electronic (Suzhou) Co Ltd	KRW
Carel South East Asia Pte. Ltd.	SINGAPORE-SG	Carel Asia Ltd	SGD
Carel Mexicana S.De.RL	Guerra, Tlalpan-MX	Carel USA Llc	MXN
Carel (Thailand) CO Ltd	BANGKOK-TH	Carel Electronic (Suzhou) Co Ltd Carel Australia Pty. Ltd	THB
Carel Ukraine Llc	Kiev-UA	Alfaco Polska Sp.z.o.o.	UAH
Enersol Inc.	Beloeil (Quebec)-CA	Carel USA Llc	CAD

Related party transactions

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

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

b. the interest rates and conditions applied (income and expense) to the financial transactions between the companies are in line with market conditions.

The table below provides assets, liabilities, revenue and costs related to transactions with related parties performed in 2020.

31.12.2020	Assets and liabilities			
(in Euros)	Loan assets	Trade receivables/ Other assets	Financial liabilities	Trade payables/ Other liabilities
Subsidiaries				
C.R.C S.r.l.	-	117,696	-	43,361
Recuperator S.p.A..	-	38,750	-	2,013

Share capital (foreign currency)	Equity (deficit) (Euros)	Profit (loss) for the year (Euros)	Indirect investment
100	3,312,688	441,974	100.00%
1,665,340	776,492	66,270	99.99% 0.01%
4,000,000	1,255,633	112,713	100.00%
550,500,000	329,399	(20,519)	100.00%
100,000	303,044	72,516	100.00%
12,441,149	708,018	(150,973)	100.00%
10,000,000	1,531,234	26,246	79.994% 0.006%
700,000	(144,943)	(100,649)	100.000%
100	136,916	(206,465)	100.000%

Revenue and costs								
Sale of products	Sale of services	Other revenue	Purchases of goods and materials	Services	Other purchases	Income from equity investments	Financial income	Financial expens
224,037	53,143	6,168	172,474	1,631	-	-	447	-
943	155,000	30,636	500	-	-	-	-	-

31.12.2020 (in Euros)	Assets and liabilities			
	Loan assets	Trade receivables/ Other assets	Financial liabilities	Trade payables/ Other liabilities
Carel U.K. Ltd	-	1,394,281	1,298,799	45,000
Carel France s.a.s.	-	1,204,874	371,262	29,422
Carel Asia Ltd	-	780,675	-	13,946
Carel Sud America Instrumentacao Eletronica Ltda	-	585,251	-	45,482
Carel USA Llc	-	2,096,757	-	15,027
Carel Australia Pty. Ltd	-	-	-	5,120
Carel Deutschland GmbH	-	747,070	2,118,983	13,940
Carel Electronic (Suzhou) Co Ltd	-	2,174,835	-	5,455,811
Carel Controls Iberica S.L.	-	1,281,805	1,596,962	2,068
Carel ACR Systems India (Pvt) Ltd	-	621,301	-	92,003
Carel Controls South Africa (Pty) Ltd	-	1,313	-	967
Carel Rus Llc	-	61,830	-	336,210
Carel Korea Ltd	-	140,664	-	10,312
Carel Nordic AB	-	1,000	-	334,660
Carel Japan Co. Ltd	-	10,907	-	3,038
Carel Mexicana S.De.RL	-	89,319	-	3,810
Carel Middle East DWC Llc	-	72,500	-	120,045
Alfaco Polska Sp.z.o.o.	1,696	1,769,833	-	7,571
Carel Adriatic d.o.o.	-	744,744	6,246,323	6,280,817
HygroMatik GmbH	23	5,710	-	-
Total subsidiaries	**1,719**	**13,941,115**	**11,632,329**	**12,860,623**
Associates				
Arion S.r.l.	160,000	-	-	55,493
Total associates	**160,000**	**-**	**-**	**55,493**
Subsidiaries of parents				
Eurotest Laboratori S.r.l.	-	10,681	-	73,023
Arianna S.p.A.	-	4,575	-	-
Nastrificio Victor S.p.A.	-	-	-	9,221
Panther S.r.l.	-	-	-	1,621
Total subsidiaries of parents	**-**	**15,256**	**-**	**83,865**

Revenue and costs								
Sale of products	Sale of services	Other revenue	Purchases of goods and materials	Services	Other purchases	Income from equity investments	Financial income	Financial expens
7,394,349	162,064	144,478	-	180,317	7,718	832,408	-	4,264
10,573,795	33,468	137,345	1,016	12,532	15,000	-	104	3,531
5,242,332	18,380	3,471	23,274	26,553	-	-	-	-
1,833,886	76,784	-	356,676	115,390	-	-	-	-
7,740,442	240,122	592,340	364,207	210,703	-	356,729	11,790	-
9,930	-	-	-	7,314	108,132	-	-	-
21,370,878	39,423	465,706	28,450	9,132	-	-	-	18,468
5,204,503	364,292	1,171,786	12,708,451	269,434	-	11,723,984	-	-
6,910,779	44,555	18,072	180	-	-	500,000	-	7,176
906,605	337	1,319	2,470	256,065	-	-	-	-
-	5,250	-	-	-	-	-	-	-
149,541	-	-	-	1,643,800	-	326,549	-	-
657,652	59,851	-	7,042	-	-	-	-	-
6,204	2,000	1,863	-	1,306,016	-	250,703	-	-
189,260	45	68	353	-	-	-	-	-
312,744	-	-	-	-	-	-	-	-
1,363	145,000	500	227	549,796	-	-	-	-
5,858,596	8,572	3,184	3,953	12,313	-	553,913	10,651	-
5,729,559	130,000	496,603	22,979,115	122,274	18,113	400,000	1,149	12,980
13,570	15,750	16,274	79,119	4,879	-	-	3,353	1
80,330,968	**1,554,036**	**3,089,813**	**36,727,507**	**4,728,149**	**148,963**	**14,944,286**	**27,494**	**46,420**
394	-	611	1,563,479	23,100	-	-	-	-
394	**-**	**611**	**1,563,479**	**23,100**	**-**	**-**	**-**	**-**
167	34,600	3,172	-	291,459	4,949	-	-	-
-	5,000	-	-	-	-	-	-	-
-	-	-	27,795	-	-	-	-	-
-	-	-	4,523	-	-	-	-	-
167	**39,600**	**3,172**	**32,318**	**291,459**	**4,949**	**-**	**-**	**-**

31.12.2020 (in Euros)	Assets and liabilities			
	Loan assets	Trade receivables/ Other assets	Financial liabilities	Trade payables/ Other liabilities
Related parties				
RN Real Estate S.r.l.	-	3,050	14,385,088	-
Other, minor	-	1,500	-	12,904
Total related parties	**-**	**4,550**	**14,385,088**	**12,904**
TOTAL	**161,719**	**13,960,921**	**26,017,417**	**13,012,885**

Events after the reporting date

The first few months of 2021 were still impacted by the lasting pandemic in many of the company's and group's markets. However, the measures put in place by the company and the group ensured that ordinary production activities could continue at all sites.

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

Revenue and costs								
Sale of products	Sale of services	Other revenue	Purchases of goods and materials	Services	Other purchases	Income from equity investments	Financial income	Financial expens
-	5,000	15,100	-	-	-	-	-	8,539
-	-	2,946	2,952	48,957	-	-	-	-
-	**5,000**	**18,046**	**2,952**	**48,957**	**-**	**-**	**-**	**8,539**
80,331,529	**1,598,636**	**3,111,642**	**38,326,256**	**5,091,665**	**153,912**	**14,944,286**	**27,494**	**54,959**

CAREL

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

Dear shareholders,
Carel Industries S.p.A.'s separate financial statements as at and for the year ended 31 December 2020 show a profit of €20,895,918.

It should be noted that:

- the legal reserve has reached the limit set by article 2430 of the Italian Civil Code;
- unamortised development expenditure at 31 December 2020 amounts to €7,788,058 and, therefore, pursuant to article 2426.5 of the Italian Civil Code, until the amortisation is complete, dividends may only be distributed if there are sufficient available reserves to cover the amount of unamortised costs.

We invite you to approve the separate financial statements and:

- to allocate the profit for the year as follows:
  - as dividends to shareholders equal to €0.12 per each share outstanding at the ex-dividend date, excluding treasury shares. Total dividends are estimated at €11,979,814.92, taking into account the shares outstanding at 4 March 2021 (99,831,791);
  - to pay dividends of €0.12 per share, before tax withholdings, with an ex-dividend date of 23 June 2021, with record date, pursuant to article 83-terdecies of the CFA, of 24 June 2021 and payment date of 25 June 2021;
  - the remainder to the extraordinary reserve;
- reclassify the equity reserve distributable upon realisation as per article 2426.8-bis of the Italian Civil Code of €117,257 to a distributable reserve as the net unrealised exchange rate losses at year end meant that the reasons to set up the equity reserve distributable upon realisation no longer apply.

Chief executive officer

Francesco Nalini

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

1. The undersigned Francesco Nalini, as chief executive officer, and Nicola Biondo, as manager in charge of financial reporting of CAREL Industries S.p.A., also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting policies adopted for the preparation of the separate financial statements at 31 December 2020:

   - are adequate in relation to the company's characteristics and
   - have been effectively applied during the year.

2. There is nothing to report.
3. Moreover, they state that:
   3.1 the separate financial statements at 31 December 2020:
      a. have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council 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.

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

Brugine, 04 March 2021

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


CAREL

Annexes to the Separate Financial Statements

at 31 December 2020

Independent auditors' report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Carel Industries S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

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Impairment of the equity investments Recuperator S.p.A. and Hygromatik Gmbh	
Description of the key audit matter	As disclosed in Note 3, as of 31 December 2020 the item “Equity investments” includes the equity investment in Recuperator S.p.A. and Hygromatik Gmbh, respectively for Euro 22,0 million, net of an impairment loss recognized in the current year and presented in the item “Net impairment losses on financial assets” of the statement of profit and loss, and Euro 57,2 million. As required by IAS 36 “Impairment of assets”, the Directors tested the carrying values for impairment as of 31 December 2020, as they identified potential loss indicators, represented by current and prospective performances lower than initially planned, mainly as a consequence of Covid 19 pandemic. Note 3 presents the main assumptions applied by the Directors in performing the test, together with the indication of the break-even analyses that they prepared for each key input to evaluate the uncertainties. In their disclosure, the Directors explain that the process of performing the impairment test is complex and is based on assumptions related, among others, to the expectations in term of cash flows for the CGU and the determination of appropriate discount rates (WACC) and long-term growth (g-rate). Those estimates depend on factors which may change in time, also as a consequence of the potential impacts of the persistence of Covid 19 pandemic, with possible effects which may be significant on Management’s assessment. We considered the significance of the amount of the equity investments, the subjectivity of the estimates underlying the determination of the cash flows and the key variables of the impairment test. As a result we assessed that the impairment test represents a key audit matter for the audit of the Company’s financial statements.
Audit procedures	As part of our audit, among other things, we performed the following audit procedures, supported by the experts belonging to our network: • understanding of the process and relevant controls designed and implemented by Management related to the process of performing and approving the impairment test; • analysis of the main assumptions adopted to prepare the expectations in terms of cash flows, also using industry data, and obtaining information from Management; • analysis of the actual performance compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process; • analysis of of the reasonableness of the discount rates (WACC) and long-term growth (g-rate); • test of the clerical accuracy of the model used to calculate the value in use for the CGU;

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- test of the accuracy of the determination of the recoverable value resulting from the impairment test and comparison with the carrying amount;
- analysis of the stress test prepared by Management.

Finally we verified the appropriateness and the compliance of the disclosure on the impairment test provided by Management to the requirements of IAS 36.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Carel Industries S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Carel Industries S.p.A. as at 31 December 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Carel Industries S.p.A. as at 31 December 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Carel Industries S.p.A. as at 31 December 2020 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
March 26, 2021

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

Headquarters ITALY

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