INTERIM FINANCIAL REPORT 2021

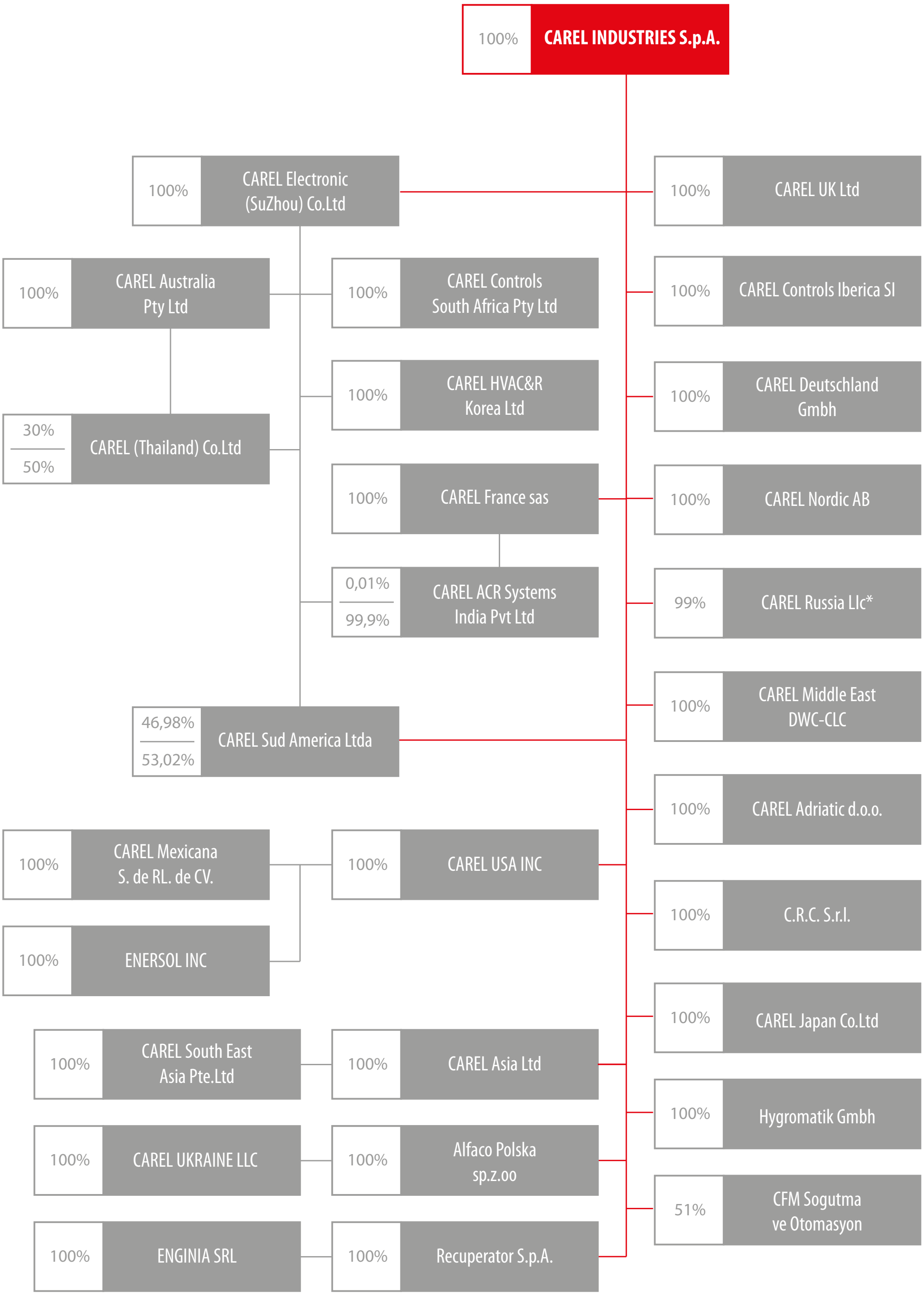
Contents

Corporate bodies

Board of directors	*Chairperson*	*Luigi Rossi Luciani*
	Executive deputy chairperson	*Luigi Nalini*
	Chief executive officer	*Francesco Nalini*
	Executive director	*Carlotta Rossi Luciani*
	Independent director	*Cinzia Donalisio*
	Independent director	*Marina Manna*
	Independent director	*Maria Grazia Filippini*
Board of statutory auditors	*Chairperson*	*Paolo Prandi*
	Standing statutory auditor	*Saverio Bozzolan*
	Standing statutory auditor	*Claudia Civolani*
	Alternate statutory auditor	*Fabio Gallio*
	Alternate statutory auditor	*Alessandra Pederzoli*
Independent auditors		*Deloitte & Touche SpA*
Control and risks committee	*Chairperson*	*Marina Manna*
	Member	*Cinzia Donalisio*
	Member	*Maria Grazia Filippini*
Remuneration committee	*Chairperson*	*Cinzia Donalisio*
	Member	*Marina Manna*
	Member	*Maria Grazia Filippini*
Supervisory body as per Leg. dec. no. 231/2001	*Chairperson*	*Fabio Pinelli*
	Member	*Arianna Giglio*
	Member	*Alessandro Grassetto*

Group structure

The following graph shows the group's structure at 30 June 2021:



*=1% held by Carel France sas


CAREL

Directors' report

at 30 june 2021

Mergers & Acquisitions

In the first half of 2021, the group focused on two important business acquisitions aimed at implementing one of the group's strategic pillars, external growth, aiming to strengthen its core business by acquiring market shares in the reference geographical segments and in complementary applications.

Acquisition of CFM Sogutma ve Otomasyon A.S.

On 31 May 2021, the parent acquired 51% of CFM Sogutma ve Otomasyon A.S. ("CFM"), a Turkish company with registered office in Izmir (Turkey) that is a historical Carel product distributor and partner in the region.

In 2020, CFM generated revenue of approximately €14.5 million and a gross operating profit of approximately €5.0 million; its net financial position was roughly €6.0 million. For more information about the assets acquired and liabilities assumed at the acquisition date, reference should be made to the Consolidation scope section of the notes to the condensed interim consolidated financial statements. The transaction became effective on 31 May 2021 and the amount paid for 51% of the company's share capital amounted to €27.1 million, of which €23.1 million to cover the shares and €3.9 million for 51% of the net liquidity recognised at the acquisition date (net of the effects of the application of IFRS 16). At the date of this report, €3.5 million of the amount paid has been recognised under financial liabilities as its payment is subject to certain events occurring.

Furthermore, under the acquisition agreement, the interest held by the non-controlling investor is subject to mutual put and call options which are stated at their fair value at the acquisition date, calculated using a statistical approach as described in the notes to the condensed interim consolidated financial statements. Such liability amounts to approximately €49 million and is included under other non-current liabilities. Reference should be made to the Consolidation scope section of the notes for further information.

In addition, in accordance with IFRS 3, the purchase price allocation process is currently underway. Reference should be made to the Consolidation scope section of the notes for further information.

At the acquisition date, the acquiree had 25 employees.

CFM contributed revenue of approximately €1.7 million in the first half of 2021.

Acquisition of Enginia S.r.l.

On 23 June 2021, the subsidiary Recuperator S.p.A. acquired a 100% investment in Enginia S.r.l., a company operating in the aeraulic sector in the design, production and marketing of dampers and other plastic and metal components for air handling units, with solutions dedicated to OEM customers.

This transaction is part of the group's strategy to expand the offer of its product portfolio in the HVAC market, consolidating its role as a supplier of complete solutions to manufacturers of air handling units via advanced performance and highly energy efficient solutions.

In 2020, Enginia S.r.l. generated revenue of approximately €12.3 million and a gross operating profit of approximately €1.5 million. For more information about the assets acquired and liabilities assumed at the acquisition date, reference should be made to the Consolidation scope section of the notes. The transaction became effective on 23 June 2021 and the amount paid for the company's entire quota capital amounted to €12.4 million, of which €3.3 million to cover the cash acquired and €1.6 million for the building complex. At the date of this report, €4.6 million of the amount paid has been recognised under financial liabilities as its payment is subject to certain events occurring.

In addition, in accordance with IFRS 3, the purchase price allocation process is currently underway. Reference should be made to the Consolidation scope section of the notes for further information.

At the acquisition date, the acquiree had 46 employees.

Enginia S.r.l. did not contribute to revenue for the first half of 2021 as it was acquired close to the reporting date.

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

The first half of 2021 was blighted by the persisting Covid-19 pandemic in almost all areas of the world where the group operates, though with varying intensity depending on the region. All plants and sales branches were operating during the period and there were no significant disruptions to the supply chain.

Though not directly linked to how the pandemic unfolds, the group is closely monitoring global price trends and availability of certain raw materials used in the different production processes, specifically semiconductors and aluminium. In line with measures adopted in the previous year, it rolled out processes to procure supplies from various sources in order to mitigate the risk of shortages or excessive purchase price fluctuations.

Group performance

Statement of profit or loss

The statement of profit or loss for the first half of 2021 compared with the corresponding period of the previous year is as follows.

(€'000)	First half of 2021	First half of 2020	% First half of 2021	% First half of 2020
Revenue	202,601	160,968		
Other revenue	2,761	1,421	1.4%	0.9%
Costs of raw materials, consumables and goods and changes in inventories	(88,575)	(68,612)	(43.7%)	(42.6%)
Services	(23,420)	(20,956)	(11.6%)	(13.0%)
Capitalised development expenditure	803	990	0.4%	0.6%
Personnel expense	(49,173)	(42,865)	(24.3%)	(26.6%)
Other expense, net	(874)	(73)	(0.4%)	(0.0%)
Amortisation, depreciation and impairment losses	(9,669)	(9,183)	(4.8%)	(5.7%)
OPERATING PROFIT	**34,454**	**21,690**	**17.0%**	**13.5%**
Net financial expense	(1,130)	(716)	(0.6%)	(0.4%)
Net exchange gains (losses)	(255)	33	(0.1%)	0.0%
Share of profit of equity-accounted investees	618	252	0.3%	0.2%
PROFIT BEFORE TAX	**33,688**	**21,259**	**16.6%**	**13.2%**
Income taxes	(6,701)	(4,920)	(3.3%)	(3.1%)
PROFIT FOR THE YEAR	**26,987**	**16,339**	**13.3%**	**10.2%**
Non-controlling interests	145	10	0.1%	0.0%
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**26,843**	**16,329**	**13.2%**	**10.1%**

Consolidated revenue

(€'000)	First half of 2021	First half of 2020	Variation %	FX variation % *
Revenue	202.601	160.968	25,9%	28,0%

The group's revenue for the first half of 2021 soared 25.9% on the corresponding period of 2020 and 21.4% on the corresponding period of 2019, reaching €202,601 thousand (first half of 2020: €160,968 thousand; first half of 2019: €166,904 thousand). Calculated at constant exchange rates, the increase would have been 28.0%. CFM contributed €1,683 thousand to consolidated revenue for the period, while Enginia S.r.l. did not contribute as it was only acquired at the end of June 2021.
The revenue was attributable to both the huge surge in demand, which had already been seen in the final months of 2020, and the group's capacity to grasp new opportunities in a still challenging market situation.

A breakdown of revenue by geographical segment is as follows:

Revenue by geographical segment	First half of 2021	First half of 2020	Variation %	FX variation % *
Europe, Middle East and Africa	146,958	116,849	25.7%	26.2%
APAC	29,764	21,367	39.3%	40.9%
North America	21,497	19,797	9.2%	18.1%
South America	4,382	2,955	48.3%	72.5%
Total	**202,601**	**160,968**	**25.9%**	**28.0%**

* The FX variation % is calculated as the percentage of change at constant exchange rates, i.e., using those at 30 June 2020.

The geographical segments reflect the geographical location of the countries in which the revenue is earned considering the group's marketing strategies.
All geographical segments contributed to the significant growth in consolidated revenue in the first half of 2021, with double-digit increases in EMEA (Europe, Middle East and Africa), APAC and the Americas. The negative impact of exchange rates was particularly significant in the latter region. Indeed, at constant exchange rates, revenue would have risen 18.1% in North America and 72.5% in South America.

A breakdown of revenue by market is as follows:

Revenue by market	First half of 2021	First half of 2020	Variation %	FX variation %
HVAC revenue	129,678	105,002	23.6%	25.6%
REF revenue	70,632	53,837	31.2%	33.4%
Total core revenue	**200,310**	**158,839**	**26.2%**	**28.3%**
Non-core revenue	2,292	2,129	7.6%	7.7%
Total revenue	**202,601**	**160,968**	**25.9%**	**28.0%**

The huge upturn in revenue on the refrigeration market (+31.2% at current exchange rates; +33.4% at constant exchange rates) is a result of the excellent performances in all regions, with double-digit increases on the same period of 2020. Within the refrigeration segment, the food retail sector achieved the best results at both global and local level. The widespread resurgence of investments in opening and renovating the stores of modern distribution

chains and constant product innovation to boost energy efficiency and environmental sustainability allowed the group to seize important commercial opportunities. The food service segment is also experiencing an upswing compared to 2020, though at a slower place globally, with Asia and Eastern Europe accelerating rapidly thanks to the group's acquisition of new market shares.
Revenue in the HVAC market rose 23.6% (+25.6% at constant exchange rates), recording an increase across nearly all geographical segments. Trends in the data centre, heat pump and hospital sectors were very positive once again, while the industrial sector as a whole grew significantly after a fluctuating performance in 2020. In general, the demand for high energy efficiency solutions strengthened and there was growing interest in the indoor air quality area. There was a notable greater penetration of the domestic market in the APAC region.
Non-core revenue came to €2,291 thousand in the first half of 2021 (€2,129 thousand in the first half of 2020), showing an increase of 7.6%.

MAIN FINANCIAL INDICATORS

The main financial indicators for the first half of 2021 compared with the corresponding period of the previous year are set out below.

	First half of 2021	First half of 2020	Variation	Variation %
EBITDA (1)	44,123	30,872	13,250	42.9%
EBITDA % (2)	21.8%	19.2%	n.d.	13.6%
ADJUSTED EBITDA (3)	45,309	30,959	14,349	46.3%
ADJUSTED EBITDA % (4)	22.4%	19.2%	n.d.	16.3%
Profit for the period	26,987	16,339	10,648	65.2%

(1) (1) EBITDA is not identified as an accounting measure under the IFRS, but the group calculates EBITDA as the sum of the profit before tax, the share of profit (loss) of equity-accounted investees, exchange differences, net financial income (expense) and amortisation, depreciation and impairment losses. It uses EBITDA to assess its operating performance.
(2) The EBITDA % is the ratio of EBITDA to revenue.
(3) Adjusted EBITDA is not identified as an accounting measure under the IFRS, but is commonly used by both management and investors to evaluate the operating performance of the company and group. Adjusted EBITDA is EBITDA plus costs taken from the consolidated financial statements prepared in accordance with the IFRS integrated by the notes thereto.
(4) The adjusted EBITDA % is the ratio of adjusted EBITDA to revenue.

The results for the first half of 2021 are substantially comparable with those of the corresponding period of 2020 as the contribution deriving from the consolidation of CFM only relates to June and is not significant either as a percentage or in absolute terms.
The group's EBITDA % for the first half of 2021 was 21.8%, up 13.6% on the corresponding period of the previous year (19.2%). In absolute terms, EBITDA amounted to €44,123 thousand (+42.9% compared to the same period of the previous year).
The rise in EBITDA is mainly due to the operating leverage that reached its full effect with the rising sale volumes partly thanks to management's constant cost monitoring and containment, especially operating costs which dropped as a percentage of revenue despite increasing in absolute terms compared to the corresponding period of the previous year.
Costs of raw materials and goods and changes in inventories rose both in absolute terms and as a percentage of revenue (from 42.6% to 43.7%) mainly as a result of a different product and market mix as well as higher purchase prices for certain raw materials.

Personnel expense increased in absolute terms due to the increase in the number of employees over the past 12 months. As a percentage of revenue, it came to 24.3% (first half of 2020: 26.6%).
Adjusted EBITDA amounted to €45,309 thousand, compared to €30,959 thousand for the first half of 2020.

The adjusted costs chiefly refer to consultancy costs for M&A activities (€1,004 thousand) and the purchase price allocation process for the subsidiary CFM's inventory which led to higher costs of €182 thousand for the period. Such costs are broken down as follows.

	First half of 2021	First half of 2020
Costs of raw materials, consumables and goods and changes in inventories	182	-
Services	1,004	87
Total adjustments	**1,186**	**87**

Amortisation and depreciation amounted to €9,669 thousand (first half of 2020: €9,183 thousand).
Net financial expense amounted to €1,130 thousand (first half of 2020: €716 thousand). The increase is mainly attributable to higher interest expense on leases.

The group tax rate is 20.0%, down from 23.1% at 30 June 2020.
Profit amounted to €26,987 thousand compared to €16,339 thousand in the corresponding period of the previous year, showing an increase of 65.2%.

MAIN STATEMENT OF FINANCIAL POSITION INDICATORS

The main statement of financial position indicators at 30 June 2021 compared with those at 31 December 2020 are set out below:

Statement of financial position (€'000)	30.06.2021	31.12.2020	Variation %
Net non-current assets (5)	227,581	176,413	29.0%
Net working capital (6)	53,479	41,007	30.4%
Defined benefit plans	(8,802)	(8,189)	7.5%
Net invested capital (7)	**272,258**	**209,231**	**30.1%**
Equity	144,173	159,621	(9.7%)
Call options on non-controlling interests	49,146	-	>100%
Net financial debt	78,939	49,610	59.1%
Total	**272,258**	**209,231**	**30.1%**

(5) Net non-current assets is the sum of property, plant and equipment, intangible assets, equity-accounted investments and other non-current assets.
(6) Net working capital is the sum of trade receivables, inventories, tax assets, other assets, deferred tax assets, trade payables, tax liabilities, other current liabilities, deferred tax liabilities and provisions for risks.
(7) Net invested capital is the sum of (i) net non-current assets, (ii) net working capital and (iii) defined benefit plans.

Non-current assets increased by €51,167 thousand on 31 December 2020, mainly due to the two acquisitions made in the second quarter which led to the recognition of a total of €48,573 thousand upon first-time consolidation.

Reference should be made to note 2 for more information on the allocation of gains.
Investments in property, plant and equipment amounted to €5,423 thousand, compared to €2,965 thousand in the first half of 2020. The main investments related to the construction of new production lines at the Croatian and Italian sites. Intangible assets increased by €1,488 thousand (€2,075 thousand in the first half of 2020), net of goodwill and gains on the two acquisitions made in June.

The breakdown of investments by geographical segment, net of right-of-use assets and goodwill, is as follows:

Investments	**First half of 2021**	**First half of 2020**	**Variation**
Europe, Middle East and Africa	5,873	3,972	1,901
APAC	546	706	(160)
North America	441	228	213
South America	51	135	(84)
Total investments	**6,911**	**5,040**	**1,871**

Investments were in line with the group's strategic objectives and were not significantly influenced by the extraordinary policies introduced to manage the Covid-19 emergency.

Net working capital increased from €41,007 thousand at 31 December 2020 to €53,479 thousand at 30 June 2021 (€51,912 at 30 June 2020). Net of the effects of the consolidation of the two companies, CFM and Enginia, this increase was mainly due to trade receivables which rose by €18,229 thousand chiefly due sales volumes, higher inventories (+€8,683 thousand) offset by higher trade payables and tax liabilities (+€11,326 thousand and +€2,780 thousand, respectively). The contribution of the net working capital of CFM and Enginia was a negative €851 thousand mostly as a result of deferred tax liabilities recognised following the allocation of gains upon first-time consolidation. Reference should be made to note 2 for more information on the breakdown of net working capital.

With reference to trade receivables, management closely monitored past due amounts. With respect to collection deadlines, during the period, credit quality did not significantly worsen on the same period of the previous year, as confirmed by the decrease in past due receivables, both as a percentage of the total and in absolute terms.
DSO improved on previous periods and the increase in receivables compared to 31 December 2020 is mainly due to the rise in sales volumes.

The net financial debt amounted to €78,939 thousand, compared to €49,610 thousand at 31 December 2020, as shown below:

(€'000)	30.06.2021	31.12.2020
Non-current financial liabilities	98,709	89,059
Current financial liabilities	41,283	45,492
Non-current lease liabilities	24,865	24,597
Current lease liabilities	3,895	3,588
Cash and cash equivalents	(82,447)	(105,586)
Current financial assets	(7,367)	(7,540)
Net financial debt	**78,939**	**49,610**
Net financial debt (excluding the effects of IFRS 16)	**50,178**	**21,425**
Net bank loans and borrowings	**42,060**	**21,425**

The net financial debt is mainly comprised of:

- current and non-current bank loans and borrowings totalling €130,035 thousand;
- current and non-current loans and borrowings with other financial backers totalling €1,839 thousand;
- current and non-current financial liabilities on acquisitions totalling €8,118 thousand;
- current and non-current lease liabilities totalling €28,761 thousand;
- cash and cash equivalents totalling €82,447 thousand;
- current financial assets chiefly comprised of *time deposits* totalling €7,367 thousand.

During the first half of 2021, the group was able to maintain high levels of liquidity, despite the net outflow of €35.6 million for acquisitions during the period, allowing it to operate without financial tensions and to repay any amounts due in accordance with the contractual deadlines. The group also complied with the financial *covenants* underlying its loan agreements.

All loans bear a fixed rate of less than 1%. For more details, reference should be made to note 14 to the condensed interim consolidated financial statements.

At 30 June 2021, over 60% of cash and cash equivalents and current financial assets were held by Italian group companies and approximately 7% by the Chinese subsidiary. The remaining amount was split between the other group companies.

During the period, dividends of €11,988 thousand were also distributed (30 June 2020: €11,980 thousand).
Reference should be made to the statement of cash flows for more information on changes in such caption.

HUMAN RESOURCES

The workforce increased by 68 employees at 30 June 2021 and is broken down by geographical segment as follows:

	30.06.2021	31.12.2020	Variation
Europe, Middle East and Africa	1,308	1,214	94
APAC	322	339	(17)
North America	140	146	(6)
South America	43	46	(3)
Total workforce	**1,813**	**1,745**	**68**

The growth in the workforce was mainly concentrated in Western Europe, Middle East and Africa, especially following the acquisitions of CFM and Enginia which respectively contributed 28 and 43 employees to the workforce.

MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

Risks connected to general economic conditions

The group's financial position, financial performance and cash flows may be influenced by a number of factors related to the general macroeconomic backdrop, such as changes in GDP, the cost of raw materials and the level of business confidence in the various countries in which the group operates.

Significant macroeconomic events, such as a generalised and significant increase in the price of the main raw materials, a considerable drop in demand in one of the group's main new markets, a lingering uncertainty and volatility on financial and capital markets, a negative interest rate trend and unfavourable exchange rate fluctuations in the group's main currencies, may negatively affect the group's outlook and operations, in addition to its performance figures and financial position.

The circumstances caused by the spread of Covid-19, which are extraordinary in nature and extent, have significant repercussions on global economic activities, generating general uncertainty, whose evolution and related effects cannot be predicted at present. The effects of such macroeconomic context may inevitably also have an impact on the other risks described below.

Risks connected to the performance of the reference market

The markets in which the group operates may be influenced to varying degrees by often unpredictable cyclical expansion and resizing. The ways in which the main customers absorb these fluctuations in demand and reflect them through the entire production chain may have a significant impact on procurement policies and inventories management and, as a result, on working capital needs and the ability to adequately absorb fixed costs.

In the first half of 2021, demand for Carel 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.

Liquidity risk

The group's debt partly bears floating interest rates. 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. When deemed significant, the group agrees hedging instruments to neutralise interest rates fluctuations.

The group still has a high level of liquidity and has had easy access to additional funding, without additional costs, even during the first half of 2021. Therefore, it is not believed that such risk was increased by the pandemic, although the effects of another upsurge cannot be predicted.

Credit risk

The group'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. Each group company has a credit manager in charge of credit collection on sales made in their markets. Coordination between the companies is based on the electronic exchange of information about common customers and the coordination of delivery blocks or the commencement of legal action. The loss allowance is equal to the nominal amount of the uncollectible receivables after deducting the part secured with bank collateral. Impairment losses are recognised considering past due receivables from customers with financial difficulties and receivables for which legal action has commenced. The group mainly deals with well-known and reputable customers. Its policy is to constantly monitor those customers that request payment extensions.

As already mentioned, the group has not recorded significant changes in credit management and related risks caused by the Covid-19 pandemic.

Risks related to the supply chain

Inadequate management of the group's strategic suppliers with reference to quality controls, delivery times and requested production flexibility would result in the risk of potential operating inefficiencies and inability to satisfy customers' needs.

In order to tackle this risk, Carel subjects its suppliers to an initial evaluation, followed by regular subsequent evaluations, particularly strategic suppliers. This evaluation measures their suitability in terms of technological and production capacity, overall quality of processes and products, ISO standards quality certifications, business and financial situation and compliance with standards of ethical behaviour.

Outlook

Global demand continued to resurge in the second quarter of the year thanks mostly to the effects of the Covid-19 vaccination campaign. However, the spread of new, more contagious variants of the virus has plunged the future into great uncertainty once again, with a possible return to lockdown in many regions.

The widespread shortage of raw materials, especially electronic materials, is partly linked to the acceleration in global demand. It is still impossible to predict the severity, duration and consequences of such shortage in the medium term. However, its impact on the group will likely become more apparent in the second half of the year and will be partly mitigated by the actions implemented over the past 12 months to further boost the flexibility and resilience of production.


CAREL

Condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 and notes thereto

Statement of financial position

(€'000)	Note	30.06.2021	31.12.2020
Property, plant and equipment	1	78,274	74,880
Intangible assets	2	136,298	89,498
Equity-accounted investments	3	1,365	724
Other non-current assets	4	11,644	11,311
Deferred tax assets	5	5,126	5,265
Non-current assets		**232,706**	**181,678**
Trade receivables	6	80,496	57,728
Inventories	7	67,242	52,012
Current tax assets	8	2,206	2,156
Other current assets	9	8,301	7,445
Current financial assets	10	7,367	7,540
Cash and cash equivalents	11	82,447	105,586
Current assets		**248,059**	**232,468**
TOTAL ASSETS		**480,765**	**414,145**

Equity attributable to the owners of the parent	12	129,104	159,317
Equity attributable to non-controlling interests	13	15,069	304
Total equity		**144,173**	**159,621**
Non-current financial liabilities	14	123,575	113,657
Provisions for risks	15	2,154	1,292
Defined benefit plans	16	8,802	8,189
Deferred tax liabilities	17	15,761	10,212
Other non-current liabilities	18	49,146	-
Non-current liabilities		**199,437**	**133,350**
Current financial liabilities	14	45,178	49,080
Trade payables	19	58,408	43,234
Current tax liabilities	20	5,771	2,991
Provisions for risks	15	2,126	2,104
Other current liabilities	21	25,672	23,766
Current liabilities		**137,154**	**121,175**
TOTAL LIABILITIES AND EQUITY		**480,765**	**414,145**

Statement of profit or loss

(€'000)	Note	First half of 2021	First half of 2020
Revenue	22	202,601	160,968
Other revenue	23	2,761	1,421
Costs of raw materials, consumables and goods and changes in inventories	24	(88,575)	(68,612)
Services	25	(23,420)	(20,956)
Capitalised development expenditure	26	803	990
Personnel expense	27	(49,173)	(42,865)
Other expense, net	28	(874)	(73)
Amortisation, depreciation and impairment losses	29	(9,669)	(9,183)
OPERATING PROFIT		**34,454**	**21,690**
Net financial expense	30	(1,130)	(716)
Net exchange gains (losses)	31	(255)	33
Share of profit of equity-accounted investees	32	618	252
PROFIT BEFORE TAX		**33,688**	**21,259**
Income taxes	33	(6,701)	(4,920)
PROFIT FOR THE YEAR		**26,987**	**16,339**
Non-controlling interests		145	10
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**26,843**	**16,329**

Statement of comprehensive income

(€'000)	Note	First half of 2021	First half of 2020
Profit for the year		**26,987**	**16,339**
Items that may be subsequently reclassified to profit or loss:			
- Fair value gains (losses) on hedging derivatives net of the tax effect		131	(28)
- Exchange differences		3,457	(3,696)
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial gains (losses) on employee benefits net of the tax effect		142	(14)
Comprehensive income		**30,717**	**12,599**
attributable to:			
- Owners of the parent		30,442	12,603
- Non-controlling interests		276	(2)
Earnings per share			
Earnings per share (in Euros)	12	0.27	0.16

Statement of cash flows

(€'000)	Note	First half of 2021	First half of 2020
Profit for the period		26,987	16,339
Adjustments for:			
Amortisation, depreciation and impairment losses	29	9,669	9,183
Accruals to/utilisations of provisions		1,441	950
Non-monetary net financial (income) expense		(986)	586
Income taxes		(308)	(696)
Gains on the sale of non-current assets		(367)	-
Changes in working capital:			
Change in trade receivables and other current assets		(17,909)	(5,942)
Change in inventories	7	(7,844)	(6,938)
Change in trade payables and other current liabilities		13,044	4,746
Change in non-current assets		(152)	(226)
Change in non-current liabilities		(75)	25
Cash flows from operating activities		**23,501**	**18,026**
Net interest paid		(1,033)	(943)
Net cash flows from operating activities		**22,468**	**17,083**
Investments in property, plant and equipment	1	(5,423)	(2,965)
Investments in intangible assets	2	(1,488)	(2,075)
Disinvestments of financial assets	10	4,390	-
Disinvestments of property, plant and equipment and intangible assets		715	94
Interest collected		38	145
Business combinations net of cash acquired	2	(29,563)	-
Cash flows used in investing activities		**(31,332)**	**(4,801)**
Disposals (acquisitions) of non-controlling interests		-	-
Repurchase of treasury shares		-	(958)
Dividend distributions	12	(11,988)	(11,980)
Increase in financial liabilities	14	26,000	38,592
Decrease in financial liabilities	14	(26,824)	(16,675)
Decrease in lease liabilities	14	(2,312)	(2,105)
Cash flows from (used in) financing activities		**(15,124)**	**6,875**
Change in cash and cash equivalents		**(23,988)**	**19,157**
Cash and cash equivalents - opening balance		**105,586**	**62,798**
Exchange differences		848	(1,042)
Cash and cash equivalents - closing balance		**82.447**	**80,913**

Statement of changes in equity

	Share capital	Legal reserve	Translation reserve	Hedging reserve
Balance at 01.01.2020	**10,000**	**2,000**	**3,557**	**(363)**
Owner transactions				
Allocation of prior year profit	-	-	-	-
Defined benefit plans	-	-	-	-
Repurchase of treasury shares	-	-	-	-
Dividend distributions	-	-	-	-
Total owner transactions	**10,000**	**2,000**	**3,557**	**(363)**
Profit for the period				
Other comprehensive expense	-	-	(3,684)	(28)
Comprehensive income	**-**	**-**	**(3,684)**	**(28)**
Balance at 30.06.2020	**10,000**	**2,000**	**(127)**	**(391)**
Balance at 1.01.2021	**10,000**	**2,000**	**(2,686)**	**(436)**
Owner transactions				
Allocation of prior year profit	-	-	-	-
Capital increases	-	-	-	-
Defined benefit plans	-	-	-	-
Repurchase of treasury shares	-	-	-	-
Dividend distributions	-	-	-	-
Call options on non-controlling interests				
Change in consolidation scope	-	-	-	-
Total owner transactions	**10,000**	**2,000**	**(2,686)**	**(436)**
Profit for the period				
Other comprehensive income	-	-	3,326	131
Comprehensive income	**-**	**-**	**3,326**	**131**
Balance at 30.06.2021	**10,000**	**2,000**	**640**	**(305)**

Other reserves	Retained earnings	Profit for the year	Equity	Equity att. to non-controlling interests	Total equity
46,166	**46,487**	**35,019**	**142,868**	**353**	**143,220**
22,711	12,308	(35,019)	0.104	-	0
359	-	-	359	-	359
(958)	-	-	(958)	-	(958)
(11,980)	-	-	(11,980)	-	(11,980)
56,298	**58,795**	**-**	**130,289**	**353**	**130,641**
		16,329	16,329	10	16,339
(14)			(3,726)	(12)	(3,738)
(14)	**-**	**16,329**	**12,603**	**(2)**	**12,601**
56,285	**58,795**	**16,329**	**142,892**	**350**	**143,242**
56,530	**58,795**	**35,112**	**159,317**	**304**	**159,621**
20,896	14,216	(35,112)	-	-	-
-	-	-	-	-	-
409	-	-	409	-	409
-	-	-	-	-	-
(11,988)		-	(11,988)	-	(11,988)
(49,075)			(49,075)		(49,075)
	-	-	-	14,490	14,490
16,772	**73,011**	**-**	**98,663**	**14,794**	**113,457**
		26,843	26,843	145	26,987
142	-	-	3,599	131	3,730
142	**-**	**26,843**	**30,442**	**276**	**30,717**
16,915	**73,011**	**26,843**	**129,104**	**15,069**	**144,173**

Notes to the condensed interim consolidated financial statements

Content and format of the condensed interim consolidated financial statements

Carel Industries S.p.A. (the "parent") heads the group of the same name and has its registered office in Via Dell'Industria 11, Brugine (PD). It is a company limited by shares and its tax code and VAT number is 04359090281. It is included in the Padua company register.
The group provides control instruments to the air-conditioning (HVAC), commercial and industrial refrigeration (REF) markets and also produces air humidification systems. It has 11 production sites and 21 commercial branches which serve all the main markets.
The IFRS condensed interim consolidated financial statements at 30 June 2021 refer to the period from 1 January 2021 to 30 June 2021.
The Carel Group adopted the IFRS endorsed by the European Union for the first time on 1 January 2015.
The parent's board of directors approved the condensed interim consolidated financial statements at 30 June 2021 on 4 August 2021.
The condensed interim consolidated financial statements include the results of the parent and its subsidiaries, based on their updated accounting records.

Statement of compliance and basis of preparation

The condensed interim consolidated financial statements at 30 June 2021 have been prepared in compliance with IAS 34 Interim financial reporting issued by the International Accounting Standard Board (IASB). Pursuant to IAS 34, these notes have been prepared in a condensed format and do not include all the disclosures required for annual financial statements. They solely provide information about those captions that, due to their size, content or changes therein during the period, are key to an understanding of the group's financial position, performance and cash flows. Therefore, these condensed interim consolidated financial statements shall be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2020. The condensed interim consolidated financial statements include the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes, which are an integral part thereof.
The condensed interim consolidated financial statements were prepared in thousands of Euro, which is the group's functional and presentation currency. There may be rounding differences when items are added together as the individual items are calculated in Euros.
The condensed interim consolidated financial statements have been prepared on a going concern basis, considering the group's financial soundness, performance for the period and outlook, in addition to its available resources,

which are sufficient to cover any contractual commitments and strategies needs.
Preparation of condensed interim consolidated financial statements under the IFRS requires management to make judgements and estimates that affect the amounts presented therein and in the notes. Actual results may differ from these judgements. As described in their report, the directors have not identified any factors related to the Covid-19 pandemic that have generated uncertainties such to significantly influence the judgements and estimates included in the financial statements. Therefore, the description of the main areas requiring estimates and assumptions provided in the consolidated financial statements at 31 December 2020, to which reference should be made, remains valid.
Management has not identified any indicators of potential impairment losses affecting net invested capital based on the financial performance for the first half of the year and stock market prices, which provide a useful benchmark to test the group's assets, and which remained significantly higher than their carrying amounts. Therefore, no impairment test was carried out at 30 June 2021.

Consolidation scope

The condensed interim consolidated financial statements include the financial statements at 30 June 2021 of the parent, Carel Industries S.p.A., and its Italian and foreign subsidiaries.
Subsidiaries are those entities over which the parent has control, as defined in IFRS 10 Consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are consolidated starting from the date when control exists until when it ceases to exist.
Note [34] "Other information" lists the entities included in the consolidation scope at 30 June 2021.
CFM Sogutma ve Otomasyon and Enginia S.r.l. entered into the consolidation scope during the period.
Information on the two acquisitions is provided below.

Information on the acquisition of CFM Sogutma ve Otomasyon

On 31 May 2021, the Carel Industries Group acquired 51% of CFM Sogutma ve Otomasyon for €27,174 thousand, of which €3,500 thousand has been recognised as a non-current financial liability as per the acquisition agreement. The latter amount will be paid in instalments when certain contractually-agreed events occur. As meeting these conditions is deemed probable, management considers such amount an adjustment of the consideration paid at the acquisition date.
Furthermore, under the acquisition agreement, the interest held by the non-controlling investor is subject to mutual put and call options. Specifically, the non-controlling investor's put option can be exercised within 30 days of the approval of the company's financial statements for each year from 2024 to 2026 on all of the company's remaining shares (i.e., 49%) at an amount calculated using a specific multiple applicable to the company's average gross operating profit over the three years prior to the year when the put option is exercised and adjusted to take into consideration the company's net financial position. The group can exercise the call option any time after the put option expires and up to 31 December 2027. The option

includes bonuses if the company's performance exceeds expectations.

The call option is stated at its fair value at the acquisition date. The directors engaged an independent expert to determine such fair value by estimating the most probable scenario in which the option would be exercised, based on a high number of possible gross operating profit and equity value amounts based respectively on the Bachelier and Black&Scholes frameworks. The present value of the liability is equal to the sum of the following amounts:

- the present value of the liability as per the 2021-2026 business *plan* approved by the parties during the acquisition, in the *most likely* scenario;
- the present value of the option component implicit in the exercise price, assuming that the option will be exercised in the *most likely* scenario.

The liability was discounted at 1.84% to approximate the cost of the group's liability. It is measured at each subsequent reporting date with any fair value gains or losses taken to profit or loss.

Given that the risks and rewards on the residual 49% remain attributable to non-controlling interests, the liability at the acquisition date reduced the equity attributable to the owners of the parent. The respective portions of gains and losses for the year are regularly allocated to the non-controlling interest.

The Carel Industries Group acquired control on 1 June 2021 and thus has included the investee in the consolidation scope since such date.

As the assets acquired and liabilities assumed constitute a business, the transaction is considered a business combination in accordance with IFRS 3. The group allocated the transaction consideration to the assets acquired and liabilities assumed on a provisional basis, as all of the definitive information required to finalise the calculation of the acquisition price and the amount of assets acquired and liabilities assumed was not available. The definitive allocation of the acquisition price will be made within 12 months of the acquisition.

The assets acquired and liabilities assumed are detailed below:

CFM Sogutma Otomasyon	Statement of financial position at the acquisition date	Allocation	Fair value of acquired assets
Property, plant and equipment	409	-	409
Intangible assets	10	24,125	24,135
Other non-current assets	58	-	58
Deferred tax assets	26	-	26
Non-current assets	**503**	**24,125**	**24,628**
Trade receivables	1,216	-	1,216
Inventories	3,545	1,277	4,822
Current tax assets	397	-	397
Other assets	60	-	60
Current financial assets	3,892	-	3,892
Cash and cash equivalents	3,561	-	3,561
Current assets	**12,671**	**1,277**	**13,948**
TOTAL ASSETS	**13,174**	**25,402**	**38,576**

CFM Sogutma Otomasyon	Statement of financial position at the acquisition date	Allocation	Fair value of acquired assets
Non-current financial liabilities	(340)	-	(340)
Provisions for risks	(719)	-	(719)
Deferred tax liabilities	-	(5,843)	(5,843)
Non-current liabilities	**(1,059)**	**(5,843)**	**(6,902)**
Current financial liabilities	(37)	-	(37)
Trade payables	(720)	-	(720)
Tax liabilities	(722)	-	(722)
Provisions for risks	(234)	-	(234)
Other current liabilities	(391)	-	(391)
Current liabilities	**(2,104)**	**-**	**(2,104)**
TOTAL LIABILITIES	**(3,163)**	**(5,843)**	**(9,006)**

When allocating the acquisition price, the group recognised €24,125 thousand attributable to customer lists, in addition to the relevant deferred tax. €12,093 thousand of the difference between the consideration paid, the assets acquired and the liabilities assumed was provisionally allocated to goodwill, calculated using the proportional method.
The group acquired control of the company on the acquisition date (1 June 2021) and thus has included it in the consolidation scope since such date. The acquired business contributed net sales of €1,683 thousand.

Information on the acquisition of Enginia S.r.l.
On 23 June 2021, the subsidiary Recuperator S.p.A. acquired the entire quota capital of Enginia S.r.l. for a cash consideration of €17,404 thousand, of which €12.4 million for the entire quota capital, €3.3 million to cover the cash acquired and €1.6 million for the building complex. €4,618 thousand of the consideration has been recognised as a financial liability as per the acquisition agreement. The latter amount will be paid in instalments when certain contractually-agreed events occur. As meeting these conditions is deemed probable, management considers such amount an adjustment of the consideration paid at the acquisition date.
Since such date, the Carel Industries Group has had control over the company and has included it in the consolidation scope. The company has prepared its financial statements at 30 June 2021 as the effects on the financial position and performance between the acquisition date and 30 June 2021 are considered immaterial.
As the assets acquired and liabilities assumed constitute a business, the transaction is considered a business combination in accordance with IFRS 3. The group allocated the transaction consideration to the assets acquired and liabilities assumed on a provisional basis, as all of the definitive information required to finalise the calculation of the acquisition price and the amount of assets acquired and liabilities assumed was not available. €12,355 thousand of the difference between the consideration paid, the assets acquired and the liabilities assumed was provisionally allocated to goodwill. The definitive allocation of the acquisition price will be made within 12 months of the acquisition.

The assets acquired and liabilities assumed are detailed below:

Enginia S.r.l.	Statement of financial position at the acquisition date	Allocation	Fair value of acquired assets
Property, plant and equipment	2,774		2,774
Intangible assets	42	-	42
Non-current assets	**2,815**	**-**	**2,815**
Trade receivables	3,323	-	3,323
Inventories	1,439	285	1,724
Other assets	127	-	127
Current financial assets	324	-	324
Cash and cash equivalents	3,336	-	3,336
Current assets	**8,548**	**285**	**8,833**
TOTAL ASSETS	**11,364**	**285**	**11,649**
Non-current financial liabilities	(1,466)	-	(1,466)
Provisions for risks	(35)	-	(35)
Defined benefit plans	(899)	-	(899)
Deferred tax liabilities	-	(80)	(80)
Non-current liabilities	**(2,400)**	**(80)**	**(2,480)**
Current financial liabilities	(316)	-	(316)
Trade payables	(3,127)	-	(3,127)
Tax liabilities	(347)	-	(347)
Other current liabilities	(329)	-	(329)
Current liabilities	**(4,119)**	**-**	**(4,119)**
TOTAL LIABILITIES	**(6,520)**	**(80)**	**(6,599)**

Basis of consolidation

The condensed interim consolidated financial statements at 30 June 2021 include the financial statements of Carel Industries S.p.A. and the Italian and foreign entities over which it has direct or indirect control. Specifically, the consolidation scope includes:

- the subsidiaries, over which the parent has control as defined by IFRS 10 Consolidated financial statements; these entities are consolidated on a line-by-line basis;
- the associates, over which the parent has the power to exercise significant influence over their financial and operating policies despite not having control; investments in these entities are measured using the equity method.

The parent adopted the following consolidation criteria:

- assets, liabilities, revenue and expenses of the consolidated entities are consolidated using the line-by-line approach where the carrying amount of the parent's investments therein is eliminated against its share of the investee's equity. Any differences are treated in accordance with IFRS 10 Consolidated financial statements and IFRS 3 Business combinations. The portions attributable to non-controlling interests are recognised at the fair value of the assets acquired and liabilities assumed without recognising goodwill;
- the group companies are excluded from the consolidation scope when control thereover ceases to exist and any effects of exclusion are recognised as owner transactions in equity;
- intragroup receivables and payables, revenue and expenses and all significant transactions are eliminated, including intragroup dividends. Unrealised profits and gains and losses on intragroup transactions are also eliminated;
- equity attributable to non-controlling interests is presented separately under equity; their share of the profit or loss for the period is recognised in the statement of profit or loss;
- the financial statements of the consolidated foreign entities using a functional currency other than the Euro are translated into Euros using the average exchange rate for the six months for the statement of profit or loss captions and the closing rate for the statement of financial position captions. Any differences between these exchange rates or due to changes in the exchange rates at the start and end of the period are recognised under equity.

Accounting policies

In preparing these condensed interim consolidated financial statements, the group applied the same accounting policies as those adopted in drafting the consolidated financial statements at 31 December 2020, to which reference should be made, with the exception of that set out in the following paragraph with regard to new standards.

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2021

The group applied the following standards, amendments and interpretations for the first time starting from 1 January 2021:

- 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 who apply this exemption can account for such rent concessions directly in profit or loss at the effective date of the concession. This amendment is applicable to annual periods beginning on or after 1 June 2020. The adoption of this amendment did not affect the group's condensed interim consolidated financial statements.
- 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*.

  All of these amendments become effective on 1 January 2021. The adoption of these amendments did not affect the group's condensed interim consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION BUT NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE GROUP AT 30 JUNE 2021

- 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 the revised 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 group's consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EU

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

- On 18 May 2017, the IASB published IFRS 17 Insurance contracts, which will supersede IFRS 4 *Insurance contracts*.
- On 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 group's consolidated financial statements.
- On 12 February 2021, the IASB published "***Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2 and Definition of Accounting Estimates—Amendments to IAS 8***". The amendments improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements and help companies distinguish changes in accounting estimates from changes in accounting policies. These amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The directors do not expect these amendments to significantly affect the group's consolidated financial statements.
- On 31 March 2021, the IASB published "***Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)***" that extends, by one year, the 2020 amendment to IFRS 16 that provides lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. The amendment will be effective for annual reporting periods beginning on or after 1 April 2021, with early application permitted. The directors do not expect these amendments to significantly affect the group's consolidated financial statements.
- On 7 May 2021, the IASB published "***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". that clarifies how companies account for deferred tax on transactions that can give rise to equal amounts of assets and liabilities such as leases and decommissioning obligations. The amendment will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The directors do not expect these amendments to significantly affect the group's consolidated financial statements.

Translation of foreign currency financial statements and transactions

The main exchange rates (against €1) used to translate the foreign currency financial statements at 30 June 2021, 31 December 2020 and 30 June 2020 are set out below:

	Average rate		Closing rate	
	First half of 2020	**First half of 2021**	**31.12.2020**	**30.06.2021**
Pound sterling	0.875	0.868	0.899	0.858
Hong Kong dollar	8.553	9.355	9.514	9.229
Brazilian real	5.410	6.490	6.374	5.905
US dollar	1.102	1.205	1.227	1.188
Australian dollar	1.678	1.563	1.590	1.585
Chinese renminbi (yuan)	7.751	7.796	8.023	7.674
Indian rupee	81.705	88.413	89.661	88.324
South African rand	18.311	17.524	18.022	17.011
Russian ruble	76.669	89.550	91.467	86.773
South Korean won	1,329.530	1,347.540	1,336.000	1,341.410
Mexican peso	23.843	24.327	24.416	23.578
Swedish krona	10.660	10.131	10.034	10.111
Japanese yen	119.267	129.868	126.490	131.430
Polish zloty	4.412	4.537	4.560	4.520
Thai baht	34.824	37.153	36.727	38.118
Croatian kuna	7.534	7.550	7.552	7.491
UAE dirham	4.047	4.427	4.507	4.364
Singapore dollar	1.541	1.606	1.622	1.598
Norwegian krone	10.732	10.176	10.470	10.172
Swiss franc	1.064	1.095	1.080	1.098
Ukrainian hryvnia	28.625	33.459	34.769	32.362
Canadian dollar	1.503	1.503	1.563	1.472
Turkish lira	-	10.382	-	10.321

Notes to the statement of financial position

[1] PROPERTY, PLANT AND EQUIPMENT

At 30 June 2021, property, plant and equipment amounted to €78,274 thousand compared to €74,880 thousand at 31 December 2020. The following table provides a breakdown of the caption and the changes of the period.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Balance at 31 December 2020	**44,441**	**15,385**	**8,572**	**5,499**	**984**	**74,880**
- Historical cost	42,204	35,770	42,504	18,118	984	139,580
- Accumulated depreciation	2,237	(20,385)	(33,932)	(12,619)	-	(64,700)
Changes in 2021						
- Investments	349	877	892	427	2,878	5,423
- Investments in right-of-use assets	501	-	-	335		836
- Business combinations (historical cost)	312	1,789	34	349		2,484
- Business combinations (right-of-use assets)	2,031	-	304	32		2,367
- Reclassifications (historical cost)	5	284	373	18	(680)	-
- Sales (historical cost)	(527)	(412)	(135)	(375)	(6)	(1,455)
- Sales - Right-of-use assets (historical cost)	(13)	-	-	(68)	-	(82)
- Exchange differences on historical cost	585	371	344	125	18	1,442
- Exchange differences on accumulated depreciation	(57)	(165)	(214)	(78)	-	(514)
- Exchange differences on right-of-use assets	80	-	-	10	-	90
- Depreciation	(329)	(1,362)	(1,621)	(684)	-	(3,997)
- Depreciation of right-of-use assets	(1,739)	-	(82)	(383)	-	(2,205)
- Business combinations (accumulated depreciation)	(266)	(1,093)	(36)	(272)	-	(1,668)
- Reclassifications (accumulated depreciation)	(11)	-	-	-	-	(11)
- Restatement of right-of-use assets	(555)	-	-	45	-	(510)
- Sales (accumulated depreciation)	292	356	135	329	-	1,111
- Sales - Right-of-use assets (accumulated depreciation)	13	-	-	68	-	82
Total changes	**670**	**645**	**(8)**	**(124)**	**2,211**	**3,394**
Balance at 30 June 2021	**45,111**	**16,030**	**8,564**	**5,374**	**3,194**	**78,274**

including:	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
- Historical cost	45,527	38,679	44,315	18,970	3,195	150,685
- Accumulated depreciation	(416)	(22,649)	(35,751)	(13,595)	-	(72,411)

Investments in the first half of 2021 were concentrated at the parent and the Croatian site for industrial equipment related to new production lines.
Business combinations refer to the consolidation of CFM and Enginia for a total of €816 thousand, net of the relevant depreciation.

Right-of-use assets related to the companies acquired total €2,367 thousand and refer mainly to the buildings in use in Izmir (Turkey) and Trezzo sull'Adda (Milan).

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

[2] INTANGIBLE ASSETS

At 30 June 2021, this caption amounted to €136,298 thousand compared to €89,498 thousand at the end of 2020.
The following table presents changes in these assets:

	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
Balance at 31 December 2020	**4,948**	**10,384**	**49,040**	**21,188**	**3,939**	**89,498**
- Historical cost	23,983	26,135	49,040	25,861	3,939	128,958
- Accumulated amortisation	(19,035)	(15,751)	-	(4,673)	-	(39,460)
Changes in 2021						
- Investments	161	666	-	-	661	1,488
- Reclassifications	2,002	299	-	-	(2,300)	-
- Business combinations (historical cost)		57	24,448	24,125	20	48,650
- Sales (historical cost)	-	-	-	-	(5)	(5)
- Exchange differences on historical cost	23	18	91	6	16	153
- Exchange differences on accumulated amortisation	(3)	(13)	-	(2)	-	(17)
- Amortisation	(900)	(1,426)	-	(1,129)	-	(3,456)
- Business combinations (accumulated amortisation)	-	(26)	-	-	-	(26)
- Reclassifications (accumulated amortisation)	-	11	-	-	-	11
Total changes	**1,283**	**(415)**	**24,539**	**23,000**	**(1,607)**	**46,799**

	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
Balance at 30 June 2021	**6,231**	**9,969**	**73,579**	**44,188**	**2,332**	**136,298**
including:						
- Historical cost	26,169	27,174	73,579	49,992	2,332	179,245
- Accumulated amortisation	(19,938)	(17,205)	-	(5,804)	-	(42,947)

Investments amounted to €1,488 thousand. They were mainly concentrated at the parent and were related to the capitalisation of software and development projects, some of which are completed and others are under way.
As a result of the acquisitions made, the group recognised intangible assets, chiefly *customer lists*, and goodwill for a total of €48,573 thousand.
Amortisation amounted to €3,456 thousand, of which €1,631 thousand refers to the allocation of the gain generated by the first-time consolidation of the companies acquired.
The goodwill considered material is shown separately in the next table, while the other goodwill balances allocated to the other CGUs are both individually and collectively immaterial and are recognised as Other goodwill.

Goodwill	30.06.2021	Increase	Change in translation reserve	31.12.2020
HygroMatik GmbH	38,499	-	-	38,499
Recuperator S.p.A.	6,326	-	-	6,326
Carel Thailand CO Ltd	2,095	-	91	2,004
Enersol Inc.	1,449	-	-	1,449
CFM Sogutma	12,093	12,093	-	-
Enginia S.r.l.	12,355	12,355	-	-
Other goodwill	763	-	-	763
Total	**73,579**	**24,448**	**91**	**49,041**

Impairment test

With regard to the goodwill recognised in these condensed interim consolidated financial statements, the directors did not detect any trigger events that would require testing the recoverability of such goodwill, specifically with regard to the Recuperator and Hygromatik CGUs.
Indeed, the performances of both CGUs at the reporting date were in line with the business plans drafted in December 2020 and used in the impairment test. At the present date and based on the information currently available, the directors believe that the forecasts used in preparing the respective business plans still represent the most probable scenario.
Therefore, there was no indication of impairment of goodwill at 30 June 2021.

[3] EQUITY-ACCOUNTED INVESTMENTS

At 30 June 2021, this caption amounted to €1,365 thousand compared to €781 thousand at 31 December 2020. It may be analysed as follows:

Entity	Registered office	Investment %	30.06.2021	Change in translation reserve	Equity-accounting	31.12.2020
Arion S.r.l.	Brescia (IT)	40%	71	-	42	29
Free Polska s.p.z.o.o.	Krakow (PL)	30.43%	1,259	24	576	659
Others			36	-	-	36
Total			**1,365**	**24**	**618**	**724**

In the first half of 2021, the group recognised an impairment gain of €576 thousand on the investment in Free Polska s.p.z.o.o. based on its approved financial statements at 31 December 2020.

[4] OTHER NON-CURRENT ASSETS

At 30 June 2021, these amount to €11,644 thousand, compared to €11,311 thousand at 31 December 2020. A breakdown of the caption is provided below:

	30.06.2021	31.12.2020
Guarantee deposits	478	419
Third parties	182	187
Other assets	10,984	10,705
Total	**11,644**	**11,311**

[5] DEFERRED TAX ASSETS

At 30 June 2021, deferred tax assets amounted to €5,126 thousand compared to €5,265 thousand at 31 December 2020. The group has recognised deferred tax assets and liabilities on temporary differences between the carrying amount of assets and liabilities and their tax base.

CURRENT ASSETS

[6] TRADE RECEIVABLES

At 30 June 2021, this caption amounted to €80,496 thousand compared to €57,728 thousand at 31 December 2020. It may be analysed as follows:

	30.06.2021	31.12.2020
Gross trade receivables	81,842	58,750
Loss allowance	(1,346)	(1,022)
Net trade receivables	**80,496**	**57,728**

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

	30.06.2021	31.12.2020
Europe, Middle East and Africa	62,272	40,342
APAC	11,479	11,594
North America	6,262	4,883
South America	1,828	1,931
Total	**81,842**	**58,750**

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

	30.06.2021		31.12.2020	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not yet due	75,889	(894)	53,284	(278)
Past due < 6 months	5,354	(41)	4,608	(40)
Past due > 6 months	145	(41)	225	(74)
Past due > 12 months	454	(370)	632	(630)
Total	**81,842**	**(1,346)**	**58,750**	**(1,022)**

The group's receivables are not particularly concentrated. It does not have customers that individually account for more than 5% of the total receivables.
The loss allowance comprises management's estimates about credit losses on receivables from end customers and the sales network. It recognises the resulting impairment losses in Other expense, net.

Changes in the allowance are shown in the following table:

	30.06.2021	Accruals	Utilisations	Exchange differences	Change in consolidation scope	31.12.2020
Loss allowance	(1,346)	(285)	58	(9)	(88)	(1,022)

[7] INVENTORIES

At 30 June 2021, this caption amounted to €67,242 thousand compared to €52,012 thousand at 31 December 2020. It may be analysed as follows:

	30.06.2021	31.12.2020
Raw materials	33,864	26,299
Allowance for inventory write-down	(2,265)	(2,067)
Semi-finished products and work in progress	4,800	4,153
Finished goods	34,463	26,893
Allowance for inventory write-down	(3,890)	(3,348)
Payments on account	270	82
Total	**67,242**	**52,012**

The increase in inventories is partly due to higher revenue and partly to the consolidation of the two companies CFM and Enginia which respectively contributed €4,823 thousand and €1,724 thousand.
The group recognised an allowance for obsolete or slow-moving items to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods.
The accrual to the statement of profit or loss was recognised in the caption "Costs of raw materials, consumables and goods and changes in inventories".

[8] CURRENT TAX ASSETS

This caption includes direct tax assets which amounted to €2,206 thousand at 30 June 2021 compared to €2,156 thousand at 31 December 2020.

[9] OTHER CURRENT ASSETS

At 30 June 2021, this caption amounted to €8,301 thousand compared to €7,445 thousand at 31 December 2020. It may be analysed as follows:

	30.06.2021	31.12.2020
Payments on account to suppliers	698	384
Other tax assets	2,621	2,693
VAT assets	1,008	1,550
Prepayments and accrued income	2,436	1,868
Other	1,538	950
Total	**8,301**	**7,445**

Other is mainly comprised of receivables from personnel and social security institutions.

[10] CURRENT FINANCIAL ASSETS

At 30 June 2021, this caption amounted to €7,367 thousand compared to €7,540 thousand at 31 December 2020. It may be analysed as follows:

	30.06.2021	31.12.2020
Derivatives	26	17
Other financial assets	888	21
Deposit accounts	6,453	7,503
Total	**7,367**	**7,540**

Deposit accounts refer to temporary deposits of liquidity, including accrued interest income gross of tax withholdings. Such deposits were agreed as a form of investment of part of the temporary excess liquidity of the parent and the Turkish subsidiary CFM. They do not have an active market and are highly liquid without any additional cost to the group. 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 two acquired companies contributed €4,216 thousand, while the parent's deposit accounts decreased €5,500 thousand during the period.

The derivatives are *forwards* and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. Fair value gains and losses are recognised in profit or loss. More information is available in the paragraph on financial instruments in note 34 Other information.

[11] CASH AND CASH EQUIVALENTS

At 30 June 2021, this caption amounted to €82,447 thousand compared to €105,586 thousand at 31 December 2020. Reference should be made to the statement of cash flows for details of changes in the group's cash and cash equivalents and to the directors' report for the geographical breakdown.

	30.06.2021	31.12.2020
Current accounts and post office deposits	82,381	105,549
Cash	66	38
Total	**82,447**	**105,586**

Current accounts and post office deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to immaterial currency risk.
At 30 June 2021, the group's current account credit balances were not pledged in any way.

EQUITY AND NON-CURRENT LIABILITIES

[12] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The parent's fully paid-up and subscribed share capital consists of 100,000,000 ordinary shares.
Equity may be analysed as follows:

	30.06.2021	31.12.2020
Share capital	10,000	10,000
Legal reserve	2,000	2,000
Translation reserve	640	(2,685)
Hedging reserve	(305)	(436)
Other reserves	16,915	56,530
Retained earnings	73,013	58,795
Profit for the period/year	26,843	35,112
Total	**129,104**	**159,316**

The hedging reserve includes the *fair value* gains and losses on interest rate hedges.
A resolution to distribute a dividend of €0.12 per share, totalling €11,988 thousand was made on 20 April 2021.
As mentioned on the section on changes in equity, the decrease in other reserves was chiefly due to the recognition of call options on non-controlling interests totalling €49,075 thousand. Reference should be made to the Consolidation scope section for further information.
In April 2021, the parent assigned 67,688 treasury shares for a total of €657 thousand, measured using the FIFO method, to complete the first cycle of shares assigned on 1 October 2018 related to the 2018-2020 *performance* period. The carrying amount of treasury shares in portfolio was subsequently reduced, with the reserve for long-term incentive plans set up in previous years also reduced by the same amount as balance. The difference between the accrual to such reserve and the carrying amount of the

assigned shares was taken to the distributable income-related reserves.
The number of treasury shares in portfolio at 30 June 2021 was 100,521.
For the purposes of the *performance share* plan, costs totalling €409 thousand were recognised during the period with a balancing entry in other reserves as the plan is *equity settled*. Earnings per share were calculated by dividing the profit attributable to the owners of the parent by the weighted average number of outstanding ordinary shares. At 30 June 2021, following the above-mentioned repurchase of treasury shares, the weighted average of outstanding ordinary shares was 99,865,635.

The earnings per share were therefore as follows:

	First half of 2021	First half of 2020
Number of shares (in thousands)	99,866	99,870
Profit for the period (in thousands of Euros)	26,662	16,329
Earnings per share (in Euros)	**0.27**	**0.16**

[13] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 30 June 2021, this caption amounted to €15,069 thousand compared to €304 thousand at 31 December 2020 and comprised the non-controlling interest in Carel Thailand Co. Ltd (20%) and in CFM (49%).

	30.06.2021	Profit for the period	Other comprehensive income	Dividends distributed	Change in consolidation scope	31.12.2020
Equity attributable to non-controlling interests	15,069	145	131	-	14,490	304

[14] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

These captions may be analysed as follows:

	30.06.2021	31.12.2020
Bank loans and borrowings at amortised cost	92,429	86,975
Non-current lease liabilities	24,865	24,597
Effective designated derivative hedges	401	578
Other loans and borrowings at amortised cost	1,379	1,506
Other non-current financial liabilities	4,500	0
Non-current financial liabilities	**123,575**	**113,657**

	30.06.2021	31.12.2020
Current portion of bank loans at amortised cost	37,051	44,767
Current lease liabilities	3,895	3,588

	30.06.2021	31.12.2020
Bank borrowings at amortised cost	153	148
Derivatives held for trading at fair value through profit or loss	1	55
Other loans and borrowings at amortised cost	460	523
Other current financial liabilities	3,618	-
Current financial liabilities	**45,178**	**49,080**

The following table shows the main characteristics of the bank loans and other loans and borrowings by maturity at 30 June 2021:

	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Deutschebank	EUR	400	2023	Fixed	88	44	44
Unicredit	EUR	20,000	2023	Fixed	8,888	4,444	4,444
Unicredit	EUR	20,000	2023	Floating	13,333	6,666	6,667
Mediobanca	EUR	25,000	2023	Floating	25,000	-	25,000
Mediobanca	EUR	20,000	2026	Floating	20,000	2,250	17,750
BNP Paribas	EUR	30,000	2023	Floating	17,106	8,600	8,506
BNP Paribas	EUR	20,000	2023	Floating	20,000	-	20,000
BNP Paribas	EUR	10,000	2021	Fixed	10,000	10,000	-
Intesa San Paolo	EUR	10,000	2024	Fixed	7,500	2,437	5,003
Credit Agricole	EUR	10,000	2024	Fixed	7,506	2,491	5,015
'BNP Paribas	USD	80	2021	Floating	69	69	-
Medio Credito Italiano	EUR	200	2022	Floating	50	50	-
Total					**129,540**	**37,051**	**92,429**

	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
MedioCredito Centrale Progetto Horizon 2020	EUR	1,241	2026	Fixed	968	190	778
Other loans					871	270	601
Total					**2,003**	**460**	**1,379**

Other current and non-current financial liabilities include amounts due to the non-controlling investors in CFM and the seller of Enginia regarding the acquisition of the investments, as set out in the acquisition agreements.
Lease liabilities refer to the lease liabilities recognised following the adoption of IFRS 16.

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

30.06.2021	TOTAL	Total cash flows	Within one year	From one to five years	After five years
Bank loans and borrowings at amortised cost	92,429	93,035	-	93,035	-
Non-current lease liabilities	24,865	27,200	-	12,362	14,838
Effective designated derivative hedges	401	401	-	401	-
Other loans and borrowings at amortised cost	1,379	1,397	-	1,397	-
Other non-current financial liabilities	4,500	4,500	-	4,500	-
Non-current financial liabilities	**123,575**	**126,534**	**-**	**111,696**	**14,838**
Current portion of bank loans at amortised cost	37,051	37,543	37,543	-	-
Current lease liabilities	3,895	4,402	4,402		
Bank borrowings at amortised cost	153	155	155	-	-
Other loans and borrowings at amortised cost	460	460	460	-	-
Derivatives held for trading at fair value through profit or loss	1	1	1	-	-
Other current financial liabilities	3,618	3,618	3,618		
Current financial liabilities	**45,178**	**46,179**	**46,179**	**-**	**-**

The following loans require compliance with *covenants*:

- Mediobanca (original loan of €25,000 thousand, outstanding liability at 30 June 2021 of €24,976 thousand): Net financial debt to gross operating profit (loss) ratio < 3.5 and gross operating profit (loss) to net financial expense ratio > 5;
- BNP Paribas (original loan of €20,000 thousand, outstanding liability at 30 June 2021 of €19,984 thousand): Net financial debt to gross operating profit (loss) ratio < 3.5;
- Mediobanca (original loan of €20,000 thousand, outstanding liability at 30 June 2021 of €19,980 thousand): Net financial debt to gross operating profit (loss) ratio < 3.5 and gross operating profit (loss) to net financial expense ratio > 5;

At 30 June 2021, such covenants were complied with.
The derivatives included under current financial liabilities are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. More information is available in the paragraph on financial instruments in note 34 Other information. The effective designated derivative hedges include the fair value of IRS agreed to hedge interest rate risk.

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

	30.06.2021	Net cash flows	Fair value gains or losses	Reclassification	Change in consolidation scope	31.12.2020
Bank loans	37,051	(22,292)	-	14,526	50	44,767
Bank borrowings	153	5	-	-	-	148
Other loans and borrowings	460	(190)	-	127	-	523
Derivatives	1	(55)	1	-	-	55
Current financial liabilities	**37,665**	**(22,532)**	**1**	**14,653**	**50**	**45,492**

	30.06.2021	Net cash flows	Fair value gains or losses	Reclassification	31.12.2020
Bank loans and borrowings at amortised cost	92,429	19,980	-	(14,526)	86,975
Effective designated derivative hedges	401	(578)	401	-	578
Other loans and borrowings at amortised cost	1,379	0	-	(127)	1,506
Non-current financial liabilities	**94,209**	**19,402**	**401**	**(14,653)**	**89,059**

	30.06.2021	Increases	Restatement of financial liabilities	Repayments	Interest	Change in translation reserve	Change in consolidation scope	31.12.2020
Lease liabilities	28,761	636	(180)	(2,312)	232	91	2,109	28,185

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

		30.06.2021	31.12.2020
A	Cash	82,447	105,586
B	Cash equivalents	6,453	7,503
C	Other current financial assets	914	38
D	**Liquidity (A+ B + C)**	**89,814**	**113,126**
E	Current loans and borrowings	3,772	202
F	Current portion of non-current loans and borrowings	41,406	48,877
G	**Current financial debt (E + F)**	**45,178**	**49,080**
H	**Current net financial position (G - D)**	**(44,636)**	**(64,047)**
I	Non-current loans and borrowings	123,174	113,078

		30.06.2021	31.12.2020
J	Debt instruments	401	578
K	Trade payables and other non-current financial liabilities	-	-
L	**Non-current financial debt (I + J + K)**	**123,575**	**113,657**
M	**Net financial debt (H + L)**	**78,939**	**49,610**

As also required by the Consob notice no. 5/21 of 29 April 2021, it is noted that the group has recognised a liability subject to conditions related to the non-controlling interest in CFM, as detailed in note 18.

In compliance with such notice, it is noted that the group recognised accruals for defined benefit plans of €8,802 thousand (note 16) and provisions for risks and charges of €4,279 thousand (note 15).

[15] PROVISIONS FOR RISKS

At 30 June 2021, provisions amounted to €4,279 thousand compared to €3,396 thousand at 31 December 2020, as follows:

	30.06.2021	31.12.2020
Provision for agents' termination benefits	852	808
Provision for legal and tax risks	821	35
Provision for commercial complaints	99	104
Provision for product warranties	374	337
Other provisions	8	8
Total - non-current	**2,154**	**1,292**
Provision for legal and tax risks	0	0
Provision for commercial complaints	2,126	2,104
Total - current	**2,126**	**2,104**
Total	**4,279**	**3,396**

The provisions for product warranties and commercial complaints were set up to cover liabilities arising on product defects which entail the repair or replacement of the defective parts or payment of a cash compensation to the customer. The directors estimated the provisions based on available information and past experience.

[16] DEFINED BENEFIT PLANS

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

[17] DEFERRED TAX LIABILITIES

At 30 June 2021, deferred tax liabilities amounted to €15,761 thousand compared to €10,212 thousand at 31 December 2020. This increase is mainly due to deferred taxes on the allocation to the customer lists of the gain arising upon the first-time consolidation of CFM.

[18] OTHER NON-CURRENT LIABILITIES

The balance of €49,146 thousand refers to the liability related to the mutual put and call options on the non-controlling interest in CFM. Reference should be made to the Consolidation scope section for more details on such option and the measurement method used.
The liability accrued interest of €56 thousand during the period.

[19] TRADE PAYABLES

At 30 June 2021, trade payables amounted to €58,408 thousand, compared to €43,234 thousand at 31 December 2020. They included payables for materials and services.
CFM and Enginia contributed €3,847 thousand at the acquisition date. The residual increase on the previous year end is chiefly attributable to the organic growth of the business.
Trade payables arise as a result of the different payment terms negotiated with the group's suppliers, which differ from country to country.

[20] TAX LIABILITIES

At 30 June 2021, this caption amounted to €5,771 thousand compared to €2,991 thousand at 31 December 2020. It entirely consists of direct income tax liabilities. The change during the period was mainly related to the calculation of current taxes for the period in accordance with IAS 34.

[21] OTHER CURRENT LIABILITIES

Other current liabilities are broken down in the following table:

	30.06.2021	31.12.2020
Social security contributions	4,008	4,760
Tax withholdings	1,547	1,978
Other current tax liabilities	131	403
VAT liabilities	2,832	1,445
Wages and salaries, bonuses and holiday pay	15,250	13,959
Other	1,905	1,220
Total	**25,672**	**23,766**

The caption mostly includes personnel-related liabilities (wages and salaries, tax withholdings and social security contributions) and tax liabilities, specifically VAT liabilities.

Notes to the statement of profit or loss

[22] REVENUE

Revenue amounted to €202,601 thousand, compared to €160,968 thousand for the corresponding period of 2020 (+25.9%). It is shown net of discounts and allowances.

Revenue generated by services amounted to €1,636 thousand compared to €972 thousand for the first half of 2020.

A breakdown of revenue by market is as follows:

	First half of 2021	First half of 2020	Variation %
HVAC revenue	129,678	105,002	23.5%
REF revenue	70,632	53,837	31.2%
Total core revenue	200,310	158,839	26.1%
Non-core revenue	2,292	2,129	7.6%
Total revenue	**202,601**	**160,968**	**25.9%**

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

A breakdown of revenue by geographical segment is as follows:

	First half of 2021	First half of 2020	Variation %
Europe, Middle East and Africa	146,958	116,849	25.8%
APAC	29,764	21,367	39.3%
North America	21,497	19,797	8.6%
South America	4,382	2,955	48.3%
Total	**202,601**	**160,968**	**25.9%**

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

[23] OTHER REVENUE

Other revenue amounted to €2,761 thousand, an increase on the €1,421 thousand balance for the corresponding period of 2020.

The caption may be broken down as follows:

	First half of 2021	First half of 2020	Variation %
Grants related to income	1,459	247	>100%
Sundry cost recoveries	891	835	6.7%
Other revenue and income	411	339	21.3%
Total	**2,761**	**1,421**	**94.3%**

Grants related to income mainly comprise the amount received by the US company after it was granted full exemption from repaying the financing received as part of the Paycheck Protection Program enacted by the US government. As the company no longer has to repay the financing totalling USD1.7 million, it is considered forgiveable. The relevant liability was released, leading to a gain being taken to profit or loss.

Sundry cost recoveries mostly refer to the recovery of transport and other costs.

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

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

This caption amounts to €88,575 thousand, compared to €68,612 thousand in the first half of 2020. A breakdown of the caption is as follows:

	First half of 2021	First half of 2020	Variation %
Costs of raw materials, consumables and goods and changes in inventories	(88,575)	(68,612)	(29.1%)
% of revenue	(43.7%)	(42.6%)	2.6%

[25] SERVICES

The group incurred costs of €23,420 thousand for services in the first half of 2021, up 11.8% on the corresponding period of the previous year. A breakdown of the caption is as follows:

	First half of 2021	First half of 2020	Variation %
Transport	(6,748)	(6,049)	11.6%
Consultancies	(4,118)	(2,824)	45.8%
Business trips and travel	(684)	(973)	(29.7%)
Use of third party assets	(787)	(687)	14.6%
Maintenance and repairs	(2,928)	(2,130)	37.5%

	First half of 2021	First half of 2020	Variation %
Marketing and advertising	(362)	(1,008)	(64.1%)
Outsourcing	(1,154)	(1,398)	(17.4%)
Agency commissions	(867)	(821)	5.6%
Utilities	(818)	(812)	0.7%
Fees to directors, statutory auditors and independent auditors	(1,055)	(1,046)	0.9%
Insurance	(716)	(618)	15.9%
Telephone and connections	(442)	(489)	(9.5%)
Other services	(2,740)	(2,102)	30.3%
Total	**(23,420)**	**(20,956)**	**11.8%**

Though increased in absolute terms on the first half of 2020, costs of services decreased as a percentage of revenue from 13.0% to 11.6%.

The highest increase was seen in consultancies which comprise non-recurring costs related to M&A transactions.

[26] CAPITALISED DEVELOPMENT EXPENDITURE

This caption amounted to €803 thousand, compared to €990 thousand in the first half of 2020. It is entirely related to development projects capitalised under intangible assets. The group incurred development expenditure of €9,240 thousand and €8,444 thousand in the first half of 2020 and 2021, respectively (4.6% as a percentage of revenue in both periods). Only the amounts described above can be capitalised.

[27] PERSONNEL EXPENSE

This caption amounted to €49,173 thousand for the first half of 2020 compared to €42,865 thousand for the corresponding period of the previous year. A breakdown of this caption and of the workforce by employee category is as follows:

	First half of 2021	First half of 2020	Variation %
Wages and salaries, including bonuses and accruals	(38,470)	(33,627)	14.4%
Social security contributions	(8,530)	(7,301)	16.8%
Defined benefit plans	(1,381)	(1,169)	18.2%
Other costs	(793)	(769)	3.1%
Total	**(49,173)**	**(42,865)**	**14.7%**

	First half of 2021	First half of 2020
Managers	63	62
White collars	1,100	1,061
Blue collars	650	600
Total	**1,813**	**1,723**

[28] OTHER EXPENSE, NET

This caption amounted to €874 thousand for the first half of 2021, compared to €73 thousand for the corresponding period of the previous year. It may be broken down as follows:

	First half of 2021	First half of 2020	Variation %
Gains on the sale of non-current assets	367	11	>100%
Prior year income	359	250	43%
Release of provisions for risks	-	969	>100%
Other income	**726**	**1,230**	**(41.4%)**
Losses on the sale of non-current assets	-	(8)	>100%
Prior year expense	(123)	(201)	(38.9%)
Other taxes and duties	(483)	(461)	4.8%
Accrual to the loss allowance	(285)	(110)	>100%
Accrual to the provisions for risks	(518)	(387)	33.9%
Credit losses	(11)	(2)	>100%
Other costs	(179)	(134)	34.0%
Other expense	**(1,599)**	**(1,303)**	**21.9%**
Other expense, net	**(874)**	**(73)**	**>100%**

Gains on the sale of non-current assets refer to the sale of the building owned by the French branch.

[29] AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

This caption amounted to €9,669 thousand compared to €9,183 thousand in the first half of the previous year. This increase was mainly due to investments made in the last 12 months.

	First half of 2021	First half of 2020	Variation %
Amortisation	(3,463)	(3,240)	6.9%
Depreciation	(6,204)	(5,942)	4.4%
Impairment losses	(2)	(1)	67.4%
Total	**(9,669)**	**(9,183)**	**5.3%**

[30] FINANCIAL INCOME AND EXPENSE

Net financial expense for the first half of 2021 came to €1,130 thousand, compared to €716 thousand for the corresponding period of 2020, as follows:

	First half of 2021	First half of 2020	Variation %
Gains on financial assets	1	0	>100%
Interest income	38	145	(74.0%)
Gains on derivatives	8	15	(47.3%)
Other financial income	43	55	(22.8%)
Financial income	**90**	**215**	**(58.3%)**
Bank interest expense	(412)	(468)	(11.9%)
Lease interest expense	(370)	(205)	80.3%
Other interest expense	(15)	(20)	(23.4%)
Losses on derivatives	(77)	(24)	>100%
Other financial expense	(289)	(214)	35.2%
Interest expense on call options on non-controlling interests	(56)	0	>100%
Financial expense	**(1,220)**	**(931)**	**30.9%**
Net financial expense	**(1,130)**	**(716)**	**57.7%**

The increase in the item was mainly due to higher lease interest expense as well as interest expense on call options on non-controlling interests.

[31] EXCHANGE GAINS AND LOSSES

This caption showed net exchange losses of €255 thousand for the first half of 2021 compared to net exchange gains of €33 thousand for the corresponding period of 2020, as follows:

	First half of 2021	First half of 2020	Variation %
Exchange losses	(2,585)	(2,581)	0.1%
Exchange gains	2,330	2,614	(10.9%)
Net exchange gains (losses)	**(255)**	**33**	**>100%**

[32] SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

This caption shows a net profit of €618 thousand and relates to an investment held by Alfaco Polska s.p.z.o.o..

[33] INCOME TAXES

This caption amounted to €6,701 thousand for the first half of 2021, compared to €4,920 thousand for the corresponding period of 2020. Income taxes were calculated based on the average tax expense determined on the basis of the actual annual *tax rate* in accordance with the provisions of IAS 34.

SEGMENT REPORTING

Under IFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Based on the group's internal reporting system, the business activities for which it earns revenue and incurs expenses and the operating results which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and to assess its performance, the group has not identified individual operating segments but is an operating segment as a whole.

[34] OTHER INFORMATION

Financial instruments

The group is active on international markets and, hence, is exposed to currency and interest rate risks. Specifically, the currencies generating these risks are the US dollar, the Japanese yen, the Australian dollar and the Chinese renminbi. The group has a hedging policy to mitigate the risks, which involves the use of derivatives, options and forwards, mostly with maturities of less than one year. Transactions in place at the reporting date involving currency hedging transactions are as follows:

	First half of 2021			
Forwards	**Purchases ***	**Sales ***	**Positive fair value ****	**Negative fair value ****
CNY/USD	-	590	-	-
JPY/EUR	-	34,520	2	-
ZAR/EUR	-	369	-	-
ZAR/USD	-	7,800	11	1
THB/USD	-	900	1	-
Total forwards			**14**	**1**
Options				
EUR/CNY	-	2,000	-	-
USD/CNY	-	5,000	1	-
USD/EUR	2,100	-	-	-

Forwards	First half of 2021			
	Purchases *	Sales *	Positive fair value **	Negative fair value **
ZAR/USD	-	12,000	1	-
THB/USD	-	26,000	10	-
Total options			**12**	**-**
Total			**26**	**1**

(*) Amount in thousands of local currency.
(**) Amount in thousands of Euros

The next table provides information about the interest rate swaps hedging the related risk:

	Notional amount	Floating interest rate	Fixed interest rate	Maturity	Fair value 30.06.2021
IRS - BNL	30,000	6m Euribor > -0.78% / -0.78% if 6m Euribor < -0.78%	-0.11%	19/11/2022	(79)
IRS - BNL	20,000	3m Euribor > -0.98% / -0.98% if 3m Euribor < -0.98%	-0.02%	30/04/2023	(196)
IRS - Unicredit	20,000	3m Euribor > -0.92% / -0.92% if 3m Euribor < -0.92%	-0.04%	30/04/2023	(72)
IRS - Mediobanca	25,000	3m Euribor > -0.95% / -0.95% if 3m Euribor < -0.95%	-0.42%	04/08/2023	(31)
IRS - Mediobanca	20,000	3m Euribor > -0.6375% / -0.6375% if 3m Euribor < -0.6375%	-0.31%	26/06/2026	(23)

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

Categories of financial instruments and *fair value* hierarchy

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

			Fair value		
First half of 2021	**IFRS 9 category**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Derivatives	Financial instruments held for trading	26		26	
Other financial assets	Loans and receivables	888			888
Other current financial assets		**914**			
Trade receivables	Loans and receivables	**80,496**			**80,496**
Total financial assets		**81,410**			
including:	**Available-for-sale financial assets**	**0**			
	Financial instruments held for trading	**26**			
	Loans and receivables	**81,384**			
Bank loans and borrowings	Financial liabilities at amortised cost	92,429		92,429	
Other loans and borrowings	Financial liabilities at amortised cost	1,379		1,379	
Non-current lease liabilities	Financial liabilities at amortised cost	24,865			24,865
Effective designated derivative hedges	Financial instruments held for trading	401		401	
Other non-current financial liabilities	Financial liabilities at amortised cost	4,500			4,500
Other non-current liabilities	Financial liabilities at amortised cost	49,146			49,146
Non-current financial liabilities		**123,575**			
Bank borrowings	Financial liabilities at amortised cost	153		153	
Bank loans	Financial liabilities at amortised cost	37,051		37,051	
Current lease liabilities	Financial liabilities at amortised cost	3,895			3,895
Derivatives	Financial instruments held for trading	1		1	
Other loans and borrowings	Financial liabilities at amortised cost	460		460	
Other current financial liabilities	Financial liabilities at amortised cost	3,618			3,618
Current financial liabilities		**45,178**			
Trade payables	Financial liabilities at amortised cost	**58,408**			**58,408**
Total financial liabilities		**227,161**			
including	**Financial liabilities at amortised cost**	**226,759**			
	Financial instruments held for trading	**402**			

Related party transactions

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

30.06.2021	Trade receivables	Loan assets	Trade payables	Financial liabilities	Revenue	Costs	Financial expense
Arion S.r.l.	-	160	(234)	-	0	(1,269)	-
Free Polska s.p.z.o.o.	376	-	(1,438)	-	11	(5,157)	-
Total associates	**376**	**160**	**(1,672)**	**-**	**12**	**(6,426)**	**-**
RN Real Estate S.r.l.	3	-	(38)	(13,692)	3	-	(166)
Arianna S.p.A.	5	-	-	-	3	-	-
Nastrificio Victor S.p.A.	-	-	(11)	-	-	(46)	-
Eurotest laboratori S.r.l.	25	-	(125)	-	29	(206)	-
Carel Real Estate Adratic d.o.o.	-	-	-	(2,381)	-	(1)	(45)
Agriturismo Le Volpi	-	-	-	-	-	(0)	-
Eurotec Ltd	161	-	-	-	281	(5)	-
Panther S.r.l.	-	-	(4)	-	-	(3)	-
Gestion A.Landry Inc	-	-	-	(63)	-	(1)	(0)
Humide Expert	-	-	-	-	-	(3)	-
Murat Cem Ozdemir	-	-	-	(3,870)	-	-	(5)
Others	-	-	(6)	-	-	(32)	-
Total other related parties	**193**	**-**	**(183)**	**(20,005)**	**315**	**(297)**	**(216)**
Total	**570**	**160**	**(1,855)**	**(20,005)**	**327**	**(6,722)**	**(216)**

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

Financial liabilities to Murat Cem Ozdemir refer to the outstanding amount due to the non-controlling investor in CFM to acquire the investment.

The figures in the above table are calculated in accordance with IFRS 16. The rent paid to RN Real Estate S.r.l. and Carel Real Estate Adriatic d.o.o. during the period amount respectively to €626 thousand and €145 thousand.

Others include transactions that are individually and collectively irrelevant.

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

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

	Registered office	Country	Currency	Share Capital/ quota at 31/12/2020
Parent:				
Carel Industries S.p.A	Brugine (Padova)	Italy	Euro	10.000.000
Consolidated investees:				
C.R.C. S.r.l.	Bologna	Italy	Euro	98.800
CAREL Deutschland Gmbh	Frankfurt	Germany	Euro	25.565
CAREL France Sas	St. Priest, Rhone	France	Euro	100.000
CAREL U.K. Ltd	London	GB	Pound Sterling	350.000
CAREL Sud America Instrumentacao Eletronica Ltda	San Paolo	Brazil	Real	31.149.059
CAREL Usa LCC	Wilmington Delaware	USA	Us Dollar	5.000.000
CAREL Asia Ltd	Hong Kong	Honk Kong	Hong Kong Dollar	15.900.000
CAREL HVAC&R Korea Ltd	Seul	South Korea	South Korean Won	550.500.000
CAREL South East Asia Pte. Ltd.	Singapore	Singapore	Singapore dollar	100.000
CAREL Australia PTY Ltd	Sydney	Australia	Australian Dollar	100
CAREL Electronic Suzhou Ltd	Suzhou	People's Republic of China	Renminbi	75.019.566
CAREL Controls Iberica Sl	Barcelona	Spain	Euro	3.005
CAREL Controls South Africa (Pty) Ltd	Johannesburg	South Africa	Rand	4.000.000
CAREL ACR System India (Pvt) Ltd	Mumbai	India	Rupee	1.665.340
CAREL RUS Llc	St. Petersburg	Russia	Ruble	6.600.000
CAREL Nordic AB	Hoganas	Sweden	Swedish Krona	550.000
CAREL Middle East	Dubai	Dubai	Dirham	4.333.877
CAREL Mexicana, S. DE R.L. DE C.V.	Guerra, Tlalpan	Mexico	Peso	12.441.149
CAREL Adriatic D.o.o.	Rijeka	Croatia	Kuna	54.600.000
CAREL (Thailand) Co. Ltd.	Bangkok	Thailand	Baht	16.000.000
Alfaco Polska Sp.z.o.o.	Wrocław	Poland	Zloty	420.000
CAREL Japan	Tokyo	Japan	Yen	60.000.000
Recuperator S.p.A.	Rescaldina (MI)	Italy	Euro	500.000
Hygromatik G.m.b.H.	Hamburg	Germany	Euro	639.115
CAREL Ukraine LLC	Kiev	Ukraine	UAH	700.000
Enersol	Beloeil	Canada	CAD	100
CFM Sogutma Ve Otomasyon	Izmir	Turkey	Euro	ND
Enginia Srl	Trezzo Sull'Adda (MI)	Italy	Euro	ND

Share Capital/ quota at 30/06/2021	Investment % 30/06/2021	Share/quota holder	Consolidation method	Profit for the period 30.06.2021 EURO	Profit for the period 31/12/2020 EURO
10.000.000				17.185.160	20.895.918
98.800	100%	Carel Industries S.p.A.	line by line	477.572	564.583
25.565	100%	Carel Industries S.p.A.	line by line	752.748	1.105.460
100.000	100%	Carel Industries S.p.A.	line by line	1.280.541	406.458
350.000	100%	Carel Industries S.p.A.	line by line	260.507	1.132.770
31149059	53,02%	CAREL INDUSTRIES S.p.A.	line by line	254.328	1.057.697
	46,98%	CAREL Electronic Suzhou Ltd			
5.000.000	100%	Carel Industries S.p.A.	line by line	2.623.404	2.749.057
15.900.000	100%	Carel Industries S.p.A.	line by line	552.084	336.342
550.500.000	100%	Carel Electronic Suzhou Ltd	line by line	(349.250)	(20.519)
100.000	100%	Carel Asia Ltd	line by line	24.393	72.516
100	100%	Carel Electronic Suzhou Ltd	line by line	316.390	441.974
75.019.566	100%	Carel Industries S.p.A.	line by line	3.781.173	6.267.260
3.005	100%	Carel Industries S.p.A.	line by line	633.006	768.405
4.000.000	100%	Carel Electronic Suzhou Ltd	line by line	399.640	112.713
1.665.340	0,01%	Carel France Sas	line by line	206.967	66.270
	99,99%	Carel Electronic Suzhou Ltd			
6.600.000	99%	CAREL INDUSTRIES S.p.A.	line by line	366.584	963.081
	1%	CAREL France Sas			
550.000	100%	Carel Industries S.p.A.	line by line	195.042	208.364
4.333.877	100%	Carel Industries S.p.A.	line by line	(3.671)	(7.067)
12.441.149	100%	Carel Usa LCC	line by line	(12.173)	(150.973)
54.600.000	100%	Carel Industries S.p.A.	line by line	4.539.007	7.680.717
16.000.000	50%	Carel Electronic Suzhou Ltd	line by line	102.685	26.246
	30%	Carel Australia PTY Ltd			
420.000	100%	Carel Industries S.p.A.	line by line	2.432.059	2.628.957
60.000.000	100%	Carel Industries S.p.A.	line by line	(40.149)	23.252
500.000	100%	Carel Industries S.p.A.	line by line	583.858	674.619
639.115	100%	Carel Industries S.p.A.	line by line	1.725.890	2.868.867
700.000	100%	Alfaco Polska Zoo	line by line	31.351	(100.649)
100	100%	Carel Usa Inc	line by line	206.166	(206.465)
2.473	51%	Carel Industries S.p.A.	line by line	356.803	ND
10.400	100%	Recuperator S.p.A.	line by line	-	ND

Events after the reporting period

No significant events have taken place since the reporting period.

Statement on the condensed interim consolidated financial statements pursuant to article 154-bis of Legislative decree no. 58/98 and article 81-ter of Consob regulation 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 condensed interim consolidated financial statements at 30 June 2021:
   - are adequate in relation to the group's characteristics and
   - have been effectively applied during the reporting period.
2. There is nothing to report in this respect.
3. Moreover, they state that:

   3.1 the condensed interim consolidated financial statements:
   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 and the group of companies included in the consolidation scope.

   3.2 The directors' report includes a reliable analysis of the key events of the period and their impact on the condensed interim consolidated financial statements, as well as a description of the main risks and uncertainties for the second half of the year and information about significant related party transactions.

Brugine, 4 August 2021

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

Independent auditors' report

Deloitte.

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REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Carel Industries S.p.A. and subsidiaries (the "Carel Group"), which comprise the balance sheet as of June 30, 2021 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Carel Group as at June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
August 5, 2021

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

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