

INTERIM FINANCIAL REPORT

CAREL

2022





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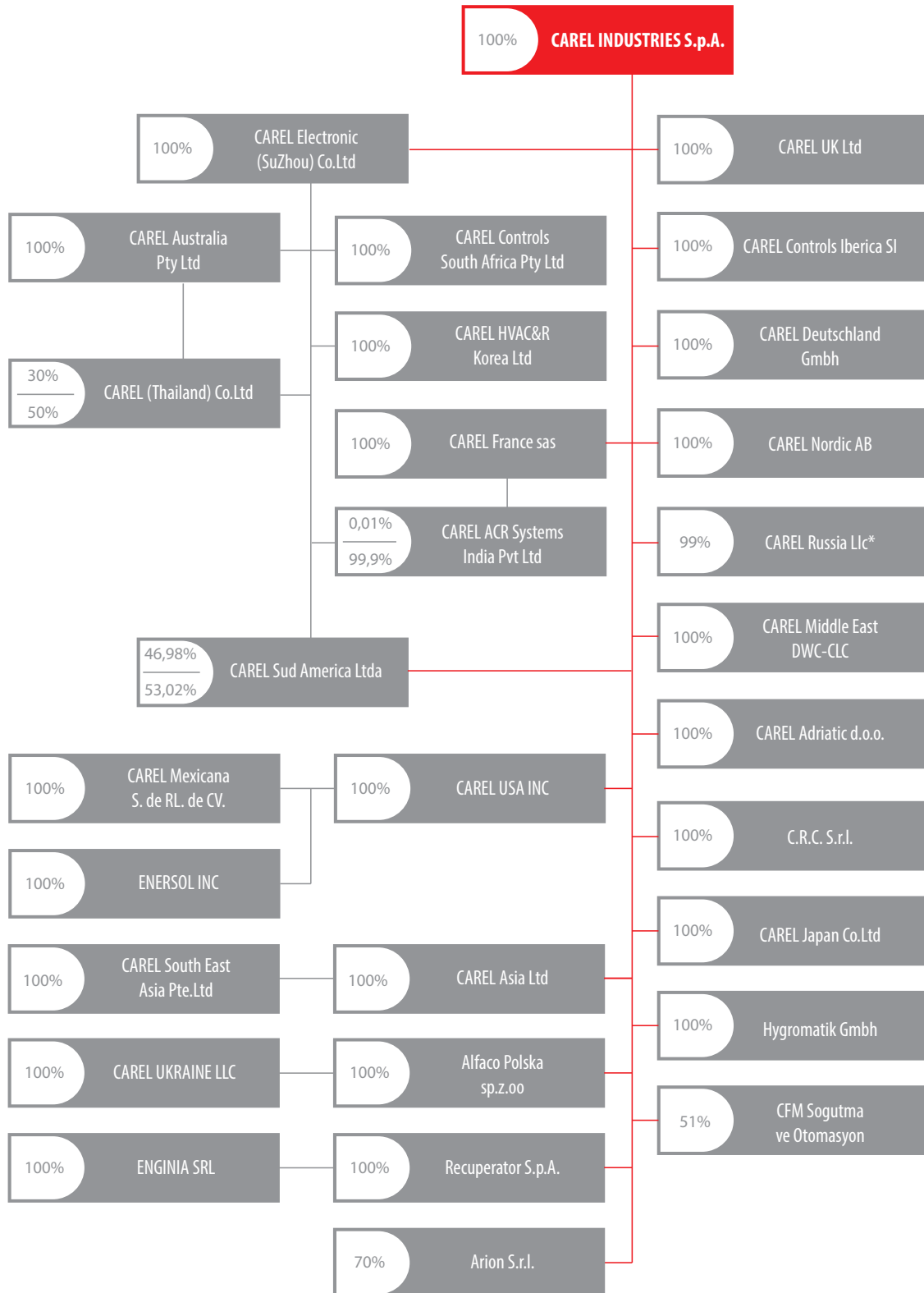
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CORPORATE BODIES

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

GROUP STRUCTURE

The following graph shows the group's structure at 30 June 2022:



*= 1% held by Carel France sas



DIRECTORS' REPORT

at 30 june 2022

MERGERS & ACQUISITIONS

ACQUISITION OF ARION S.R.L.

On 15 April 2022, the parent completed the acquisition of an additional 30% of Arion S.r.l., in which it already held a 40% investment.

Arion S.r.l. was established in 2015 by Bridgeport S.p.A. and Carel Industries S.p.A. and specialises in the production of sensors for the air-conditioning and refrigeration sectors.

In 2021, it generated revenue of approximately €2.7 million and a gross operating profit of about €0.7 million; its net financial position was roughly €0.3 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 1 April 2022 and the amount paid for 30% of the company's quota capital amounted to €1.6 million.

In accordance with IFRS 3, the purchase price allocation procedure 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 five employees.

Arion contributed revenue of approximately €0.8 million in the first half of 2022.

ACQUISITION OF SAUBER S.R.L.

On 13 June 2022, the parent entered into a binding agreement to acquire 70% of Sauber S.r.l., a company based in Porto Mantovano (MN) which provides on-field services for the installation and servicing of cooling/humidification systems in residential and commercial buildings.

70% of the enterprise value was calculated at €3.6 million; the remaining 30% of Sauber is subject to a cross-option mechanism between the parties exercisable in 2025.

The closing of the transaction took place on 12 July 2022, when Carel obtained control of the company. Consequently, the impacts on profit or loss and equity of the Sauber consolidation will be effective as of July 2022.

IMPACTS OF THE RUSSIA-UKRAINE CONFLICT

The first half of 2022 was affected by the Russia-Ukraine conflict, which is still ongoing and has somewhat reduced the expectations of robust, generalised economic growth for the current year.

The group operates in both countries with two commercial companies. However, exposure in both markets is limited. Consolidated revenue in both areas is less than 5% of the total and, at the reporting date, the group was not affected by any significant impact on its financial performance or losses on current assets. Non-current assets are not significant both in absolute value and as a percentage of the group's non-current assets.

GROUP PERFORMANCE

STATEMENT OF PROFIT OR LOSS

The statement of profit or loss for the first half of 2022 compared with the corresponding period of the previous year is as follows.

(€'000)	First half of 2022	First half of 2021	% First half of 2022	% First half of 2021
Revenue	261,346	202,601		
Other revenue	2,023	2,761	0.8%	1.4%
Costs of raw materials, consumables and goods and changes in inventories	(119,010)	(88,575)	(45.5%)	(43.7%)
Services	(31,691)	(23,420)	(12.1%)	(11.6%)
Capitalised development expenditure	275	803	0.1%	0.4%
Personnel expense	(55,633)	(49,173)	(21.3%)	(24.3%)
Other expense, net	(1,203)	(874)	(0.5%)	(0.4%)
Amortisation, depreciation and impairment losses	(11,168)	(9,669)	(4.3%)	(4.8%)
OPERATING PROFIT	44,938	34,454	17.2%	17.0%
Net financial expense	(1,540)	(1,130)	(0,6%)	(0,6%)
Net exchange losses	(153)	(255)	(0,1%)	(0,1%)
Fair value gain (loss) on call option	-	-	-	-
Share of profit of equity-accounted investees	2,363	618	0.9%	0.3%
PROFIT BEFORE TAX	45,608	33,688	17.5%	16.6%
Income taxes	(9,756)	(6,701)	(3.7%)	(3.3%)
PROFIT FOR THE PERIOD	35,853	26,987	13.7%	13.3%
Non-controlling interests	1,044	145	0.4%	0.1%
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	34,809	26,843	13.3%	13.2%

CONSOLIDATED REVENUE

(€'000)	First half of 2022	First half of 2021	Variation %	FX variation % *
Revenue	261,346	202,601	29.0%	26.0%

The group's revenue for the first half of 2022 soared 29.0% on the corresponding period of 2021, reaching €261,346 thousand (first half of 2021: €202,601 thousand). Calculated at constant exchange rates, the increase would have been 26.0%.

The revenue was attributable to both the huge surge in demand and the group's capacity to grasp new opportunities. A breakdown of revenue by geographical segment is as follows:

REVENUE BY GEOGRAPHICAL SEGMENT (€'000)	First half of 2022	First half of 2021	Variation %	FX variation % *
Europe, Middle East and Africa	187,103	146,958	27.3%	27.3%
APAC	36,275	29,764	21.9%	13.4%
North America	31,841	21,497	48.1%	34.7%
South America	6,127	4,382	39.8%	24.3%
Total	261,346	202,601	29.0%	26.0%

* The FX variation % is calculated as the percentage of change at constant exchange rates, i.e., using those at 30 June 2021.

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 2022, with double-digit increases in EMEA (Europe, Middle East and Africa), APAC (Asia-Pacific) and the Americas.

A breakdown of revenue by market is as follows:

REVENUE BY MARKET (€'000)	First half of 2022	First half of 2021	Variation %	FX variation %
HVAC revenue	171,370	129,678	32.1%	28.9%
REF revenue	87,513	70,631	23.9%	21.3%
Total core revenue	258,883	200,310	29.2%	26.2%
Non-core revenue	2,463	2,292	7.5%	7.3%
Total revenue	261,346	202,601	29.0%	26.0%

In line with prior periods, growth trends became stronger in the refrigeration (especially food retail) and HVAC (notably, datacentre and indoor air quality) sectors. Moreover, the residential heat pump segment in Europe continued to accelerate, driven by the many initiatives that make it a pillar of the strategy of environmental sustainability and the reduction of European dependence on gas and fossil fuels in general. This explains the particularly strong performance of the HVAC market, especially in the EMEA region.

On the other hand, Carel continues to pursue its growth strategy in overseas regions. The results for the period confirm strong growth in the Americas and the APAC region, partially slowed down during the period by the recent lockdowns in China.

MAIN FINANCIAL INDICATORS

The main financial indicators for the first half of 2022 compared with the corresponding period of the previous year are set out below.

(€'000)	First half of 2022	First half of 2021	Variation	Variation %
EBITDA ¹	56,106	44,123	11,983	27.2%
EBITDA % ²	21.5%	21.8%	n.a.	(1.4%)
ADJUSTED EBITDA ³	56,343	45,309	11,034	24.4%
ADJUSTED EBITDA % ⁴	21.6%	22.4%	n.a.	(3.6%)
Profit for the period	35,853	26,987	8,865	32.9%

The group's EBITDA % for the first half of 2022 was 21.5%, essentially in line with the corresponding period of the previous year (21.8%). In absolute terms, EBITDA amounted to €56,106 thousand (+27.2% compared to the same period of the previous year).

The rise in EBITDA is mainly due to the operating leverage and the consolidation for the entire period of the companies acquired in 2021.

Costs of raw materials and goods and changes in inventories rose both in absolute terms and as a percentage of revenue (from 43.7% to 45.5%) mainly due to the inflationary pressure on the purchase prices of raw materials and the ongoing shortage of certain electronic components.

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 21.3% (first half of 2021: 24.3%).

Adjusted EBITDA amounted to €56,343 thousand, compared to €45,309 thousand for the first half of 2021. The adjusted costs chiefly refer to consultancy costs for M&A activities (€237 thousand).

Amortisation and depreciation amounted to €11,168 thousand (first half of 2021: €9,669 thousand). Of this amount, €2,490 thousand (first half of 2021: €1,627 thousand) refers to the amortisation of gains allocated upon consolidation of the companies acquired in previous years.

Net financial expense amounted to €1,540 thousand (first half of 2021: €1,130 thousand). The increase is mainly attributable to higher interest expense on bonds issues and as a result of the related origination costs, which were recognised at amortised cost.

Since the acquisition of Arion was achieved in stages, the initial 40% investment held by the parent was measured at fair value, generating a gain of €2,098 thousand, which was recognised in profit or loss.

The group tax rate is 21.4%, up from 19.9% at 30 June 2021.

Profit amounted to €35,853 thousand compared to €26,987 thousand in the corresponding period of the previous year, showing an increase of 32.9%.

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.

MAIN STATEMENT OF FINANCIAL POSITION INDICATORS

The main statement of financial position indicators at 30 June 2022 compared with those at 31 December 2021 are set out below:

STATEMENT OF FINANCIAL POSITION (€'000)	30.06.2022	31.12.2021	Variation %
Net non-current assets ⁵	237,814	230,338	3.2%
Net working capital ⁶	93,044	55,591	67.4%
Defined benefit plans	(7,906)	(8,612)	(8.2%)
Net invested capital ⁷	322,952	277,317	16.5%
Equity	198,304	169,875	16.7%
Call options on non-controlling interests	49,892	49,602	0.6%
Net financial debt	74,756	57,841	29.2%
Total	322,952	277,317	16.5%

Non-current assets increased by €7,477 thousand on 31 December 2021, mainly due to the consolidation of Arion which led to the recognition of goodwill and technology for a total of €4,283 thousand. Reference should be made to note 2 for more information on the allocation of gains.

Investments in property, plant and equipment amounted to €7,882 thousand, compared to €5,423 thousand in the first half of 2021. The main investments related to the construction of the new production site in Croatia in order to meet increased demand, especially in the EMEA region, and the construction of new production lines at the Italian and Chinese sites. Intangible assets increased by €1,040 thousand (€1,488 thousand in the first half 2021), net of goodwill and gains on the acquisition made.

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

INVESTMENTS	First half of 2022	First half of 2021	Variation
Europe, Middle East and Africa	7,273	5,873	23.8%
APAC	1,169	546	>100%
North America	200	441	(54.6%)
South America	280	51	>100%
Total investments	8,922	6,911	29.1%

Net working capital increased from €55,591 thousand at 31 December 2021 to €93,044 thousand at 30 June 2022. This increase was mainly due to trade receivables which rose by €27,814 thousand chiefly as a result of sales volumes and higher inventories (+€21,142 thousand) which were necessary to support the organic growth of the period. These increases are partly offset by higher trade payables (+€11,159 thousand).

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

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

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

The net financial debt amounted to €74,756 thousand, compared to €57,841 thousand at 31 December 2021, as shown below:

(€'000)	30.06.2022	31.12.2021
Non-current financial liabilities	114,670	70,180
Current financial liabilities	62,788	61,213
Non-current lease liabilities	22,969	23,520
Current lease liabilities	4,598	4,037
Cash and cash equivalents	(124,757)	(100,625)
Current financial assets	(5,513)	(483)
Net financial debt	74,756	57,841
Net financial debt (excluding the effects of IFRS 16)	47,188	30,285
Net bank loans and borrowings	45,748	28,845

The net financial debt is mainly comprised of:

- current and non-current bank loans and borrowings totalling €135,024 thousand;
- current and non-current amounts due to bondholders totalling €39,545 thousand;
- current and non-current other loans and borrowings and other financial liabilities totalling €2,888 thousand;
- current and non-current lease liabilities totalling €27,568 thousand;
- cash and cash equivalents totalling €124,757 thousand;
- current financial assets totalling €5,513 thousand.

At 30 June 2022, over 70% of cash and cash equivalents and current financial assets were held by Italian group companies and approximately 5% by the Chinese subsidiary. The remaining amount was split between the other group companies.

During the period, dividends of €14,995 thousand were also distributed (30 June 2021: €11,998 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 70 employees at 30 June 2022 and is broken down by geographical segment as follows:

	30.06.2022	31.12.2021	Variation
Europe, Middle East and Africa	1,384	1,353	31
APAC	347	328	19
North America	153	136	17
South America	51	48	3
Total workforce	1,935	1,865	70

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 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 2022, demand for Carel Group products was particularly positive despite the continuing shortage of certain components, which reduced its range. The dynamics of the different markets, in terms of both their geographical size and product families, including 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.

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.

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

The second quarter of 2022 was characterised by the continued shortage of energy commodities and electronic equipment which had begun in the previous quarters and which, to date, shows no signs of easing. This is one of the main causes behind the rise in inflation (+8.1% in May 2022 in the Eurozone), also fuelled by the conflict between Russia and Ukraine. In addition to this already challenging scenario, the severe lockdowns imposed in China due to a resurgence of the COVID-19 pandemic, which put further pressure on the global supply chain, and the implementation of a restrictive monetary policy by the European Central Bank and the Federal Reserve have also come into play. The latter has exacerbated market and consumer fears of a possible recession in the near future, notably in Europe and the US.

However, the group continues to report robust revenue growth thanks to both extremely positive demand in almost all the sectors in which it operates (particularly in certain segments such as heat pumps, data centres, room air quality and refrigeration in supermarkets) and the relentless and significant efforts to mitigate the effects of the shortage of electronic components. Unless the shortage of materials further deteriorates, which is not foreseeable as of today, the above elements should ensure a double-digit percentage revenue growth trend in the lower/middle second decile also for the second half of 2022 (on a like-for-like basis and at current exchange rates).



CONDENSED INTERIM
CONSOLIDATED FINANCIAL
STATEMENTS AS AT AND FOR THE SIX
MONTHS AND NOTES THERETO

at 30 June 2022

STATEMENT OF FINANCIAL POSITION

(€'000)	Note	30.06.2022	31.12.2021
Property, plant and equipment	1	89,270	84,403
Intangible assets	2	135,076	134,570
Equity-accounted investments	3	1,419	1,250
Other non-current assets	4	12,716	10,407
Deferred tax assets	5	7,968	7,022
Non-current assets		246,449	237,652
Trade receivables	6	102,269	74,455
Inventories	7	102,049	80,907
Current tax assets	8	1,916	3,886
Other current assets	9	12,690	9,788
Current financial assets	10	5,513	483
Cash and cash equivalents	11	124,757	100,625
Current assets		349,194	270,144
TOTAL ASSETS		595,643	507,796
Equity attributable to the owners of the parent	12	182,833	154,952
Equity attributable to non-controlling interests	13	15,471	14,923
Total equity		198,304	169,875
Non-current financial liabilities	14	137,639	93,700
Provisions for risks	15	2,143	2,157
Defined benefit plans	16	7,906	8,612
Deferred tax liabilities	17	17,602	17,110
Other non-current liabilities	18	50,559	49,894
Non-current liabilities		215,850	171,473
Current financial liabilities	14	67,386	65,250
Trade payables	19	77,603	66,444
Current tax liabilities	20	5,813	4,775
Provisions for risks	15	2,005	1,907
Other current liabilities	21	28,682	28,073
Current liabilities		181,489	166,449
TOTAL LIABILITIES AND EQUITY		595,643	507,796

STATEMENT OF PROFIT OR LOSS

(€'000)	Note	First half of 2022	First half of 2021
Revenue	22	261,346	202,601
Other revenue	23	2,023	2,761
Costs of raw materials, consumables and goods and changes in inventories	24	(119,010)	(88,575)
Services	25	(31,691)	(23,420)
Capitalised development expenditure	26	275	803
Personnel expense	27	(55,633)	(49,173)
Other expense, net	28	(1,203)	(874)
Amortisation, depreciation and impairment losses	29	(11,168)	(9,669)
OPERATING PROFIT		44,938	34,454
Net financial expense	30	(1,540)	(1,130)
Net exchange losses	31	(153)	(255)
Fair value gain (loss) on call option	32	-	-
Share of profit of equity-accounted investees	33	2,363	618
PROFIT BEFORE TAX		45,608	33,688
Income taxes	34	(9,756)	(6,701)
PROFIT FOR THE PERIOD		35,853	26,987
Non-controlling interests		1,044	145
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT		34,809	26,843

STATEMENT OF COMPREHENSIVE INCOME

(€'000)	Note	First half of 2022	First half of 2021
Profit for the period		35,853	26,987
Items that may be subsequently reclassified to profit or loss:			
- Fair value gains on hedging derivatives net of the tax effect		875	131
- Exchange differences		6,741	3,457
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial gains on employee benefits net of the tax effect		556	142
Comprehensive income		44,025	30,717
attributable to:			
- Owners of the parent		42,672	30,442
- Non-controlling interests		1,353	276
Earnings per share			
Earnings per share (in Euros)	12	0.35	0.27

STATEMENT OF CASH FLOWS

(€'000)	Note	First half of 2022	First half of 2021
Profit for the period		35,853	26,987
Adjustments for:			
Amortisation, depreciation and impairment losses	29	11,167	9,669
Accruals to/utilisations of provisions		2,297	1,441
Non-monetary net expense		(391)	(986)
Income taxes		(1,939)	(308)
Gains on the sale of non-current assets		-	(367)
Changes in working capital:			
Change in trade receivables and other current assets		(27,398)	(17,909)
Change in inventories	7	(20,350)	(7,844)
Change in trade payables and other current liabilities		11,541	13,044
Change in non-current assets		(1,959)	(152)
Change in non-current liabilities		771	(75)
Cash flows from operating activities		9,591	23,501
Net interest paid		(1,254)	(1,033)
Net cash flows from operating activities		8,337	22,468
Investments in property, plant and equipment	1	(7,881)	(5,423)
Investments in intangible assets	2	(1,041)	(1,488)
Disinvestments of financial assets	10	-	4,390
Disinvestments of property, plant and equipment and intangible assets		114	715
Interest collected		53	38
Investments in equity-accounted investees	3	-	-
Business combinations net of cash acquired	2	(932)	(29,563)
Cash flows used in investing activities		(9,687)	(31,332)
Disposals (acquisitions) of non-controlling interests		-	-
Capital increases		-	-
Repurchase of treasury shares		-	-
Dividend distributions	12	(14,995)	(11,988)
Dividends distributed to non-controlling interests		(1,583)	-
Investments in current financial assets		(3,987)	-
Increase in financial liabilities	14	81,950	26,000
Decrease in financial liabilities	14	(35,295)	(26,824)
Decrease in lease liabilities	14	(2,504)	(2,312)
Cash flows from (used in) financing activities		23,586	(15,124)
Change in cash and cash equivalents		22,235	(23,988)
Cash and cash equivalents - opening balance		100,625	105,586
Exchange differences		1,897	848
Cash and cash equivalents - closing balance		124,757	82,447

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Profit for the period	Equity	Equity att. to non-controlling interests	Total equity
Balance at 01.01.2021	10,000	2,000	(2,686)	(436)	56,530	58,795	35,112	159,317	304	159,621
Owner transactions										
Allocation of prior year profit	-	-	-	-	20,896	14,216	(35,112)	-	-	-
Defined benefit plans	-	-	-	-	409	-	-	409	-	409
Dividend distributions	-	-	-	-	(11,988)	-	-	(11,988)	-	(11,988)
Call options for non-controlling interests	-	-	-	-	(49,075)	-	-	(49,075)	-	(49,075)
Change in consolidation scope	-	-	-	-	-	-	-	-	14,490	14,490
Total owner transactions	10,000	2,000	(2,686)	(436)	16,772	73,011	-	98,663	14,794	113,457
Profit for the period	-	-	-	-	-	-	26,843	26,843	145	26,987
Other comprehensive income	-	-	3,326	131	142	-	-	3,599	131	3,730
Comprehensive income	-	-	3,326	131	142	-	26,843	30,442	276	30,717
Balance at 30.06.2021	10,000	2,000	640	(305)	16,915	73,011	26,843	129,104	15,069	144,173
Balance at 01.01.2022	10,000	2,000	3,853	(51)	17,079	73,011	49,059	154,952	14,923	169,875
Owner transactions										
Allocation of prior year profit	-	-	-	-	27,145	21,914	(49,059)	-	-	-
Defined benefit plans	-	-	-	-	204	-	-	204	-	204
Repurchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividend distributions	-	-	-	-	(14,995)	-	-	(14,995)	(1,583)	(16,578)
Call options for non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in consolidation scope	-	-	-	-	-	-	-	-	778	778
Total owner transactions	10,000	2,000	3,853	(51)	29,433	94,925	-	140,161	14,118	154,279
Profit for the period	-	-	-	-	-	-	34,809	34,809	1,044	35,853
Other comprehensive income	-	-	6,432	875	556	-	-	7,863	309	8,172
Comprehensive income	-	-	6,432	875	556	-	34,809	42,672	1,353	44,025
Balance at 30.06.2022	10,000	2,000	10,285	824	29,990	94,925	34,809	182,833	15,471	198,304

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) and commercial and industrial refrigeration (REF) markets and also produces air humidification systems. It has 12 production sites and 21 commercial companies which serve all the main markets.

The IFRS condensed interim consolidated financial statements at 30 June 2022 refer to the period from 1 January 2022 to 30 June 2022.

The Carel Industries 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 2022 on 4 August 2022.

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 2022 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, financial 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 2021. 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 strategic 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.

CONSOLIDATION SCOPE

The condensed interim consolidated financial statements include the financial statements at 30 June 2022 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 35 "Other information" lists the entities included in the consolidation scope at 30 June 2022.

During the period, Arion S.r.l. was consolidated on a line-by-line basis.

Information on this acquisition is provided below.

Information on the acquisition of Arion

On 15 April 2022, the parent acquired 30% of Arion S.r.l., in which it already held a 40% investment. The remaining 30% is owned by Bridgeport S.p.A..

Of this investment, 30% was acquired for a cash consideration of €1,626 thousand. As control was acquired in several stages, in compliance with the IFRS, the carrying amount of the existing investment was recalculated based on the fair value of the assets acquired, recognising a gain totalling €2,097 thousand in profit or loss.

The Carel Industries Group acquired control on 1 April 2022 and thus has included the investee in the consolidation scope since such date.

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

ARION S.R.L			
(€'000)	Statement of financial position at the acquisition date	Allocation	Fair value of acquired assets
Property, plant and equipment	153	105	258
Intangible assets	21	2,302	2,323
Deferred tax assets	22	-	22
Non-current assets	196	2,407	2,603
Trade receivables	356	-	356
Inventories	174	-	174
Other assets	109	-	109
Cash and cash equivalents	765	-	765
Current assets	1,404	-	1,404
TOTAL ASSETS	1,600	2,407	4,007
Financial liabilities	(160)	(105)	(265)
Provisions for risks	-	-	-
Defined benefit plans	(39)	-	(39)
Deferred tax liabilities	-	(642)	(642)
Non-current liabilities	(199)	(747)	(946)
Financial liabilities	(34)	-	(34)
Trade payables	(199)	-	(199)
Tax liabilities	(194)	-	(194)

(€'000)	Statement of financial position at the acquisition date	Allocation	Fair value of acquired assets
Other current liabilities	(43)	-	(43)
Current liabilities	(470)	-	(470)
TOTAL LIABILITIES	(669)	(747)	(1,416)

When allocating the acquisition price, the group recognised €2,303 thousand attributable to technology, in addition to the relevant deferred taxes €1,982 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.

BASIS OF CONSOLIDATION

The condensed interim consolidated financial statements at 30 June 2022 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 companies are consolidated on a line-by-line basis;
- the associates, over which the parent has the power to exercise significant influence over their financial and operating policies despite not having control; investments in these 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 2021, 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 2022

The group applied the following standards, amendments and interpretations for the first time starting from 1 January 2022:

- 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 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.

The adoption of these amendments did not affect the Group's 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 2022

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.

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 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 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 taxes 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, but earlier application is allowed. 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 2022, 31 December 2021 and 30 June 2021 are set out below:

Currency	Average rate		Closing	
	30.06.2021	30.06.2022	31.12.2021	30.06.2022
Pound sterling	0.868	0.842	0.840	0.858
Hong Kong dollar	9.355	8.556	8.833	8.149
Brazilian real	6.490	5.557	6.310	5.423
US dollar	1.205	1.093	1.133	1.039
Australian dollar	1.563	1.520	1.562	1.510
Chinese renminbi (yuan)	7.796	7.082	7.195	6.962
Indian rupee	88.413	83.318	84.229	82.113
South African rand	17.524	16.849	18.063	17.014
Russian ruble *	89.550	83.742	85.300	53.858
South Korean won	1,347.540	1,347.840	1,346.380	1,351.600
Mexican peso	24.327	22.165	23.144	20.964
Swedish krona	10.131	10.480	10.250	10.730
Japanese yen	129.868	134.307	130.380	141.540
Polish zloty	4.537	4.635	4.597	4.690
Thai baht	37.153	36.855	37.653	36.754
Croatian kuna	7.550	7.542	7.516	7.531
UAE dirham	4.427	4.016	4.160	3.815
Singapore dollar	1.606	1.492	1.528	1.448
Norwegian krone	10.176	9.982	9.989	10.349
Swiss franc	1.095	1.032	1.033	0.996
Ukrainian hryvnia	33.459	31.732	30.922	30.402
Canadian dollar	1.503	1.390	1.439	1.343
Turkish lira	10.382	16.258	15.234	17.322

* The average rate for the first half of 2022 and the closing rate at 30 June 2022 are those provided by the Central Bank of Russian Federation.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

[1] PROPERTY, PLANT AND EQUIPMENT

At 30 June 2022, property, plant and equipment amounted to €89,270 thousand compared to €84,403 thousand at 31 December 2021. The following table provides a breakdown of the caption and the changes of the period.

CHANGES OF THE PERIOD						
(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
31 December 2021	45,561	18,191	10,530	5,377	4,743	84,403
- Historical cost	57,642	41,356	47,606	19,331	4,743	170,679
- Accumulated depreciation	(12,081)	(23,164)	(37,077)	(13,953)	-	(86,276)
Changes in 2022						
- Investments	154	1,409	1,530	677	4,112	7,882
- Investments in right-of-use assets	1,828	-	34	587	-	2,449
- Business combinations (historical cost)	-	104	56	36	17	214
- Business combinations (right-of-use assets)	87	-	19	-	-	105
- Reclassifications (historical cost)	(7)	514	353	17	(823)	53
- Impairment losses	-	-	-	-	-	-
- Sales (historical cost)	-	(151)	(101)	(175)	-	(426)
- Sales - Right-of-use assets (historical cost)	-	-	-	2	-	2
- Exchange differences on historical cost	880	599	363	178	13	2,034
- Exchange differences on accumulated depreciation	(151)	(237)	(221)	(137)	-	(745)
- Exchange differences on right-of-use assets	48	-	-	36	-	83
- Depreciation	(424)	(1,635)	(1,939)	(707)	-	(4,704)
- Depreciation of right-of-use assets	(1,557)	-	(88)	(405)	-	(2,050)
- Business combinations (accumulated depreciation)	-	(35)	(23)	(8)	-	(66)
- Reclassifications (accumulated depreciation)	(3)	(19)	-	19	-	(3)
- Restatement of right-of-use assets	(316)	-	-	(6)	-	(322)
- Sales (accumulated depreciation)	-	124	93	145	-	361
- Sales - Right-of-use assets (accumulated depreciation)	-	-	-	-	-	-
Total	538	673	75	261	3,320	4,867
Balance at 30 June 2022	46,100	18,865	10,605	5,638	8,063	89,270
including:						
- Historical cost	60,316	43,831	49,859	20,684	8,063	182,753
- Accumulated depreciation	(14,213)	(24,947)	(39,254)	(15,065)	-	(93,479)

Investments in the first half of 2022 were mainly concentrated at Carel Adriatic for the construction of the second production site as well as at the parent and the Chinese site for industrial equipment for new production lines.

Business combinations refer to the consolidation of Arion.

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

[2] INTANGIBLE ASSETS

At 30 June 2022, this caption amounted to €135,076 thousand compared to €134,570 thousand at the end of 2021. The following table presents changes in these assets:

CHANGES OF THE PERIOD						
(€'000)	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
31 December 2021	6,269	9,651	67,347	48,807	2,496	134,570
- Historical cost	27,073	28,258	67,347	56,472	2,496	181,646
- Accumulated amortisation	(20,804)	(18,607)		(7,665)	-	(47,076)
Changes in 2022						
- Investments	31	428	-	3	579	1,041
- Business combinations (historical cost)	-	-	1,980	2,355	-	4,335
- Reclassifications (historical cost)	1,243	296	-	-	(1,363)	175
- Sales (historical cost)	-	(6)	(469)	-	-	(475)
- Exchange differences on historical cost	33	15	74	27	10	159
- Exchange differences on accumulated amortisation	(8)	(22)	-	(26)	-	(55)
- Amortisation	(1,041)	(1,401)	-	(1,972)	-	(4,414)
- Business combinations (accumulated amortisation)	-	-	-	(31)	-	(31)
- Reclassifications (accumulated amortisation)	-	(225)	-	(9)	-	(234)
- Sales (accumulated amortisation)	-	6	-	0	-	6
Total	258	(909)	68,932	347	(775)	506
Balance at 30 June 2022	6,527	8,742	68,932	49,154	1,722	135,076
including:						
- Historical cost	28,380	28,990	68,932	58,857	1,722	186,880
- Accumulated amortisation	(21,853)	(20,249)	-	(9,703)	-	(51,804)

Investments amounted to €1,041 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 acquisition made, the group recognised intangible assets related to technology and goodwill for a total of €4,335 thousand.

Amortisation amounted to €4,413 thousand, of which €2,490 thousand refers to the allocation of the gain generated by the first-time consolidation of the companies acquired.

Impairment test

With regard to the goodwill recognised in these condensed interim consolidated financial statements, the directors prudently decided to test the Recuperator CGU for impairment also following the significant increase in the price of raw materials, particularly aluminium, which affected production cost. Accordingly, management deemed it appropriate to prepare a new business plan for the 2022-2025 period which was approved on 20 July 2022 in order to update the economic and financial forecasts based on current cost trends. At the same time, the discounting and growth parameters were also updated to reflect the new rate trends recorded during the period. The impairment test methodology is unchanged compared to 31 December 2021.

The resulting values in use confirm the carrying amount of both goodwill and assets.

Therefore, there was no indication of impairment of goodwill or other assets at 30 June 2022.

With regard to the intangible assets recognised in these condensed interim consolidated financial statements, specifically those related to the Hygromatik, CFM and Enginia CGUs, the directors did not detect any trigger events that would require testing their recoverability of such goodwill.

[3] EQUITY-ACCOUNTED INVESTMENTS

At 30 June 2022, this caption amounted to €1,419 thousand compared to €1,250 thousand at 31 December 2021. It may be analysed as follows:

COMPANY (€'000)	Registered office	Investment %	30.06.2022	Change in consolidation scope	Exchange differences	Equity-accounting	31.12.2021
Arion Srl	Brescia (IT)	70%	-	(2,126)	-	2,097	29
Free Polska s.p.z.o.o.	Krakow (PL)	30%	1,356	-	(68)	265	1,159
Others			63	-	-	-	63
Total			1,419	(2,126)	(68)	2,362	1,250

As described in the section on the Consolidation scope, control over Arion was acquired in several stages. Consequently, the portion of the investment already held was restated based on the fair value of the assets acquired, recognising a total gain of €2,097 thousand in profit or loss.

In the first half of 2022, the group recognised an gain of €265 thousand on the investment in Free Polska s.p.z.o.o. based on its approved financial statements at 31 December 2021.

[4] OTHER NON-CURRENT ASSETS

At 30 June 2022, these amount to €12,716 thousand, compared to €10,407 thousand at 31 December 2021. A breakdown of the caption is provided below:

(€'000)	30.06.2022	31.12.2021
Guarantee deposits	439	432
Third parties	214	176
Other assets	12,063	9,799
Other non-current assets	12,716	10,407

Other assets increased following payment of the taxes on the amounts allocated to intangible assets and goodwill following the purchase price allocation of Engina pursuant to article 15.10-bis of Decree law no. 185/2008. This resulted in the payment of a 16% substitute tax on the higher values allocated and recognised in the consolidated financial statements at 31 December 2021. Following the payment of €2,085 thousand, the amortisation charge of the above amounts will be deducted in the Recuperator's tax return as of 2024.

The residual balance of this caption relates to the non-current portion of the assets taxed in previous years.

[5] DEFERRED TAX ASSETS

At 30 June 2022, deferred tax assets amounted to €7,968 thousand compared to €7,022 thousand at 31 December 2021. 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 2022, this caption amounted to €102,269 thousand compared to €74,455 thousand at 31 December 2021. It may be analysed as follows:

(€'000)	30.06.2022	31.12.2021
Gross trade receivables	103,802	75,719
Loss allowance	(1,533)	(1,265)
Net trade receivables	102,269	74,455

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

(€'000)	30.06.2022	31.12.2021
Europe, Middle East and Africa	77,619	56,684
APAC	13,218	11,185
North America	9,999	6,238
South America	2,966	1,611
Total	103,802	75,719

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:

(€'000)	30.06.2022		31.12.2021	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not yet due	94,226	(981)	67,699	(724)
Past due < 6 months	8,984	(196)	7,430	(159)
Past due > 6 months	285	(174)	134	(134)
Past due > 12 months	307	(182)	456	(247)
Total	103,802	(1,533)	75,719	(1,265)

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:

(€'000)	30.06.2022	Accruals	Utilisations	Exchange differences	Change in consolidation scope	31.12.2021
Loss allowance	(1,533)	(379)	119	(8)	-	(1,265)

[7] INVENTORIES

At 30 June 2021, this caption amounted to €102,049 thousand compared to €80,907 thousand at 31 December 2021. It may be analysed as follows:

(€'000)	30.06.2022	31.12.2021
Raw materials	60,312	45,154
Allowance for inventory write-down	(3,241)	(2,828)
Semi-finished products and work in progress	5,756	4,455
Finished goods	44,667	38,515
Allowance for inventory write-down	(5,930)	(4,716)
Payments on account	487	328
Total	102,049	80,907

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 €1,916 thousand at 30 June 2022 compared to €3,886 thousand at 31 December 2021.

[9] OTHER CURRENT ASSETS

At 30 June 2022, this caption amounted to €12,690 thousand compared to €9,788 thousand at 31 December 2021. It may be analysed as follows:

(€'000)	30.06.2022	31.12.2021
Payments on account to suppliers	2,052	1,388
Other tax assets	3,186	3,196
VAT assets	3,019	1,486
Prepayments and accrued income	2,748	2,551
Other	1,685	1,168
Total	12,690	9,788

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

[10] CURRENT FINANCIAL ASSETS

At 30 June 2022, this caption amounted to €5,513 thousand compared to €483 thousand at 31 December 2021. It may be analysed as follows:

(€'000)	30.06.2022	31.12.2021
Available-for-sale securities	2,891	-
Derivatives	1,384	13
Other financial assets	1,195	465
Deposit accounts	43	6
Other current financial assets	5,513	483

Available-for-sale securities refer to investments, with major counterparties, aimed at managing part of the Group's liquidity. The objective of these financial assets is the collection of contractual cash flows comprising payments of principal and interest at fixed rates at specific maturities.

The derivatives are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. 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 2022, this caption amounted to €124,757 thousand compared to €100,625 thousand at 31 December 2021. 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.

(€'000)	30.06.2022	31.12.2021
Current accounts and post office deposits	124,706	100,585
Cash	51	40
Total	124,757	100,625

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 2022, 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:

(€'000)	30.06.2022	31.12.2021
Share capital	10,000	10,000
Legal reserve	2,000	2,000
Translation reserve	10,286	3,855
Hedging reserve	824	(51)
Other reserves	29,990	17,079
Retained earnings	94,924	73,009
Profit for the period/year	34,809	49,059
Total	182,833	154,951

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

A resolution to distribute a dividend of €0.15 per share, totalling €14,995 thousand, was made on 22 April 2022.

In April 2022, the parent assigned 70,039 treasury shares for a total of €768 thousand, measured using the FIFO method, to complete the second cycle of shares assigned on 2 December 2019 related to the 2019-2021 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 2022 was 30,482.

For the purposes of the performance share plan, costs totalling €204 thousand were recognised during the period with a balancing entry in other reserves as the plan is equity settled.

At 30 June 2022, following the above-mentioned assignment of treasury shares, the weighted average of outstanding ordinary shares was 99,969,518.

The earnings per share were therefore as follows:

(€'000)	First half of 2022	First half of 2021
Number of shares (in thousands)	99,970	99,866
Profit for the period (in thousands of Euros)	34,809	26,843
Earnings per share (in Euros)	0.35	0.27

[13] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 30 June 2022, this caption amounted to €15,471 thousand compared to €14,923 thousand at 31 December 2021 and comprised the non-controlling interest in Carel Thailand Co. Ltd (20%), CFM (49%) and Arion S.r.l. (30%).

	30.06.2022	Profit for the period	Other comprehensive income	Dividends distributed	Change in consolidation scope	31.12.2021
(€'000)						
Equity attributable to non-controlling interests	15,471	1,044	309	(1,583)	778	14,923

[14] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

These captions may be analysed as follows:

(€'000)	30.06.2022	31.12.2021
Bank loans and borrowings at amortised cost	73,674	67,942
Amounts due to bondholders	39,432	-
Lease liabilities	22,969	23,520
Effective designated derivative hedges	-	27
Other loans and borrowings at amortised cost	625	771
Other financial liabilities	940	1,440
Non-current financial liabilities	137,639	93,700

(€'000)	30.06.2022	31.12.2021
Current portion of bank loans at amortised cost	61,350	60,281
Lease liabilities	4,598	4,037
Amounts due to bondholders	114	-
Bank borrowings at amortised cost	59	85
Derivatives held for trading at fair value through profit or loss	311	45
Other loans and borrowings at amortised cost	454	802
Other financial liabilities	500	-
Current financial liabilities	67,386	65,250

Amounts due to bondholders refer to the issue and placement of non-convertible bonds subscribed by funds managed by Prudential Insurance Company of America ("Pricoa"). Specifically, on 6 May 2022, the parent issued two ten-year non-convertible bonds with a nominal amount of €20,000 thousand due in May 2032 and with a five-year interest-only period. These bonds are part of a private shelf agreement whereby the parent can ask Pricoa, on an uncommitted basis and over the next three years, to subscribe additional bonds up to a total maximum amount of USD150 million. They are guaranteed by the parent and certain subsidiaries.

Fixed interest accrues on these bonds from the subscription date and repayment of principal will take place annually starting from the fifth year on a straight-line basis, with the first and last payment dates in May 2028

and May 2032, respectively.

Bonds are unrated and shall not be listed on regulated markets. Compliance with the following covenants is checked every six months:

- net financial debt / gross operating profit (loss) < 3.5x;
- net financial debt / equity < 1.5;
- gross operating profit (loss) / net financial expense > 5x.

At 30 June 2022, such covenants were complied with.

The following table shows the main characteristics of the bank loans and other loans and borrowings by maturity at 30 June 2022:

COMPOSITION OF LOANS AT 30.06.2022							
(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Deutschebank	EUR	400	2023	Fixed	44	44	-
Intesa San Paolo	EUR	6,000	2022	Fixed	6,000	6,000	-
Intesa San Paolo	EUR	6,000	2022	Fixed	6,000	6,000	-
BNP Paribas	EUR	10,000	2022	Fixed	10,000	10,000	-
Unicredit	EUR	20,000	2023	Fixed	4,444	4,444	-
Unicredit	EUR	20,000	2023	Floating	6,666	6,666	-
BNP Paribas	EUR	20,000	2023	Floating	10,031	10,031	-
BNP Paribas	EUR	30,000	2023	Floating	8,571	8,572	-
Mediobanca	EUR	25,000	2023	Floating	25,115	-	25,115
Intesa San Paolo	EUR	10,000	2024	Fixed	5,037	2,514	2,523
Credit Agricole	EUR	10,000	2024	Fixed	5,024	2,500	2,524
Intesa San Paolo	EUR	10,000	2026	Fixed	9,991	-	9,991
Intesa San Paolo	EUR	20,000	2026	Fixed	19,983	-	19,983
Mediobanca	EUR	20,000	2026	Floating	17,966	4,444	13,521
BNP Paribas	USD	80	2022	Floating	125	125	-
Medio Credito Italiano	EUR	200	2022	Floating	10	10	-
Banco BPM	EUR	200	2023	Floating	17	-	17
Total					135,024	61,350	73,674

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Senior A bonds	EUR	20,000	2032	Fixed	19,773	57	19,716
Senior B bonds	EUR	20,000	2032	Fixed	19,773	57	19,716
Total						114	39,432

COMPOSITION OF PAYABLES TO OTHER LENDERS 30.06.2022							
(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
MedioCredito Centrale Progetto Horizon 2020	EUR	1,241	2026	Fixed	777	192	585
Other loans					302	262	40
Total					1,079	454	625

Other current and non-current financial liabilities include amounts due to the non-controlling investors in CFM.

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:

(€'000)	TOTAL	Total cash flows	Within one year	From one to five years	After five years
Bank loans and borrowings at amortised cost	73,674	75,448	-	75,448	-
Amounts due to bondholders	39,432	45,614	-	3,208	42,406
Lease liabilities	22,969	25,163	-	12,575	12,588
Effective designated derivative hedges	-	-	-	-	-
Other loans and borrowings at amortised cost	625	638	-	638	-
Other financial liabilities	940	940	-	940	-
Non-current financial liabilities	137,639	147,803	-	92,809	54,994
Current portion of bank loans at amortised cost	61,350	62,864	62,864	-	-
Amounts due to bondholders	114	802	802	-	-
Lease liabilities	4,598	4,656	4,656	-	-
Bank borrowings at amortised cost	59	59	59	-	-
Other loans and borrowings at amortised cost	454	482	482	-	-
Derivatives held for trading at fair value through profit or loss	311	311	311	-	-
Other financial liabilities	500	500	500	-	-
Current financial liabilities	67,386	69,674	69,674	-	-

The following loans require compliance with covenants:

- Mediobanca (original loan of €25,000 thousand, outstanding liability at 30 June 2022 of €25,115 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 2022 of €10,031 thousand): Net financial debt to gross operating profit (loss) ratio < 3.5;
- Mediobanca (original loan of €20,000 thousand, outstanding liability at 30 June 2022 of €17,966 thousand): Net financial debt to gross operating profit (loss) ratio < 3.5 and gross operating profit (loss) to net financial expense ratio > 5;
- Intesa Sanpaolo (original loans of €10,000 and €20,000 thousand): Net financial debt to gross operating profit (loss) ratio < 3.5.

At 30 June 2022, 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):

(€'000)	30.06.2022	Net cash flows	Fair value gains or losses	Reclassification	31.12.2021
Bank loans and borrowings at amortised cost	73,674	30,328	-	(24,596)	67,942
Amounts due to bondholders	39,432	39,432	-	-	-
Effective designated derivative hedges	-	-	(27)	-	27
Other loans and borrowings at amortised cost	625	(52)	-	(95)	771
Other financial liabilities	940	-	-	(500)	1,440
Non-current financial liabilities	114,670	69,708	(27)	(25,191)	70,180

(€'000)	30.06.2022	Net cash flows	Fair value gains or losses	Reclassification	31.12.2021
Bank loans	61,350	(23,528)	-	24,596	60,281
Amounts due to bondholders	114	114	-	-	-
Bank borrowings	59	(26)	-	-	85
Other loans and borrowings	454	(443)	-	95	802
Derivatives	311	(45)	311	-	45
Other financial liabilities	500	-	-	500	-
Current financial liabilities	62,788	(23,928)	311	25,191	61,213

(€'000)	30.06.2022	Increases	Restatement of financial liabilities	Repayments	Interest	Change in translation reserve	Change in consolidation scope	31.12.2021
Lease liabilities	27,568	2,449	(354)	(2,504)	230	85	105	27,556

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

FINANCIAL DEBT			30.06.2022	31.12.2021
(€'000)				
A	Cash		124,757	100,625
B	Cash equivalents		43	6
C	Other current financial assets		5,470	478
D	Liquidity (A+ B + C)		130,270	101,109
E	Current loans and borrowings		870	130
F	Current portion of non-current loans and borrowings		66,403	65,119
G	Current financial debt (E + F)		67,272	65,250
H	Current net financial position (G - D)		(62,997)	(35,859)

I	Non-current loans and borrowings	98,208	93,673
J	Debt instruments	39,545	27
K	Trade payables and other non-current financial liabilities	-	-
L	Non-current financial debt (I + J + K)	137,753	93,700
M	Net financial debt (H + L)	74,756	57,841

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

In compliance with such notice, it is also noted that the group recognised liabilities for defined benefit plans of €7,906 thousand (note 16) and provisions for risks and charges of €4,149 thousand (note 15).

[15] PROVISIONS FOR RISKS

At 30 June 2022, provisions amounted to €4,149 thousand compared to €4,064 thousand at 31 December 2021, as follows:

(€'000)	30.06.2022	31.12.2021
Provision for agents' termination benefits	768	851
Provision for commercial complaints	113	93
Provision for product warranties	428	393
Other provisions	835	820
Total - non-current	2,143	2,157
Provision for product warranties - current portion	191	0
Provision for commercial complaints - current portion	1,814	1,907
Total - current	2,005	1,907
Total	4,149	4,064

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 2022, deferred tax liabilities amounted to €17,602 thousand compared to €17,110 thousand at 31 December 2021. This increase is mainly due to deferred taxes on the allocation of the gain arising upon the first-time consolidation of Arion.

[18] OTHER NON-CURRENT LIABILITIES

This caption amounts to €50,559 thousand, of which €49,892 thousand refers to the liability for the call option for the non-controlling interest in CFM (31 December 2021: €49,602 thousand).

[19] TRADE PAYABLES

At 30 June 2022, trade payables amounted to €77,603 thousand, compared to €66,444 thousand at 31 December 2021. They included payables for materials and services.

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

[20] CURRENT TAX LIABILITIES

At 30 June 2022, this caption amounted to €5,813 thousand compared to €4,775 thousand at 31 December 2021. 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:

(€'000)	30.06.2022	31.12.2021
Social security contributions	4,420	4,888
Tax withholdings	1,963	2,018
Other current tax liabilities	479	263
VAT liabilities	2,554	1,467
Wages and salaries, bonuses and holiday pay	16,767	16,301
Other	2,499	3,135
Total	28,682	28,072

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 €261,346 thousand, compared to €202,601 thousand for the corresponding period of 2021 (+29.0%). It is shown net of discounts and allowances.

Revenue generated by services amounted to €1,974 thousand compared to €1,635 thousand for the first half of 2021. A breakdown of revenue by market is as follows:

(€'000)	First half of 2022	First half of 2021	Variation %
HVAC	171,370	129,678	32.1%
REF	87,513	70,632	23.9%
Total core revenue	258,883	200,310	29.2%
Non-core revenue	2,463	2,292	7.5%
Total revenue	261,346	202,601	29.0%

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

A breakdown of revenue by geographical segment is as follows:

(€'000)	First half of 2022	First half of 2021	Variation %
Europe, Middle East and Africa	187,103	146,958	27.3%
APAC	36,275	29,764	21.9%
North America	31,841	21,497	48.1%
South America	6,127	4,382	39.8%
Total revenue	261,346	202,601	29.0%

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

[23] OTHER REVENUE

Other revenue amounted to €2,023 thousand, an increase on the €2,761 thousand balance for the corresponding period of 2021. The caption may be broken down as follows:

(€'000)	First half of 2022	First half of 2021	Variation %
Grants related to income	89	1,459	(93.9%)
Sundry cost recoveries	1,277	891	43.2%
Other revenue and income	657	411	59.9%
Total	2,023	2,761	(26.7%)

In 2021, grants related to income mainly comprised the amount received by the US company as part of the Paycheck Protection Program.

Sundry cost recoveries mostly refer to transport and other costs.

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

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

This caption amounts to €119,010 thousand, compared to €88,575 thousand in the first half of 2021. A breakdown of the caption is as follows:

(€'000)	First half of 2022	First half of 2021	Variation %
Costs of raw materials, consumables and goods and changes in inventories	(119,010)	(88,575)	34.4%
% of revenue	(45.5%)	(43.7%)	4.2%

[25] SERVICES

The group incurred costs of €31,691 thousand for services in the first half of 2022, up 35.3% on the corresponding period of the previous year. A breakdown of the caption is as follows:

(€'000)	First half of 2022	First half of 2021	Variation %
Transport	(10,521)	(6,748)	55.9%
Consultancies	(3,936)	(4,118)	(4.4%)
Business trips and travel	(1,473)	(684)	>100%
Use of third party assets	(990)	(787)	25.8%
Maintenance and repairs	(4,102)	(2,928)	40.1%
Marketing and advertising	(878)	(362)	>100%
Outsourcing	(1,427)	(1,154)	23.6%
Agency commissions	(1,038)	(867)	19.7%
Utilities	(1,583)	(818)	93.5%
Fees to directors, statutory auditors and independent auditors	(1,192)	(1,055)	13.0%
Insurance	(817)	(716)	14.1%
Telephone and connections	(478)	(442)	8.0%
Other services	(3,255)	(2,740)	18.8%
Total	(31,691)	(23,420)	35.3%

[26] CAPITALISED DEVELOPMENT EXPENDITURE

This caption amounted to €275 thousand, compared to €803 thousand in the first half of 2021. It is entirely related to development projects capitalised under intangible assets. The group incurred development expenditure of €9,735 thousand and €9,240 thousand in the first half of 2021 and 2022, respectively (3.72% as a percentage of revenue in both periods). Only the amounts described above can be capitalised.

[27] PERSONNEL EXPENSE

This caption amounted to €55,633 thousand for the first half of 2022 compared to €49,173 thousand for the corresponding period of the previous year. A breakdown of this caption and of the workforce by employee category is as follows:

(€'000)	First half of 2022	First half of 2021	Delta %
Wages and salaries, including bonuses and accruals	(43,735)	(38,470)	13.7%
Social security contributions	(9,412)	(8,530)	10.3%
Defined benefit plans	(1,490)	(1,381)	7.9%
Other costs	(996)	(793)	25.7%
Total	(55,633)	(49,173)	13.1%

	First half of 2022	First half of 2021
Managers	63	63
White collars	1,133	1,100
Blue collars	739	650
Total	1,935	1,813

[28] OTHER INCOME (EXPENSE)

This caption amounted to €1,203 thousand for the first half of 2022, compared to €874 thousand for the corresponding period of the previous year. It may be broken down as follows:

(€'000)	First half of 2022	First half of 2021	Variation %
Gains on the sale of non-current assets	29	367	(92.0%)
Prior year income	401	359	11.9%
Other income	431	717	(39.9%)
Losses on the sale of non-current assets	(5)	-	>100%
Prior year expense	(97)	(123)	(21.3%)
Other taxes and duties	(603)	(483)	24.9%
Impairment losses on loans and receivables	(379)	(285)	33.1%
Accrual to the provisions for risks	(290)	(518)	(44.0%)
Credit losses	(6)	(11)	(45.1%)
Other costs	(254)	(179)	41.7%
Other expense	(1,633)	(1,599)	2.7%
Other expense, net	(1,203)	(874)	37.7%

[29] AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

This caption amounted to €11,168 thousand for the first half of 2022 compared to €9,667 thousand in the first half of the previous year. This increase was mainly due to higher amortisation and depreciation arising from the purchase price allocation made upon consolidation of companies acquired in previous years:

(€'000)	First half of 2022	First half of 2021	Variation %
Amortisation	(4,414)	(3,463)	27.5%
Depreciation	(6,754)	(6,204)	8.9%
Impairment losses	-	(2)	(100.0%)
Total	(11,168)	(9,669)	15.5%

[30] FINANCIAL INCOME AND EXPENSE

Net financial expense for the first half of 2022 came to €1,540 thousand, compared to €1,130 thousand for the corresponding period of 2021, as follows:

(€'000)	First half of 2022	First half of 2021	Variation %
Gains on financial assets	53	1	>100%
Interest income	41	38	8.1%
Gains on derivatives	15	8	99.1%
Other financial income	52	43	21.9%
Dividends received	30	-	>100%
Financial income	192	90	>100%
Bank interest expense	(278)	(412)	(32.5%)
Lease interest expense	(231)	(370)	(37.7%)
Other interest expense	(134)	(15)	>100%
Losses on derivatives	(42)	(77)	(45.1%)
Other financial expense	(648)	(289)	>100%
Net fair value losses on financial assets and liabilities	(109)	-	>100%
Interest expense on call options for non-controlling interests	(290)	(56)	>100%
Financial expense	(1,732)	(1,220)	42.0%
Net financial expense	(1,540)	(1,130)	36.3%

The increase in this caption was mainly due to higher interest expense on call options for non-controlling interests and other financial expense including the new loans recognised at amortised cost.

[31] EXCHANGE GAINS AND LOSSES

This caption showed net exchange rate losses of €153 thousand for the first half of 2022 compared to €255 thousand for the corresponding period of 2021, as follows:

(€'000)	First half of 2022	First half of 2021	Variation %
Exchange losses	(6,655)	(2,585)	>100%
Exchange gains	6,502	2,330	>100%
Net exchange losses	(153)	(255)	(40.0%)

[32] FAIR VALUE (GAIN) LOSS ON CALL OPTION

This caption is unchanged.

[33] SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEEES

This caption shows a net profit of €2,363 thousand and relates to the fair value revaluation of the initial 40% investment in Arion and the revaluation of the associate Free Polska.

[34] INCOME TAXES

This caption amounted to €9,756 thousand for the first half of 2022, compared to €6,701 thousand for the corresponding period of 2021. 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.

[35] OTHER INFORMATION

Segment reporting

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

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:

(€'000) <i>forward</i>	30.06.2022			
	Purchases *	Sales *	Positive fair value **	Negative fair value **
USD/CNY		12,500	20	(245)
USD/EUR		1,000	-	(55)
ZAR/USD		3,900	14	-
Totale forward			34	(300)
Options				
USD/EUR	1,000		-	(11)
EUR/CNY		6,000	36	-
USD/CNY		26,000	158	-
CNY/USD		2,000	13	-
ZAR/USD		20,000	18	-
THB/USD		30,000	35	-
Total options			260	(11)
Total			294	(311)

(*) 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:

(€'000)	Notional amount	Floating interest rate	Fixed interest rate	Maturity	Fair value 30.06.2022
BNL	30,000	6m Euribor > -0.78% / -0.78% if 6m Euribor < -0.78%	-0.11%	19/11/2022	(6)
BNL	20,000	3m Euribor > -0.98% / -0.98% if 3m Euribor < -0.98%	-0.02%	30/04/2023	45
Unicredit	20,000	3m Euribor > -0.92% / -0.92% if 3m Euribor < -0.92%	-0.04%	30/04/2023	6
Mediobanca	25,000	3m Euribor > -0.95% / -0.95% if 3m Euribor < -0.95%	-0.42%	04/08/2023	352
Mediobanca	20,000	3m Euribor > -0.6375% / -0.6375% if 3m Euribor < -0.6375%	-0.31%	26/06/2026	686

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:

FIRST HALF OF 2022		IFRS 9 category	Carrying amount	Fair value		
(€'000)				Level 1	Level 2	Level 3
Derivatives	Financial instruments held for trading	1,384		1,384		
Available-for-sale securities	Available-for-sale financial assets	2,891	2,891			
Other financial assets	Loans and receivables	1,195			1,195	
Other current financial assets		5,470				
Trade receivables	Loans and receivables	102,269			102,269	
Total financial assets		107,738				
including:	Available-for-sale financial assets	2,891				
	Financial instruments held for trading	1,384				
	Loans and receivables	103,463				
Bank loans and borrowings	Financial liabilities at amortised cost	73,674		73,674		
Amounts due to bondholders	Financial liabilities at amortised cost	39,432		39,432		
Other loans and borrowings	Financial liabilities at amortised cost	625		625		
Lease liabilities	Financial liabilities at amortised cost	22,969			22,969	
Effective designated derivative hedges	Financial instruments held for trading	-		0		
Other financial liabilities	Financial liabilities at amortised cost	940			940	
Non-current financial liabilities		137,639				
Bank borrowings	Financial liabilities at amortised cost	59		59		
Bank loans	Financial liabilities at amortised cost	61,350		61,350		
Lease liabilities	Financial liabilities at amortised cost	4,598			4,598	
Amounts due to bondholders	Financial liabilities at amortised cost	114		114		
Derivatives	Financial instruments held for trading	311		311		
Other loans and borrowings	Financial liabilities at amortised cost	454		454		
Other financial liabilities	Financial liabilities at amortised cost	500			500	
Current financial liabilities		67,386				
Trade payables	Financial liabilities at amortised cost	77,603			77,603	

FIRST HALF OF 2022	IFRS 9 category	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
(€'000)					
Total financial liabilities		282,628			
including	Financial liabilities at amortised cost	282,317			
	Financial instruments held for trading	311			

Related party transactions

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

RELATED AT 30.06.2022								
(€'000)	Trade receivables	Loan assets	Trade payables	Financial liabilities	Revenue	Financial income	Costs	Financial expense
Arion S.r.l.	-	-	(301)	-	-	-	(743)	-
Free Polska s.p.z.o.o.	389	-	(2,132)	-	4	30	(10,764)	-
Total associates	389	-	(2,433)	-	4	30	(11,507)	-
RN Real Estate S.r.l.	2	-	(454)	(13,000)	2	-	-	(30)
Nastrificio Victor S.p.A.	-	-	(12)	-	-	-	(29)	-
Eurotest laboratori S.r.l.	1	-	(90)	-	3	-	(149)	-
Carel Real Estate Adriatic d.o.o.	2	-	(146)	(2,157)	-	-	-	(34)
Eurotec Ltd	126	-	-	-	287	-	(23)	-
Panther S.r.l.	-	-	(8)	-	-	-	(7)	-
Gestion A.Landry Inc	-	-	-	(44)	-	-	1	(1)
Humide Expert	-	-	(1)	-	-	-	(14)	-
Murat Cem Ozdemir	-	-	-	(1,658)	-	-	(22)	(20)
Bridgport S.p.A.	7	-	(271)	-	41	-	(81)	-
Brimind S.r.l.	-	-	(11)	(82)	-	-	(18)	-
Others	5	-	(4)	-	2	-	(12)	-
Total other related parties	143	-	(997)	(16,941)	335	-	(354)	(85)
Total	532	-	(3,430)	(16,941)	339	30	(11,861)	(85)

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 €604 thousand and €146 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:

COMPANY NAME	Registered office	Country	Currency	Share Capital/ quota at 31.12.21
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 Inc	Pennsylvania	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	Sidney	Australia	Australian Dollar	100
Carel Electronic Suzhou Ltd	Suzhou	People's Republic of China	Renminbi	75,019,566
Carel Controls Iberica SI	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.	Wroclaw	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	Beloil	Canada	CAD	100
CFM Sogutma Ve Otomasyon	Izmir	Turkey	Euro	2,473
Enginia Srl	Trezzo Sull'Adda (MI)	Italy	Euro	10,400
Arion S.r.l.	Bolgare (BG)	Italy	Euro	n.a.

Share Capital/ quota at 30.06.22	Investment % 30.06.22	Share/quota holder	Consolidation method	Profit for the period 30.06.2022	Profit for the period 30.12.2021
				EURO	EURO
10,000,000				25,395,682	27,257,788
98,800	100%	Carel Industries S.p.A.	line-by-line	991,590	1,006,045
25,565	100%	Carel Industries S.p.A.	line-by-line	1,632,620	2,740,965
100,000	100%	Carel Industries S.p.A.	line-by-line	340,406	1,542,492
350,000	100%	Carel Industries S.p.A.	line-by-line	675,902	780,914
31,149,059	53.02%	Carel Industries S.p.A.	line-by-line	1,071,224	725,607
	46.98%	Carel Electronic Suzhou Ltd			
5,000,000	100%	Carel Industries S.p.A.	line-by-line	3,037,670	4,387,128
15,900,000	100%	Carel Industries S.p.A.	line-by-line	427,944	965,448
550,500,000	100%	Carel Electronic Suzhou Ltd	line-by-line	(28,611)	(259,795)
100,000	100%	Carel Asia Ltd	line-by-line	15,035	47,340
100	100%	Carel Electronic Suzhou Ltd	line-by-line	337,999	646,691
75,019,566	100%	Carel Industries S.p.A.	line-by-line	6,872,302	8,860,203
3,005	100%	Carel Industries S.p.A.	line-by-line	657,321	1,086,135
4,000,000	100%	Carel Electronic Suzhou Ltd	line-by-line	390,268	752,573
1,665,340	0.01%	Carel France Sas	line-by-line	44,840	250,282
	99.99%	Carel Electronic Suzhou Ltd			
6,600,000	99%	Carel Industries S.p.A.	line-by-line	270,817	766,473
	1%	Carel France Sas			
550,000	100%	Carel Industries S.p.A.	line-by-line	312,605	376,013
4,333,877	100%	Carel Industries S.p.A.	line-by-line	220,059	36,804
12,441,149	100%	Carel Usa LCC	line-by-line	109,044	31,270
54,600,000	100%	Carel Industries S.p.A.	line-by-line	1,740,728	5,018,539
16,000,000	50%	Carel Electronic Suzhou Ltd	line-by-line	133,999	200,803
	30%	Carel Australia PTY Ltd			
420,000	100%	Carel Industries S.p.A.	line-by-line	2,313,922	3,588,710
60,000,000	100%	Carel Industries S.p.A.	line-by-line	144,797	45,768
500,000	100%	Carel Industries S.p.A.	line-by-line	118,408	582,470
639,115	100%	Carel Industries S.p.A.	line-by-line	2,159,899	3,414,278
700,000	100%	Alfaco Polska Zoo	line-by-line	(55,402)	84,397
100	100%	Carel Usa Inc	line-by-line	(82,483)	267,595
2,473	51%	Carel Industries S.p.A.	line-by-line	2,640,474	699,538
10,400	100%	Recuperator S.p.A.	line-by-line	378,979	898,967
100,000	70%	Carel Industries S.p.A.	line-by-line	89,281	n.a.



EVENTS AFTER THE REPORTING PERIOD

As described in the directors' report, on 13 June 2022, the parent entered into a binding agreement to acquire 70% of Sauber S.r.l., a company based in Porto Mantovano (MN) which provides on-field services for the installation and servicing of cooling/humidification systems in residential and commercial buildings.

70% of the enterprise value was calculated at €3.6 million; the remaining 30% of Sauber is subject to a cross-option mechanism between the parties exercisable in 2025.

The closing of the transaction took place on 12 July 2022, when Carel obtained control of the company. Consequently, the impacts on profit or loss and equity of the Sauber consolidation will be effective as of July 2022.

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 2022:
 - 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 2022

Chief executive officer

Manager in charge of financial reporting

Francesco Nalini

Nicola Biondo

INDEPENDENT AUDITORS' REPORT CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS



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

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

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Carel Industries S.p.A. and subsidiaries (the "Carel Group"), which comprise the balance sheet as of June 30, 2022 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Carel Group as at June, 30, 2022 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
Padua, Italy
August, 5, 2022

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

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