Munters

Q4 2023

Strengthened market position and strong results

October-December

- Order intake increased +82% organically, with strong growth in Data Center Technologies (DCT) and FoodTech while AirTech experienced lower growth than last year. DCT continued to see strong demand, in North America two large orders of appr. BSEK 2.2 were received in the quarter and several smaller orders were placed in both Americas and Europe.
- Net sales increased +16% organically, primarily through very strong growth in DCT. In FoodTech all regions contributed to increased net sales, especially Americas. AirTech had a flat development of net sales.
- The adj. EBITA margin improved mainly driven by the net sales increase in DCT, efficiency improvement efforts in all business areas as well as contributions from net price adjustments.
- Earnings per share, before and after dilution, was SEK 0.3 (0.7) in the fourth quarter.
- Cash flow from operating activities improved mainly because of improved earnings and a reduction in operating working capital.

January-December

- Order intake declined -21% organically, mainly as customers in 2022 ordered solutions longer in advance because of previous supply chain challenges, ie lead times has shortened in 2023.
- Net sales grew +27% organically with strong growth especially in DCT, driven by high activity in project deliveries. AirTech also showed good growth whereas FoodTech had flat development.
- The strong improvement in adj. EBITA margin is mainly related to net sales increases in AirTech and DCT, net price increase as well as efficiency improvement efforts in all business areas.
- Earnings per share for the full year, before dilution, was 4.30 (3.18) and after dilution, was SEK 4.30 (3.17).
- Net debt in relation to adjusted EBITDA was 2.1x compared to 2.2x at end of September 2023 and 2.9x at the end of December 2022.
- In July a strategic review of the equipment business in FoodTech was initiated. The review is ongoing and expected to be finalized in the first half-year of 2024.

Net sales organic growth
+16%

Adj. EBITA margin
12.8%

Operating working capital/net sales
14.2%

Events after the close of the period

- On January 22, Munters released preliminary fourth quarter and full year results 2023 in advance due to a ransomware attack at a hosting provider, Tietoevry as it could not be ensured, that the information had remained confidential. Munters estimates that the event will have no impact in 2024.
- The Board of Directors proposes a dividend of 1.30 SEK (0.95) per share totaling a dividend of MSEK 237 (173) to be paid in two equal installments. This represents 30% (30%) of net income in 2023.

Financial summary

	Q4			Jan-Dec		
MSEK	2023	2022	Δ%	2023	2022	Δ%
Order intake	5,651	3,143	80	14,116	16,830	-16
Net sales	3,659	3,011	22	13,930	10,386	34
Growth	22%	46%		34%	41%	
of which organic growth	16%	26%		27%	23%	
of which acquisitions and divestments	4%	4%		3%	4%	
of which currency effects	1%	16%		5%	15%	
Operating profit (EBIT)	375	255	47	1,586	881	80
Operating margin	*10.3*	*8.5*		*11.4*	*8.5*	
Adjusted EBITA	467	304	54	1,839	1,070	72
Adjusted EBITA margin, %	*12.8*	*10.1*		*13.2*	*10.3*	
Net income	58	131	-56	792	577	37
Earnings per share before dilution, SEK	0.30	0.70		4.30	3.18	
Earnings per share after dilution, SEK	0.30	0.70		4.30	3.17	
Cash flow from operating activities	670	427		1,066	772	
OWC/Net Sales	14.2%	12.7%		14.2%	12.7%	
Net debt	4,620	3,825		4,620	3,825	
Net debt/Adjusted EBITDA, LTM	2.1	2.9		2.1	2.9	

Klas Forsström
President and CEO

"Achievements in 2023 positions us for a continued successful journey in the years ahead."

CEO comments

Achievements in 2023 positions us for a continued successful journey in the years ahead
The strategic actions we have taken in recent years, focusing on growth in prioritized areas, footprint optimization and improving efficiency, materialized in very strong achievements in 2023. In summary, we achieved very strong net sales growth, improved profitability and strengthened our market position significantly in all business areas.

Strong net sales and robust improvement in profitability
In the fourth quarter order intake improved, driven by major orders in the US for DCT, reaffirming our strengthened market position in this market. FoodTech developed positively mainly driven by a recovery in the European market for Climate solutions. AirTech had a lower level of order intake, mainly as no large orders were received in the quarter. We also noted a continued shift in customer demand towards smaller orders with shorter lead times, mainly in Americas. Net sales increased strongly, with a positive development in DCT and FoodTech, whereas AirTech had a flat development. Digital solutions in FoodTech continued to see strong growth in the SaaS revenue (ARR) growing +69 percent in the quarter. The adjusted-EBITA improved because of a net sales increase in DCT, efficiency improvement efforts in all business areas as well as contributions from net price adjustments. In AirTech the margin declined mainly due to a changed business mix, with a smaller share of components and service sales. Cash flow from operating activities improved mainly driven by higher profits, which led to lower leverage. We remain committed to strengthening our resilience by improving cash flow and reducing working capital.

Navigation amidst geopolitical volatility and complexity important for continued success
The continued digital transformation as well as electrification led to an underlying strong growth in our main markets throughout the year. Simultaneously, the business landscape has been marked by growing geopolitical instability and heightened complexity. I am very proud of our employees that have managed to navigate in this landscape and deliver on our long-term strategic ambitions at the same time as managing daily challenges and delivering strong results. In the fourth quarter we strengthened our position in Asia by the acquisition of ZECO, an Indian manufacturer of air treatment solutions. This provides us with a second strong hub in the region next to China. In response to growing market demand for the solutions we provide in AirTech we also broke ground on an all-new site for the North American market in the fourth quarter. The facility will be our largest facility and is being designed to support Munters' goal of being Net Zero from our operations by 2030. It includes electrification of processes and equipment, implementing considerable energy efficiency measures, and obtaining electricity from renewable energy sources. This investment is an important cornerstone of Munters transformative journey to become more efficient and agile. The strategic review of the equipment business in FoodTech is ongoing and I expect this to be finalized in the first half-year of 2024.

In 2024 we will continue to invest for growth
I am greatly confident that we are well positioned towards future growth areas for Munters. In the current market environment, it is imperative for us to constantly be ahead of the curve and invest for future growth. Therefore, going into 2024 we remain committed to continuously exploring acquisition possibilities that contribute to the expansion and reinforcement of our technology and market presence. We will also continue to invest in our global footprint and innovation to ensure we continue to exceed our customers' expectations and strengthen our market position.

I want to thank all employees for their unwavering commitment and contribution to our strong results.

Midterm financial targets

Net sales growth:	Annual organic growth of net sales of 10% Performance Q4 2023: 16% (26)
Adjusted EBITA margin:	An adjusted EBITA margin above 14%. Performance Q4 2023: 12.8% (10.1)
OWC/net sales:	Average (LTM) operating working capital in the range of 13-10 % of net sales. Performance Q4 2023: 14.2% (12.7)
Dividend policy:	Munters aim to pay an annual dividend corresponding to 30-50% of its consolidated income after tax for the period. Dividend proposal 2023: 30% (SEK 1.30 per share, totaling MSEK 237)

See Munters Annual and Sustainability report (ASR) 2022, pages 48-80, for further information on goals and outcome or at www.munters.com. For full description of the dividend policy, see the ASR 2022, page 9 or at www.munters.com.

Sustainability targets*

Renewable electricity[1]:	80% by 2026, eventually 100%, Performance Q4 2023: 80% (72)
TRIR[2]:	Zero accidents in production Performance Q4 2023: 1.2 (1.8)
Women in workforce:	30% by 2025 Performance Q4 2023: 22% (21)
Women leaders:	30% by 2025 Performance Q4 2023: 21% (22)
Service share:	Service share 30% of net sales in the long term Performance Q4 2023, LTM: 13.1% (14.9)

* Last 12 months

[1] In production plants

[2] Total Recordable Incident Rate (number of accidents where the employee had to seek medical assistance multiplied by 200,000/number of hours worked)

Financial performance

MSEK	Q4 2023	Q4 2022	Δ%	Jan-Dec 2023	Jan-Dec 2022	Δ%
Order intake	5,651	3,143	80	14,116	16,830	-16
AirTech	1,922	2,642	-27	6,796	8,399	-19
DCT	3,184	30	n.m.	4,948	6,245	-21
FoodTech	555	483	15	2,433	2,242	9
Corporate & elim.	-10	-12	-	-61	-56	-
Net sales	3,659	3,011	22	13,930	10,386	34
AirTech	2,136	2,013	6	8,226	6,830	20
DCT	925	500	85	3,408	1,401	143
FoodTech	617	514	20	2,363	2,211	7
Corporate & elim.	-20	-16	-	-67	-56	-
Adjusted EBITA	467	304	54	1,839	1,070	72
AirTech	305	329	-7	1,278	1,014	26
DCT	144	36	305	519	84	520
FoodTech	60	4	n.m	222	128	73
Corporate & elim.	-41	-65	-	-181	-156	-
Adjusted EBITA margin, %	12.8	10.1		13.2	10.3	
AirTech	14.3	16.3		15.5	14.8	
DCT	15.6	7.1		15.2	6.0	
FoodTech	9.7	0.7		9.4	5.8	

Order intake

October-December 2023

Order intake amounted to MSEK 5,651 (3,143), (organic development of +82%, structural +4%, currency effects -7%), with strong growth in DCT and FoodTech while AirTech experienced lower growth than last year.

In AirTech no larger orders were received in the quarter compared to last year when two large orders with a combined value of appr. MSEK 560 was received in the battery sub-segment in North America. In the short-term customers are placing orders closer to delivery, partly driven by the more unstable macroenvironment. In the long-term underlying growth drivers for our main markets in AirTech remain strong. Order intake in DCT continued to see strong demand, in North America two large orders of appr. BSEK 2.2 were received in the quarter as well as several smaller orders placed in Americas and Europe. Order intake in FoodTech was positive, primarily driven by EMEA where a recovery in the market was seen. The slight recovery in APAC continued in the quarter, whereas Americas showed stable development.

For more information on the order intake, see the business area comments on pages 6, 7 and 8.

January- December 2023

Order intake during the year amounted to MSEK 14,116 (16,830), (organic development of -21%, structural +2%, currency effects +3%), mainly as customers in 2022 ordered solutions in advance because of previous supply chain challenges.

The order backlog remained flat and amounted to MSEK 11,333 at the end of the year compared to MSEK 11,463 in the fourth quarter 2022. The majority of the backlog is attributable to large orders received in DCT and AirTech to be delivered throughout 2025.

Net sales

October-December 2023

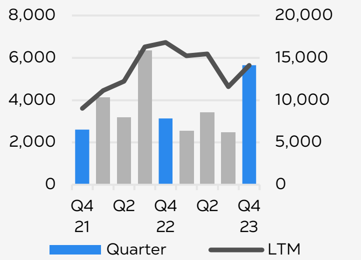
Net sales grew to MSEK 3,659 (3,011) (organic growth +16%, structural +4%, currency effects +1%). DCT continued to contribute to strong growth through good deliveries on large orders. AirTech had a flat development, with growth mainly in Americas offset by weaker development in APAC and stable development in EMEA. Within FoodTech all regions contributed to increased net sales, especially Americas. Service net sales amounted to MSEK 539 (493) representing 15% (16) of total net sales with an organic growth of -9%.

For more information on the net sales, see the business area comments on pages 6, 7 and 8.

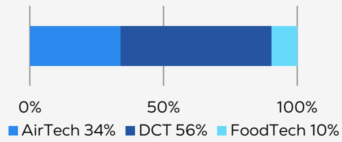
January-December 2023

Net sales grew to MSEK 13,930 (10,386) (organic growth +27%, structural +3%, currency effects +5%). Strong net sales growth was reported in especially DCT driven by high activity in project deliveries. AirTech also showed good growth whereas FoodTech showed flat development. Service net sales for the year amounted to MSEK 1,821 (1,548) representing 13% (15) of total net sales with an organic growth of 4%.

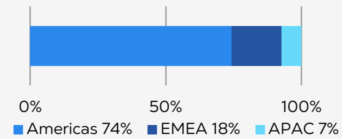
Quarterly order intake (MSEK)



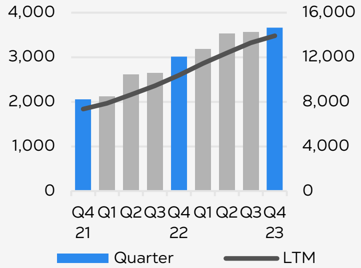
Order intake per Business Area Q4, 2023 (MSEK)



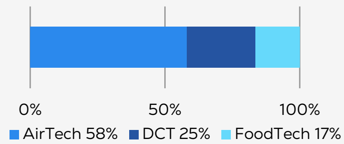
Order intake per region Q4, 2023 (MSEK)



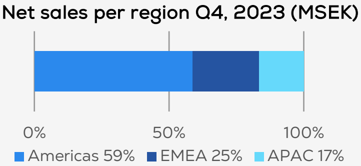
Quarterly net sales, (MSEK)



Net sales per Business Area Q4, 2023 (MSEK)



Net sales per region Q4, 2023 (MSEK)



Results

Adjusted EBITDA and EBITA excludes Items Affecting Comparability, IAC, see page 18 for disclosure of the IACs.

October-December 2023

The gross margin amounted to 32.6% (29.2). The margin improved mainly as a result of strong net sales growth in DCT, net price increases and positive effects from efficiency improvements.

Adjusted EBITDA amounted to MSEK 556 (381), corresponding to an adjusted EBITDA-margin of 15.2% (12.7). Depreciation of tangible assets amounted to MSEK -88 (-78), whereof depreciation of leased assets was MSEK -47 (-44).

Adjusted EBITA amounted to MSEK 467 (304), corresponding to an adjusted EBITA-margin of 12.8% (10.1). The margin improved mainly because of a net sales increase in DCT, efficiency improvement efforts in all business areas as well as contributions from net price adjustments. This was offset by a weaker margin in AirTech, resulting mainly from a changed business mix, with a lower share of components and service sales.

Adjusted EBITA for Corporate amounted to MSEK -41 (-65).

Operating profit (EBIT) was MSEK 375 (255), corresponding to an operating margin of 10.3% (8.5). Amortization and write-downs of intangible assets were MSEK -44 (-39), where MSEK -7 (-8) related to amortization of intangible assets from acquisitions.

For more information on the results, see the business area comments on pages 6, 7 and 8.

January-December 2023

The gross margin amounted to 31.7% (29.1).

Adjusted EBITDA amounted to MSEK 2,166 (1,333), corresponding to an adjusted EBITDA-margin of 15.5% (12.8). Depreciation of tangible assets amounted to MSEK -327 (-263), whereof depreciation of leased assets was MSEK -183 (-136).

Adjusted EBITA amounted to MSEK 1,839 (1,070), corresponding to an adjusted EBITA-margin of 13.2% (10.3). The strong improvement is mainly related to net sales increases in AirTech and DCT, net price increase as well as efficiency improvement efforts in all business areas.

Operating profit (EBIT) was MSEK 1,586 (881), corresponding to an operating margin of 11.4% (8.5). Amortization and write-downs of intangible assets for the year were MSEK -156 (-114), where MSEK -45 (-36) related to amortization of intangible assets from acquisitions.

Items affecting comparability (IAC)

Items affecting comparability totaled MSEK -49 (-9) in the fourth quarter, including costs for restructuring activities of MSEK -22 (1) and costs for M&A activities of MSEK -15 (-10). Other IACs totaled MSEK -12 (0) and relate to costs for the ongoing strategic review of the equipment offering in FoodTech.

For the full year IACs totaled MSEK -96 (-75) including restructuring activities of MSEK -34 (-35) and costs for M&A activities of -29 (-19). Other IACs of MSEK -32 (-21) were recorded in the year and comprise costs related to the strategic review of the equipment offering in FoodTech. In 2022, Munters incurred IACs related to the decision to close down business activities in Russia of MSEK -27 included in Other IACs.

Financial items

Financial income and expenses for the fourth quarter amounted to MSEK -99 (-64). Compared to the same period last year interest expenses have increased due to higher interest rates in combination with increased outstanding debt. Interest expense on lease liabilities amounts to MSEK -11 (-10) in the fourth quarter.

Financial income and expenses for the full year amounted to MSEK -331 (-142) mainly due to increased interest expenses.

Taxes

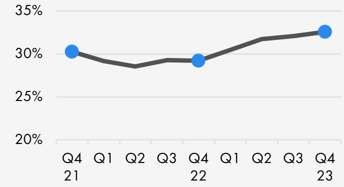
Income taxes for the fourth quarter was MSEK -218 (-61). The effective tax rate in the fourth quarter was 79% (32). Income taxes for the full year was MSEK -463 (-162). The effective tax rate for the full year was 37% (22).

In the fourth quarter a deferred tax expense of MSEK 80 attributable to impairment of deferred tax assets on loss carry-forwards was recognized, explaining the high effective tax rate in the quarter and for the full year. The impairment loss has no cash flow impact.

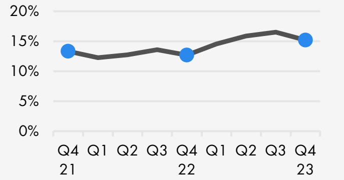
Earnings per share

Net income attributable to Parent Company's ordinary shareholders amounted to MSEK 58 (131) in the fourth quarter and for the full year 2023 net income amounted to MSEK 792 (577). Net income in the fourth quarter decreased to MSEK 58 (131) mainly due to an increase in financial and tax expenses as well as additional IACs from restructuring and M&A activities. A deferred tax expense of MSEK 80 was recognized in the quarter attributable to impairment of deferred tax assets on loss carry-forwards. The impairment loss has no cash flow impact.

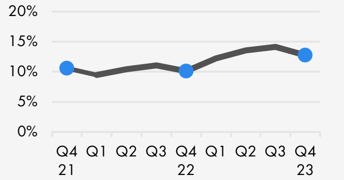
Quarterly gross margin, %



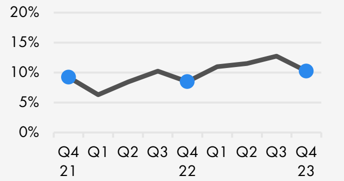
Quarterly adjusted EBITDA margin, %



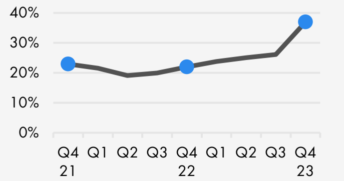
Quarterly adjusted EBITA margin, %



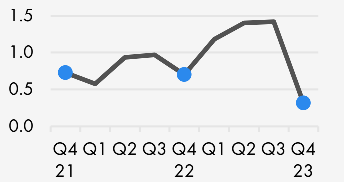
Quarterly EBIT margin, %



Tax rate LTM, %



Quarterly EPS, SEK



Earnings per share, before and after dilution, was SEK 0.3 (0.7) in the fourth quarter. Earnings per share for the full year, before dilution, was 4.30 (3.18) and after dilution, was SEK 4.30 (3.17).

The average number of outstanding ordinary shares in the fourth quarter, for the purpose of calculating earnings per share, was 182,512,107 before dilution and 182,523,285 after dilution. The average number of outstanding ordinary shares for the full year, for the purpose of calculating earnings per share, was 182,274,370 before dilution and 182,284,750 after dilution.

Financial position

Net debt as of December 31 amounted to MSEK 4,620 compared to 4,399 at the end of September 2023 and 3,825 at the end of December 2022. In the fourth quarter net debt increased mainly due to the acquisition of the Indian air handling equipment company ZECO financed by debt. Net debt in relation to adjusted EBITDA was 2.1x compared to 2.2x at end of September 2023 and 2.9x at the end of December 2022.

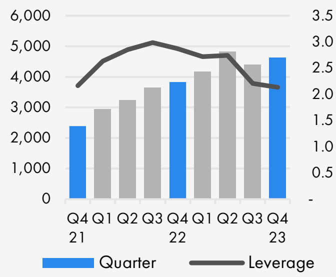
Interest-bearing liabilities, including lease liabilities, increased by MSEK 1,355 compared to end of December 2022 and amounted to MSEK 5,850 (4,495). The increase is driven mainly by acquisitions financed through debt executed during the recent years as well as increased operating working capital in the recent twelve months. The Group's interest-bearing liabilities have an average maturity of 2.7 years.

In 2023 Munters closed the acquisition of the Swedish manufacturer of components, Tobo components, the French service business SIFT, the acquisition of a majority share in InoBram the Brazilian manufacturer of controllers and complimentary accessories for the broiler and swine segments, as well as the Indian air handling equipment company ZECO.

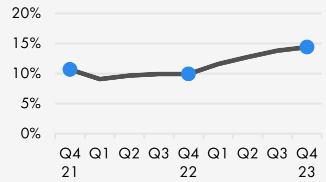
Cash and cash equivalents amounted to MSEK 1 532 (914) as of December 31 which is an increase of MSEK 618.

Average capital employed for the last twelve months was MSEK 11,230 (8,969). Return on capital employed (ROCE) for the last twelve months increased to 14.4% (9.9) because of improved operating earnings.

Net debt per quarter



ROCE, %



Cash flow

Cash flow from operating activities amounted to MSEK 670 (427) in the fourth quarter and MSEK 1,066 (772) for the full year 2023. Cash flow from changes in working capital had a positive impact of MSEK 389 (189) in the fourth quarter and a negative impact of MSEK -335 (-84) for the full year 2023.

Total cash flow for the fourth quarter amounted to MSEK 405 (192) and MSEK 658 (184) for the full year 2023. The total cash flow for the year was impacted by acquisitions of MSEK -744, investments in tangible and intangible assets of MSEK -670, payment of dividend to external shareholders in May 2023 of MSEK -173 and net increased external borrowing of MSEK 1,382.

Parent company

The parent company for the Group is Munters Group AB. The parent company does not engage in sales of goods and services to external customers. Cash and cash equivalents at the end of the period amounted to MSEK 3 (0).

AirTech

Business area AirTech is a global leader in energy-efficient air treatment for industrial and commercial applications. We offer solutions for mission-critical processes that require exact control of moisture and temperature, with a focus on energy-efficiency and sustainable climate systems. Our climate systems also provide better indoor air quality and comfort, as well as increased production capacity.

	Q4			Jan-Dec		
MSEK	2023	2022	Δ%	2023	2022	Δ%
External order backlog	3,250	4,698	-31	3,250	4,698	-31
Order intake	1,922	2,642	-27	6,796	8,399	-19
Growth	-27%	51%		-19%	44%	
Net sales	2,136	2,013	6	8,226	6,830	20
Growth	6%	46%		20%	46%	
of which organic growth	0%	29%		13%	31%	
of which acq. and div.	5%	2%		3%	0%	
of which currency effects	1%	15%		4%	15%	
Operating profit (EBIT)	264	319	-17	1,190	976	22
Operating margin, %	*12.4*	*15.9*		*14.5*	*14.3*	
Amortization of intang. asset	-4	-11		-39	-29	
Items affecting comparability	-36	-1		-49	-9	
Re-allocation of int. services	-	3		-	-	
Adjusted EBITA	305	329	-7	1,278	1,014	26
Adjusted EBITA margin, %	*14.3*	*16.3*		*15.5*	*14.8*	

October-December 2023

Order intake

Order intake decreased -31% organically, with a lower level of development in APAC and Americas whereas EMEA saw a slight increase. Last year in the fourth quarter two large orders were received in the battery sub-segment in Americas from a multinational automotive manufacturer with a combined value of appr. MSEK 560. Excluding these orders Airtech's reported order intake declined -8%. No large orders were received in the fourth quarter.

- The Industrial segment (excl. battery) showed a slight increase in demand, primarily in Americas and EMEA. The battery sub-segment had a weaker development in all regions. In APAC the weaker development was mainly related to China where the consolidation of the battery market continues. The market in EMEA and Americas was weaker mainly as customers are placing orders closer to delivery, ie lead times are shortening, partly driven by the more unstable macroenvironment.
- Order intake in the commercial sub-segment increased as a consequence of the Zeco integration.
- Clean Technologies (CT) declined in all regions mainly due to delays in customer decisions related to major investments.
- Components developed flat, mainly as the weaker development in the Chinese battery market also affected component replacements. Growth was good in Americas, where the acquisition of Hygromedia and Rotorsource in 2022 continued to contribute positively. Service declined due to weaker markets in APAC and Americas, slightly offset by EMEA.

Net sales

Organic net sales had flat development, with growth mainly in Americas offset by weaker development in APAC and stable development in EMEA. Service accounted for 20% (24) of net sales with an organic decrease of -13%, mainly driven by lower sales of spare parts in Americas.

- The Industrial segment (excl. battery) showed growth in all regions, driven by the food and pharma sub-segments in Americas and APAC. The battery sub-segment showed strong growth in Americas, whereas EMEA and APAC developed weaker.
- Clean Technologies had stable development in APAC and EMEA, with a weaker development in Americas.
- The Components segment showed good growth in Americas and EMEA, whereas APAC had a negative development. The Service segment had weaker development, with growth mainly in APAC and EMEA.

Adjusted EBITA

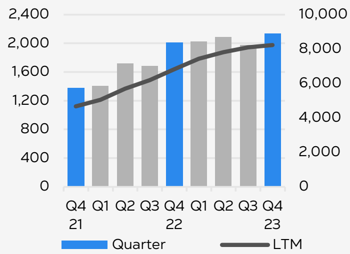
The adjusted EBITA margin decreased mainly due to a changed business mix, with a smaller share of components and service sales.

- Efficiency improvements continued to have a positive impact on the margin, slightly offset by a lower production utilization rate in EMEA and APAC.

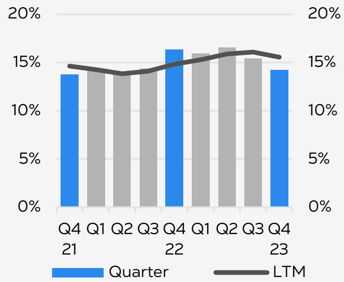
January-December 2023

- Order intake declined -24% organically. The components segment had good growth, offset by a weaker development in the Industrial segment. The Service segment showed stable development.
- Net sales increased +13% organically, primarily through strong development in the Industrial segment in all regions especially the battery sub-segment. Components showed good growth in all regions and Service grew in EMEA and APAC with a flat development in Americas. Service accounted for 19% (21) of net sales with an organic growth of +3%.
- The adjusted EBITA margin improved because of volume increase combined with positive contributions from efficiency improvements and net price increases.

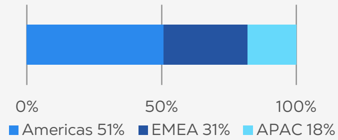
Quarterly net sales - AirTech, (MSEK)



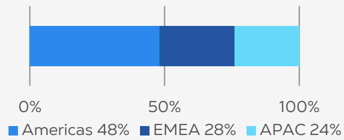
Quarterly adjusted EBITA margin % - AirTech



Order intake per region Q4, 2023 - AirTech (MSEK)



Net sales per region Q4, 2023 - AirTech (MSEK)



Data Center Technologies

Business area Data Center Technologies (DCT) is a leading supplier of advanced climate cooling solutions using a wide range of heat rejection technologies. Our solutions produce significant energy savings for data centers compared with traditional cooling solutions. With a diversified product portfolio and extensive application knowledge, we create sustainable climate solutions for data center operators worldwide. DCT has operations in Virginia and Texas in the US, as well as in Ireland.

	Q4			Jan-Dec		
MSEK	2023	2022	Δ%	2023	2022	Δ%
External order backlog	7,206	5,937	21	7,206	5,937	21
Order intake	3,184	30	n.m.	4,948	6,245	-21
Growth	n.m.	-92%		-21%	494%	
Net sales	925	500	85	3,408	1,401	143
Growth	85%	173%		143%	100%	
of which organic growth	81%	106%		131%	35%	
of which acq. and div.	-	26%		-	35%	
of which currency effects	4%	41%		12%	30%	
Operating profit (EBIT)	139	30	360	497	71	597
Operating margin, %	*15.0*	*6.0*		*14.6*	*5.1*	
Amortization of intang. asset	-5	-5		-22	-20	
Items affecting comparability	-	0		-	8	
Adjusted EBITA	144	36	305	519	84	520
Adjusted EBITA margin, %	*15.6*	*7.1*		*15.2*	*6.0*	

October -December 2023

Order intake

Order intake increased significantly, with two large orders of appr. BSEK 2.2 received in the quarter. Also, several orders were received from colocator and hyperscaler customers in Americas as well as colocators in EMEA. Excluding the cancellations of MSEK 465 received in the fourth quarter last year, order intake increased organically +713%.

- During the quarter two large orders were received from leading data center colocation operators in the US. The first order with a value of appr. MSEK 655 and the other order with a value of appr. BSEK 1.5. Deliveries of these orders will take place throughout 2025.
- Underlying demand continued to be good, driven by strong long-term trends such as continued digitization and an increased focus on energy-efficient cooling solutions for data centers. Hyperscalers are driving increased market activity by leasing space from colocators.
- Order intake in EMEA was good in the quarter, primarily for direct evaporative air handlers.

Net sales

Net sales increased +81% organically, driven by good deliveries on large projects.

- Executions on large orders announced during last year are proceeding according to plan.
- The production ramp-up in Europe of Munters products is progressing i.e. sales for Munters packaged evaporative economizers began in 2023 and SyCool Split is planned to be available for sale in Europe during 2024.

Adjusted EBITA

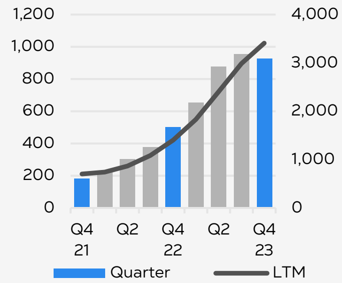
The adjusted EBITA margin improved significantly primarily related to strong volume growth, combined with a high utilization rate in production.

- Indirect costs in relation to net sales are expected to increase as investments in resources and competence are planned to accelerate over the coming quarters in order to capture growth opportunities.

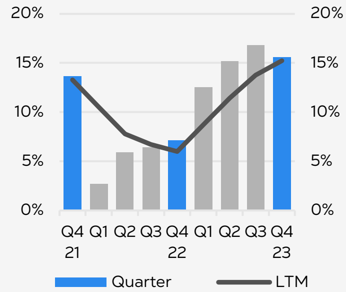
January- December 2023

- Order intake decreased -24% organically mainly as customers ordered solutions in advance last year because of previous supply chain challenges.
- Net sales increased +131% organically, driven by high activity in large projects and a ramp-up of production.
- A strong improvement in adjusted EBITA was realized due to significant volume growth, net price increases and efficiency improvements.

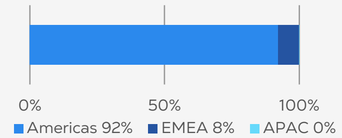
Quarterly net sales - DCT, (MSEK)



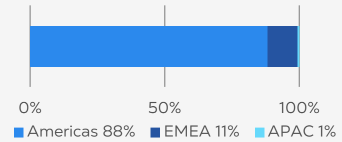
Quarterly adjusted EBITA margin % - DCT



Order intake per region Q4, 2023 – DCT (MSEK)



Net sales per region Q4, 2023 - DCT (MSEK)



FoodTech

Business area FoodTech is one of the world's leading suppliers of innovative, energy-efficient climate systems for livestock farming and greenhouses, as well as software for controlling and optimizing the entire food production value chain. Our solutions increase productivity while contributing to sustainable food production, where strict requirements are placed on quality, animal health and food safety. In July 2023 Munters announced an initiation of a strategic review of FoodTech's equipment business.

	Q4			Jan-Dec		
MSEK	2023	2022	Δ%	2023	2022	Δ%
External order backlog	877	828	6	877	828	6
Order intake	555	483	15	2,433	2,242	9
Growth	15%	-5%		9%	4%	
Net sales	617	514	20	2,363	2,211	7
of which SaaS	56	33	69	183	119	53
SaaS ARR	226	133	69	226	133	69
Growth	20%	1%		7%	9%	
of which organic growth	16%	-11%		1%	-2%	
of which acq. and div.	6%	-		3%	-	
of which currency effects	-1%	12%		4%	11%	
Operating profit (EBIT)	21	-23	n.m	107	5	n.m
Operating margin, %	*3.5*	*-4.4*		*4.5*	*0.2*	
Amortization of intang. asset	-26	-20		-80	-59	
Items affecting comparability	-12	-7		-35	-64	
Re-allocation of int. services	-	1		-	-	
Adjusted EBITA	60	4	n.m	222	128	73
Adjusted EBITA margin, %	*9.7*	*0.7*		*9.4*	*5.8*	

October -December 2023

Order intake

Order intake increased +12% organically, primarily driven by EMEA where the market saw a recovery. The slight recovery in APAC continued in the quarter, whereas Americas showed a stable development.

- Climate solutions in the Americas showed a slight increase, with strong growth in the swine and layer segments, offset by weaker development in the broiler segment. Digital solutions in Americas decreased, as last year included a large Software-as-a-Service (SaaS) contract with one of North America's largest poultry producers with a value of app. MSEK 46. Excluding the large order the development was stable.
- The EMEA region showed recovery in all segments, especially within the broiler segment. Controllers also contributed to the good development.
- Region APAC showed a slight recovery, with increased demand in both the swine and layer segments.

Net sales

Net sales increased +16% organically, with contributions from all regions.

- Climate solutions in Americas showed strong growth, primarily in the broiler and layer segments. Digital solutions in the US grew with increased software recurring revenues (SaaS) +69% to MSEK 56, with an ARR (Annualized Recurring software Revenue) of MSEK 226.
- Region EMEA improved, showing good development in all segments except swine.
- APAC showed stable development, with a continued weak swine market in China whereas the layer segment showed good growth.

Adjusted EBITA

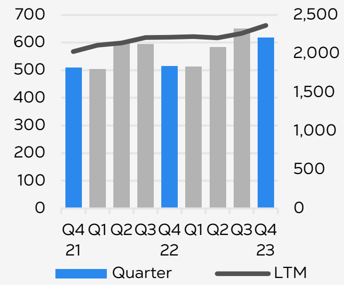
The adjusted EBITA margin increased significantly with contributions from all regions, especially EMEA.

- Increased net sales combined with net price increases had a positive effect.
- Positive effects from operational excellence improvements led to an improved margin, with recent years' actions to mitigate negative effects from lower net sales in both EMEA and APAC providing a major positive contribution.
- Continued good profitability improvements in Digital solutions mainly as ARR had a good growth, at the same time as investments remained at a high level.

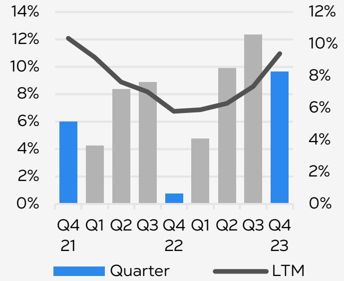
January-December 2023

- Order intake increased slightly, with positive development in all regions, primarily in Americas.
- Net sales showed flat development organically, mainly due to good development in Americas offset by weak markets in APAC and EMEA during the first part of the year.
- The adjusted EBITA margin improved significantly because of positive effects from net price increases and efficiency improvement initiatives.

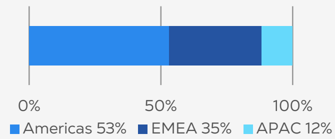
Quarterly net sales - FoodTech, (MSEK)



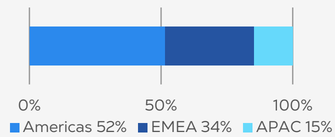
Quarterly adjusted EBITA margin % - FoodTech



Order intake per region Q3, 2023 – FoodTech (MSEK)



Net sales per region Q3, 2023 - FoodTech (MSEK)

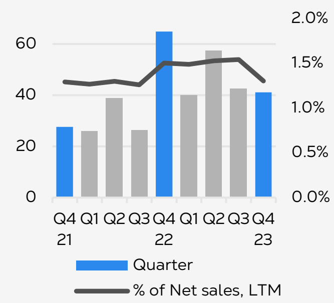


Corporate

The Corporate function reported an adjusted EBITA of MSEK -41 (-65) in the fourth quarter. In 2023 an adjusted EBITA of MSEK -181 (-156) was reported. Corporate staff functions as well as minority investments are accounted for within Corporate.

To further enhance Munters strategic journey Munters has started to make financial investments in start-ups with the aim to support innovation for the group within digitalization, technology, and sustainability. In 2022, five minority investments were made. While no new minority investments were made in 2023, Munters participated in capital increases in three investments during the year. Two of these capital increases were made in the fourth quarter.

Quarterly Corporate cost (MSEK)



Other information

Employees

The number of permanent FTEs (Full Time Equivalents), at December 31, 2023 was 4,981 (3,940). The amount of FTEs at December 31, 2023 in business area AirTech was 3,345 (2,693), in DCT 615 (355), in FoodTech 870 (791) and at Group functions 150 (99).

Outstanding shares

As of December 31, 2023, Munters held 1,933,033 treasury shares of the total shares of 184,457,817. Thus, the number of outstanding shares as of the balance sheet date was 182,524,784.

Dividend

The Board of Directors proposes a dividend of SEK 1.30 (0.95) per share totaling MSEK 237 (173) based on the total number of outstanding shares to be paid in two equal installments. This represented 30 (30) per cent of the net income 2023.

Other events during the quarter

Flagship facility being built in Amesbury, Massachusetts – In October, it was announced that Munters breaks ground on state-of-the-art facility in the US. The new 40,000 m^2 site will house desiccant dehumidification products and services for the North American market and will be home to the local Munters workforce. The aim is to be fully operational at the new site in early 2025.

Munters wins large Data Center order for SyCool Split – In October, Munters announced an order with a value of MUSD 137 (appr. BSEK 1.5) from a leading data center colocation operator in the US. The order includes Munters SyCool Split systems as well as field service work and will be delivered during 2025.

Munters Data Center Technologies wins order for Computer Room Air Handlers – In December, Munters received an order with a value of MUSD 65 (appr. MSEK 655), from a leading data center colocation operator in the US. The order will be delivered during the first half of 2025.

Events after the close of the period

Preliminary fourth quarter and full year results 2023 released in advance – On January 22, Munters released preliminary fourth quarter and full year results 2023 in advance due to a ransomware attack at a hosting provider, Tietoevry, as it could not be ensured, that the information had remained confidential.

Ten largest shareholders

As of 31 Dec 2023	%
FAM AB	28.0
Swedbank Robur Fund	6.1
First Swedish National Pension Fund	5.7
ODIN Funds	5.6
Fourth Swedish National Pension Fund	5.1
Capital Group	3.3
Vanguard	2.1
Columbia Threadneedle	1.7
Janus Henderson Investors	1.6
Norges Bank	1.5

Source: Modular Finance AB

About Munters

Munters is a global leader in energy-efficient and sustainable climate solutions. The solutions guarantee temperature and humidity control, which is mission-critical for customers. Munters offers solutions to many different industries where controlling temperature and humidity is mission critical. Our solutions reduce customers' climate and environmental impact through lower resource consumption, and in the process contribute to cleaner air, higher efficiency and reduced carbon emissions. Sustainability is an important part of Munters' business strategy and value creation.

Short facts

- ~4,981 employees (FTEs)
- >30 countries with sales and manufacturing
- 22 production units
- 21% women leaders
- Three business areas: AirTech, Data Center Technologies and FoodTech

In Q4, AirTech generated 58%, Data Center Technologies 25% and FoodTech 17% of the total net sales of Munters

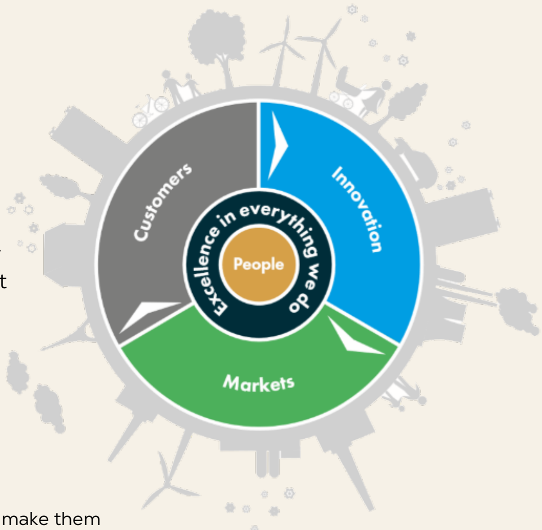
Purpose

For customer success and a healthier planet

Curiosity and a drive to create pioneering technologies are part of our DNA. Our climate solutions are mission-critical to our customers' success and contribute to a more sustainable planet.

The strategy of Munters

Munters has a strong position in most of our markets. We see great opportunities to improve and strengthen our market position and to achieve our mid-term financial targets and deliver on our strategy. The key to success is how we respond in working toward our goals. Our overarching strategic priorities show which areas we regard as important to our success. For each strategic priority we have clear action plans and ambitions what we want to achieve. Sustainability is a priority issue reflected in every strategic priority.



People: Employees are the hub of our business and their safety and health is a priority. Diversity and inclusion are important to us, since we are convinced that diversity leads to stronger innovation. Through collaboration and a passion for creating energy-efficient solutions for our customers and partners, we contribute to our customers' success and a better world.

Customers: We help our customers succeed by supplying high-quality climate solutions that make them more sustainable. Our success is built on close, long-term relationships and a deep understanding of the customer's business and future needs. Our strategy is to continue to build customer insight and utilize our broadbased expertise on applications, technology and components to supply attractive solutions and services.

Innovation: Curiosity and an ambition to create pioneering technologies are part of our DNA. We will stay at the forefront of the industry's development and contribute to sustainable development through our energy- and resource-efficient climate solutions. We continue to invest in our core technologies, solutions and digitization to optimize our product portfolio and our innovative production technology.

Markets: Munters is active around the world and climate change, digitization and population growth are the key markets drivers. Our resources are focused on strengthening our position in areas where we can be a market leader and growing the service business. With high-quality, resource-efficient solutions and a conscious effort to re-duce our own climate impact, we contribute to sustainable development.

Excellence in everything we do: Our aim is to increase efficiency and quality in everything we do and to reduce our climate impact. Munters' operations all share responsible business practices and high ethical standards with a respect for human rights, diversity, and health and safety in the workplace

Quarterly overview Group

Income Statement

	2023				2022				2021
MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Order backlog	11,333	10,025	11,153	10,783	11,463	11,866	7,515	6,367	4,198
Order intake	5,651	2,494	3,427	2,544	3,143	6,354	3,200	4,133	2,605
Net sales	3,659	3,560	3,536	3,175	3,011	2,644	2,610	2,121	2,057
Adjusted EBITDA	**556**	**587**	**561**	**462**	**381**	**359**	**332**	**260**	**274**
Depreciation tangible assets	-88	-84	-82	-73	-78	-66	-60	-59	-56
Adjusted EBITA	**467**	**503**	**479**	**389**	**304**	**293**	**272**	**201**	**217**
Amortization intangible assets from acq.	-7	-13	-13	-12	-8	-9	-9	-9	-8
Amortization other intangible assets	-36	-29	-25	-22	-30	-19	-15	-14	-10
Items affecting comparability (IAC)	-49	-7	-34	-6	-9	6	-28	-44	-9
Operating profit (EBIT)	**375**	**454**	**408**	**349**	**255**	**271**	**220**	**134**	**190**
Financial income and expenses	-99	-93	-66	-73	-64	-41	-14	-23	-14
Tax	-218	-98	-85	-62	-61	-53	-39	-10	-43
Net income	**58**	**264**	**257**	**214**	**131**	**178**	**166**	**102**	**133**
-attributable to Parent Comp. Shareholders	55	260	256	214	128	176	169	104	133

Key performance indicators

	2023				2022				2021
MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Organic Growth, Net Sales	16%	28%	27%	38%	26%	22%	25%	16%	10%
Adjusted EBITA margin, %	12.8	14.1	13.5	12.3	10.1	11.1	10.4	9.5	10.6
Operating margin, %	10.3	12.8	11.5	11.0	8.5	10.3	8.4	6.3	9.2
Earnings per share before dilution, SEK	0.30	1.42	1.40	1.18	0.70	0.97	0.93	0.57	0.73
Earnings per share before after, SEK	0.30	1.42	1.40	1.18	0.70	0.97	0.93	0.57	0.73
OWC/Net Sales, %	14.2	13.7	13.2	12.7	12.7	13.1	13.3	13.4	13.1
Net Debt/Adjusted EBITDA, LTM	2.1	2.2	2.7	2.7	2.9	3.0	2.9	2.6	2.2

Net Debt

	2023				2022				2021
MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash and cash equivalents	-1,532	-1,165	-710	-618	-914	-698	-459	-565	-674
Interest-bearing liabilities	5,131	4,575	4,518	3,772	3,721	3,424	3,101	2,830	2,374
Lease liabilities	719	770	801	781	774	731	367	370	376
Provisions for pensions	280	197	209	217	227	187	226	298	308
Accrued financial expenses	22	21	15	24	16	10	6	5	5
Net Debt	**4,620**	**4,399**	**4,833**	**4,175**	**3,825**	**3,654**	**3,241**	**2,938**	**2,389**

Operating Working Capital

	2023				2022				2021
MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Inventory	1,726	1,965	2,153	2,071	1,956	1,765	1,521	1,316	1,073
Accounts receivable	2,038	2,245	2,167	2,035	2,020	1,570	1,407	1,263	1,182
Accounts payable	-1,294	-1,156	-1,277	-1,159	-1,288	-932	-910	-802	-771
Advances from customers	-1,355	-1,725	-1,592	-1,576	-1,715	-1,428	-1,105	-804	-648
Accrued/deferred income, net	640	741	782	466	418	484	493	231	169
Operating Working Capital	**1,755**	**2,071**	**2,233**	**1,837**	**1,390**	**1,460**	**1,407**	**1,204**	**1,005**

Condensed statement of comprehensive income

	Q4		Jan-Dec	
MSEK	**2023**	**2022**	**2023**	**2022**
Net sales	3,659	3,011	13,930	10,386
Cost of goods sold	-2,467	-2,131	-9,508	-7,368
Gross profit	**1,191**	**879**	**4,422**	**3,017**
Selling expenses	-342	-307	-1,281	-1,079
Administrative costs	-300	-234	-1,106	-800
Research and development costs	-115	-68	-360	-236
Other operating income and expenses	-56	-12	-82	-19
Share of earnings in associates	-3	-2	-8	-2
Operating profit	**375**	**255**	**1,586**	**881**
Financial income and expenses	-99	-64	-331	-142
Profit/Loss after financial items	**276**	**192**	**1,255**	**739**
Tax	-218	-61	-463	-162
Net income for the period	**58**	**131**	**792**	**577**
Attributable to Parent Company shareholders	55	128	784	577
Attributable to non-controlling interests	3	3	8	-0
Average number of outstanding shares before dilution	182,512,107	182,180,695	182,274,370	181,752,465
Average number of outstanding shares after dilution	182,523,285	182,437,327	182,284,750	181,932,090
Earnings per share before dilution, SEK	0.30	0.70	4.30	3.18
Earnings per share after dilution, SEK	0.30	0.70	4.30	3.17
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange-rate differences on translation of foreign operations	-424	-160	-274	483
Items that will not be reclassified to profit or loss:				
Actuarial gains/losses on defined-benefit pension obligations	-11	-40	-46	91
Income tax effect not to be reclassified to profit or loss	2	8	9	-18
Other comprehensive income, net after tax	**-433**	**-192**	**-311**	**555**
Total comprehensive income for the period	**-375**	**-61**	**481**	**1,132**
Attributable to Parent Company shareholders	-376	-63	478	1,133
Attributable to non-controlling interests	1	2	4	-1

Condensed statement of financial position

MSEK	2023-12-31	2022-12-31
ASSETS		
NON-CURRENT ASSETS		
Goodwill	5,822	5,359
Other intangible assets	2,259	2,027
Property, plant and equipment	1,097	825
Right-of-Use assets	672	751
Participations in associated companies	25	34
Other financial assets	95	83
Deferred tax assets	292	298
Total non-current assets	**10,262**	**9,376**
CURRENT ASSETS		
Inventory	1,726	1,956
Accounts receivable	2,038	2,020
Derivative instruments	0	2
Current tax assets	84	93
Other receivables	135	159
Prepaid expenses and accrued income	954	684
Cash and cash equivalents	1,532	914
Total current assets	**6,469**	**5,828**
TOTAL ASSETS	**16,731**	**15,204**
EQUITY AND LIABILITIES		
EQUITY		
Shareholders' equity	5,257	5,303
Non-controlling interests	1	3
Total equity	**5,258**	**5,307**
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	4,151	3,721
Lease liabilities	553	640
Provisions for pensions	280	227
Other provisions	62	65
Other non-current liabilities	636	223
Deferred tax liabilities	455	442
Total non-current liabilities	**6,135**	**5,318**
CURRENT LIABILITIES		
Interest-bearing liabilities	980	-
Lease liabilities	167	135
Other provisions	145	150
Accounts payable	1,294	1,288
Derivative instruments	33	-
Current tax liabilities	78	55
Advances from customers	1,355	1,715
Other current liabilities	92	257
Accrued expenses and deferred income	1,193	980
Total current liabilities	**5,337**	**4,580**
TOTAL EQUITY AND LIABILITIES	**16,731**	**15,204**

Condensed statement of changes in equity

MSEK	2023-12-31	2022-12-31
Opening balance	**5,307**	**4,363**
Total comprehensive income for the period	481	1,132
Exercised share options	21	25
Put/call option related to non controlling interests	-377	-58
Dividends paid	-175	-156
Share option plan incl. deferred tax	1	0
Other	–	0
Closing balance	**5,258**	**5,307**
Total shareholders´ equity attributable to:		
The parent company's shareholders	5,257	5,303
Non-controlling interests	1	3

Condensed cash flow statement

	Q4		Jan-Dec	
MSEK	2023	2022	2023	2022
OPERATING ACTIVITIES				
Operating profit	375	255	1,586	881
Adjustment for:				
Depreciation, amortization and impairment losses	132	116	484	377
Other non-cash items	28	-12	43	-24
Changes in provisions	-22	-2	-11	-24
Cash flow before interest and tax	**514**	**358**	**2,102**	**1,210**
Net financial items paid	-97	-57	-312	-121
Taxes paid	-136	-62	-390	-233
Cash flow before changes in working capital	**281**	**238**	**1,400**	**856**
Change in accounts receivable	149	-484	-11	-635
Change in inventory	188	-252	271	-706
Change in accrued income	11	-3	-267	-236
Change in accounts payable	111	364	-60	397
Change in advances from customers	-126	403	-299	977
Cashflow from changes in operating working capital	**333**	**29**	**-366**	**-203**
Change in other working capital	56	159	31	119
Cash flow from changes in working capital	**389**	**189**	**-335**	**-84**
Cash flow from operating activities	**670**	**427**	**1,066**	**772**
INVESTING ACTIVITIES				
Business acquisitions	-596	-420	-744	-721
Investments in associated companies	-	-1	-	-34
Investments in participations and securities in other companies	-1	-23	-4	-62
Sale of intangible assets and property, plant and equipment	1	8	0	27
Investment in property, plant and equipment	-109	-89	-323	-222
Investment in intangible assets	-105	-95	-347	-317
Cash flow from investing activities	**-811**	**-620**	**-1,418**	**-1,330**
FINANCING ACTIVITIES				
Exercised share options	7	11	21	25
Loan raised	814	450	2,268	1,503
Amortization of loans	-175	-36	-887	-504
Repayment of lease liabilities	-39	-33	-156	-122
Dividends paid	-	-	-175	-156
Other changes to financing activities	-60	-5	-60	-5
Cash flow from financing activities	**546**	**386**	**1,011**	**743**
Cash flow for the period	**405**	**192**	**658**	**184**
Cash and cash equivalents at period start	1,165	698	914	674
Exchange-rate differences in cash and cash equivalents	-38	22	-40	56
Cash and cash equivalents at period end	**1,532**	**914**	**1,532**	**914**

Parent company

Condensed income statement

	Q4		Jan-Dec	
MSEK	2023	2022	2023	2022
Net sales	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**
Administrative costs	-0	-5	-11	-8
Other operating income and expenses	3	3	32	8
Operating profit	**3**	**-1**	**21**	**1**
Financial income and expenses	-6	-2	-18	-5
Profit/Loss after financial items	**-3**	**-3**	**3**	**-4**
Group contributions	–	7	–	7
Profit/Loss before tax	**-3**	**4**	**3**	**3**
Tax	-0	1	-0	1
Net income for the period	**-3**	**5**	**3**	**4**

Condensed statement of comprehensive income

Profit/Loss for the period	-3	5	3	4
Other comprehensive income, net after tax	–	–	–	–
Comprehensive income for the period	**-3**	**5**	**3**	**4**

Condensed balance sheet

MSEK	2023-12-31	2022-12-31
ASSETS		
NON-CURRENT ASSETS		
Participations in subsidiaries	4,098	4,098
Other financial assets	4	4
Total non-current assets	**4,102**	**4,103**
CURRENT ASSETS		
Other current receivables	1	–
Prepaid expenses and accrued income	1	1
Current tax assets	1	1
Receivables from subsidiaries	10	14
Cash and cash equivalents	3	0
Total current assets	**15**	**15**
TOTAL ASSETS	**4,118**	**4,118**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	6	6
Share premium reserve	4,136	4,136
Profit brought forward	-394	-246
Income for the period	3	4
Total equity	**3,750**	**3,899**
NON-CURRENT LIABILITIES		
Provisions for pensions and similar commitments	1	3
Total non-current liabilities	**1**	**3**
CURRENT LIABILITIES		
Accounts payable	3	1
Accrued expenses and deferred income	32	16
Liabilities to subsidiaries	327	192
Other liabilities	4	6
Total current liabilities	**366**	**215**
TOTAL EQUITY AND LIABILITIES	**4,118**	**4,118**

Other disclosures

Accounting policies

This report has been prepared, with regards to the Group, in accordance with IAS 34 *Interim Financial Reporting*, recommendation RFR 1 of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act and, with regards to the Parent Company, in accordance with recommendation RFR 2 of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act.

The accounting principles applied correspond to those presented in the Annual- and Sustainability report 2022 (Note 1) with the exception of accounting of invoiced but not yet received advances from customer. In the statement of financial position these balances have historically been gross reported as assets under *Accounts receivable* and as liabilities under *Accrued expenses and deferred income*. As from Q4 2023 the balances are net reported in the statement of financial position with the impact that total *Accounts receivable* and total *Accrued expenses and deferred income* decreases. This change in accounting policies have been applied retrospectively to all periods presented in the interim report.

Environmental impact and environmental policy

Munters' operations affect the external environment through air and water emissions, the handling of chemicals and waste, transport of input goods and finished products to and from Munters factories. Munters is committed to constant vigilance regarding the environmental impact of its operations. Munters is committed to complying with all laws and to continuously promoting improvements in all Environment, Health & Safety (EHS) aspects, wherever Munters conducts business. Munters constantly seeks opportunities to reduce risk and to create a safer, healthier, more diverse and more environmentally friendly workplace for our employees, customers, communities, and the overall environment. Munters' manufacturing facilities all over the world are committed to working according to an EHS Management Program. The purpose of the EHS Program is to ensure regulatory compliance, actively prevent injuries, and reduce the impact that our business has on the environment.

Risks and uncertainties

The Group's significant risks and uncertainties can be divided into four categories; strategic, operational, financial and regulatory risks. In these categories, there are both risks due to political and macroeconomic trends and specific risks directly linked to the business carried out by the Group. A risk assessment is carried out on an annual basis and the purpose is to identify and address the most important risks.

Munters' products are used in complex customer processes. Quality and contract obligations are critical and could result in claims for damages. The Group depends to some extent on key customers and key personnel. Considering that Munters is a company with geographically widespread operations and many small organizational units, there is a risk of failure to comply with relevant regulations in the business ethics area, e.g. anti-bribery rules.

Financial risks mainly consist of currency, interest and financing risks. Munters works actively with insurance solutions, and group-wide insurances are governed by central guidelines. This includes for example coverage for general liability and product liability, property, business interruption, transportation, the liability of Board members and the CEO and employment practices liabilities.

In the beginning of October, 2023 Israel declared it was at war with Hamas. Within the business area FoodTech, Munters has manufacturing of controllers in Israel located south of Tel Aviv with about 140 employees. Munters operations has so far not been impacted by the situation and we continue to monitor the situation closely in order to be able to quickly respond to any disturbances.

On 22 January, 2024, Munters announced preliminary results for 2023 as a result of a ransomware attack at its hosting provider Tietoevry. Munters financial consolidation system and a limited part of our business systems were affected by the attack. Munters estimates that the event will not have an impact in 2024.

A more detailed description of the Group's risks and how they are managed can be found in the Annual- and Sustainability report 2022 on pages 91-96.

Transactions with related parties

There have been no significant transactions with related parties during the period.

Fair value of financial instruments

Financial assets measured at fair value through profit/loss relate to financial investments and derivatives. Financial investments amounted to MSEK 65 (62) and net derivatives to MSEK -33 (2) as of the balance sheet date.

The Group's put/call option, from the acquisition of MTech Systems in 2017, is recognized at fair value in the statement of financial position. The option is measured according to IFRS 9 and is categorized in level 3 in the fair value hierarchy. The exercise period begins on January 1, 2025, and ends on December 31, 2025. The fair value of the option amounts to MSEK 562 (217) as of the balance sheet date.

In June, Munters closed the acquisition of a majority share in InoBram. Munters has acquired 60% of the company but the agreement includes a put/call option for Munters to acquire the remaining 40% of the company in 2027. The exercise period for the sellers put option begins on 1 January, 2026.

The option was recognized at fair value as of the transaction date. The fair value of the option amounts to MSEK 37 as of the balance sheet date.

MSEK	2023-12-31	2022-12-31
Opening balance	217	137
Valuation put/call options	37	-
Holdbacks	37	-
Remeasurements	352	57
Discounting	25	-
Exchange-rate differences	-35	23
Closing balance	**632**	**217**

Munters deems that the interest rate on interest-bearing liabilities is in line with market terms on December 31, 2023, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount.

Net Sales by business area and region

Net Sales by business area and region in Q4

	AirTech		DCT		FoodTech		Eliminations		Group	
MSEK	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Americas	1,059	874	816	441	312	229	0	-4	2,188	1,540
EMEA	660	725	102	57	249	226	-12	-8	999	1,001
APAC	522	584	6	1	101	96	-5	-4	624	678
Sales between regions	-104	-170	0	0	-46	-38	-2	0	-152	-208
TOTAL	**2,136**	**2,013**	**925**	**500**	**617**	**514**	**-20**	**-16**	**3,659**	**3,011**

Net Sales by business area and region Jan-Dec

	AirTech		DCT		FoodTech		Eliminations		Group	
MSEK	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Americas	3,759	2,859	3,104	1,110	1,209	953	-1	-7	8,072	4,914
EMEA	2,630	2,287	349	285	954	1,024	-38	-21	3,894	3,575
APAC	2,357	2,241	9	8	350	399	-18	-22	2,699	2,626
Sales between regions	-520	-557	-54	-2	-151	-165	-10	-6	-734	-729
TOTAL	**8,226**	**6,830**	**3,408**	**1,401**	**2,363**	**2,211**	**-67**	**-56**	**13,930**	**10,386**

Reconciliation of alternative performance measures and items affecting comparability

The Group presents certain financial metrics in the Interim Report that are not defined in accordance with IFRS. The Group is of the opinion that these metrics provide valuable complementary information, in that they enable an evaluation of the Group's performance. The financial metrics are calculated in accordance with the definitions presented in this interim report. A reconciliation of Adjusted EBITDA and Adjusted EBITA is found in the quarterly overview on page 12. Items affecting comparability are events or transactions with significant financial effects, which are relevant for the understanding of the financial performance when comparing the current period to previous periods. Items included are for example, restructuring activities, capital gains and losses from business divestments and M&A related costs as well as costs for other events, such as the Covid-19 pandemic and war in Ukraine, having a significant impact on the comparability. In 2022, Munters incurred IACs related to the decision to close down business activities in Russia of MSEK -27 included in Other IACs.

Below is a break-down of items affecting comparability by period.

	Q4		Jan-Dec	
MSEK	2023	2022	2023	2022
Restructuring activities	-22	1	-34	-35
M&A activities	-15	-10	-29	-19
Other items affecting comparability	-12	0	-32	-21
Total	**-49**	**-9**	**-96**	**-75**

Business combinations

Consolidated acquisitions in 2023

Company (Country)	Business area	Month acquired	Number of employees	Net sales	Share (%)
Tobo Component (SE)	AirTech	May	14	MSEK 76	100
SIFT (FR)	AirTech	Jun	17	MEUR 3	100
InoBram (BR)	FoodTech	Jun	~150	MBRL 53	60
ZECO (IN)	AirTech	Oct	~600	MSEK 510	100

The table shows number of full-time equivalent permanent employees at the acquisition date. Revenue refers to estimated net sales during the financial year prior to the acquisition date.

In May, Munters acquired 100% of Tobo Component, a Swedish manufacturer of humidification components. The company is headquartered in Tobo and has been a contract manufacturer of pads, cassettes, and modules for Munters for several years.

In June, 100% of SIFT, a French service company within climate control and cold storage, active primarily in the northern France was acquired. The acquisition strengthens the market share for Munters within Service and builds a local service presence in strategic areas.

In June, the acquisition of a majority share in InoBram was finalized. InoBram is a Brazilian manufacturer of controllers and complimentary accessories for the broiler and swine segments. With the help of innovative software, sensors and connected solutions, farmers and food producers get the tools they need to improve animal health and increase energy efficiency in their operations.

Munters has acquired 60% of InoBram and has an option to acquire the remaining 40% of the company in 2027. The acquisition supports Munters' strategy to grow its digital solutions for the food and agricultural industry and connects the entire food production value chain.

On October 16th, Munters closed the acquisition of ZECO, an Indian manufacturer of air handling solutions. ZECO will provide Munters with a strong platform to expand its dehumidification offering in the Indian market.

The table below presents an overview of paid purchase considerations and the fair value of acquired net assets for the business combinations in 2023. At the balance sheet date the purchase considerations and the fair value of acquired net assets are based on preliminary purchase price allocations.

MSEK	Jan-Dec 2023
Purchase price	
Cash purchase consideration paid	901
Holdback & deferred considerations	37
Put/call option	37
Total purchase consideration	**974**
Fair value of acquired net assets	-295
Goodwill	**679**
Cash flow	
Cash purchase consideration paid	901
Cash and cash equivalents in acquired companies	156
Change in the Group's cash and cash equivalents	**744**

Definition of key financial indicators

In this financial report, there are references to several performance measures. Some of the measures are defined in IFRS, others are alternative performance measures and are not disclosed in accordance with applicable financial reporting frameworks or other legislations. The performance measures are used by the Group to assist both investors and management in analyzing Munters' business. Below the performance measures found in this financial report are described and defined. The reason for the use of the performance measure is also disclosed.

Organic growth

Change in net sales compared to the previous period, excluding acquisitions and divestments and currency translation effects. The measure is used by Munters to monitor net sales growth driven by changes in volume and price between different periods.

Order backlog

Received and confirmed sales orders not yet delivered and accounted for as net sales. Order Backlog is a useful measure to indicate the efficiency of the conversion of received and confirmed sales orders into net sales in future periods. The measure is used by Munters to monitor business performance and customer demand and adjust operations if needed.

Order intake

Received and confirmed sales orders minus cancelled orders during the reporting period. The order intake is an indicator of future revenues and, consequently, an important KPI for the management of Munters' business.

Operating profit (EBIT)

Earnings before interest and tax. Munters believes that EBIT shows the profit generated by the operating activities.

Adjusted EBITA

Operating profit, adjusted for amortizations, write-downs of intangible assets and items affecting comparability. Munters believes that using adjusted EBITA is helpful in analyzing our performance as it removes the impact of items considered not to be of recurring character and therefore do not reflect our core operating performance.

Adjusted EBITA margin

Adjusted EBITA as a percentage of net sales. Munters believes that Adjusted EBITA margin is a useful measure for showing the Company's profit generated by the operating activities.

Adjusted EBITDA

Operating profit adjusted for items affecting comparability and depreciations, amortizations and write-downs of tangible and intangible assets as well as Right-of-Use assets.

Adjusted EBITDA margin

Adjusted EBITDA as a percentage of net sales.

Items affecting comparability (IAC)

Items affecting comparability are events or transactions with significant financial effects, which are relevant for the understanding of the financial performance when comparing the current period to previous periods. Items included are for example, restructuring activities, capital gains and losses from business divestments and M&A related costs.

Capital employed

Capital employed is calculated as the total equity plus interest bearing liabilities.

Return on capital employed (ROCE)

Average operating profit (EBIT) plus financial income, divided by the average capital employed, where capital employed is total equity plus interest-bearing liabilities. The average capital employed is calculated based on the last 12 months.

Cash and cash equivalents

Cash and bank balances plus investments in securities and the like with maturity periods not exceeding three months. This is a measure that highlights the short-term liquidity.

LTM

LTM (last twelve months) after any key indicator means that the KPI corresponds to an accumulation of previous twelve month reported numbers. The measure highlight trends in different KPIs, which is valuable in order to gain a deeper understanding of the development of the business.

Net debt

Net debt calculated as interest bearing liabilities, lease liabilities, provisions for pension and accrued financial expenses, reduced by cash and cash equivalents.

Number of employees

Number of employees is presented recalculated as full-time positions, if not otherwise stated. Average number of employees for the year is calculated as the sum of permanent employees at the end of each of the last 13 months divided by 13.

Operating working capital

Includes accounts receivable, inventory, accrued income, accounts payable and advances from customers.

Operating working capital/net sales

Average Operating Working Capital for the last twelve months as a percentage of Net sales for the same period.

Earnings per share

Net income divided by the weighted average number of outstanding shares.

SaaS recurring revenue

Total recurring revenue from SaaS contracts (Software-as-a-Service) recognized in the period. The KPI is also presented annualized and named SaaS ARR, which is calculated by multiplying SaaS Recurring Revenue in the last quarter by four.

Equity/assets ratio

Equity (including non-controlling interests) divided by total assets.

Americas

Refers to North-, Central and South America.

Information and reporting dates

Welcome to join a webcast or telephone conference on February 1 at 9:00 AM CET, when President and CEO Klas Forsström together with the Group Vice President and CFO, Katharina Fischer, will present the report.

Webcast

https://ir.financialhearings.com/munters-q4-report-2023

Conference call

If you wish to participate via teleconference, please register on the link below. After registration you will be provided phone numbers and a conference ID to access the conference. You can ask questions verbally via the teleconference.
https://conference.financialhearings.com/teleconference/?id=5002920

This interim report, presentation material and a link to the webcast will be available on https://www.munters.com/en/investor-relations/

Every care has been taken in the translation of this interim report. In the event of discrepancies, the Swedish original will supersede the English translation. The addition of the totals presented may result in minor rounding differences.

This information is information that Munters Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 07.30 AM CET on February 1, 2024.

This report contains forward-looking statements that reflect Munters' current expectations on future events and Munters' financial and operational development. Although Munters believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such expectations prove to have been correct, as forward-looking statements are subject to both known and unknown risks and uncertainties and a variety of factors that could cause actual results or outcomes to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to, changes in economic, market, competitive and/or regulatory conditions. Forward-looking statements speak only as of the date they were made and, other than as required by applicable law, Munters undertakes no obligation to update any of them in light of new information arising or future events.

Munters Group AB, Corp. Reg. No. 556819-2321

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Financial calendar:

Release of Annual & Sustainability report 2023	Week starting February 19, 2024
Annual General Meeting, Stockholm	March 21, 2024
First quarter report 2024	April 24, 2024
Capital Markets Day, Stockholm	May 21, 2024
Second quarter report 2024	July 17, 2024
Third quarter report 2024	October 22, 2024