Q4

2018

Munters Group AB (publ)

"Munters towards full potential

Fourth quarter 2018

- Order intake decreased by 4% to SEKm 1,753 (1,821). The fourth quarter 2017 included a SEKm 450 Data Center order.
- Net sales increased by 1% to SEKm 1,834 (1,811).
- Operating profit (EBIT) amounted to SEKm -256 (127).
- EBIT included a SEKm -323 write-down of goodwill related to Data Centers.
- Adjusted EBITA decreased by 11% to SEKm 154 (174), corresponding to an adjusted EBITA margin of 8.4% (9.6).
- Net income was SEKm -321 (152).
- Cash flow from operating activities was SEKm 441 (-8).
- Earnings per share amounted to SEK -1.78 (0.83).
- John Peter Leesi has left his position as President and CEO. Johan Ek has been appointed interim President and CEO.
- Magnus Lindquist and Johan Ek replaced Christopher Curtis and Joakim Karlsson in the Board. Magnus Lindquist was appointed Chairman.
- The board proposes no dividend to be paid for 2018.

January – December 2018

- Order intake decreased by 4% to SEKm 6,914 (7,197).
- Net sales increased by 8% to SEKm 7,122 (6,604).
- Operating profit (EBIT) amounted to SEKm 134 (453) and included a SEKm -323 write-down of goodwill in Data Centers.
- Adjusted EBITA was SEKm 676 (675), corresponding to an adjusted EBITA margin of 9.5% (10.2).
- Net income amounted to SEKm -94 (173).
- Cash flow from operating activities was SEKm 441 (235).
- Earnings per share amounted to SEK -0.57 (1.45).

Events after period end

- Program launched for progression towards Munters full potential incl.management intention to close down European Data Center factory*. Non recurring charges of SEKm 350 will be incurred with 60% taken in H1 2019, and remaining 40% in H2 2019. In total a positive Group adjusted EBITA effect is expected of SEKm 105 in 2019 and SEKm 210 in annual effect from 2020.
- Jonas Ågrup, CFO, will leave by end of 2019. Recruitment of new CFO initiated. Further, Peter Lindquist has been appointed interim President of Business Area Air Treatment, replacing Scott Haynes from 13 February 2019.
- Revised mid-term financial target for organic net sales growth of 5% (previously 7-10%) reflecting the new business mix.
- Review of strategic alternatives for the Data Centers and Mist Elimination businesses including potential partnerships or divestment.

FINANCIAL SUMMARY

	Q4			Jan-Dec		
SEKm	**2018**	**2017**	**Δ%**	**2018**	**2017**	**Δ%**
Order intake	1,753	1,821	-4	6,914	7,197	-4
Net sales	1,834	1,811	1	7,122	6,604	8
Operating profit (EBIT)	-256	127		134	453	-70
Adjusted EBITA	154	174	-11	676	675	0
Adjusted EBITA margin, %	8.4	9.6		9.5	10.2	
Net income	-321	152		-94	173	
Earnings per share before and after dilution, SEK	-1.78	0.83		-0.57	1.45	
Cash flow from operating activities	441	-8		441	235	88
Net debt	2,843	2,661	7	2,843	2,661	7
Net debt/adjusted EBITDA, LTM				3.7	3.5	

* Subject to information and consultation with the relevant employee representative bodies.

Comments from the CEO

Munters has not performed as expected since the IPO in May 2017. As the interim CEO and President of Munters since mid-December 2018, I have led the work to analyse the business and to implement a program to increase Munters' focus on delivering an improved performance in line with our objectives, and shareholders' expectations. Munters has exciting growth opportunities based on very strong fundamentals and solid technology, great people and team spirit, deep application knowledge and globally strong market positions in a number of attractive segments. All aimed at delivering the perfect climate to our customers around the world. Our legacy of industry leadership will continue, accelerated by the measures we are now presenting.

Strong fourth quarter order intake in key segments but loss in Data Centers

The fourth quarter performance was characterized by encouraging trends in many of our activities, but also ongoing disappointments in the Data Center business. Air Treatment, AgHort and Mist Elimination all reported order intake and net sales growth in the quarter, ahead of our expectations in some cases. Air Treatment and Mist Elimination showed solid earnings increases year over year while earnings in AgHort were somewhat lower, affected by less favorable product mix and investments in the SonarEcho offering. As expected, cash flow was strong in the quarter. However, Data Centers continued its negative trend, reporting a significant loss in the quarter, mainly derived in the European business. The continued losses in Data Centers, as well as the Group earnings for full year 2018 being at the same level as last year, are unsatisfying.

Three phase plan to capture the full potential of Munters

The Board of Directors and the management team are fully committed to strengthen the performance of Munters. During the past two years, net sales growth has been at a fairly good level whereas earnings and margins have been below expectations in all of Munters business areas, and most notably in Data Centers. The root causes have been identified and we have designed a comprehensive and ambitious plan to increase the overall performance of the company. Today we launch a three-phase plan to capture Munters full potential to improve Group earnings.

The first phase – stability

The first phase begins immediately to secure a stable and profitable platform. We have designed a new organizational structure and new leadership team. Munters will consist of two business areas, Air Treatment and AgHort. Data Centers and Mist Elimination, currently run as separate business areas, will be integrated into Air Treatment during the first quarter 2019. The new organizational set up will create a simplified, leaner, more decentralized and more performance oriented Munters. The new structure will allow us to better take advantage of our resources, increase transparency and accountability. The set up includes a significantly leaner Group overhead. In the Munters Full Potential Program, we will also review strategic alternatives for the Data Centers and Mist Elimination businesses including potential partnerships or divestment.

As part of the first phase of the program, we have the intention to close down our European Data Center factory in Dison, Belgium. This is subject to union negotiations. Our analysis of our Data Centers operations has convinced the Board of Directors and the management team, that the prospects for establishing a profitable Data Center business in Europe are limited in a market with overcapacity and ongoing price pressure. Our focus going forward will mainly be on the US Data Center market where we have a more commercially viable base for achieving profitable growth. This include established customer relations and proven record of accomplishment in the US market, which provides a good platform.

The second phase – profitability

During 2019, we will gradually shift focus to the second phase of the program to capture Munters full potential. Activities include driving business mix towards most attractive applications, focused Product Development to create higher value for customers, driving continuous improvements to fine tune Buiness Area organisations and manufacturing footprint, further improvements of go-to-market models and pricing practices and driving cost of goods savings through product design cost-out and material purchasing practices.

The third phase – growth

The third and final phase in the program is to accelerate growth with focus on attractive segments where we see solid long-term demand and where we have or can establish strong market positions. Growth themes include continued development of our digital offering such as SonarEcho connecting farms and optimizing food chains and Munters Connected Climate for Air Treatment customers as well as pursuing further growth in Asia and selective M&A. We also see continued significant opportunities for profitable growth in Services through increased penetration of our installed customer base and an enhanced service offering.

Financial impact of the Munters Full Potential Program

The overhead cost saving from the program are SEKm 160. In addition, the intended closure of our Data Center factory in Europe, subject to union negotiations, will give an estimated profit improvement of SEKm 50, this in spite of Data Center net sales drop of SEKm -600 of which approximately 80% in 2019. In total, we expect a positive Group adjusted EBITA effect of SEKm 105 in 2019 and SEKm 210 in annual effect from 2020.

Nonrecurring charges for the Munters Full Potential Program of SEKm 350 will be incurred, with 60% be taken during the first six months of 2019, and the remaining 40% in the last six months of the year. The Munters Full Potential Program will temporarily increase the leverage during 2019 and necessary consent from the lending banks have been received. We expect Group leverage to be in line with our mid-term financial leverage target in 2020. The Board proposes no dividend to be paid for 2018 with consideration taken to the costs for the restructuring initiatives.

Outlook

Global trends continue to support long-term solid demand for Munters climate solutions in key segments. 2019 will be a year where we reset the business for significantly improved performance. Adjusted EBITA in the first quarter 2019 is expected to be lower year on year due to a continued loss in Data Centers in the first quarter. As a result of the now started program, we expect significantly improved Group adjusted EBITA for full year 2019.

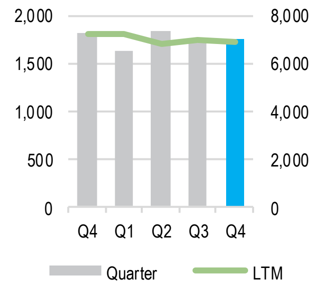
The Munters Full Potential Program provides a firm path towards increased earnings over the following years and we are confident that we will be able to get back on track towards achieving our mid-term growth target of annual organic net sales growth of 5% (previously 7-10%) an adjusted EBITA margin of 14%, significant deleverage into our net debt/adjusted EBITDA target and normalized dividend payments of 30-50% of net income.

Johan Ek, President and CEO

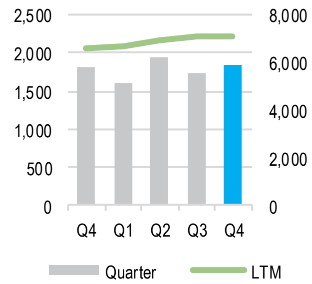
Financial performance

	Q4		Jan-Dec	
SEKm	**2018**	**2017**	**2018**	**2017**
Order intake	1,753	1,821	6,914	7,197
Growth	*-4%*	*22%*	*-4%*	*13%*
Net sales	1,834	1,811	7,122	6,604
Growth	*1%*	*-1%*	*8%*	*9%*
of which organic growth	*-5%*		*5%*	
of which currency effects	*6%*		*3%*	
of which structural effects	*0%*		*0%*	
Operating profit (EBIT)	-256	127	134	453
Adjusted EBITA	154	174	676	675
Growth	*-11%*	*-36%*	*0%*	*-14%*
Adjusted EBITA margin, %	8.4	9.6	9.5	10.2

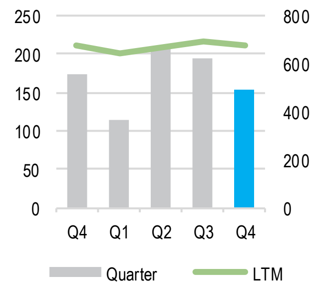
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



ORDER INTAKE

Order intake for the fourth quarter decreased by 4% to SEKm 1,753 (1,821) and decreased by 9% organically. The order intake was positively affected by currency translation effects.

Air Treatment, AgHort and Mist Elimination all reported strong organic growth in the quarter while Data Centers showed negative organic growth (the fourth quarter 2017 included a SEKm 450 Data Center order). Air Treatment signed large orders (order value of SEKm 120) in the Industrial sub-segment for Lithium battery production in China. Orders in Food, Other Commercial and Services also showed organic growth. AgHort showed good order intake growth in both China and in the US. In Data Centers order intake declined in Europe while order intake in the US grew. In Mist Elimination order intake was strong, driven by the Marine sub-segment. The order intake for Services was also strong in the quarter.

Order intake for the full year decreased by 4% to SEKm 6,914 (7,197) and decreased by 7% organically due to lower order intake in Data Centers.

NET SALES

Net sales for the fourth quarter increased by 1% to SEKm 1,834 (1,811) and decreased by 5% organically. Net sales were positively affected by currency translation effects. Organic growth was reported for Air Treatment, AgHort and Mist Elimination while Data Centers showed a decrease. Services net sales increased by 15% in the quarter, supported by 6% positive currency translation effects.

Net sales for the full year increased by 8% to SEKm 7,122 (6,604) and 5% organically driven by growth in all business areas except Mist Elimination. Services net sales increased by 12% during 2018, supported by 3% positive currency translation effects.

OPERATING PROFIT (EBIT)

Operating profit (EBIT) in the fourth quarter amounted to SEKm -256 (127), including depreciations of SEKm -26 (-22) and amortizations and write-down of SEKm -380 (-47), whereof SEKm -29 (-42) was related to amortization of surplus values derived through acquisitions and SEKm -323 (0) was related to write-down of goodwill in Data Centers. The operating profit was also negatively impacted by SEKm -31 (items affecting comparability) of which CEO severance costs was SEKm -22.

Operating profit (EBIT) for the full year amounted to SEKm 134 (453), including depreciations of SEKm -99 (-79) and amortizations and write-down of SEKm -503 (-209), whereof SEKm -133 (-189) was related to surplus values derived through acquisitions and SEKm -323 (0) was write-down of goodwill in Data Centers.

ADJUSTED EBITA

Adjusted EBITA in the fourth quarter decreased by 11% to SEKm 154 (174), corresponding to an adjusted EBITA margin of 8.4% (9.6). Business area Air Treatment reported significantly higher adjusted EBITA in the quarter, mainly driven by efficiency improvements in the Mexican production facility and a favorable product mix. For AgHort the adjusted EBITA was down slightly versus prior year mainly caused by low volumes of controllers as well as investments in the software and digital offering. Adjusted EBITA for Data Centers was significantly lower, which was caused by declined production volumes and high project related costs. In Mist Elimination, adjusted EBITA increased due to higher volumes.

Adjusted EBITA in the full year amounted to SEKm 676 (675), corresponding to an adjusted EBITA margin of 9.5% (10.2).

FINANCIAL ITEMS

Financial income and expenses for the fourth quarter amounted to SEKm -31 (-28). Increased USD interest rates was the main factor behind the increase compared to the same quarter last year. The total average weighted interest rate including fees per end of the quarter was 4.6% (3.5).

Financial income and expenses for the full year amounted to SEKm -127 (-301). The first part of previous year was affected by interest cost on the former shareholder loan and large one-off cost at the termination of the previous loan arrangement.

TAXES

Income taxes for the fourth quarter amounted to SEKm -34 (53). In Q4 2017, there was a positive one-off effect of SEKm 74 related to the US tax reform (Tax Cuts & Jobs Act), deriving from revaluation of deferred tax liability, mainly related to prior acquisitions.

Income taxes for the full year amounted to SEKm -101 (21). The tax cost for the full year was positively impacted by SEKm 4 related to 2017 tax reform adjustments in the US. In addition, tax rate change in Sweden has affected tax cost positively with SEKm 7 due to revaluation of deferred taxes.

EARNINGS PER SHARE

Net profit per ordinary share, before and after dilution, in the fourth quarter 2018 amounted to SEK -1.78 (0.83). Income attributable to Parent Company's ordinary shareholders amounted to SEKm -324 (153) for the fourth quarter.

Net profit per ordinary share, before and after dilution, for the full year amounted to SEK -0.57 (1.45). Income attributable to Parent Company's ordinary shareholders amounted to SEKm -105 (174) for the full year.

The number of outstanding ordinary shares as per December 31, 2018, was 183,597,802 before and after dilution, whereof 1,467,000 was held in own custody.

DIVIDEND

The Board proposes no dividend to be paid for 2018.

CASH FLOW AND CAPITAL EMPLOYED

Cash flow from operating activities amounted to SEKm 441 (-8) in the fourth quarter and was positively affected by a decrease of working capital corresponding to a SEKm 339 (-174). The main decrease in working capital originated in Data Centers Europe.

Cash flow from operating activities for the full year amounted to SEKm 441 (235), where cash flow from working capital amounted to SEKm -67 (-210).

Cash flow from financing activities in the fourth quarter amounted to SEKm -297 (-6). Cash flow from financing activities for the full year amounted to SEKm -180 (205). Munters repurchased own shares during the third quarter (1,467,000) with the purpose to hedge the share price exposure in the employee stock option program.

Average capital employed for the last twelve months amounted to SEKm 7,022 (6,501). Return on capital employed (ROCE) for last twelve months was 2% (7).

Return on capital employed (ROCE), where EBIT is adjusted for items affecting comparability and capital employed adjusted for goodwill, for the last twelve months was 7% (21).

FINANCIAL POSITION AND LIQUIDITY

Munters primary financing facilities consist of a term loan of USDm 250 and a multi-currency revolving credit facility of EURm 185. The facilities have no mandatory amortization requirement. The final maturity date is in May 2022. The loan agreement has one financial covenant (consolidated net debt in relation to adjusted EBITDA). Of the Revolving Credit Facility, EURm 20 is allocated to ancillary facilities made available for overdraft and guarantee purposes. Available unutilized credit facilities as of December 31 amounted to SEKm 918 (811). Interest-bearing liabilities amounted to SEKm 3,013 (2,855). Cash and cash equivalents amounted to SEKm 404 (402) as of December 31, 2018.

At quarter end, the term loan was fully drawn and EURm 96 of the multi-currency revolving credit facility were utilized in EUR, USD and SEK. Along with the main loan facility, an amount of SEKm 13 in local debt is outstanding in China, India, and Brazil.

ITEMS AFFECTING COMPARABILITY (IAC)

In the fourth quarter, costs amounting to SEKm 31 (0) were reflected as items affecting comparability. SEKm 22 incurred due to the CEO change and SEKm 8 were costs related to a profit improvement program within Data Centers. During the full year, IAC amounted to SEKm 39 where the additional SEKm 8 related to costs for the Data Centers improvement program in the third quarter 2018.

There were no IAC's in the fourth quarter 2017. Items affecting comparability 2017 referred to exit preparation costs amounting to SEKm 73, a gain of SEKm 7 related to a property sale and settlement of the HB Group acquisition earn-out, which resulted in a gain of SEKm 53. In total 2017 included IAC items of SEKm -13.

NEW CHAIRMAN OF THE BOARD AND NEW INTERIM PRESIDENT AND CEO IN MUNTERS

At the extraordinary general meeting of Munters Group AB at December 18, 2018 Magnus Lindquist and Johan Ek were elected ordinary Board members to replace Christopher Curtis and Joakim Karlsson. Further, Magnus Lindquist was elected Chairman of the Board of Directors.

John Peter Leesi left his position as President and CEO at December 18, 2018. The recruitment of a new CEO has commenced. The Board of Directors appointed at December 18, 2018 the newly elected Board member Johan Ek as interim President and CEO.

PARENT COMPANY AND OWNERSHIP

Munters Group AB offers group supporting functions. The Company holds shares in subsidiaries, cash and accounts payables. 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 SEKm 77 (134).

As of December 31, Nordic Capital was the biggest shareholder (50.1%) followed by FAM (11.4%), AMF (7.9%), Första AP-fonden (6.2%) and Alecta (5.0%).

EVENTS AFTER PERIOD END

Management changes

Jonas Ågrup will leave his position as CFO at end of 2019 and the recruitment of new CFO has been initiated. Further, Peter Lindquist has been appointed interim President of Business Area Air Treatment, replacing Scott Haynes from 13 February 2019. The new Group Management team will consist of 6 members (previously 13 members); CEO, CFO, President Air Treatment, President AgHort, President Global Operations and Vice President HR.

Three phase plan to capture the full potential of Munters

The Board of Directors and the management team are fully committed to strengthen the performance of Munters. During the past two years, net sales growth has been at a fairly good level whereas earnings and margins have been below expectations in all of Munters business areas, and most notably in Data Centers. The root causes have been identified and we have designed a comprehensive and ambitious plan to increase the overall performance of the company. Today we launch a three-phase plan to capture Munters full potential, to increase customer focus and to improve Group earnings.

As part of the first phase of the program, we have the intention to close down our European Data Center factory in Dison, Belgium. This is subject to union negotiations. Our analysis of our Data Centers operations has convinced the Board of Directors and the management team, that the prospects for establishing a profitable Data Center business in Europe are limited in a market with overcapacity and ongoing price pressure. Our focus going forward will mainly be on the US Data Center market where we have a more commercially viable base for achieving profitable growth. This include established customer relations and proven record of accomplishment in the US market, which provides a good platform.

The overhead cost saving from the program are SEKm 160. In addition, the intended closure of our Data Center factory in Europe, subject to union negotiations, will give an estimated profit improvement of SEKm 50, this in spite of Data Center net sales drop of SEKm -600 of which approximately 80% in 2019. In total, we expect a positive Group adjusted EBITA effect of SEKm 105 in 2019 and SEKm 210 in annual effect from 2020.

Nonrecurring charges for the Munters full potential program of SEKm 350 will be incurred, with 60% be taken during the first six months of 2019, and the remaining 40% in the last six months of the year. The Munters full potential program will temporarily increase the leverage during 2019 and necessary consent from the lending banks have been received. We expect Group leverage to be in line with our mid-term financial leverage target in 2020. The Board proposes no dividend to be paid for 2018 with consideration taken to the costs for the restructuring initiatives.

Revised mid-term financial target for net sales growth

Munters has revised its mid-term financial target for organic net sales growth to 5% (previously 7-10%), reflecting the new business mix.

Munters mid-term financial targets are:

Net sales growth – Munters' objective is to achieve an annual organic sales growth of 5%, supplemented by selective acquisitions.

Adjusted EBITA Margin – Munters' objective in the medium-term is to have an adjusted EBITA margin of 14%.

Capital structure – Munters aims to maintain a ratio of net debt to adjusted EBITDA of 1.5x to 2.5x, and may temporarily exceed this level (e.g., as a result of acquisitions).

Dividend policy – Munters aims to pay an annual dividend corresponding to 30–50% of its consolidated income for the period. The pay-out decision will be based on the financial position, investment needs, acquisitions and liquidity position. There can be no assurances, however, that in any given year a dividend will be proposed or declared.

Air Treatment

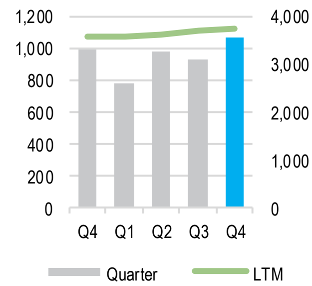
- Strong order intake in the quarter with large orders won in the Industrial sub-segment for Lithium battery production in China
- Net sales increased by 8%, supported by favorable currency effects
- Adjusted EBITA grew by 25%, driven by increased efficiency in Munters' Mexican production facility and favorable product mix

FINANCIAL SUMMARY

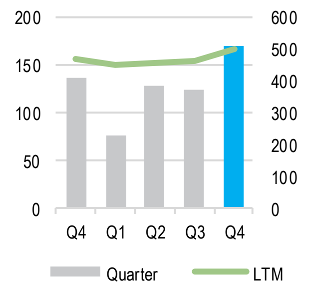
	Q4		Jan-Dec	
SEKm	**2018**	**2017**	**2018**	**2017**
Order intake	979	862	3,798	3,787
Growth	*14%*	*3%*	*0%*	*12%*
Net sales	1,064	988	3,752	3,588
Growth	*8%*	*3%*	*5%*	*9%*
of which organic growth	*1%*		*2%*	
of which currency effects	*6%*		*3%*	
of which structural effects	*0%*		*0%*	
Operating profit (EBIT)	176	129	496	511
Adjusted EBITA	170	136	497	466
Growth	*25%*	*-23%*	*7%*	*1%*
Adjusted EBITA margin, %	16.0	13.8	13.3	13.0

Order intake (SEKm)

Net sales (SEKm)



Adjusted EBITA (SEKm)



Order intake

Order intake in the fourth quarter increased by 14% and 7% organically. Three large orders were signed in the Industrial sub-segment for lithium battery production in China (order value SEKm 120). Order intake in the food industry were solid, driven by region Americas. The Commercial sub-segment grew organically in the quarter, Supermarket end-market orders in the US declined, but orders from other commercial customers were strong. Services orders increased in the quarter while demand for components from OEMs was somewhat weaker.

Order intake for the full year was flat and declined by 3% organically as a function of low investment level within the Supermarket end-market in the US, along with the strategic exit of general air handling solutions impacting order intake in other Commercial applications. Order intake in Services continued to grow in 2018.

Net sales

Net sales grew by 8% and by 1% organically in the quarter. Net sales in the Industrial sub-segment as well as in Services increased, but declining deliveries to the Commercial sub-segment limited the growth in the quarter.

For the full year, net sales increased by 5% and by 2% organically. The Industrial sub-segment, component sales to OEMs and Services grew but the low demand in the Supermarket end market and the exit of the general air handling solutions had a negative impact on net sales in 2018.

Adjusted EBITA

Adjusted EBITA increased by 25% in the quarter. The improvement in EBITA margin was mainly driven by substantial year-over-year efficiency improvements in the Mexican production facility and a favorable product mix.

For the full year, adjusted EBITA increased by 7%. Favorable development of gross margins, including the improved results in the Mexican production, increased profitability for the year.

AgHort

- Order intake increased by 15% in the quarter, with growth in both Americas and Asia
- Net sales grew by 11% in the quarter, with majority of the growth in Americas and Asia
- Adjusted EBITA was slightly lower than last year, partly due to a larger share of sales in Asia and investments in the MTech software and digital offering

FINANCIAL SUMMARY

	Q4		Jan-Dec	
SEKm	**2018**	**2017**	**2018**	**2017**
Order intake	452	394	2,107	1,866
Growth	*15%*	*3%*	*13%*	*10%*
Net sales	497	450	2,018	1,837
Growth	*11%*	*9%*	*10%*	*8%*
of which organic growth	*6%*		*7%*	
of which currency effects	*5%*		*3%*	
of which structural effects	*0%*		*1%*	
Operating profit (EBIT)	53	51	244	225
Adjusted EBITA	49	52	249	236
Growth	*-6%*	*23%*	*6%*	*-10%*
Adjusted EBITA margin, %	9.9	11.6	12.4	12.8

Order intake

Order intake in the quarter increased by 15% and by 10% organically. Asia and Americas showed growth while third-party sales from EMEA was at same level as previous year. The growth in Asia was primarily driven by continued growth in China, but at a slower pace than in the first half of 2018 due to negative effects from the trade war and African Swine Fever. Orders for controllers, that have been slow in Q2 and Q3, picked up again and returned to growth in the quarter.

Order intake for the full year increased by 13% and by 10% organically. The growth was primarily driven by strong performance in the Swine sub-segment in China, but also by two large orders for SonarEcho. Order intake in EMEA and Americas were at the same level as last year. Order intake in the biggest market US was down, primarily due to low sales of cooling pads.

Net sales

Net sales in the quarter increased by 11% and by 6% organically. The growth was primarily driven by growth in US and China, but due to the trade war and the African Swine Fever the market situation remain uncertain. Sales in EMEA were sligthly lower than previous year, primarily caused by lower sales to distributors exporting outside the region.

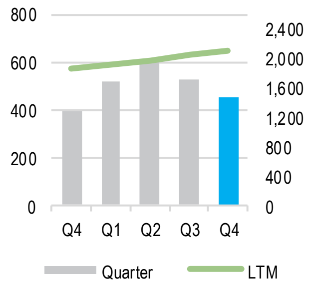
Net sales for the full year increased by 10% and by 7% organically. The growth was primarily driven by the Swine sub-segment in China.

Adjusted EBITA

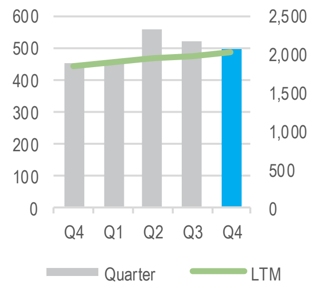
Adjusted EBITA in the fourth quarter was slightly lower year on year, and the EBITA margin decreased. The margin decrease was primarily attributable to low volumes of controllers as well as investments in the MTech software and digital offering.

The adjusted EBITA margin for the full year was slightly lower year on year. The margin was positively impacted by higher volumes but burdened by less favorable product mix, fewer large projects as well as investments in the software and digital offering. In addition, the majority of the growth in 2018 have been in Asia and the increased volume have required investments in the local organization.

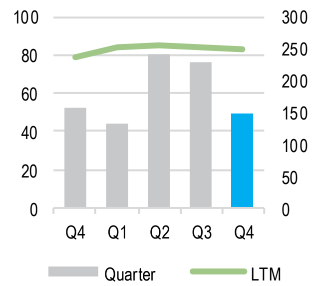
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



Data Centers

- Order intake decreased in the quarter due to a decline in Europe
- Net sales decreased due to lumpy order intake and phasing of large projects, particularly in Europe
- Earnings were negatively impacted by lower volumes, particularly in Europe as well as provisions for losses on a large contract

FINANCIAL SUMMARY

	Q4		Jan-Dec	
SEKm	**2018**	**2017**	**2018**	**2017**
Order intake	225	519	660	1,261
Growth	*-57%*	*178%*	*-48%*	*37%*
Net sales	173	288	1,068	856
Growth	*-40%*	*-18%*	*25%*	*25%*
of which organic growth	*-47%*		*21%*	
of which currency effects	*7%*		*4%*	
Operating profit (EBIT)	-427	-9	-440	-13
Adjusted EBITA	-80	-8	-80	-9
Adjusted EBITA margin, %	-46.0	-2.6	-7.5	-1.0

Order intake

Order intake during the quarter decreased by 57%, primarily due to lower order intake in Europe. Order intake in Europe decreased by SEKm 492 year on year. The fourth quarter 2017 included a SEKm 450 order. The decrease in Europe was partially offset by an increase in Americas of SEKm 203.

Order intake for the full year decreased by 48%, primarily due to lower order intake from a digital customer in Europe. The decrease in Europe was partially offset by higher order intake in Americas and Asia during the year.

Net sales

Net sales in the quarter decreased by 40%, due to significantly lower volumes in Europe as well as a slight decrease in Americas.

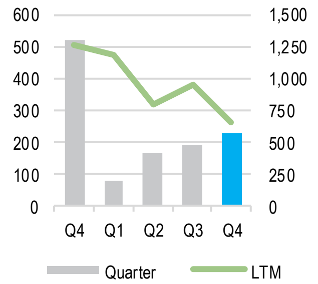
Net sales for the year increased by 25%, due to higher volumes from two large orders from a digital customer in Europe, partially offset by lower volumes in the US compared to 2017.

Adjusted EBITA

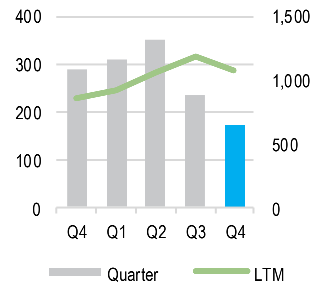
Adjusted EBITA in the quarter decreased to SEKm -80 (-8), primarily due to lower volumes and anticipated one-time losses of SEKm 21 on the commissioning portion of larger contracts in Europe. Lower volumes in Americas compared to the fourth quarter 2017 also affected adjusted EBITA.

Adjusted EBITA for the full year decreased to SEKm -80 (-9). Increased volumes in Europe were offset by margin deviations and a loss on the commissioning of a large contract, as well as by lower volumes in Americas during the year compared with 2017.

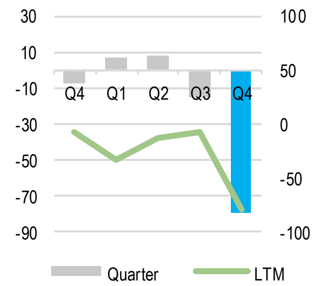
Order intake (SEKm)



Net sales (SEKm)

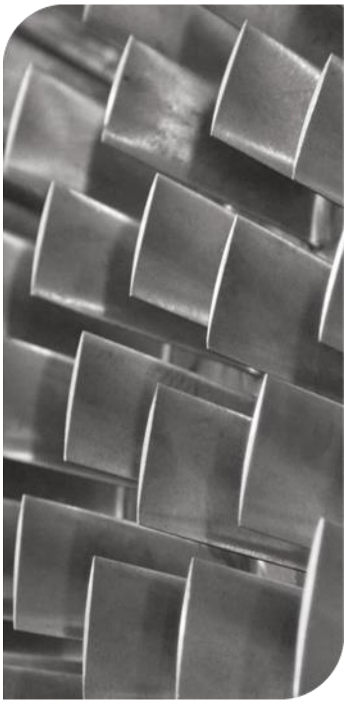


Adjusted EBITA (SEKm)



Mist Elimination

- Order intake increased by 41% in the quarter. The growth was driven by Marine EGC (Emission Gas Cleaning), with flat development in Process and a minor decrease in the Power sub-segments.
- Net sales increased by 17% due to increased volumes in the Marine and Process sub-segments, partially offset by low volume in the Power sub-segment for Coal FGD (Flue Gas Desulphurization) in China and US.
- Adjusted EBITA increased to SEKm 22 (15), due to the increased revenue



FINANCIAL SUMMARY

	Q4		Jan-Dec	
SEKm	2018	2017	2018	2017
Order intake	117	83	445	394
Growth	*41%*	*-13%*	*13%*	*-5%*
Net sales	128	110	403	406
Growth	*17%*	*-5%*	*-1%*	*-7%*
of which organic growth	*12%*		*-6%*	
of which currency effects	*5%*		*3%*	
of which structural effects	*0%*		*2%*	
Operating profit (EBIT)	22	14	52	34
Adjusted EBITA	22	15	52	36
Growth	*45%*	*-35%*	*44%*	*-49%*
Adjusted EBITA margin, %	16.8	13.5	12.9	8.9

Order intake

Order intake increased by 41% and by 35% organically. The growth was mainly driven by a large increase in the Marine sub-segment for emission gas cleaning using scrubbers on ships. The Process sub-segment was more or less flat and the Power segment continued to decline.

Order intake for the full year increased by 13% and by 8% organically. Large increases were seen in the sub-segments Marine in Europe and Process in APAC and Americas.

Net sales

Net sales in the quarter increased by 17% and by 12% organically, mainly as an effect of strong growth in Marine in EMEA and growth in Process in APAC and Americas. The FGD business continued to decline in China but also in Americas with strong comparison numbers in Power in Q4 2017.

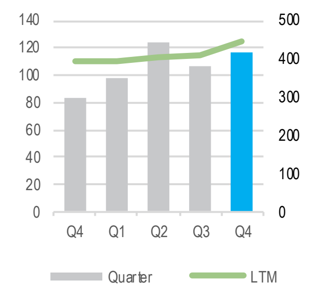
Net sales for the full year declined by 1% and declined by 6% organically, impacted by lower volumes for FGD projects in China but largely compensated by growth in both the Marine and Process sub-segments. Europe showed increased net sales across several sub-segments, with the largest increase in Marine.

Adjusted EBITA

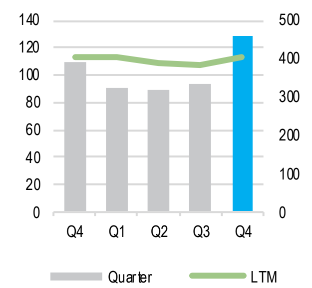
Adjusted EBITA increased to SEK 22 (15) in the quarter driven by increased net sales.

Adjusted EBITA for the full year increased by 44% versus last year, mainly related to lower overhead costs and by reduced warranty accruals.

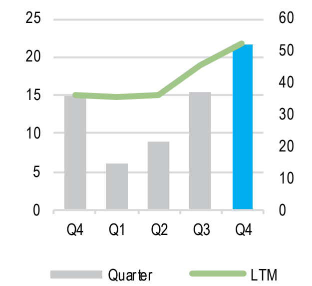
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



Quarterly overview Group and Segments

Group

	2018					2017					2016	
SEKm	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3
Order backlog	2,317	2,388	2,477	2,516	2,317	2,365	2,332	2,449	1,998	2,365	1,741	2,040
Order intake	1,753	1,701	1,826	1,635	6,914	1,821	1,489	2,234	1,654	7,197	1,491	1,577
Net sales	1,834	1,748	1,939	1,601	7,122	1,811	1,552	1,723	1,519	6,604	1,823	1,560
Operating profit (EBIT)	-256	144	170	76	134	127	108	143	75	453	228	126
Financial income and expenses	-31	-49	-19	-27	-127	-28	-32	-134	-106	-301	-116	-106
Tax	-34	-32	-29	-6	-101	53	-26	2	-9	21	-8	-22
Net income	-321	62	122	42	-94	152	51	11	-41	173	105	-2
Amortization and write-down (incl. surplus values)	380	43	41	39	503	47	54	56	53	209	49	47
Items affecting comparability (IAC)	31	8	–	–	39	0	2	-9	20	13	-3	20
Adjusted EBITA	154	195	211	115	676	174	164	190	147	675	274	193
Adjusted EBITA margin, %	8.4	11.1	10.9	7.2	9.5	9.6	10.6	11.0	9.7	10.2	15.0	12.3

Air Treatment

	2018					2017					2016	
SEKm	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3
External order backlog	1,158	1,291	1,332	1,300	1,158	1,079	1,205	1,171	1,097	1,079	959	1,076
Order intake	979	906	951	963	3,798	862	938	1,037	950	3,787	840	848
External net sales	1,060	924	963	775	3,723	983	872	927	787	3,569	959	842
Transactions between segments	4	4	17	3	29	5	4	5	6	19	2	0
Operating profit (EBIT)	176	121	126	73	496	129	115	173	94	511	162	102
Amortization and write-down (incl. surplus values)	4	3	2	2	11	3	2	3	3	10	3	3
Items affecting comparability (IAC)	0	–	–	–	0	0	0	-53	-7	-60	–	–
Re-allocation of internal services	-10	–	–	–	-10	5	–	–	–	5	11	–
Adjusted EBITA	170	124	129	75	497	136	116	123	90	466	177	105
Adjusted EBITA margin, %	16.0	13.3	13.1	9.6	13.3	13.8	13.3	13.2	11.4	13.0	18.4	12.4

AgHort

	2018					2017					2016	
SEKm	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3
External order backlog	518	552	557	498	518	368	442	490	454	368	249	267
Order intake	452	524	610	520	2,107	394	442	561	469	1,866	382	374
External net sales	491	510	548	442	1,991	443	473	500	391	1,808	399	459
Transactions between segments	6	8	7	6	27	7	9	1	13	30	11	12
Operating profit (EBIT)	53	73	77	41	244	51	74	75	25	225	66	81
Amortization and write-down (incl. surplus values)	3	3	3	3	12	2	3	3	3	11	3	3
Items affecting comparability (IAC)	–	–	–	–	–	–	–	–	–	–	-30	–
Re-allocation of internal services	-7	–	–	–	-7	-0	–	–	–	-0	4	–
Adjusted EBITA	49	76	81	43	249	52	77	78	28	236	43	85
Adjusted EBITA margin, %	9.9	14.7	14.5	9.7	12.4	11.6	16.0	15.6	7.0	12.8	10.4	18.0

Quarterly overview Group and Segments

Data Centers

	2018					2017					2016	
SEKm	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3
External order backlog	470	368	418	581	470	792	538	643	321	792	412	558
Order intake	225	188	167	80	660	519	20	558	165	1,261	187	255
External net sales	160	224	341	294	1,019	278	114	192	249	833	352	156
Transactions between segments	13	11	10	15	49	10	1	8	4	23	0	0
Operating profit (EBIT)	-427	-24	7	5	-440	-9	-22	-14	32	-13	51	9
Amortization and write-down (incl. surplus values)	344	1	1	1	349	1	2	1	1	4	0	0
Items affecting comparability (IAC)	8	8	–	–	16	–	–	–	–	–	–	–
Re-allocation of internal services	-5	–	–	–	-5	0	–	–	–	0	–	–
Adjusted EBITA	-80	-15	8	6	-80	-8	-20	-13	32	-9	51	9
Adjusted EBITA margin, %	-46.0	-6.4	2.4	2.1	-7.5	-2.6	-17.4	-6.6	12.8	-1.0	14.6	5.8

Mist Elimination

	2018					2017					2016	
SEKm	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3
External order backlog	171	178	170	137	171	127	146	145	126	127	121	140
Order intake	117	106	125	97	445	83	100	111	101	394	95	115
External net sales	123	91	86	89	389	106	92	104	92	395	113	103
Transactions between segments	6	3	4	2	14	4	4	3	1	11	3	3
Operating profit (EBIT)	22	15	9	6	52	14	6	8	6	34	21	12
Amortization and write-down (incl. surplus values)	0	0	0	0	1	0	0	1	0	1	0	0
Items affecting comparability (IAC)	–	–	–	–	–	–	–	–	–	–	–	–
Re-allocation of internal services	-1	–	–	–	-1	1	–	–	–	1	1	–
Adjusted EBITA	22	15	9	6	52	15	6	8	6	36	23	13
Adjusted EBITA margin, %	16.8	16.3	9.9	6.7	12.9	13.5	6.5	7.9	6.9	8.9	19.8	11.8

Other and eliminations

	2018					2017					2016	
SEKm	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3
Order intake	-20	-24	-26	-26	-96	-36	-11	-34	-31	-112	-13	-15
Transactions between segments	-29	-25	-38	-26	-118	-25	-18	-17	-24	-83	-17	-15
Operating profit (EBIT)	-80	-41	-48	-48	-217	-58	-64	-99	-82	-303	-73	-78
Amortization and write-down (incl. surplus values)	28	36	33	32	130	41	47	48	46	182	42	40
Items affecting comparability (IAC)	22	–	–	–	22	–	2	44	27	73	27	20
Re-allocation of internal services	23	–	–	–	23	-5	–	–	–	-5	-16	–
Adjusted EBITA	-7	-5	-15	-16	-43	-22	-16	-7	-10	-54	-20	-18

Consolidated accounts

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q4		Jan-Dec	
SEKm	**2018**	**2017**	**2018**	**2017**
Net sales	1,834	1,811	7,122	6,604
Cost of goods sold	-1,257	-1,268	-4,851	-4,458
Gross profit	**577**	**542**	**2,271**	**2,146**
Selling expenses	-591	-248	-1,362	-978
Administrative costs	-171	-129	-567	-588
Research and development costs	-74	-42	-217	-167
Other operating income and expenses	3	4	8	39
Operating profit	**-256**	**127**	**134**	**453**
Financial income and expenses	-31	-28	-127	-301
Profit/Loss after financial items	**-287**	**99**	**7**	**152**
Tax	-34	53	-101	21
Net income for the period	**-321**	**152**	**-94**	**173**
Attributable to Parent Company shareholders	-324	153	-105	174
Attributable to non-controlling interests	3	-1	11	-1
Average number of outstanding shares before dilution	182,130,802	183,597,802	183,165,852	119,658,011
Average number of outstanding shares after dilution	182,130,802	183,597,802	183,165,852	119,720,995
Earnings per share before dilution, SEK	-1.78	0.83	-0.57	1.45
Earnings per share after dilution, SEK	-1.78	0.83	-0.57	1.45
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange-rate differences on translation of foreign operations	17	76	193	-89
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax	-17	-13	-17	-13
Income tax effect not to be reclassified to profit or loss	4	3	4	3
Other comprehensive income, net after tax	**3**	**66**	**179**	**-99**
Comprehensive income for the period	**-317**	**218**	**85**	**74**
Attributable to Parent Company shareholders	-321	220	75	75
Attributable to non-controlling interests	4	-2	10	-2

Consolidated accounts

CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2018/12/31	2017/12/31
ASSETS		
NON-CURRENT ASSETS		
Goodwill	4,218	4,251
Patents, licenses, brands, and similar rights	1,480	1,456
Buildings and land	168	155
Plant and machinery	270	219
Equipment, tools, fixtures and fittings	137	142
Construction in progress	62	48
Financial assets	11	14
Deferred tax assets	227	242
Total non-current assets	**6,575**	**6,526**
CURRENT ASSETS		
Raw materials and consumables	391	386
Products in process	106	135
Finished products and goods for resale	282	243
Projects in progress	7	16
Advances to suppliers	20	18
Accounts receivable	1,095	1,204
Prepaid expenses and accrued income	224	106
Derivative instruments	3	2
Current tax assets	53	35
Other receivables	109	126
Cash and cash equivalents	404	402
Total current assets	**2,693**	**2,672**
TOTAL ASSETS	**9,268**	**9,198**

Consolidated accounts

CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2018/12/31	2017/12/31
EQUITY AND LIABILITIES		
EQUITY		
Shareholders' equity	3,720	3,748
Non-controlling interests	-4	0
Total equity	**3,716**	**3,748**
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	3,002	2,848
Provisions for pensions and similar commitments	230	207
Other provisions	16	22
Other liabilities	137	137
Deferred tax liabilities	421	394
Total non-current liabilities	**3,805**	**3,607**
CURRENT LIABILITIES		
Interest-bearing liabilities	11	7
Advances from customers	285	382
Accounts payable	535	581
Accrued expenses and deferred income	590	486
Derivative instruments	1	2
Current tax liabilities	28	52
Other liabilities	181	212
Provisions for pensions and similar commitments	8	8
Other provisions	107	114
Total current liabilities	**1,746**	**1,843**
TOTAL EQUITY AND LIABILITIES	**9,268**	**9,198**

CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	2018/12/31	2017/12/31
Opening balance	**3,748**	**767**
Total comprehensive income for the period	85	74
Set off issue	–	2,803
Warrants	–	18
New share issue	–	100
Change in non-controlling interest	0	-10
Acquisition of non-controlling interests	–	-23
Put/call option related to non controlling interests	-4	19
Dividends paid	-55	–
Repurchase of shares	-59	–
Share option plan	1	–
Closing balance	**3,716**	**3,748**
Total shareholders´equity attributable to:		
The parent company's shareholders	3,720	3,748
Non-controlling interests	-4	0

Consolidated accounts

CONDENSED CASHFLOW STATEMENT

	Q4		Jan-Dec	
SEKm	**2018**	**2017**	**2018**	**2017**
OPERATING ACTIVITIES				
Operating profit	**-256**	**127**	**134**	**453**
Reversal of non-cash items				
Depreciation, amortization and impairments	406	69	602	288
Provisions	16	4	-15	13
Other profit/loss items not affecting liquidity	19	15	19	-24
Cash flow before interest and tax	**185**	**215**	**740**	**730**
Paid financial items	-27	-27	-109	-176
Taxes paid	-47	-22	-123	-109
Cash flow from operating activites before changes in working capital	**111**	**166**	**507**	**445**
Cash flow from changes in working capital	**329**	**-174**	**-67**	**-210**
Cash flow from operating activities	**441**	**-8**	**441**	**235**
INVESTING ACTIVITIES				
Business acquisitions	-1	0	-37	-268
Sale of tangible fixed assets	1	-0	2	1
Sale of intangible fixed assets	1	0	1	1
Business divestments	–	0	-0	-27
Investment in tangible assets	-42	-29	-148	-127
Investment in intangible assets	-24	-19	-84	-44
Cash flow from investing activities	**-64**	**-47**	**-266**	**-464**
FINANCING ACTIVITIES				
New share issue	–	–	–	100
Warrants	–	–	–	18
Loan raised	–	10	407	3,747
Amortization of loans	-297	-17	-472	-3,659
Repurchase of shares	–	–	-59	–
Dividends paid	–	–	-55	–
Cash flow from financing activities	**-297**	**-6**	**-180**	**205**
Cash flow for the period	**80**	**-61**	**-5**	**-25**
Cash and cash equivalents at period start	322	451	402	432
Exchange-rate differences in cash and cash equivalents	3	12	8	-6
Cash and cash equivalents at period end	**404**	**402**	**404**	**402**

Parent company

CONDENSED INCOME STATEMENT

	Q4		Jan-Dec	
SEKm	**2018**	**2017**	**2018**	**2017**
Net sales	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**
Administrative costs	-5	-3	-11	-77
Profit/Loss before interest and tax (EBIT)	**-5**	**-3**	**-11**	**-77**
Financial income and expenses	0	-1	-0	-84
Profit/Loss after financial items	**-5**	**-4**	**-11**	**-161**
Group contributions	–	86	–	86
Profit/Loss before tax	**-5**	**82**	**-11**	**-75**
Tax	0	-15	0	–
Net income for the period	**-5**	**67**	**-11**	**-75**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q4		Jan-Dec	
SEKm	**2018**	**2017**	**2018**	**2017**
Profit/Loss for the period	-5	67	-11	-75
Other comprehensive income, net after tax	–	–	–	–
Comprehensive income for the period	**-5**	**67**	**-11**	**-75**

Parent company

CONDENSED BALANCE SHEET

SEKm	2018/12/31	2017/12/31
ASSETS		
NON-CURRENT ASSETS		
Participations in subsidiaries	4,086	4,086
Total non-current assets	**4,086**	**4,086**
CURRENT ASSETS		
Other current receivables	–	0
Prepaid expenses and accrued income	0	0
Current tax assets	0	–
Receivables from subsidiaries	–	86
Cash and cash equivalents	77	134
Total current assets	**77**	**220**
TOTAL ASSETS	**4,163**	**4,306**

SEKm	2018/12/31	2017/12/31
EQUITY AND LIABILITIES		
EQUITY		
Share capital	6	6
Share premium reserve	4,074	4,074
Profit brought forward	87	276
Income for the period	-11	-75
Total equity	**4,155**	**4,281**
CURRENT LIABILITIES		
Accounts payable	0	1
Accrued expenses and deferred income	2	2
Liabilities to subsidiaries	3	20
Other liabilities	2	2
Total current liabilities	**8**	**25**
TOTAL EQUITY AND LIABILITIES	**4,163**	**4,306**

Notes

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 Report 2017 (Note 1). Since January 1, 2018, IFRS 15 *Revenue from contracts with customers* is applicable. The new revenue recognition principles under IFRS 15 are described in Note 1, section *Revenue recognition principles going forward*. Munters used the full retrospective approach for the transition to the new standard, however the transition to IFRS 15 did not have a material impact on Munters historical consolidated financial statement based on the fact that the Group did not have any open contracts of material values that would have been treated differently should IFRS 15 been applied on prior periods. For that same reason Munters has not restated the 2017 comparative numbers in this interim report. As of January 1, 2018 IFRS 9 *Financial Instruments* is also applicable. The new standard to recognize and measure financial instruments has not had any significant effect on the accounting principles of the Groups financial instruments.

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 for investors and the Group's management, in that they enable an evaluation of the Group's performance. The financial metrics are calculated in accordance with the definitions presented on page 129 of the Annual Report 2017, however, adjusted EBITA has been re-defined to exclude a yearly tax-driven adjustment of internal cost allocation between the segments.

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

IFRS 16 Leases

IFRS 16 *Leases* is the new standard on accountng for leases and will go into effect for fiscal years beginning January 1, 2019, and have not been applied in the preparation of this Interim report.

IFRS 16 was issued in January 2016 and the new standard will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Munters will apply the standard from its mandatory adoption date of January 1, 2019, and will apply the simplified transition approach and therefore not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Munters will apply the transition exempt rule under IFRS 16 not to make a new assessment if a contract is or contains parts that constitute a lease and will therefore apply the standard for all contracts that have previously been identified as leases, or parts that constitute leases under IAS 17 and IFRIC 4. Munters will use the incremental borrowing rate to discount the lease liability. The incremental borrowing rate will be decided based on contract length and contract transaction currency. Munters will also apply the exemption rule to exclude intitial direct costs when calculating the right of use asset when applying IFRS 16 at the first application date

In preparation for the new lease standard, a project team was set up to review all of the Group's leasing arrangements over the last year in light of the new accounting rules in IFRS 16. The standard will affect the accounting for the Group's operating leases. As at the reporting date, Munters has non-cancellable operating lease commitments of SEKm 451. Of these commitments, approximately SEKm 94 relate to short-term and low value leases which will both be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments Munters expects to recognise right-of-use assets of approximately SEKm 481 on January 1, 2019, lease liabilities of SEKm 463 (after adjustments for prepayments and accrued lease payments recognised as at December 31, 2018) and provision for dismantling expenses of SEKm 18.

Net profit after tax expects to decrease by approximately SEKm 13 for 2019 as a result of adopting the new rules. EBITDA is expected to increase with approximately SEKm 109 as the operating lease payments were included in EBITDA but the depreciation of the right-of-use assets and interest on the lease liability are excluded from this measure. Adjusted EBITA is expected to increase by approximately SEKm 1, as the operating lease payments were included in EBITA but the interest on the lease liability is excluded from this measure. Cash flow timings will not be affected.

Munters activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

TRANSACTIONS WITH RELATED PARTIES

The annual general meeting resolved in accordance with the Board's proposal on the implementation of a long-term incentive program. The program shall comprise no more than 1,257,000 employee stock options to be granted to members of the group management and certain other key employees, approximately 75 employees in total. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options are granted under the plan for no consideration and carry no dividend or voting rights.

Each employee stock option that is not cash settled shall entitle the holder to acquire one share in the company at an exercise price equivalent to SEK 55. Each cash-settled employee stock option shall entitle the holder to a cash amount equivalent to the value of one share in the company, calculated as the volume-weighted average price paid for the company's shares at Nasdaq Stockholm during a period of ten business days immediately prior to the exercise of the option, with deduction of an exercise price of SEK 55.

The participants shall be able to exercise the employee stock options from the third anniversary of the allotment, up to and including the fourth anniversary of the allotment. Exercise of the employee stock options shall, as a principal rule be conditional upon the program participant still being employed with the group. The costs of the program are estimated to SEKm 7.4 that will be incurred over the three-year period.

At the Extraordinary General Meeting on May 7, 2017, it was resolved to issue warrants as part of an incentive program for certain members of the Group management. In total, the incentive program comprises 8 individuals and not more than 5,222,000 warrants. The participants may subscribe for warrants at a market value corresponding to in total not more than SEKm 17.99. The maximum number of warrants that may be subscribed for by the participants corresponds to approximately 2.77% of the Company's share capital following completion of the offering and assuming full exercise of the warrants. For further information of transactions between Munters and related parties, see the Annual Report 2017.

EMPLOYEES

The number of permanent employees at December 31, 2018 was 3,518 (3,496).

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 volatility in order intake in the Data Centers business may result in unpredictable production costs. Alternative technologies could constitute a risk of increased competition that could have a negative impact on the Group's profitability. 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. A more detailed description of the Group's risks and how they are managed can be found in the Annual Report 2017.

AQUISITIONS

On July 2, 2018, Munters UK acquired 100% of the issued share capital of Humi-Tech Services Ltd, a company registered in the UK providing services and maintaining humidifiers predominantly within the UK market. Humi-Tech Services Ltd has a strong reputation in the market for being reliable and providing high quality work and the main reason for the acquisition was to increase Munters service footprint in the UK market. Humi-Tech Services Ltd has contributed with seven highly qualified service engineers with knowledge in the humidification industry together with a strong customer base.

The purchase consideration amounted to SEKm 22 of which SEKm 14 upfront and an earn-out of maximum SEKm 8 contingent on the level of EBITDA in FY18 and FY19. We have estimated the full earn out to be paid out and provided for it fully. The surplus values arising from the acquisition relates to customer relationships. In 2017 Humi-Tech Services Ltd generated revenues of SEKm 14 with a reported EBITDA of SEKm 5. Acquisition costs incurred amounted to SEKm 0.5.

In addition, a part of the put option in Mtech was exercised where another 6.4% was acquired for SEKm 23.

ALLOCATION OF NET SALES

The majority of customer contracts within Munters business areas Air Treatment, AgHort and Mist Elimination fulfill the requirements to recognize net sales at a point in time, however there are a number of customer contracts within these business areas that requires to recognize net sales over time, which is reflected in the below matrix. In contrast, the majority of customer contracts within the Data Centers business requires to recognize net sales over time. In addition to unit/equipment sales Munters also provides different kinds of services to customers such as installation, commissioniong, startup and maintenance. Net sales from services are recognized over time as these services are performed. The services transferred over time in the matrix below is not equivilent to the net sales from Services mentioned on the business area pages earlier in this interim report. This is due to the fact that part of Services net sales are recognized at a point in time, such as spare parts, in the matrix below.

SEKm	Q4 2018 AirT	DC	AgH	ME	Total	Jan-Dec 2018 AirT	DC	AgH	ME	Total
Allocation timing of revenue recognition										
Goods transferred at a point in time	776	5	452	121	1,353	2,787	13	1,851	385	5,035
Goods transferred over time	195	149	0	–	344	628	985	1	–	1,614
Services transferred over time	89	6	39	2	137	309	22	139	4	473
Total	**1,060**	**160**	**491**	**123**	**1,834**	**3,723**	**1,019**	**1,991**	**389**	**7,122**

SEKm	Q4 2017 AirT	DC	AgH	ME	Total	Jan-Dec 2017 AirT	DC	AgH	ME	Total
Allocation timing of revenue recognition										
Goods transferred at a point in time	737	–	397	106	1,240	2,726	–	1,670	394	4,790
Goods transferred over time	173	271	–	–	444	592	804	–	–	1,397
Services transferred over time	74	7	46	0	127	251	28	137	1	418
Total	**983**	**278**	**443**	**106**	**1,811**	**3,569**	**833**	**1,808**	**395**	**6,604**

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's derivatives, recognized at fair value in the statement of financial position, are measured according to IFRS 9 and are categorized in level 2 in the fair value hierarchy. The derivatives amounted to SEKm 3 (2) in financial assets and to SEKm 1 (2) in financial liabilities.

The Group's contingent earn-outs and put/call acquisition options, recognized at fair value in the statement of financial position, are measured according to IFRS 9 and are categorized in level 3 in the fair value hierarchy. The opening balance for the period was related to the acquisition of MTech Systems in 2017, the additional fair value of contingent consideration of SEKm 8 (0) was related to the acquisition of Humi-Tech Services Ltd in July 2018 and the fair value of the exercised part of the put/call option amounted to SEKm 24 (0) and related to the acquisition of an additional 6.4% of the shares in MTech Systems.

SEKm	2018/12/31	2017/12/31
Contingent price considerations and put/call options		
Opening balance	136	51
Fair value of put/call acquisition option	–	162
Fair value of contingent consideration	8	–
Fair value excersied put/call option	-24	–
Changes recognized in other operating income	–	-53
Discounting	2	-13
Exchange-rate differences for the period	14	-11
Closing balance	**137**	**137**

Munters deems that the interest rate on interest-bearing liabilities are in line with market terms at December 31, 2018, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount.

This report has not been subject to review by the company's auditors.

INFORMATION AND REPORTING DATES

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Additional information may be obtained from Munters Investor Relations at phone +46 8 626 63 01 or by e-mailing info@munters.com.

The report will be presented at a webcast/teleconference on 13 February at 09:00 CET via https://tv.streamfabriken.com/munters-q4-2018

This information is information that Munters Group AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on 13 February 2019.

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

Financial calendar:

17 April, publication of Annual Report 2018
24 April, Interim report, first quarter 2019
08 May, Annual General Meeting held at 15.00 at Kista Entré Konferens, Knarrarnäsgatan 7 in Kista, Stockholm
18 July, Interim report, second quarter 2019
24 October, Interim report, third quarter 2019

About Munters Group
Munters is a global leader in energy efficient air treatment and climate solutions. Using innovative technologies, Munters creates the perfect climate for customers in a wide range of industries, the largest being the food, pharmaceutical and data center sectors. Munters has been defining the future of air treatment since 1955. Today, around 3,700 employees (including temps.) carry out manufacturing and sales in more than 30 countries. Munters reports annual net sales above 7.1 billion SEK. For more information, please visit www.munters.com.

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.