Munters

Q3

”Strong order intake and profitable growth”

July-September 2020

- Order intake increased 14%, currency adjusted 21%. The growth was driven by pharma, lithium batteries and services for business area AirTech. Business area FoodTech had strong growth in the swine segment in China.
- Net sales increased 1%, currency adjusted 8%, mainly driven by good growth in business area AirTech’s Data Center US operations and the swine segment in China for business area FoodTech. This was partly offset by a weak development in business area AirTech’s Mist Elimination operations.
- The adjusted EBITA-margin improved 8% to 14.8% (13.7). Both business areas improved their profitability in the quarter through a strong focus on cost control and efficiency improvements.
- Leverage (net debt/adjusted EBITDA, LTM*) decreased to 2.5x from 2.7x end of June 2020, reaching the mid-term financial target range of 1.5x-2.5x.
- The measures for implementing a sharpening of the customer offering and footprint optimization is going according to plan. The main focus during the third quarter has been to prepare for execution of the measures. Costs and expenses related to the measures were estimated at MSEK 188 at the end of June. In the third quarter, MSEK 17 of these has been realized, mainly related to the exit of the non-core part of the commercial business in the US as well as the consolidation of operations in Netherlands.

January-September 2020

- The outbreak of Covid-19 had a mixed impact on Munters in the first nine months. All production units, except for one minor unit, have been operational throughout the period with only minor disturbances.
- Order intake increased 3%, currency adjusted 4%. This was mainly driven by a strong order intake in the third quarter, driven by good growth in both business area AirTech and FoodTech.
- Net sales declined -3% ,currency adjusted -2%, mainly due to Covid-19 related delays, mainly experienced in the first half year. Also, the Mist Elimination operations in business area AirTech had a weak development in the period.
- The adjusted EBITA-margin improved to 12.8% (12.1). The improvement was mainly because of production efficiency improvements and a tight cost control. Also mitigating actions related to the Covid-19 outbreak contributed to the improvement.
- Leverage (net debt/adjusted EBITDA, LTM*) decreased to 2.5x from 2.9x at the end of December 2019. The decrease was mainly driven by a strong cash flow development and a positive exchange rate effect on outstanding borrowings related to USD/SEK of MSEK 90.

Financial summary	Q3			Jan-Sep			LTM*	Full year
MSEK	2020	2019	Δ%	2020	2019	Δ%	Oct-Sep	2019
Order intake	1,919	1,680	14	5,638	5,457	3	7,482	7,302
Net sales	1,833	1,813	1	5,173	5,311	-3	7,015	7,153
Operating profit (EBIT)	245	174	41	457	397	15	616	556
Adjusted EBITA	271	248	9	661	641	3	890	871
Adjusted EBITA margin, %	14.8	13.7		12.8	12.1		12.7	12.2
Net income	163	100	64	260	207	25	336	283
Earnings per share before dilution, SEK	0.89	0.54		1.41	1.12		1.84	1.55
Earnings per share after dilution, SEK	0.89	0.54		1.41	1.12		1.84	1.55
Average number of outstanding shares before dilution	181,292,993	181,929,746		181,595,988	182,063,783		181,582,069	181,983,219
Average number of outstanding shares after dilution	181,524,860	181,929,746		181,595,988	182,063,783		181,582,069	181,983,219
The KPI´s below includes discontinued operations **								
Net income	161	-238		256	-176		267	-164
Earnings per share before dilution, SEK	0.87	-1.32		1.39	-0.98		1.46	-0.91
Earnings per share after dilution, SEK	0.87	-1.32		1.39	-0.98		1.46	-0.91
Cash flow from operating activities	242	177		561	388		843	669
Net debt	2,694	3,368		2,694	3,368		2,694	3,062
Net debt/Adjusted EBITDA, LTM				2.5	3.5		2.5	2.9

* Last twelve months

** The income statement has been restated for 2019 to reflect the discontinued operation in line with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Discontinued operations is defined as the business connected to the Data Centers operations in Dison, Belgium, where the production has ceased during fall 2019 but minor installation services remains at customer sites during 2020. All income statement items in this report refers to Munters continuing operations, if not otherwise stated. See more information on page 23.

CEO comments

Strong order intake, profitable growth and continued strengthening of balance sheet
We had strong order intake in the third quarter. This was mainly driven by good growth in the Industrial segment in Americas for business area AirTech as well as the swine segment in China for business area FoodTech. We experienced some delays in the market related to the Covid-19 outbreak. At the same time we continued to see a general increased demand in industries such as lithium batteries and pharma. All our production units, except one minor unit, upheld production with only minor disturbances in the first nine months.

Net sales increased in the third quarter, mainly driven by good growth in Data Centers US in business area AirTech and a continued strong increase in the swine segment for business area FoodTech in China.

The adjusted EBITA-margin improved in the third quarter. Both business area AirTech and FoodTech contributed to the results through a strong focus on strategy execution, including operational efficiency improvements and streamlining of indirect costs. Our leverage, net debt to adjusted EBITDA, was reduced to 2.5x which is in line with our mid-term financial target of reaching a level of 1.5x-2.5x.

Focus on strategy execution yields good results
At the beginning of 2020, we presented our strategic priorities. Since then we are constantly working on executing these and in the third quarter, we achieved growth in the markets we have highlighted as prioritized areas.

In July 2020 we announced measures aiming at driving a sharpening of our customer offering and optimize our footprint, in line with the strategy. These are progressing according to plan. In the quarter we have proceeded with preparing for the exit of the non-core part of the commercial business of business area AirTech in the US and the consolidation of the operations in the Netherlands. The growth in the Data Center US business has led to a need of expanding the production capacity in Texas for a standardized part of our offering.

Going forward, our work with product rationalization, increasing standardization and to modularize our offering is key to strengthen Munters. It is an important part of the strategy execution in order to be able to combine low complexity with high customization capabilities.

Market improvement but still low visibility of market demand
Market conditions improved in the third quarter. Still, the visibility of market demand is low due to the lingering Covid-19 outbreak.

I am proud of our employee's capability to balance the management of daily challenges with a constant focus on delivering on our mid-term targets. I truly want to thank our employees for their dedication in executing a very strong performance in the third quarter.

Klas Forsström, President and CEO

» **Focus on strategy execution yields good results.**

Klas Forsström, President and CEO

Mid-term financial targets

Net sales growth: Annual growth in organic net sales of 5 per cent, as of 2019, supplemented with selected add-on acquisitions.
Adjusted EBITA-margin: An adjusted EBITA-margin of 14 per cent.
Capital structure: 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 aim to pay an annual dividend corresponding to 30-50 per cent of its consolidated income after tax for the period.

For full description of the dividend policy, see the Annual and Sustainability report 2019, page 18.

Sustainability

Throughout 2020 Munters will prioritize sustainability issues aiming at setting more ambitious goals in 2021.

The framework for Munters' sustainability agenda is divided into three parts:

- Resource efficiency,
- Responsible business practices and
- People & society.

Please see the Munters Annual and Sustainability report 2019, page 46-55, for further information on goals and outcome.

Financial performance

During the third and fourth quarter 2019, Munters reported the business within the Data Centers operations in Belgium as a discontinued operation. Therefore all income statement has been restated for 2019 to reflect the discontinued operation in line with IFRS 5, for information see page 23. All income statement items in this report refers to Munters continuing operations, if not otherwise stated.

	Q3		Jan-Sep		LTM	Full year
MSEK	2020	2019	2020	2019	Oct-Sep	2019
Order intake	1,919	1,680	5,638	5,457	7,482	7,302
AirTech	1,354	1,179	3,928	3,892	5,290	5,253
FoodTech	575	513	1,746	1,596	2,237	2,087
Other and eliminations	-10	-13	-37	-31	-45	-38
Net sales	1,833	1,813	5,173	5,311	7,015	7,153
AirTech	1,280	1,288	3,614	3,777	4,995	5,159
FoodTech	572	534	1,595	1,563	2,065	2,032
Other and eliminations	-18	-9	-36	-29	-45	-38
Adjusted EBITA	271	248	661	641	890	871
AirTech	198	167	478	476	664	662
FoodTech	95	85	244	217	305	278
Other and eliminations	-21	-3	-62	-52	-79	-69
Adjusted EBITA margin, %	14.8	13.7	12.8	12.1	12.7	12.2
AirTech	15.4	12.9	13.2	12.6	13.3	12.8
FoodTech	16.5	15.9	15.3	13.9	14.8	13.7

Order intake, currency adjusted change

21%

Adj. EBITA-margin

14.8%

ORDER INTAKE

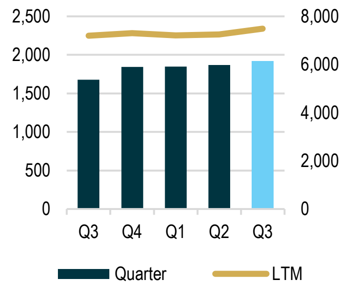
July-September 2020

Order intake in the quarter increased by 14%, currency adjusted increase of 21%. This was driven by a strong increase in both AirTech and FoodTech. The impact on demand from the Covid-19 outbreak was mixed, with only smaller delays in deliveries. We have seen increased demand for services and in industries such as lithium batteries, pharma and food.

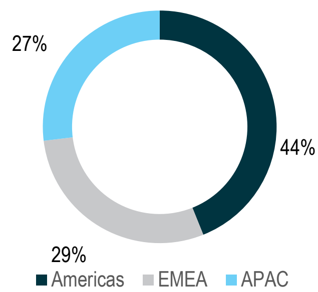
Business area AirTech order intake increased by 15%, currency adjusted increase of 22%. The increase was driven by demand for services and in the lithium battery and pharma sub-segment in the Industrial segment. Mist Elimination had a weak development mainly due to the low demand from the marine market globally. Data Centers US had a weak order intake, however still has a strong order backlog. Due to AirTech exiting the non-core Commercial segment, this area had a weak order intake.

Business area FoodTech order intake increased by 12%, currency adjusted increase of 20%, primarily because of a strong increase in the swine segment in China. Investments in sustainable production capacity in China continued to increase in the swine segment on the back of a weak 2019 when it was negatively impacted by the African Swine Fever (ASF). Also, good growth was achieved in the broiler segment in China. Europe had softer order intake on the back of the Covid-19 outbreak, partly offset by good growth in our German operations, driven by good demand from Russia. In Americas, the US had a weaker development mainly due to a decline in the swine segment that still experienced an overcapacity in the market.

Order intake Q3, 2020 (MSEK)



Order intake Q3, 2020 (MSEK)



January-September 2020

The order intake in the first nine months increased 3%, currency adjusted increase of 4%. This was driven by an increase in both business area AirTech and FoodTech. The impact on demand from the Covid-19 outbreak was mixed in the first nine month. Delays in deliveries related to the outbreak were seen mainly in the first half year.

Business area AirTech order intake was flat, currency adjusted increase of 2%. This was mainly due to a weaker order intake in Mist Elimination, which was partly offset by a strong development in Data Centers US. The Industrial segment had stronger order intake in the period driven by lithium batteries, food and pharma. Services also had a positive development of order intake.

Business area FoodTech order intake increased by 9%, currency adjusted increase of 11%. The increase was mainly because of a very good development of order intake in Asia, driven by the swine segment in China. Also, good growth was achieved in the broiler segment in China. In Europe, demand was softer, despite a good development in our German operations, driven by demand from Russia. In Americas order intake was softer mainly due to a weak swine segment.

NET SALES

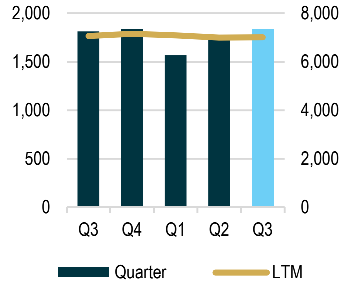
July-September 2020

Net sales in the quarter increased 1%, currency adjusted increase of 8%, driven by an increase in the swine segment in China in business area FoodTech. Services net sales amounted to 13% of total net sales.

Net sales in business area AirTech declined -1%, currency adjusted increase of 6%. Data Center US had strong growth in the quarter, offset by a decline in Europe as well as Asia. Net sales declined in these regions mainly driven by a weak development in Mist Elimination as the marine sub-segment was continued weak in all regions. Also, the Industrial segment was weak in Europe and Asia, impacted by the Covid-19 outbreak. Services had a flat development in the quarter.

Net sales in business area FoodTech increased by 7%, currency adjusted increase of 14%, driven by a good growth in the swine segment in China. The US had a weak development due to a weak swine segment where we still see an overcapacity in the market. The lingering Covid-19 outbreak had a continued negative impact on demand in both Americas and Europe in the quarter. The negative development in Europe was partly offset by a good development in our German operations, which had a good growth in net sales, mainly driven by Russia.

Net sales Q3, 2020 (MSEK)



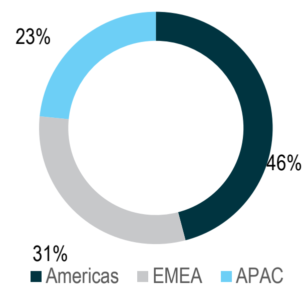
January-September 2020

Net sales in the first nine months decreased by -3%, currency adjusted of -2%. The decrease was mainly due to a weak development in Mist Elimination in business area AirTech. Services net sales amounted to 13% of total net sales.

Net sales in business area AirTech declined -4%, currency adjusted decrease of -3%. The decline was mainly due to a weak development in Mist Elimination where the marine sub-segment had a weak development. Also, the Industrial segment was weak, impacted by the Covid-19 outbreak. This was partly offset by a strong growth in Data Center US. Services had a positive development.

Net sales in business area FoodTech increased 2%, currency adjusted increase of 4%, with a good growth in Asia, offset by a decline in the Americas and Europe. Net sales in all regions was negatively impacted from the Covid-19 outbreak. It affected net sales negatively in Asia early in the year and later in Europe and Americas.

Net sales Q3, 2020 (MSEK)



RESULTS

Adjusted EBITA excludes Items Affecting Comparability, IAC, see page 6 for disclosure of the IACs.

July-September 2020

The gross margin increased to 32.9% (32.5) with a strengthened gross margin in business area FoodTech driven by continued efficiency improvements.

Adjusted EBITA increased to MSEK 271 (248), corresponding to an improved adjusted EBITA-margin of 14.8% (13.7). Depreciation amounted to MSEK -55 (-60), whereof depreciation of leased assets was MSEK -28 (-56).

Adjusted EBITA for business area AirTech amounted to MSEK 198 (167) corresponding to a EBITA margin of 15.4% (12.9). The stronger EBITA-margin was a result of a stable gross margin, efficiency improvements as well as continued lower indirect costs.

Adjusted EBITA in business area FoodTech increased to MSEK 95 (85), corresponding to an improved adjusted EBITA margin of 16.5% (15.9). The improvement was driven by increased net sales, a slightly improved gross margin and continued lower indirect costs.

Operating profit (EBIT) in the third quarter was MSEK 245 (174), corresponding to an operating margin of 13.3% (9.6). Amortization and write-downs on intangible assets in the third quarter was MSEK -30 (-32), where MSEK -10 (-24) was related to amortization of intangible assets from acquisitions.

January-September 2020

The gross margin was slightly above 2019 at 33.7% (33.1) with a flat margin development in AirTech and a slight improvement in FoodTech.

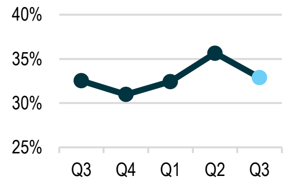
Adjusted EBITA increased to MSEK 661 (641), corresponding to a higher adjusted EBITA-margin of 12.8% (12.1). Depreciation amounted to MSEK -165 (-162), whereof depreciation of leased assets was MSEK -84 (-113).

Adjusted EBITA for business area AirTech amounted to MSEK 478 (476), corresponding to an improved adjusted EBITA margin of 13.2% (12.6). The higher EBITA-margin was a result of slightly improved gross margin, driven by efficiency improvements as well as lower indirect costs.

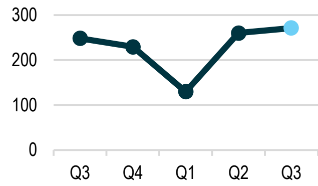
Adjusted EBITA in business area FoodTech increased to MSEK 244 (217), corresponding to an improved adjusted EBITA margin of 15.3% (13.9). The improvement was driven by increased net sales in combination with a slightly improved gross margin and lower indirect costs.

Operating profit (EBIT) for the first nine months was MSEK 457 (397), corresponding to an operating margin of 8.8% (7.5). Amortization and write-downs on intangible assets for the first nine months was MSEK -70 (-105), where MSEK -31 (-73) was related to amortization of intangible assets from acquisitions.

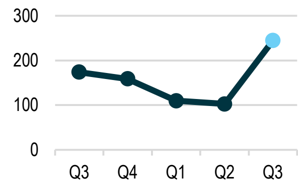
Gross margin development



Adjusted EBITA (MSEK)



Operating profit (EBIT) (MSEK)



ITEMS AFFECTING COMPARABILITY (IAC)

During the second quarter 2020 Munters decided upon a further step in the implementation of the strategy, focused on sharpening the customer offering and footprint optimization measures. At the end of June, 2020 Munters incurred a total of MSEK -136 in IACs, mainly within business area AirTech. The major part of the cost was recorded as a restructuring provision and related to severance costs, warranty claims and winding down activities related to the exit of the non-core part of the commercial business in the US. A part of the cost related to write-downs of inventory. The full amount was expensed to other operating expenses. Another MSEK -52 associated with the strategy are to be recognized and reported as IACs when incurred, during Q3 only minor additional costs has been incurred and reported as IAC, which is offset by smaller positive FX-impacts. Of the provision of MSEK 136 reported in June, a total of MSEK 17 has been realized during the third quarter mainly related to the exit of the commercial business in the US as well as the consolidation of operations in the Netherlands.

During the second quarter a provision of MSEK 6 was reported for regulatory fines and fees related to a ten year old dispute regarding a potential liability under ISRA (*Industrial Site Recovery Act),* and the full expense was regarded as an IAC. There has been no change in the provision during the third quarter and the year to date IACs are MSEK -6.

Due to the current Covid-19 related pandemic Munters has incurred Covid-19-related IACs, which comprises of a net of sanitation and hazard pay expenses and received government grants/government assistance for e.g. salary payments and social security contributions. The net of Covid-19 related IACs amounts to MSEK 2 for the third quarter, and MSEK 6 year to date, i.e. Munters has received more government grants/government assistance than incurred expenses. The received government grants/government assistance amounted to MSEK 5 in the third quarter and MSEK 15 year to date.

During the third quarter 2019 Munters Full Potential Program (FPP), launched in February 2019, resulted in in IACs of MSEK -42 and MSEK -139 September year to date last year.

Continuing operations

	Q3		Jan-Sep		LTM	2019
MSEK	2020	2019	2020	2019	Oct-Sep	Full year
AirTech	**3**	**-11**	**-121**	**-48**	**-140**	**-67**
Munters Full Potential Program	-	-11	-	-48	-19	-67
Severance costs	-	-11	-	-39	-13	-52
Consulting fees and other	-	-1	-	-9	-6	-15
Covid-19 related items	2	-	6	-	6	-
Implementation refined strategy	2	-	-122	-	-122	-
Other items affecting comparability	0	-	-6	-	-6	-
FoodTech	**0**	**-6**	**-5**	**-33**	**-8**	**-36**
Munters Full Potential Program	-	-6	-	-33	-3	-36
Severance costs	-	0	-	-10	-0	-10
Consulting fees and other	-	-7	-	-24	-2	-26
Covid-19 related items	0	-	-0	-	-0	-
Implementation refined strategy	0	-	-5	-	-5	-
Other items affecting comparability	-	-	-	-	-	-
Other	**-0**	**-24**	**-7**	**-57**	**-28**	**-78**
Munters Full Potential Program	-	-24	-	-57	-21	-78
Severance costs	-	-16	-	-21	-6	-27
Consulting fees and other	-	-8	-	-36	-15	-51
Covid-19 related items	-0	-	1	-	1	-
Implementation refined strategy	-	-	-8	-	-8	-
Other items affecting comparability	-	0	-	-	-	-
Total	**4**	**-42**	**-134**	**-139**	**-176**	**-181**
Munters Full Potential Program	-	-42	-	-139	-42	-181
Covid-19 related items	2	-	6	-	6	-
Implementation refined strategy	2	-	-135	-	-135	-
Other items affecting comparability	0	0	-6	-	-5	0

FINANCIAL ITEMS

Financial income and expenses for the third quarter amounted to MSEK -30 (-40). The financial expenses were positively impacted by a lower USD interest rate compared to same quarter last year. Interest expense on lease liabilities amounts to MSEK -4 (-5). The average weighted interest rate including fees per end of the quarter was 3.0% (4.4).

Financial income and expenses for the first nine months amounted to MSEK -110 (-134).

TAXES

Income taxes for the third quarter was MSEK -51 (-34) and the effective tax rate was 24% (26). Income taxes for the first nine months was MSEK -87 (-56) and the effective tax rate was 25% (21).

Effective tax rate, %

24%

EARNINGS PER SHARE

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to MSEK 159 (-241) for the third quarter. Earnings per share, before and after dilution, in the third quarter 2020 was SEK 0.87 (-1.32).

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to MSEK 253 (-178) for the first nine months. Earnings per share, before and after dilution, for the first nine months was SEK 1.39 (-0.98).

The average number of outstanding ordinary shares in the third quarter, for the purpose of calculating earnings per share, was 181,292,993 before dilution and 181,524,860 after dilution.

EPS, SEK

0.87

FINANCIAL POSITION

Interest-bearing liabilities amounted to MSEK 3,188 (3,623). Cash and cash equivalents amounted to MSEK 790 (496) as of September 30.

Munters primary financing facilities consists of a term loan of MUSD 250 and a revolving credit facility (RCF) of MEUR 185. These facilities have no mandatory amortization requirement. The final maturity date of the facilities is May 2022. In July 2020, Munters established a new revolving credit facility of MSEK 750 secured by a guarantee from EKN (The Swedish Export Credit Agency) with maturity in 2023. The purpose of the MSEK 750 RCF is to serve as a back-up facility. It was established as a precautionary measure in the challenging business environment due to the Covid-19 outbreak.

The loan agreements have one financial covenant, consolidated net debt in relation to adjusted EBITDA, with some adjustments. The accounting standard for leases, IFRS 16, does not affect the covenant calculation according to the loan agreement definition and neither does the net pension liability. In the second quarter, Munters proactively re-negotiated the current financing. As part of this agreement with the bank group the financial covenant is temporarily eased and until the first quarter 2021 the leverage ratio, as mentioned above, is set to 5.5x.

Net debt as of September 30 amounted to MSEK 2,694 compared to MSEK 2,895 at the end of June 2020. The decrease in net debt was driven by a continued positive cash flow development and a positive exchange rate effect on outstanding borrowings related to USD/SEK of MSEK 90. See more information about reconciliation of net debt and leverage on page 24.

The leverage ratio per end of September was 2.5x compared to 2.7x at the end of June and 2.9x at the year-end 2019.

At quarter end the term loan was fully drawn with MUSD 250 and MEUR 70 of the total revolving credit facility were utilized in EUR, USD and SEK. Available unutilized credit facilities as of September 30 amounted to MEUR 115 (115). Along with the main loan facility, an amount of MSEK 23 (25) in local debt is outstanding in i.e. Brazil and India. In the third quarter a repayment of outstanding RCF drawings of MSEK 150 was made.

Average capital employed for the last twelve months was MSEK 7,557 (7,590). Return on capital employed, including the discontinued operation, (ROCE) for last twelve months was 7.3% (-3.1). EBIT plus financial income was affected by a restructuring provision related to the closure of the Data Center operation in Dison, Belgium, in the third quarter of 2019, impacting the last year period return. Return on capital employed, where EBIT plus financial income is adjusted for items affecting comparability (IAC) and average capital employed adjusted for goodwill, for the last twelve months was 24.4% (8.2). Munters has changed the definition of the ROCE in the third quarter, see more information on page 21.

CASH FLOW

Cash flow from operating activities was MSEK 242 (177) in the third quarter and MSEK 561 (388) for the first 9 months of 2020. Cash flow improved as a consequence of a good improvement in EBIT as well as the ongoing focus to improve operating working capital.

Cash flow from changes in working capital had a negative impact on the cash flow with MSEK -6 (-11) in the third quarter and positive impact with MSEK 22 (-65) in the first nine months. The negative effect on cash flow from working capital in the third quarter is mainly due to negative cash flow from accounts receivables relating to AirTech and the positive effect on cash flow for the first nine months is mainly relating to increased advances from customers both in business area AirTech and FoodTech.

Cash flow for the period for the third quarter amounted to MSEK -28 (-33) and MSEK 86 (74) for the first nine months of 2020. Cash flow for the period was negative mainly due to a repayment of outstanding RCF drawings of MSEK 150.

PARENT COMPANY AND OWNERSHIP

The parent company for the Group is Munters Group AB. All Group supporting functions within Munters is accounted for within Munters Group AB. 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 MSEK 0 (35).

EMPLOYEES

The number of permanent FTEs (Full Time Equivalents), at September 30, 2020 was 3,202 (3,247). The amount of FTEs at September 30, 2020 in business area AirTech was 2,281 (2,324), in FoodTech 850 (845) and at Group functions 70 (78).

SHARE REPURCHASES

Munters held 2,537,000 treasury shares as of September 30, 2020 of the total outstanding shares of 183,597,802. The Annual General Meeting in May 2020 authorized the Board of Directors to repurchase of shares in the company in relation to the Long Term Incentive Programme 2020 (LTIP 2020). Acquisitions could be made of no more than 685,000 shares in order to secure the delivery obligations of shares to participants in the LTIP 2020 and for subsequent transfers on a regulated market to cover cash-flow effects associated with the Programme, primarily social security charges and cash settled employee stock options. The shares could only be acquired on Nasdaq Stockholm and be acquired at a price per share within the from time to time registered trading interval. In July and August 2020 Munters repurchased a total number of 685,000 shares at an average price of SEK 63.25.

Ten largest shareholders	30 Sep
%	Total
FAM AB	26.1
Swedbank Robur Funds	8.8
First Swedish National Pension Fund	8.6
ODIN Funds	8.0
Fourth Swedish National Pension Fund	5.3
Handelsbanken Funds	3.9
Columbia Threadneedle	3.5
La Financière de l'Echiquier	2.5
C WorldWide Asset Management	2.4
Norges Bank	1.7

Source: Modular Finance

OTHER EVENTS

Strategic evaluation of the Data Centers and Mist Elimination operations - During 2019 a strategic evaluation of the Data Centers and Mist Elimination operations was conducted. In February 2020, this resulted in a decision to keep these businesses in Munters. Both businesses made significant progress during 2019. Considering Munters strategic direction we see a good strategic fit. Both businesses operate in markets with good growth potential, driven by digitalization and high demands for sustainable solutions. The businesses are today part of business area AirTech.

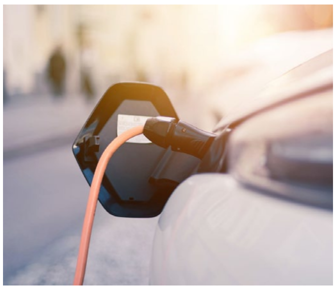
Organizational change – In February, Munters announced an organizational change. The change aims at creating a clearer business ownership and capture local synergies and value drivers across the Group, by aligning the value chain within the business areas. The change means that the business areas have full profit and loss responsibility for their respective area. The role Global operations in the Group management team changed into a Strategic operations role with focus on driving lean practices, manufacturing excellence, shared tools and processes and overall footprint optimization. Two roles were added: Innovation, with focus on driving R&D processes, including shared technologies coordination and product introduction development and Commercial excellence, with focus on coordinating sales training, drive practice of value selling, pricing strategies and go-to-market methods.

New President business area FoodTech announced – In February, it was announced that Pia Brantgärde Linder, previously Senior Vice President and Business Unit Manager of High Voltage Products in Northern Europe at ABB, had been appointed President of Business Area FoodTech. Pia started her position at Munters on August 16, 2020.

2020 Annual General Meeting - The Annual General Meeting of Munters Group AB was held on 7 May in Kista, Stockholm. In accordance with the Nomination Committee's proposal the following Board members were re-elected as ordinary members proposal: Magnus Lindquist, Helen Fasth Gillstedt, Per Hallius, Lena Olving, Kristian Sildeby and Juan Vargues. In addition, Håkan Buskhe and Anna Westerberg were elected as new Board members and Magnus Lindquist was re-elected as Chairman of the Board of Directors.

Order received for lithium battery production in the US – In August Munters announced it had received an order to provide desiccant dehumidification solutions for a Lithium Battery production facility in the US. The total value of the order; including equipment and services was approximately MUSD 12. Munters will deliver ICA (Integrated Custom Airhandlers) and IDS (Industrial Desiccant Dehumidification) systems, utilizing our GreenPowerPurge technology. Delivery is expected to start in Q4 2020 and continue through mid-2021.

Nomination committee for the 2021 Annual General Meeting – In October Munters announced the nomination committee for the 2021 Annual General Meeting. The Nomination Committee shall be composed of the representatives of the four largest shareholders in terms of voting rights listed in the shareholders' register maintained by Euroclear Sweden AB as of 31 August each year, and the Chairman of the Board, who will also convene the first meeting of the Nomination Committee. The committee comprises: Magnus Fernström, FAM AB, Chairman of the Nomination Committee, Jan Dworsky, Swedbank Robur Funds, Mats Larsson, First Swedish National Pension Fund, Jonathan Schönbäck, Odin Fund Management and Magnus Lindquist, Chairman of the Board of Munters Group AB.



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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.

- Order intake increased in the third quarter mainly because of a good development of the Industrial segment in Americas and growth in services. Specifically lithium batteries and pharma had a positive development. This was partly offset by weaker development in Data Centers US, Mist Elimination and in the non-core Commercials business.
- Organic net sales increased mainly driven by a strong growth in Data Centers US, offset by a decline in Europe as well as Asia. The decline was mainly driven by a weak development in Mist Elimination and in Industrials in Europe and Asia. Services had a flat development in the quarter.
- The adjusted EBITA-margin improved as a result of a stable gross margin, efficiency improvements as well as continued lower indirect costs.

	Q3		Jan-Sep		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Oct-Sep**	**2019**
Order intake	1,354	1,179	3,928	3,892	5,290	5,253
Growth	15%	10%	1%	17%	14%	14%
Net sales	1,280	1,288	3,614	3,777	4,995	5,159
Growth	-1%	23%	-4%	20%	13%	17%
of which organic growth	6%					
of which currency effects	-6%					
of which structural effects	-					
Operating profit (EBIT)	185	151	331	406	490	565
Adjusted EBITA	198	167	478	476	664	662
Growth	19%	44%			0%	27%
Adjusted EBITA margin, %	15.4	12.9	13.2	12.6	13.3	12.8

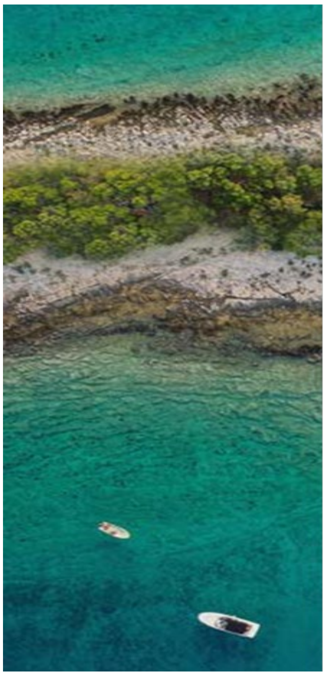
FoodTech

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.

- Order intake increased in the third quarter primarily because of a strong increase in the swine segment in China. Europe had softer order intake, partly offset by a good development in Russia . In Americas, the US continued to see a weaker development mainly due to a decline in the swine segment.
- Net sales grew driven by a continued good growth in China with a strong development in the swine segment. The US had a negative development driven by a weak swine segment. In Americas and Europe, we continued to see a negative effects from the Covid-19 outbreak.
- The EBITA-margin improvement was driven by higher net sales, a slightly higher gross margin and lower indirect costs.

	Q3		Jan-Sep		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Oct-Sep**	**2019**
Order intake	575	513	1,746	1,596	2,237	2,087
Growth	12%	-2%	9%	-4%	9%	-1%
Net sales	572	534	1,595	1,563	2,065	2,032
Growth	7%	3%	2%	3%	0%	1%
of which organic growth	14%					
of which currency effects	-7%					
of which structural effects	-					
Operating profit (EBIT)	90	75	224	172	279	226
Adjusted EBITA	95	85	244	217	305	278
Growth	11%	12%			15%	11%
Adjusted EBITA margin, %	16.5	15.9	15.3	13.9	14.8	13.7

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

- 3,200 employees
- 30 countries with sales and manifacturing
- 18 production units
- 25% female leaders
- Two business areas: AirTech and FoodTech

In 2019 AirTech generated 72% of the total net sales of Munters and FoodTech 28%.

Purpose
For customer success and a healthier planet

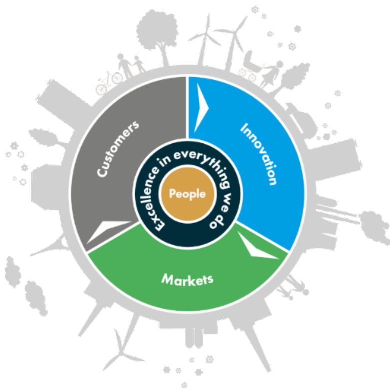
Curiosity and a drive to create pioneering technologies are part of our DNA. Our climate solutions are mission-critical to our customers' success and contribute to a more sustainable planet.

Mission
Munters is a global leader in innovative, energy-efficient and sustainable climate solutions for mission-critical processes.

The strategy of Munters

Munters has a strong position in most of our markets. We see major 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 - The employees at Munters are the hub of our business. Through collaboration and a passion for creating sustainable solutions for our customers and partners, we contribute to our customers' success and a better world.



Customers - We closely cooperate our customers. We try not only to understand their needs today, but also in the future. Our expertise is built through unique insight into our customers' businesses and production processes. Munters works every day to deliver value over and above our customers' expectations.

Innovation - We at Munters work in a structured way to optimize innovation in the organization. We continually monitor technological developments in the market and work closely with our customers to understand their needs. We also work with other institutions that strengthen our competence and create value for customers. By continuously questioning and improving how we work, we create sustainable solutions, technologies and business models for the future.

Market - Munters is active around the world in a market driven by strong trends in sustainability and digitization. We focus resources on strengthening our position in areas where we can be a market leader. For Munters, a market leader not only has a leading position but also higher profitable growth than others in the industry.

Excellence in everything we do - We strive for quality and efficiency in everything we do. We work with continuous improvements in every area. We prioritize and focus on selected investments and areas of improvement. We follow up, learn, correct and improve.

Sustainability

Sustainability is one of the most important drivers for Munters' strategy today and in the future. Everything we do has to be sustainable for all our stakeholders and the environment. Our medium-term financial targets are important to create room for investments in the future. As we work toward these targets, we make various decisions and act in the best way to achieve our ambitions. These ambitions contain priorities on resource efficiency, responsible business practices and people & society. These three parts today constitute the framework for Munters' sustainability agenda.

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Quarterly overview Group and Segments

Group

	2020			2019				2018			2019
MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Full year
Order backlog	2,664	2,660	2,808	2,307	2,440	2,496	2,554	2,170	2,222	2,227	2,307
Order intake	1,919	1,870	1,849	1,845	1,680	1,840	1,938	1,735	1,590	1,748	7,302
Net sales	1,833	1,773	1,566	1,842	1,813	1,877	1,620	1,757	1,559	1,686	7,153
Operating profit (EBIT)	245	103	110	159	174	185	38	158	136	161	556
Financial income and expenses	-30	-50	-31	-55	-40	-51	-43	-31	-49	-19	-189
Tax	-51	-13	-22	-27	-34	-30	8	-34	-7	-29	-83
Net income	163	39	57	76	100	104	3	93	80	114	283
Amortization and write-down	-30	-20	-20	-29	-32	-41	-32	-36	-43	-40	-134
Items affecting comparability (IAC)	4	-138		-42	-42	-36	-61	-31	-8		-181
Adjusted EBITA	271	260	130	229	248	262	131	225	186	201	871
Adjusted EBITA margin, %	14.8	14.7	8.3	12.5	13.7	13.9	8.1	12.8	12.0	11.9	12.2

AirTech

	2020			2019				2018			2019
MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Full year
External order backlog	2,025	2,003	2,186	1,780	1,886	1,926	1,993	1,652	1,671	1,670	1,780
Order intake	1,354	1,231	1,343	1,361	1,179	1,264	1,449	1,289	1,073	1,145	5,253
External net sales	1,270	1,205	1,127	1,378	1,286	1,323	1,164	1,265	1,049	1,138	5,151
Transactions between segments	9	2	0	4	1	1	2	2	1	1	8
Operating profit (EBIT)	185	51	94	159	151	173	82	185	104	132	565
Amortization and write-down	-16	-5	-5	-9	-5	-13	-5	-5	-4	-3	-31
Items affecting comparability (IAC)	3	-125	–	-19	-11	-14	-23	-8	-8	–	-67
Re-allocation of internal services	–	–	–	-1	–	–	–	-13	–	–	-1
Adjusted EBITA	198	181	100	186	167	199	110	185	116	135	662
Adjusted EBITA margin, %	15.4	15.0	8.8	13.4	12.9	15.1	9.4	14.6	11.0	11.9	12.8

FoodTech

	2020			2019				2018			2019
MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Full year
External order backlog	640	656	622	526	554	570	561	518	552	557	526
Order intake	575	656	515	491	513	582	500	452	524	610	2,087
External net sales	563	568	440	464	527	554	456	491	510	548	2,002
Transactions between segments	9	7	9	5	7	8	9	6	8	7	31
Operating profit (EBIT)	90	87	47	55	75	74	24	53	73	77	226
Amortization and write-down	-5	-5	-5	-4	-4	-4	-4	-3	-3	-3	-15
Items affecting comparability (IAC)	0	-6	–	-3	-6	-8	-19	–	–	–	-36
Re-allocation of internal services	–	–	–	–	–	–	–	-7	–	–	–
Adjusted EBITA	95	98	52	61	85	85	46	49	76	81	278
Adjusted EBITA margin, %	16.5	17.1	11.5	13.0	15.9	15.2	9.9	9.9	14.7	14.5	13.7

Other and eliminations

	2020			2019				2018			2019
MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Full year
Order intake	-10	-17	-10	-8	-13	-7	-11	-6	-8	-7	-38
Transactions between segments	-18	-8	-9	-9	-9	-9	-11	-8	-8	-8	-38
Operating profit (EBIT)	-31	-36	-32	-55	-52	-62	-67	-80	-41	-48	-236
Amortization and write-down	-10	-10	-10	-16	-24	-24	-23	-28	-36	-33	-88
Items affecting comparability (IAC)	-0	-7	–	-21	-24	-14	-18	-22	–	–	-78
Re-allocation of internal services	–	–	–	1	–	–	–	20	–	–	1
Adjusted EBITA	-21	-19	-22	-17	-3	-23	-25	-10	-5	-15	-69

Discontinued operation

	2020			2019				2018			2019
MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Full year
External order backlog	–	–	–	2	8	43	111	147	166	–	164
Order intake	-1	1	–	4	-3	3	11	18	111	79	15
External net sales	13	3	-0	9	38	87	42	78	190	252	176
Operating profit (EBIT)	-3	-1	0	-65	-341	-20	-24	-414	8	9	-450
Amortization and write-down	–	–	–	0	3	-0	0	-344	-1	-1	3
Items affecting comparability (IAC)	–	–	–	-45	-325	-3	-0	–	–	–	-373
Adjusted EBITA	-3	-1	0	-20	-19	-17	-24	-71	8	10	-80

Condensed income statement

	Q3		Jan-Sep		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Oct-Sep**	**2019**
Net sales	1,833	1,813	5,173	5,311	7,015	7,153
Cost of goods sold	-1,231	-1,223	-3,430	-3,550	-4,701	-4,822
Gross profit	**603**	**590**	**1,743**	**1,760**	**2,314**	**2,331**
Selling expenses	-193	-222	-622	-763	-830	-970
Administrative costs	-118	-147	-394	-462	-542	-610
Research and development costs	-54	-46	-145	-144	-198	-197
Other operating income and expenses	7	-1	-125	6	-129	2
Operating profit	**245**	**174**	**457**	**397**	**616**	**556**
Financial income and expenses	-30	-40	-110	-134	-165	-189
Profit/Loss after financial items	**215**	**134**	**347**	**263**	**450**	**367**
Tax	-51	-34	-87	-56	-114	-83
Net income for the period from continuing operations	**163**	**100**	**260**	**207**	**336**	**283**
Net income from discontinued operations	-3	-338	-4	-383	-69	-448
Net income for the period	**161**	**-238**	**256**	**-176**	**267**	**-164**
Attributable to Parent Company shareholders	159	-241	253	-178	265	-166
Attributable to non-controlling interests	2	2	3	2	2	2
Average number of outstanding shares before dilution*	181,292,993	181,929,746	181,595,988	182,063,783	181,582,069	181,983,219
Average number of outstanding shares after dilution*	181,524,860	181,929,746	181,595,988	182,063,783	181,582,069	181,983,219
Earnings per share for net income for the period from continuing operations attributable to the ordinary equity holders of the company:						
Earnings per share before dilution, SEK	0.89	0.54	1.41	1.12	1.84	1.55
Earnings per share after dilution, SEK	0.89	0.54	1.41	1.12	1.84	1.55
Earnings per share for net income for the period attributable to the ordinary equity holders of the company:						
Earnings per share before dilution, SEK	0.87	-1.32	1.39	-0.98	1.46	-0.91
Earnings per share after dilution, SEK	0.87	-1.32	1.39	-0.98	1.46	-0.91
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	-77	133	-93	250	-221	122
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	-15	-	-5	-	-49	-44
Income tax effect not to be reclassified to profit or loss	4	-	1	-1	11	9
Other comprehensive income, net after tax	**-88**	**133**	**-96**	**249**	**-259**	**87**
Total comprehensive income for the period	**72**	**-105**	**159**	**74**	**9**	**-77**
Attributable to Parent Company shareholders	72	-107	157	71	7	-79
Attributable to non-controlling interests	0	2	2	2	2	2

*Excluding shares held in own custody.

Condensed balance sheet

MSEK	2020-09-30	2019-09-30	2019-12-31
ASSETS			
NON-CURRENT ASSETS			
Goodwill	4,258	4,537	4,348
Patents, licenses, brands, and similar rights	1,427	1,529	1,469
Buildings and land	239	258	248
Plant and machinery	515	561	554
Equipment, tools, fixtures and fittings	158	181	162
Construction in progress	43	67	55
Financial assets	19	17	19
Deferred tax assets	242	240	249
Total non-current assets	**6,902**	**7,389**	**7,103**
CURRENT ASSETS			
Raw materials and consumables	389	417	350
Products in process	154	165	107
Finished products and goods for resale	264	289	296
Projects in progress	7	19	7
Advances to suppliers	14	21	12
Accounts receivable	1,044	1,064	1,050
Prepaid expenses and accrued income	403	378	288
Derivative instruments	–	0	5
Current tax assets	48	54	56
Other receivables	92	109	96
Cash and cash equivalents	790	496	722
Total current assets	**3,206**	**3,013**	**2,989**
TOTAL ASSETS	**10,107**	**10,402**	**10,093**

Condensed balance sheet

MSEK	2020-09-30	2019-09-30	2019-12-31
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity	3,744	3,775	3,628
Non-controlling interests	0	-2	-0
Total equity	**3,744**	**3,773**	**3,627**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	3,076	3,491	3,371
Provisions for pensions and similar commitments	298	237	282
Other provisions	35	26	24
Other liabilities	138	153	134
Deferred tax liabilities	397	426	409
Total non-current liabilities	**3,944**	**4,333**	**4,221**
CURRENT LIABILITIES			
Interest-bearing liabilities	112	131	126
Advances from customers	550	278	374
Accounts payable	605	535	556
Accrued expenses and deferred income	694	681	716
Derivative instruments	6	3	–
Current tax liabilities	45	40	32
Other liabilities	151	198	153
Provisions for pensions and similar commitments	9	9	9
Other provisions	246	422	278
Total current liabilities	**2,419**	**2,296**	**2,244**
TOTAL EQUITY AND LIABILITIES	**10,107**	**10,402**	**10,093**

CONDENSED STATEMENT OF CHANGES IN EQUITY

MSEK	2020-09-30	2019-09-30	2019-12-31
Opening balance	**3,627**	**3,716**	**3,716**
Total comprehensive income for the period	159	74	-77
Change in non-controlling interest	–	-0	0
Put/call option related to non controlling interests	-3	-3	0
Repurchase of shares	-43	-16	-16
Share option plan	4	2	4
Closing balance	**3,744**	**3,773**	**3,627**
Total shareholders´equity attributable to:			
The parent company's shareholders	3,744	3,775	3,627
Non-controlling interests	0	-2	-0

Condensed cash flow statement

	Q3		Jan-Sep		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Oct-Sep**	**2019**
OPERATING ACTIVITIES						
Operating profit	**242**	**-168**	**453**	**11**	**547**	**105**
Reversal of non-cash items						
Depreciation, amortization and impairments	85	141	236	326	318	408
Other profit/loss items not affecting liquidity	32	14	44	26	81	63
Change in provisions						
Provisions	-37	276	-15	292	-150	158
Cash flow before interest and tax	**322**	**263**	**718**	**656**	**797**	**735**
Paid financial items	-34	-35	-114	-125	-165	-177
Taxes paid	-41	-41	-65	-79	-97	-111
Cash flow from operating activites before changes in working capital	**248**	**187**	**539**	**452**	**534**	**448**
Cash flow from changes in working capital	**-6**	**-11**	**22**	**-65**	**308**	**221**
Cash flow from operating activities	**242**	**177**	**561**	**388**	**843**	**669**
INVESTING ACTIVITIES						
Business acquisitions	1	-0	-6	-0	-9	-0
Sale of tangible fixed assets	-0	0	0	3	15	18
Sale of intangible fixed assets	0	0	0	1	1	2
Investment in tangible assets	-24	-32	-85	-95	-108	-118
Investment in intangible assets	-21	-16	-60	-47	-88	-76
Cash flow from investing activities	**-43**	**-48**	**-150**	**-138**	**-189**	**-174**
FINANCING ACTIVITIES						
Loan raised	4	1	326	114	496	284
Amortization of loans	-156	-115	-511	-183	-660	-332
Repayment of lease liabilities	-32	-31	-97	-91	-129	-123
Repurchase of shares	-43	-16	-43	-16	-43	-16
Cash flow from financing activities	**-227**	**-160**	**-325**	**-175**	**-335**	**-185**
Cash flow for the period	**-28**	**-33**	**86**	**74**	**319**	**310**
Cash and cash equivalents at period start	826	521	722	404	499	404
Exchange-rate differences in cash and cash equivalents	-8	9	-17	19	-28	7
Cash and cash equivalents at period end	**790**	**496**	**790**	**496**	**790**	**722**

Cash flow from the discontinued operations is disclosed in a separate note, see page 23.

Parent company

CONDENSED INCOME STATEMENT

	Q3		Jan-Sep		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Oct-Sep**	**2019**
Net sales	–	–	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**	**–**	**–**
Administrative costs	-3	-15	-17	-36	-25	-44
Other operating expenses	1	0	-3	0	-3	0
Profit/Loss before interest and tax (EBIT)	**-2**	**-15**	**-20**	**-36**	**-28**	**-44**
Financial income and expenses	-0	-0	0	0	-0	-0
Profit/Loss after financial items	**-2**	**-15**	**-20**	**-36**	**-28**	**-44**
Group contributions	–	–	–	–	43	43
Profit/Loss before tax	**-2**	**-15**	**-20**	**-36**	**15**	**-1**
Tax	–	–	–	0	0	0
Net income for the period	**-2**	**-15**	**-20**	**-36**	**15**	**-1**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q3		Jan-Sep		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Oct-Sep**	**2019**
Profit/Loss for the period	-2	-15	-20	-36	15	-1
Other comprehensive income, net after tax	–	–	–	–	–	–
Comprehensive income for the period	**-2**	**-15**	**-20**	**-36**	**15**	**-1**

Parent company

CONDENSED BALANCE SHEET

MSEK	2020-09-30	2019-09-30	2019-12-31
ASSETS			
NON-CURRENT ASSETS			
Participations in subsidiaries	4,096	4,086	4,086
Other financial assets	0	0	0
Total non-current assets	**4,096**	**4,086**	**4,086**
CURRENT ASSETS			
Other current receivables	–	1	–
Prepaid expenses and accrued income	0	0	0
Current tax assets	0	0	0
Receivables from subsidiaries	47	–	45
Cash and cash equivalents	0	35	28
Total current assets	**48**	**36**	**74**
TOTAL ASSETS	**4,144**	**4,122**	**4,160**

MSEK	2020-09-30	2019-09-30	2019-12-31
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	6	6
Share premium reserve	4,074	4,074	4,074
Profit brought forward	26	60	60
Income for the period	-20	-36	-1
Total equity	**4,086**	**4,104**	**4,139**
NON-CURRENT LIABILITIES			
Provisions for pensions and similar commitments	1	0	0
Total non-current liabilities	**1**	**0**	**0**
CURRENT LIABILITIES			
Accounts payable	0	1	3
Accrued expenses and deferred income	15	5	11
Liabilities to subsidiaries	39	0	0
Other liabilities	3	3	2
Other provisions	–	9	5
Total current liabilities	**57**	**18**	**21**
TOTAL EQUITY AND LIABILITIES	**4,144**	**4,122**	**4,160**

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 2019 (Note 1).

Munters has received government grants to cover e.g.salary payments, in order to reduce the financial effects of the current Covid-19 pandemic. When it is reasonably certain that this grant is being received, the grant is recognised as other operating income in the period in which the related costs arise. These grants, together with other governent assistance, e.g. social security contributions, are reported as items affecting comparability.

DEFINITION OF KEY FINANCIAL INDICATORS

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 on page 127 of the Annual- and Sustainability report 2019, except for the ROCE, where the definition has changed during the third quarter 2020. The background to this is the fact that the capital employed used in the denominator in the former definition was closer to invested capital, used for ROIC, than capital employedto be used for ROCE. Also, the former definition used EBIT, instead of EBIT plus financial income in the numerator. With the change, the capital employed definition goes from "calculated as the balance sheet's total assets, excluding interest-bearing assets and deferred tax assets, less total liabilities, excluding interest-bearing liabilities, pension liabilities and deferred tax liabilities" to "total equity plus interest-bearing liabilities". Average capital employed is calculated based on the last 12 months, instead of last 13 months used in the old definition. Return on capital employedis from now on defined as "average operating profit (EBIT) plus financial income, divided by the average capital employed, where capital employed is total equity plus interest-bearing liabilities. This change of definition has had only insignificant impact on ROCE for the last twelve months prior year. Under the old definition ROCE was -3.3% and under the new definition -3.1%. ROCE adjusted for IAC and goodwill was 8.8% under old definition and 8.2% under the new definition.

TRANSACTIONS WITH RELATED PARTIES

At the annual general meeting in May 2020 it was resolved in accordance with the Board's proposal on the implementation of a performance based long-term incentive programme ("LTIP 2020" or the "Programme"). The programme was to comprise no more than 1,699,000 employee stock options to be granted to members of the group management and certain other key employees, approximately 74 employees in total. A total of 69 employees has accepted the offer comprising 1,513,000 employee stock options, whereof 90,000 cash settled. 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 110% of the volume-weighted average price paid for the company's shares at Nasdaq Stockholm during a period of ten business days immediately following the date of the 2020 annual general meeting. 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 determined according to the method mentioned above. The employee stock options vest during a three year period and the programme participants shall be able to exercise employee stock options during a one year period as from and including the date of the expiry of the vesting period. Exercise of the employee stock options shall as a principal rule be conditional upon the programme participant still being employed with the group at the time of exercise and has been employed with the group during the whole vesting period. The employee stock options are divided in three series. Exercise of employee stock options of all series is dependent on the extent to which performance targets, linked to the compound annual growth rate in adjusted EBITA for Munters, the compound annual growth rate in Munters net sales and a compounded sustainability goal consisting of three sub-components, respectively, are satisfied during the financial years 2020-2022. The costs of the programme, based on the assumptions stated in the notice of the annual general meeting, is estimated to MSEK 8.

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 at that time. The warrants were issued in two separate series. The first series has expired, however the series 2017/2020 is still exercisable and comprises 2,611,000 warrants that may be exercised up until November 19, 2020. The exercise price for series 2017/2020 corresponds to 131% of the price in the IPO (SEK 55), subject to standard adjustments and recalculations. The maximum number of warrants that could be subscribed for by the participants corresponds to approximately 1.44% of the Company's share capital following completion of the offering and assuming full exercise of the outstanding warrants.

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.

LEGAL CASES

Since 10 years, Munters US has been party to a dispute with the New Jersey Department of Environmental Protection ("NJDEP") regarding a potential liability under ISRA (*Industrial Site Recovery Act)*. This relates to environmental conditions on a property previously leased by a company subsequently acquired by and merged into Munters US. In the first half year 2020, this case was resolved and further appeal denied by the Supreme Court in New Jersey, resulting in Munters US being responsible to conduct investigative and remedial activities on the property. Munters US has insurance cover for the expected costs associated with the investigative and remedial activities. Since Munters will likely have to bear approximately MSEK 6 in regulatory fines and fees issued by the NJDEP, however subject to ongoing discussions with the NJDEP, a provision of the MSEK 6 has been booked as of Q2 2020, which is reported as an item affecting comparability.

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.

Munters has made a provision for warranty costs of estimated MSEK 3.5 in the third quarter 2020 related to a limited number of customer claims where Munters have not-fulfilled agreed specifications. The estimated costs will be incurred as a result of certain components having to be replaced at the relevant customer installations. Although the company's current assessment is that the risk is limited, it cannot be excluded that additional customer claims may arise.

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 late 2019, a corona virus was found in China that can spread to humans, referred to as Covid-19. In early 2020, the global spread of the corona virus escalated. During the first nine months the Covid-19 outbreak had a mixed impact on Munters. Throughout the first nine months, all our production units, except one minor unit, upheld production with only minor disturbances. We have continuously been implementing mitigating actions and adjusting our cost base and investments as well as our supply chain. So far, we have not had any major disturbances. Even though the market conditions improved in the third quarter, the visibility of market demand is still low due to the lingering outbreak.

A more detailed description of the Group's risks and how they are managed can be found in the Annual- and Sustainability report 2019.

ALLOCATION OF NET SALES

The majority of customer contracts within Munters business segments AirTech and FoodTech fulfill the requirements to recognize net sales at a point in time, however there are a number of customer contracts within the segments that requires to recognize net sales over time, especially in AirTech sub-segment Data Centers, which is reflected in the below matrix. In addition to unit/equipment sales, Munters provides different kinds of services to customers such as installation, commissioning, 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 equivalent to the net sales from Services mentioned on the business segment pages earlier in this interim report. This is due to the fact that part of the net sales within Services are recognized at a point in time, such as spare parts. Net sales from the discontinued operation is all recognized over time.

	Q3 2020			Jan-Sep 2020		
MSEK	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	716	505	1,221	2,229	1,410	3,639
Goods transferred over time	470	17	486	1,143	52	1,195
Services transferred over time	98	41	139	246	109	355
Total	**1,283**	**563**	**1,846**	**3,619**	**1,571**	**5,190**
whereof related to the discontinued operation	13	–	13	16	0	16
Total net sales from continuing operations	**1,270**	**563**	**1,833**	**3,602**	**1,571**	**5,173**

	Q3 2019			Jan-Sep 2019		
SEKm	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	754	443	1,197	2,576	1,384	3,960
Goods transferred over time	362	44	407	981	47	1,028
Services transferred over time	208	39	247	383	106	490
Total	**1,324**	**527**	**1,851**	**3,940**	**1,537**	**5,478**
whereof related to the discontinued operation	38	–	38	167	–	167
Total net sales from continuing operations	**1,286**	**527**	**1,813**	**3,773**	**1,537**	**5,311**

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 0 (0) in financial assets and to SEKm 6 (3) 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 put/call option from the acquisition of MTech Systems in 2017 and a contingent consideration related to the acquisition of Humi-Tech Services Ltd in July 2018. The put/call option related to MTech Systems matures in January, 2023 and is based on EBITDA for the 12 months prior to execution. The earn-out in Humi-Tech Services Ltd was based on EBITDA for the fiscal years of 2018 and 2019 and has been paid during the year. The remaining change relates to a discounting effect and currency translations on the put/call option in MTech.

Munters deems that the interest rate on interest-bearing liabilities are in line with market terms at September 30, 2020, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount. Munters deems that the interest.

MSEK	2020-09-30	2019-09-30	2019-12-31
Contingent considerations and put/call options			
Opening balance	142	137	137
Payments	-9	–	–
Discounting	3	4	1
Exchange-rate differences for the period	-5	12	5
Closing balance	**131**	**152**	**142**

DISCONTINUED OPERATIONS

On September 9, 2019 Munters decided to close its European Data Center factory in Dison, Belgium, following the finalization of negotiations with the unions. The production has ceased but minor installation services remains at customer sites. Therefore, this business was classified as a discontinued operation in Q3, 2020. The table below shows the income statement for the discontinued operation as well as the cash flow from operating activities, since the discontinued operations has mainly had cash flows from operating activities.

The net sales for the third quarter and the first nine months 2020 relates to installations done at customer site, with associated costs.

	Q3		Jan-Sep		LTM	Full year
MSEK	2020	2019	2020	2019	Oct-Sep	2019
Net sales	13	38	16	167	26	176
Cost of goods sold	-5	-234	-9	-371	-65	-427
Gross profit	**8**	**-196**	**7**	**-204**	**-40**	**-251**
Selling expenses	-9	-13	-9	-27	-21	-39
Administrative costs	-1	-14	-1	-30	-10	-39
Research and development costs	0	-2	0	-9	-1	-9
Other operating income and expenses	–	-116	–	-116	3	-113
Operating profit	**-3**	**-341**	**-4**	**-386**	**-68**	**-450**
Financial income and expenses	-0	-1	-1	-3	-3	-5
Profit/Loss after financial items	**-3**	**-342**	**-4**	**-388**	**-71**	**-455**
Tax	–	4	–	6	2	8
Net income for the period from discontinued operations	**-3**	**-338**	**-4**	**-383**	**-69**	**-448**
Cash flow from operating activities	-33	-57	-35	-255	-211	-431

RECONCILIATION OF NET DEBT AND LEVERAGE

MSEK	2020-09-30	2019-09-30	2019-12-31
CURRENT ASSETS			
Cash and cash equivalents	-790	-496	-722
NON-CURRENT LIABILITIES			
Interest-bearing liabilities, excluding leases	2,799	3,178	3,057
Interest-bearing lease liabilities	277	313	314
Provisions for pensions	281	222	268
CURRENT LIABILITIES			
Interest-bearing liabilities, excluding leases	23	24	24
Interest-bearing lease liabilities	89	107	102
Accrued expenses	9	13	12
Provisions for pensions	6	6	6
TOTAL NET DEBT	**2,694**	**3,368**	**3,062**
Operating profit (EBIT)	547	-245	105
Depreciations	-219	-250	-277
Amortization and write-down	-99	-483	-131
EBITDA	865	487	514
Items affecting comparability	-219	-470	-525
Adjusted EBITDA, LTM	**1,085**	**958**	**1,039**
Net debt/Adjusted EBITDA, LTM	2.5	3.5	2.9

This is a translation from the original review report in Swedish.

REVIEW REPORT

Munters Group AB (publ.), corporate identity number 556819-2321

Introduction

We have reviewed the condensed interim report for Munters Group AB (publ.) as per September 30, 2020 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 ***Review of Interim Financial Statements Performed by the Independent Auditor of the Entity***. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, October 22, 2020

Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

INFORMATION AND REPORTING DATES

Contact person:

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On October 22, at 9:00 the President and CEO, Klas Forsström, together with the Group Vice President and CFO, Annette Kumlien will present the report in a live webcast together with a telephone conference.

Webcast: https://tv.streamfabriken.com/munters-q3-2020

Dial-in number for the telephone conference:

SE: +46 8 50558365
UK: +44 3333009031
US: +1 8335268381

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

Financial calendar:

February 4, 2021, Full year report 2020

April 22, 2021, Interim report January-March 2021

May 19, Annual General Meeting 2021 in Stockholm, Kista, Sweden.

July 16, Interim report January-June 2021

October 22, Interim report January-September 2021

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 October 22, 2020.

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

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. Munters has been defining the future of air treatment since 1955. Today, around 3,200 employees carry out manufacturing and sales in more than 30 countries. Munters Group AB reported annual net sales of more than SEK 7 billion in 2019 and is listed on Nasdaq Stockholm. 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.