Munters

Q2

"Next step in the strategy implementation"

April-June 2020

- Order intake increased 2%, currency adjusted 1%.
- Net sales declined by -6%, currency adjusted -6%, mainly due to a weak development in the industrial segment and in Mist Elimination within business area AirTech. This was partly offset by increasing net sales in business area FoodTech driven by a strong growth in China.
- The adjusted EBITA-margin was stronger at 14.7% (13.9), mainly because of a higher margin in business area FoodTech.
- Leverage (net debt/adj. EBITDA, LTM*) decreased to 2.7x from 3.1x end of March 2020.
- Next step has been decided for implementation of the Munters strategy. The step is related to a sharpening of the customer offering and footprint optimization. The total cost for this step is estimated to MSEK 188. In Q2 MSEK 136 was booked as items affecting comparability (IACs). The remaining cost of MSEK 52 will be booked as incurred. Estimated savings of approximately MSEK 70 from these measures will reach full annual run-rate once the program is implemented.

January-June 2020

- The outbreak of Covid-19 had a mixed impact on Munters in the first half-year. All production units, except for one minor unit, have been operational throughout the period with only minor disturbances.
- Order intake decreased -2%, currency adjusted -3%.
- Net sales declined -5% ,currency adjusted -6%, with lower net sales in both business area AirTech and FoodTech.
- The adjusted EBITA-margin improved slightly to 11.7% (11.2) because of mitigating actions related to the Covid-19 outbreak and production efficiency improvements. This resulted in an improved gross margin and lower indirect costs.
- Leverage (net debt/adj. EBITDA, LTM*) decreased to 2.7x from 2.9x at the end of December 2019. The decrease was mainly driven by a strong cash flow and a positive exchange rate effect on outstanding borrowings.

Events after period end

- Munters has established a new Revolving Credit Facility (RCF) as a precautionary measure in the current challenging business environment. The purpose of the RCF is to serve as a back-up facility. It amounts to MSEK 750 and is secured by a guarantee from EKN, the Swedish Export Credit Agency. Five banks are participating in the syndicate for this RCF with a maturity in 2023.
- On 16 July, 2020, the Board of Directors of Munters resolved pursuant to the authorisation granted by the annual general meeting held on 7 May 2020, to repurchase Munters shares on Nasdaq Stockholm. The purpose of the repurchase is to secure the delivery of shares to the participants of Munters' long-term incentive programme which was resolved by the 2020 annual general meeting, and to cover costs related to the programme.

Financial summary	Q2			Jan-Jun			LTM*	Full year
MSEK	**2020**	**2019**	**∆%**	**2020**	**2019**	**∆%**	**Jul-Jun**	**2019**
Order intake	1,870	1,840	2	3,719	3,777	-2	7,243	7,302
Net sales	1,773	1,877	-6	3,340	3,498	-5	6,995	7,153
Operating profit (EBIT)	103	185	-45	212	223	-5	545	556
Adjusted EBITA	260	262	-1	390	393	-1	868	871
Adjusted EBITA margin, %	14.7	13.9		11.7	11.2		12.4	12.2
Net income	39	104	-62	96	107	-10	272	283
Earnings per share before dilution, SEK	0.21	0.57		0.53	0.59		1.49	1.55
Earnings per share after dilution, SEK	0.21	0.57		0.53	0.59		1.49	1.55
Average number of outstanding shares before dilution	181,745,802	182,130,802		181,745,802	182,130,802		181,790,844	181,983,219
Average number of outstanding shares after dilution	181,745,802	182,130,802		181,745,802	182,130,802		181,790,844	181,983,219
The KPI´s below includes discontinued operations **								
Net income	38	84		95	63		-132	-164
Earnings per share before dilution, SEK	0.20	0.46		0.52	0.34		-0.74	-0.91
Earnings per share after dilution, SEK	0.20	0.46		0.52	0.34		-0.74	-0.91
Cash flow from operating activities	286	168		319	211		778	669
Net debt	2,895	3,310		2,895	3,310		2,895	3,062
Net debt/Adjusted EBITDA, LTM				2.7	3.8		2.7	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 22.

CEO comments

Mitigating actions of the Covid-19 outbreak contributed to a robust performance

Klas Forsström, President and CEO

Robust performance in a challenging business environment
During the first six months the Covid-19 outbreak had a mixed impact on Munters. In the second quarter we have experienced that some customers delayed investments and also delays in deliveries. At the same time we have seen pockets of increased demand in industries such as pharma and data centers. Throughout the first six 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.

Order intake increased organically by 1% in the second quarter, primarily because of an increase in Data Centers US within business area AirTech and a strong demand in the swine segment in China for business area FoodTech. Net sales decreased organically by -6% in the second quarter, mainly driven by lower net sales in the industrial segment in business area AirTech and a weak marine market for Mist Elimination. This was offset by a strong increase in the swine segment for business area FoodTech in China.

The adjusted EBITA-margin improved in the second quarter, driven by a very strong performance in business area FoodTech and a continuous focus by all parts of the organization to streamline indirect costs together with an active mitigation of the effects from the outbreak. We managed to lower our net debt to EBITDA to a leverage of 2.7x. We proactively re-negotiated the current financing during the second quarter, which created more headroom for strategic actions. Together with the additional RCF of MSEK 750 established at the beginning of July we have secured a solid financial position to support the implementation of the refined strategy in the current unstable business environment.

Next step for implementation of strategy has been decided
We continue the implementation of the strategy for Munters and now take a further step focused on sharpening the customer offering and footprint optimization measures. We have decided to exit the non-core part of the commercial business of business area AirTech in the US. We expand part of the Data Center US manufacturing in Texas because of their current strong order backlog. In the Netherlands we consolidate operations. In addition, other measures will be taken to ensure execution of the strategy.

The measures are expected to be implemented within the next 18 months and costs are estimated to MSEK 188, of which MSEK 159 will have cash flow impact. In Q2, MSEK 136, of which MSEK 107 will impact cash flow, have been booked as items affecting comparability (IACs). Additional MSEK 52, all cash items, will be booked as incurred going forward. Estimated savings of approximately MSEK 70 from these measures will reach full annual run-rate once the program is implemented.

Continued low visibility of market demand
We expect a continued challenging business environment with a limited visibility of the effect from the Covid-19 outbreak. We have managed the first six months 2020 in a good way and I I truly want to thank our employees for their dedication and hard work.

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.
Examples of key sustainability ratios FY 2019:

- Proportion women in management 25% (20)
- Total Recordable Incident Rate 2.7 (3.4)
- Code of Conduct for suppliers 92% (66)
- Green electricity 40% (31)

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 22. All income statement items in this report refers to Munters continuing operations, if not otherwise stated.

	Q2		Jan-Jun		LTM	Full year
MSEK	2020	2019	2020	2019	Jul-Jun	2019
Order intake	1,870	1,840	3,719	3,777	7,243	7,302
AirTech	1,231	1,264	2,574	2,713	5,115	5,253
FoodTech	656	582	1,172	1,083	2,176	2,087
Other and eliminations	-17	-7	-27	-18	-48	-38
Net sales	1,773	1,877	3,340	3,498	6,995	7,153
AirTech	1,207	1,324	2,334	2,490	5,003	5,159
FoodTech	575	563	1,023	1,028	2,027	2,032
Other and eliminations	-8	-9	-18	-20	-36	-38
Adjusted EBITA	260	262	390	393	868	871
AirTech	181	199	281	310	633	662
FoodTech	98	85	150	132	296	278
Other and eliminations	-19	-23	-41	-48	-61	-69
Adjusted EBITA margin, %	14.7	13.9	11.7	11.2	12.4	12.2
AirTech	15.0	15.1	12.0	12.4	12.7	12.8
FoodTech	17.1	15.2	14.6	12.8	14.6	13.7

Order intake, currency adjusted change

1%

Adj. EBITA-margin

14.7%

ORDER INTAKE

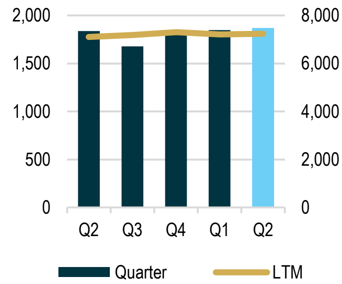
April-June 2020

The order intake in the quarter increased by 2%, currency adjusted increase of 1%. This was driven by a decline in AirTech, which was offset by a good development in FoodTech. The impact on demand from the Covid-19 outbreak was mixed. Some customers postponed deliveries and also choose to delay investments. At the same time we have seen pockets of increased demand in industries such as pharma and data centers.

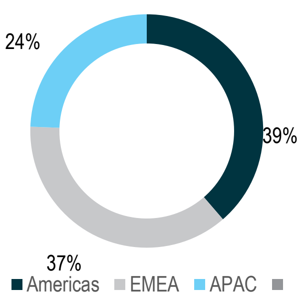
Business area AirTech order intake decreased by -3%, currency adjusted decrease of -3%. Mist Elimination had weak order intake in all regions driven by the low demand in the marine market globally. Also, the lockdown in India due to the Covid-19 outbreak had a negative impact on order intake. This decline was partly offset by a good order intake from Data Centers US as well as the Industrial segment where the Lithium battery sub-segment had a strong development. Also Pharma had a positive order intake development. Services had a slight increase in order intake.

Business area FoodTech order intake increased by 13%, currency adjusted increase of 13%, primarily because of a strong increase in the swine segment in China. Investments in 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). Region EMEA had softer order intake, partly offset by Germany had a good order intake based on a strong demand in the swine segment in Russia. In region Americas, the US had a weaker development mainly due to a decline in the swine segment.

Order intake Q2, 2020 (MSEK)



Order intake Q2, 2020 (MSEK)



January-June 2020

The order intake in the first six months decreased by -2%, currency adjusted decrease of -3%. This was driven by a decline in business area AirTech, which was partly offset by a good development in business area FoodTech. The impact on demand from the Covid-19 outbreak was mixed in the first quarter with a robust order intake in January and February, except in China in February. In March order intake was negatively impacted in Europe and Americas, whereas demand in China somewhat recovered. In the second quarter the impact from the outbreak was mixed.

Business area AirTech order intake decreased by -5%, currency adjusted decrease of -7%, mainly due to a weaker order intake in Mist Elimination. This was partly offset by a strong development in Data Centers US.The industrial segment had weaker order intake in the period. Services had a slight positive development of order intake.

Business area FoodTech order intake increased by 8%, currency adjusted increase of 7%. The increase was mainly because of a very good development of order intake in Asia, driven by China. Also, good growth was achieved in the layer and broiler segment in China. In Europe, demand was softer, despite a good development in Germany. In Americas order intake was softer mainly due to a weak swine segment.

NET SALES

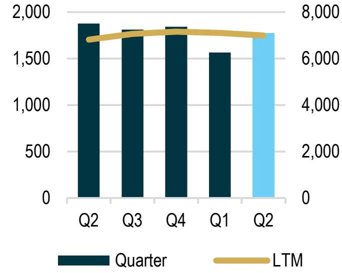
April-June 2020

Net sales in the quarter decreased by -6%, currency adjusted decrease by -6%, with a decrease of net sales in AirTech partly offset by an increase of net sales in FoodTech. Services net sales amounted to 14% of total net sales.

Net sales in business area AirTech decreased by -9%, currency adjusted decrease by -10%. The decrease was mainly driven by weaker net sales in the industrial segment and in Mist Elimination. Mist Elimination declined as the marine sub-segment was weak in all regions and the power subsegment in India was weak, impacted by the Covid-19 outbreak. This was partly offset by a positive development in Data Centers US and the pharma segment. Services showed a slight positive development helped by the launch of Munters remote service offering.

Net sales in business area FoodTech increased by 2%, currency adjusted by 2%, driven by a good growth in China with a strong development in the swine subsegment. The US had a negative development especially in the swine segment due to an overcapacity in the market. The Americas and the EMEA region had a negative development impacted by the Covid-19 outbreak in the quarter.

Net sales Q2, 2020 (MSEK)



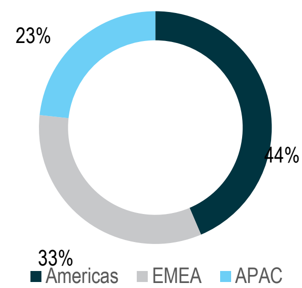
January-June 2020

Net sales in the first six months decreased by -5%, currency adjusted decrease by -6%, with decreased net sales in both AirTech and Foodtech. Services net sales amounted to 14% of total net sales.

Net sales in business area AirTech decreased by -6%, currency adjusted decrease by -8%. The decrease was mainly driven by weaker net sales in Mist Elimination where the marine sub-segment and the power sub-segment in India had a weak development. The industrials segment, especially within the food-subsegment, were impacted by the Covid-19 outbreak and had weak development. In Americas Data Centers US had strong growth. Services had good growth driven by the US, whereas sales in Europe and APAC was weaker.

Net sales in business area FoodTech declined by -1%, currency adjusted decrease by -2%, with a good growth in Asia, offset by a decrease in the Americas and Europe. Net sales in all regions was impacted from the Covid-19 outbreak. This affected net sales negatively in Asia early in the year and had a negative impact later in the year in Europe and Americas.

Net sales Q2, 2020 (MSEK)



RESULTS

Adjusted EBITA excludes Items Affecting Comparability, IAC.

April-June 2020

The gross margin increased to 35.6% (34.2) with a strengthened gross margin in both business areas AirTech and FoodTech driven by efficiency improvements.

Adjusted EBITA was flat at MSEK 260 (262), corresponding to a slightly higher adjusted EBITA-margin of 14.7% (13.9). Depreciation amounted to MSEK -53 (-57), whereof depreciation of leased assets was MSEK -25 (-29).

Adjusted EBITA for business area AirTech amounted to MSEK 181 (199), corresponding to a slightly lower adjusted EBITA margin of 15.0% (15.1). The slightly lower EBITA-margin was a result of a lower demand impacted by the Covid-19 outbreak which was offset by a stable gross margin and lower indirect costs.

Adjusted EBITA in business area FoodTech increased to MSEK 98 (85), corresponding to an adjusted EBITA margin of 17.1% (15.2). The improvement was due to a slight improvement in gross margin driven by efficiency improvements and lower indirect costs.

Operating profit (EBIT) in the second quarter was MSEK 103 (185), corresponding to an operating margin of 5.8% (9.9). In the second quarter 2020 Munters incurred IACs related to the implementation of the strategy of MSEK 136 that had a negative impact on the EBIT-margin in the quarter. Amortization and write-downs on intangible assets in the second quarter was MSEK -20 (-41), where MSEK -10 (-25) was related to amortization of intangible assets from acquisitions.

January-June 2020

The gross margin was slightly above 2019 at 34.1% (33.5) with a flat margin development in both AirTech and FoodTech.

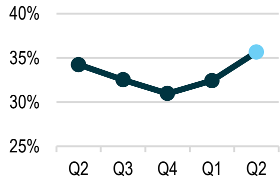
Adjusted EBITA was flat at MSEK 390 (393), corresponding to a slightly higher adjusted EBITA-margin of 11.7% (11.2). Depreciation amounted to MSEK -110 (-113), whereof depreciation of leased assets was MSEK -56 (-57).

Adjusted EBITA for business area AirTech amounted to MSEK 281 (310), corresponding to a slightly lower adjusted EBITA margin of 12.0% (12.4). The slightly lower EBITA-margin was a result of the effects from the Covid-19 outbreak and a slight change in product mix. This was somewhat offset by lower indirect costs.

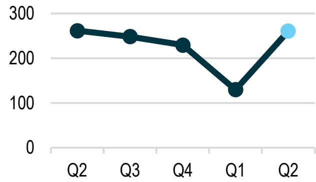
Adjusted EBITA in business area FoodTech increased to MSEK 150 (132), corresponding to an adjusted EBITA margin of 14.6% (12.8). The improvement was driven by lower indirect costs.

Operating profit (EBIT) for the first six months was MSEK 212 (223), corresponding to an operating margin of 6.4% (6.4). Amortization and write-downs on intangible assets for the first six months was MSEK -40 (-73), where MSEK -21 (-48) was related to amortization of intangible assets from acquisitions.

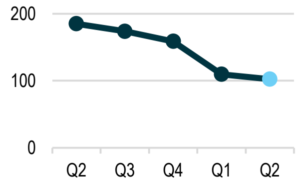
Gross margin development



Adjusted EBITA (MSEK)



Operating profit (EBIT) (MSEK)



ITEMS AFFECTING COMPARABILITY (IAC)

During the second quarter 2020 Munters incurred IACs related to the implementation of the strategy of MSEK 136, mainly within business area AirTech. The major part of the cost is recorded as a restructuring provision and relates to severance, 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 relates to write-downs of inventory. The full amount has been expensed to other operating expenses in the P&L. In addition a provision of MSEK 6 for regulatory fines and fees related to a ten year old dispute regarding a potential liability under ISRA (*Industrial Site Recovery Act)* has been recorded and the full expense is regarded as an IAC. During the second quarter Munters has also incurred Covid-19-related IACs, a net of identified strictly Covid-19-related expenses and received government grants for e.g. social security contributions.

During the second quarter 2019 Munters Full Potential Program (FPP), launched in February 2019, resulted in in IACs of MSEK 36 in the continuing operations as outlined below.

Continuing operations

	2020	2019	2020	2019	
MSEK	Q2	Q2	Jan-Jun	Jan-June	Full year
AirTech	-125	-14	-125	-37	-67
Munters Full Potential Program	-	-12	-	-35	-64
Covid-19 related items	4	-	4	-	-
Implementation refined strategy	-123	-	-123	-	-
Other items affecting comparability	-6	-2	-6	-2	-3
FoodTech	-6	-8	-6	-27	-36
Munters Full Potential Program	-	-8	-	-27	-36
Covid-19 related items	-0	-	-0	-	-
Implementation refined strategy	-5	-	-5	-	-
Other items affecting comparability	-	-	-	-	-
Other	-7	-14	-7	-33	-78
Munters Full Potential Program	-	-3	-	-9	-50
Covid-19 related items	1	-	1	-	-
Implementation refined strategy	-8	-	-8	-	-
Other items affecting comparability	-	-12	-	-24	-28
Total	-138	-36	-138	-97	-181
Munters Full Potential Program	-	-23	-	-71	-150
Covid-19 related items	4	-	4	-	-
Implementation refined strategy	-136	-	-136	-	-
Other items affecting comparability	-6	-14	-6	-26	-31

FINANCIAL ITEMS

Financial income and expenses for the second quarter amounted to MSEK -50 (-51). The financial expenses were positively impacted by a lower USD interest rate compared to same quarter last year. This was offset by foreign exchange losses. Interest expense on lease liabilities amounts to MSEK -4 (-5). The average weighted interest rate including fees per end of the quarter was 3.1% (4.7).

Financial income and expenses for the first six months amounted to MSEK -80 (94).

Effective tax rate, %

25%

TAXES

Income taxes for the second quarter was MSEK -13 (-30) and the effective tax rate was 25% (22). Income taxes for the first six months was MSEK -35 (-22) and the effective tax rate was 27% (17).

EPS, SEK

0.20

EARNINGS PER SHARE

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to MSEK 37 (-84) for the second quarter. Earnings per share, before and after dilution, in the second quarter 2020 was SEK 0.20 (0.46).

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to MSEK 94 (62) for the first six months. Earnings per share, before and after dilution, for the first six months was SEK 0.52 (0.34).

The average number of outstanding ordinary shares in the second quarter as well as for the first six months, for the purpose of calculating earnings per share, was 181,745,802 before and after dilution.

FINANCIAL POSITION

Interest-bearing liabilities amounted to MSEK 3,440 (3,591). Cash and cash equivalents amounted to MSEK 827 (521) as of June 30.

Munters primary financing facilities consists of a term loan of MUSD 250 and a revolving credit facility (RCF) of MEUR 185. The facilities have no mandatory amortization requirement. The final maturity date is May 2022. The loan agreement has 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 order for Munters to ensure room for execution on the strategy in the current challenging business environment an amendment of the loan agreement with the bank group was signed in May 2020 as a precautious measure. The financial covenant is temporarily eased as part of this agreement. Until the first quarter 2021, the leverage ratio, as mentioned above, is set to 5.5x.

Net debt as of June 30 amounted to MSEK 2,895 compared to MSEK 3,338 at the end of March 2020. The decrease in net debt was driven by a positive cash flow development and a positive exchange rate effect on outstanding borrowings related to USD/SEK of MSEK 209. See more information about reconciliation of net debt and leverage on page 23.

The leverage ratio per end of June was 2.7 compared to 3.1 at the end of March and 2.9 at the year end 2019.

At quarter end the term loan was fully drawn with MUSD 250 and MEUR 83 of the total revolving credit facility were utilized in EUR, USD and SEK. Available unutilized credit facilities as of June 30 amounted to MEUR 102 (113). Along with the main loan facility, an amount of MSEK 26 (60) in local debt is outstanding in i.a. Brazil and India.

Average capital employed for the last twelve months was MSEK 7,208 (7,271). Return on capital employed (ROCE) for last twelve months was 2% (1).

Return on capital employed, where EBIT is adjusted for items affecting comparability (IAC) and average capital employed adjusted for goodwill, for the last twelve months was 22% (7). EBIT was affected by a write-down of goodwill amounting to MSEK 323 in the forth quarter of 2018, impacting the last year period return.

CASH FLOW

Cash flow from operating activities was MSEK 286 (168) in the second quarter and MSEK 319 (211) for the first 6 months of 2020. Cash flow improved because of ongoing focus to improve operating working capital.

Cash flow from changes in working capital had a positive impact on the cash flow with MSEK 85 (-6) in the second quarter and with MSEK 28 (-53) in the first six months. The positive effect on cash flow from working capital in the second quarter and for the first six months was mainly driven by a good performance in business area FoodTech.

Cash flow for the period for the second quarter amounted to MSEK -53 (64) and MSEK 115 (109) for the first six months of 2020. Cash flow for the period was negative mainly due to a repayment of outstanding RCF drawings of MSEK 240.

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 13 (56).

EMPLOYEES

The number of FTEs (Full Time Equivalents) at June 30, 2020 was 3,149 (3,341). The lower level of FTEs is mainly due to the initiatives that were part of the FPP-program in 2019. The single most contributing factor to the lower number of FTEs was the decision to close the Data Centers factory in Dison, Belgium in September 2019. The amount of FTEs at June 30, 2020 in business area AirTech was 2,245 (2,413), in FoodTech 838 (842) and at Group functions 65 (86).

Ten largest shareholders	30 Jun
%	Total
FAM AB	26.4
Swedbank Robur Funds	9.4
First Swedish National Pension Fund	8.7
ODIN Funds	8.0
Fourth Swedish National Pension Fund	5.4
Handelsbanken Funds	4.1
Columbia Threadneedle	3.5
Kuwait Investment Authority	3.0
La Financière de l'Echiquier	1.9
Vanguard	1.7

Source: Modular Finance

SHARE REPURCHASES

Munters held 1,852,000 treasury shares as of June 30, 2020 of the total 183,597,802 outstanding shares.

The Annual General Meeting in May 2020 authorised the Board of Directors to repurchase of shares in the company in relation to the Long Term Incentive Programme 2020 (LTIP 2020). Acquisitions may 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 cashsettled employee stock options. The shares may only be acquired on Nasdaq Stockholm. The authorisation may be exercised on one or more occasions, until the 2021 annual general meeting. The shares may only be acquired at a price per share within the from time to time registered trading interval.

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 refined 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.

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 will be changed into a Strategic operations role with focus on driving lean practices, manufacturing excellence, shared tools and processes and overall footprint optimization. Two roles have been 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, currently Senior Vice President and Business Unit Manager of High Voltage Products in Northern Europe at ABB, had been appointed President of Business Area FoodTech as of 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.

In April, Munters turned 65 years old. Founded by Carl Munters in 1955, he brought with him innovative solutions for creating the best indoor air for people and industries. Today, his air treatment solutions are more critical than ever.

EVENTS AFTER PERIOD END

Munters has established a new Revolving Credit Faciltiy (RCF) as a precautionary measure in the current challenging business environment. The purpose of the RCF is to serve as a back-up facility. It amounts to MSEK 750 and is secured by a guarantee from EKN, the Swedish Export Credit Agency. Five banks are participating in the syndicate for this RCF with a maturity in 2023.

On 16 July, 2020, the Board of Directors of Munters resolved pursuant to the authorisation granted by the annual general meeting held on 7 May 2020, to repurchase Munters shares on Nasdaq Stockholm. The purpose of the repurchase is to secure the delivery of shares to the participants of Munters' long-term incentive programme which was resolved by the 2020 annual general meeting, and to cover costs related to the programme. The purchases may be carried out between 18 July 2020 and 21 September 2020 and will be managed by Nordea Bank Abp. The purchases shall in total comprise a maximum of 685,000 shares.

AirTech

AIR TECH

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 decreased in the second quarter mainly due to weak development in Mist Elimination. This was partly compensated by a good growth in Data Centers US and the industrial segment. Services had a slight increase in order intake.
- Net sales decreased mainly driven by weaker net sales in the industrial segment and in Mist Elimination. This was partly offset by a positive development in Data Centers US and the pharma segment. Services showed positive development helped by the launch of Munters remote service offering in the quarter.
- The adjusted EBITA-margin was in line with previous year as a result of a stable gross margin and lower indirect costs.

	Q2		Jan-Jun		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Jul-Jun**	**2019**
Order intake	1,231	1,264	2,574	2,713	5,115	5,253
Growth	-3%	10%	-5%	20%	11%	14%
Net sales	1,207	1,324	2,334	2,490	5,003	5,159
Growth	-9%	16%	-6%	18%	13%	17%
of which organic growth	-10%					
of which currency effects	1%					
of which structural effects	-					
Operating profit (EBIT)	51	173	146	255	456	565
Adjusted EBITA	181	199	281	310	633	662
Growth	-9%	47%			16%	27%
Adjusted EBITA margin, %	15.0	15.1	12.0	12.4	12.7	12.8

FoodTech

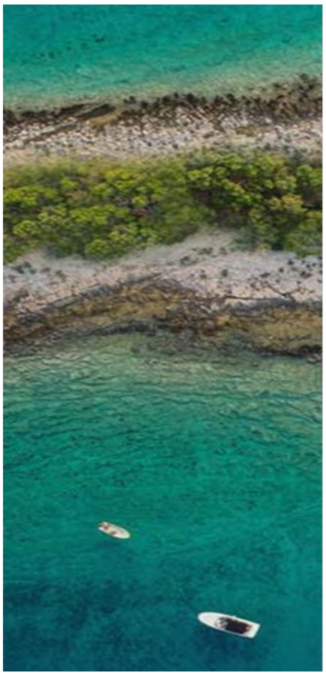
FOOD TECH

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 quarter primarily because of a strong increase in the swine segment in China. Region EMEA had softer order intake, partly offset by Germany. In region Americas, the US had a weaker development mainly due to a decline in the swine segment.
- Net sales increased slightly driven by a good growth in China with a strong development in the swine subsegment. The US had a negative development especially in the swine segment. The Americas and the EMEA region had a negative development impacted by the Covid-19 outbreak in the quarter.
- The EBITA-margin improvement was driven by a slightly higher gross margin and lower indirect costs.

	Q2		Jan-Jun		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Jul-Jun**	**2019**
Order intake	656	582	1,172	1,083	2,176	2,087
Growth	13%	-5%	8%	-4%	4%	-1%
Net sales	575	563	1,023	1,028	2,027	2,032
Growth	2%	1%	-1%	2%	-0%	1%
of which organic growth	2%					
of which currency effects	-0%					
of which structural effects	-					
Operating profit (EBIT)	87	74	134	97	263	226
Adjusted EBITA	98	85	150	132	296	278
Growth	*15%*	*6%*			17%	11%
Adjusted EBITA margin, %	17.1	15.2	14.6	12.8	14.6	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

- 3,100 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.

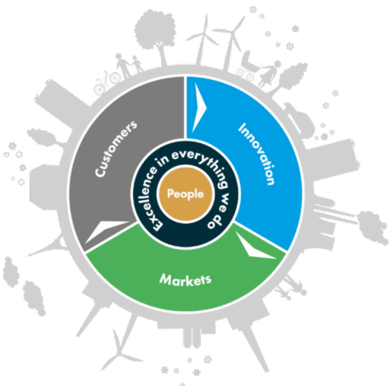
Mission

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

MSEK	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2019 Full year	2018 Full year
Order backlog	2,653	2,808	2,304	2,432	2,453	2,443	2,023	2,056	1,977	1,678	2,304	2,023
Order intake	1,870	1,849	1,845	1,680	1,840	1,938	1,735	1,590	1,748	1,626	7,302	6,698
Net sales	1,773	1,566	1,842	1,813	1,877	1,620	1,757	1,559	1,686	1,410	7,153	6,412
Operating profit (EBIT)	103	110	159	174	185	38	158	136	161	74	556	529
Net income	39	57	76	100	104	3	93	80	114	40	283	327
Amortization and write-down	-20	-20	-29	-32	-41	-32	-36	-43	-40	-38	-134	-157
Items affecting comparability (IAC)	-138		-42	-42	-36	-61	-31	-8			-181	-39
Adjusted EBITA	260	130	229	248	262	131	225	186	201	113	871	725
Adjusted EBITA margin, %	14.7	8.3	12.5	13.7	13.9	8.1	12.8	12.0	11.9	8.0	12.2	11.3

AirTech

MSEK	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2019 Full year	2018 Full year
External order backlog	1,997	2,186	1,778	1,878	1,883	1,882	1,505	1,505	1,420	1,179	1,778	1,505
Order intake	1,231	1,343	1,361	1,179	1,264	1,449	1,289	1,073	1,145	1,114	5,253	4,621
External net sales	1,205	1,127	1,378	1,286	1,323	1,164	1,265	1,049	1,138	968	5,151	4,421
Transactions between segments	2	0	4	1	1	2	2	1	1	2	8	5
Operating profit (EBIT)	51	94	159	151	173	82	185	104	132	82	565	503
Amortization and write-down	-5	-5	-9	-5	-13	-5	-5	-4	-3	-3	-31	-15
Items affecting comparability (IAC)	-125		-19	-11	-14	-23	-8	-8			-67	-16
Re-allocation of internal services	–		-1				-13				-1	-13
Adjusted EBITA	181	100	186	167	199	110	185	116	135	85	662	522
Adjusted EBITA margin, %	15.0	8.8	13.4	12.9	15.1	9.4	14.6	11.0	11.9	8.8	12.9	11.8

FoodTech

MSEK	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2019 Full year	2018 Full year
External order backlog	656	622	526	554	570	561	518	552	557	498	526	518
Order intake	656	515	491	513	582	500	452	524	610	520	2,087	2,107
External net sales	568	440	464	527	554	456	491	510	548	442	2,002	1,991
Transactions between segments	7	9	5	7	8	9	6	8	7	6	31	27
Operating profit (EBIT)	87	47	55	75	74	24	53	73	77	41	226	244
Amortization and write-down	-5	-5	-4	-4	-4	-4	-3	-3	-3	-3	-15	-12
Items affecting comparability (IAC)	-6	–	-3	-6	-8	-19	–	–	–	–	-36	
Re-allocation of internal services	–	–	–	–	–	–	-7	–	–	–		-7
Adjusted EBITA	98	52	61	85	85	46	49	76	81	43	278	249
Adjusted EBITA margin, %	17.1	11.5	13.0	15.9	15.2	9.9	9.9	14.7	14.5	9.7	13.9	12.5

Other and eliminations

MSEK	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2019 Full year	2018 Full year
Order intake	-17	-10	-8	-13	-7	-11	-6	-8	-7	-8	-38	-30
Transactions between segments	-8	-9	-9	-9	-9	-11	-8	-8	-8	-8	-38	-32
Operating profit (EBIT)	-36	-32	-55	-52	-62	-67	-80	-41	-48	-48	-236	-217
Amortization and write-down	-10	-10	-16	-24	-24	-23	-28	-36	-33	-32	-88	-130
Items affecting comparability (IAC)	-7	–	-21	-24	-14	-18	-22	–	–	–	-78	-22
Re-allocation of internal services	–	–	1	–	–	–	20	–	–	–	1	20
Adjusted EBITA	-19	-22	-17	-3	-23	-25	-10	-5	-15	-16	-69	-46

Discontinued operation

	2020		2019				2018				2019	2018
MSEK	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year
External order backlog	–		2	8	43	111	147	166	250	419	2	147
Order intake	1		4	-3	3	11	18	111	79	9	15	216
External net sales	3	-0	9	38	87	42	78	190	252	190	176	710
Operating profit (EBIT)	-1	0	-65	-341	-20	-24	-414	8	9	2	-450	-396
Amortization and write-down	–		0	3	-0	0	-344	-1	-1	-1	3	-346
Items affecting comparability (IAC)	–		-45	-325	-3	-0					-373	–
Adjusted EBITA	-1	0	-20	-19	-17	-24	-71	8	10	3	-80	-49

Condensed income statement

	Q2		Jan-Jun		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Jul-Jun**	**2019**
Net sales	1,773	1,877	3,340	3,498	6,995	7,153
Cost of goods sold	-1,141	-1,235	-2,199	-2,327	-4,694	-4,822
Gross profit	**632**	**643**	**1,140**	**1,171**	**2,301**	**2,331**
Selling expenses	-220	-254	-430	-541	-859	-970
Administrative costs	-135	-156	-276	-315	-571	-610
Research and development costs	-43	-48	-91	-99	-190	-197
Other operating income and expenses	-132	-0	-132	7	-136	2
Operating profit	**103**	**185**	**212**	**223**	**545**	**556**
Financial income and expenses	-50	-51	-80	-94	-175	-189
Profit/Loss after financial items	**53**	**134**	**132**	**129**	**369**	**367**
Tax	-13	-30	-35	-22	-97	-83
Net income for the period from continuing operations	**39**	**104**	**96**	**107**	**272**	**283**
Net income from discontinued operations	-1	-20	-1	-45	-404	-448
Net income for the period	**38**	**84**	**95**	**63**	**-132**	**-164**
Attributable to Parent Company shareholders	37	84	94	62	-134	-166
Attributable to non-controlling interests	1	1	1	0	2	2
Average number of outstanding shares before dilution*	181,745,802	182,130,802	181,745,802	182,130,802	181,790,844	181,983,219
Average number of outstanding shares after dilution*	181,745,802	182,130,802	181,745,802	182,130,802	181,473,053	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	0.21	0.57	0.53	0.59	1.49	1.55
Earnings per share after dilution, SEK	0.21	0.57	0.53	0.59	1.49	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	0.20	0.46	0.52	0.34	-0.74	-0.91
Earnings per share after dilution, SEK	0.20	0.46	0.52	0.34	-0.74	-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	-226	12	-16	117	-11	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	-4	-	11	-	-33	-44
Income tax effect not to be reclassified to profit or loss	0	-	-3	-1	7	9
Other comprehensive income, net after tax	**-230**	**12**	**-8**	**116**	**-37**	**87**
Total comprehensive income for the period	**-192**	**96**	**87**	**179**	**-169**	**-77**
Attributable to Parent Company shareholders	-192	96	87	178	-171	-79
Attributable to non-controlling interests	0	1	0	0	2	2

*Excluding shares held in own custody.

Condensed balance sheet

MSEK	2020-06-30	2019-06-30	2019-12-31
ASSETS			
NON-CURRENT ASSETS			
Goodwill	4,366	4,346	4,348
Patents, licenses, brands, and similar rights	1,471	1,481	1,469
Buildings and land	239	287	248
Plant and machinery	545	554	554
Equipment, tools, fixtures and fittings	153	193	162
Construction in progress	45	69	55
Financial assets	18	16	19
Deferred tax assets	251	242	249
Total non-current assets	**7,088**	**7,188**	**7,103**
CURRENT ASSETS			
Raw materials and consumables	386	462	350
Products in process	143	128	107
Finished products and goods for resale	300	302	296
Projects in progress	8	7	7
Advances to suppliers	24	28	12
Accounts receivable	1,021	1,138	1,050
Prepaid expenses and accrued income	387	271	288
Derivative instruments	0	4	5
Current tax assets	40	43	56
Other receivables	99	153	96
Cash and cash equivalents	827	521	722
Total current assets	**3,234**	**3,057**	**2,989**
TOTAL ASSETS	**10,323**	**10,245**	**10,093**

Condensed balance sheet

MSEK	2020-06-30	2019-06-30	2019-12-31
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity	3,715	3,896	3,628
Non-controlling interests	0	-2	-0
Total equity	**3,715**	**3,894**	**3,627**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	3,323	3,426	3,371
Provisions for pensions and similar commitments	279	235	282
Other provisions	38	27	24
Other liabilities	138	144	134
Deferred tax liabilities	406	413	409
Total non-current liabilities	**4,184**	**4,244**	**4,221**
CURRENT LIABILITIES			
Interest-bearing liabilities	117	165	126
Advances from customers	536	278	374
Accounts payable	568	563	556
Accrued expenses and deferred income	727	714	716
Derivative instruments	1	–	–
Current tax liabilities	37	36	32
Other liabilities	144	209	153
Provisions for pensions and similar commitments	9	9	9
Other provisions	283	134	278
Total current liabilities	**2,423**	**2,108**	**2,244**
TOTAL EQUITY AND LIABILITIES	**10,323**	**10,245**	**10,093**

CONDENSED STATEMENT OF CHANGES IN EQUITY

MSEK	2020-06-30	2019-06-30	2019-12-31
Opening balance	**3,627**	**3,716**	**3,716**
Total comprehensive income for the period	87	179	-77
Change in non-controlling interest	0	-0	0
Put/call option related to non controlling interests	-2	-2	0
Repurchase of shares	–	–	-16
Share option plan	2	1	4
Closing balance	**3,715**	**3,894**	**3,627**
Total shareholders´equity attributable to:			
The parent company's shareholders	3,715	3,896	3,627
Non-controlling interests	0	-2	-0

Condensed cashflow statement

	Q2		Jan-Jun		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Jul-Jun**	**2019**
OPERATING ACTIVITIES						
Operating profit	**102**	**165**	**211**	**179**	**138**	**105**
Reversal of non-cash items						
Depreciation, amortization and impairments	73	97	151	185	374	408
Other profit/loss items not affecting liquidity	10	1	12	13	63	63
Change in provisions						
Provisions	82	-1	22	16	164	158
Cash flow before interest and tax	**267**	**262**	**396**	**393**	**739**	**735**
Paid financial items	-52	-47	-80	-90	-166	-177
Taxes paid	-13	-40	-25	-37	-98	-111
Cash flow from operating activites before changes in working capital	**201**	**175**	**291**	**265**	**475**	**448**
Cash flow from changes in working capital	**85**	**-6**	**28**	**-53**	**303**	**221**
Cash flow from operating activities	**286**	**168**	**319**	**211**	**778**	**669**
INVESTING ACTIVITIES						
Business acquisitions	1	1	-7	0	-9	-0
Sale of tangible fixed assets	0	0	1	2	17	18
Sale of intangible fixed assets	-	0	-	1	0	2
Investment in tangible assets	-34	-33	-62	-62	-117	-118
Investment in intangible assets	-24	-15	-39	-31	-84	-76
Cash flow from investing activities	**-56**	**-47**	**-106**	**-90**	**-193**	**-174**
FINANCING ACTIVITIES						
Loan raised	29	16	321	113	496	284
Amortization of loans	-280	-44	-354	-68	-623	-332
Repayment of lease liabilities	-32	-30	-65	-60	-128	-123
Repurchase of shares	-	-	-	-	-16	-16
Cash flow from financing activities	**-284**	**-58**	**-98**	**-15**	**-268**	**-185**
Cash flow for the period	**-53**	**63**	**115**	**107**	**317**	**310**
Cash and cash equivalents at period start	900	460	722	404	521	404
Exchange-rate differences in cash and cash equivalents	-20	-2	-10	10	-11	7
Cash and cash equivalents at period end	**827**	**521**	**827**	**521**	**827**	**722**

Cash flow from the discontinued operations is disclosed in a separate note, see page 22.

Parent company

CONDENSED INCOME STATEMENT

	Q2		Jan-Jun		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Jul-Jun**	**2019**
Net sales	–	–	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**	**–**	**–**
Administrative costs	-3	-7	-14	-21	-37	-44
Profit/Loss before interest and tax (EBIT)	**-6**	**-7**	**-17**	**-21**	**-41**	**-44**
Financial income and expenses	-0	0	0	0	-0	-0
Profit/Loss after financial items	**-6**	**-7**	**-17**	**-21**	**-41**	**-44**
Group contributions	–	–	–	–	43	43
Profit/Loss before tax	**-6**	**-7**	**-17**	**-21**	**2**	**-1**
Tax	–	0	–	0	0	0
Net income for the period	**-6**	**-7**	**-17**	**-21**	**3**	**-1**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q2		Jan-Jun		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Jul-Jun**	**2019**
Profit/Loss for the period	-6	-7	-17	-21	3	-1
Other comprehensive income, net after tax	–	–	–	–	–	–
Comprehensive income for the period	**-6**	**-7**	**-17**	**-21**	**3**	**-1**

Parent company

CONDENSED BALANCE SHEET

MSEK	2020-06-30	2019-06-30	2019-12-31
ASSETS			
NON-CURRENT ASSETS			
Participations in subsidiaries	4,093	4,086	4,086
Other financial assets	0	0	0
Total non-current assets	**4,093**	**4,086**	**4,086**
CURRENT ASSETS			
Other current receivables	–	1	–
Prepaid expenses and accrued income	1	0	0
Current tax assets	0	0	0
Receivables from subsidiaries	47	4	45
Cash and cash equivalents	13	56	28
Total current assets	**61**	**61**	**74**
TOTAL ASSETS	**4,154**	**4,147**	**4,160**

MSEK	2020-06-30	2019-06-30	2019-12-31
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	6	6
Share premium reserve	4,074	4,074	4,074
Profit brought forward	67	76	60
Income for the period	-17	-21	-1
Total equity	**4,129**	**4,135**	**4,139**
CURRENT LIABILITIES			
Accounts payable	4	4	3
Accrued expenses and deferred income	14	5	11
Liabilities to subsidiaries	0	0	0
Other liabilities	3	2	2
Other provisions	3	2	5
Total current liabilities	**25**	**12**	**21**
TOTAL EQUITY AND LIABILITIES	**4,154**	**4,147**	**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 support to cover e.g. social security contributions, in order to reduce the financial effects of the pandemic. When it is reasonably certain that this support is being received, the grant is recognised as other operating income in the period in which the related costs arise. Received grants amounts to approx. MSEK 9 for the second quarter, and are reported as items affecting comparability.

Since September 30, 2019 Munters is reporting a discontinued operation, see further information in separate note below. The discontinued operation relates to the disposal group that has been abandoned constituting the European Data Center factory in Dison, Belgium. The production has ceased but minor installation services remains at customer sites running into 2020. According to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* a single amount shall be disclosed in the statement of comprehensive income comprising the total of the post-tax profit or loss of the discontinued operation. A disclosure of the single amount is required and is presented in the separate note together with a disclosure of cash flows from operating activities related to the discontinued operation.

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.

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.

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.

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 six months the Covid-19 outbreak had a mixed impact on Munters. In the second quarter we have experienced that some customers delayed investments and also delays in deliveries. At the same time we have seen pockets of increased demand in industries such as pharma and data centers. Throughout the first six 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. We expect a continued challenging business environment with a limited visibility of the effect from the Covid-19 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.

	Q2 2020			Jan-Jun 2020		
MSEK	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	742	522	1,264	1,513	904	2,418
Goods transferred over time	388	15	403	674	35	709
Services transferred over time	78	31	110	148	68	216
Total	**1,209**	**569**	**1,777**	**2,335**	**1,008**	**3,343**
whereof related to the discontinued operation	3	–	3	3	0	3
Total net sales from continuing operations	**1,205**	**568**	**1,773**	**2,332**	**1,008**	**3,340**

	Q2 2019			Jan-Jun 2019		
SEKm	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	964	517	1,481	1,796	940	2,736
Goods transferred over time	348	0	348	645	3	648
Services transferred over time	97	36	133	175	67	242
Total	**1,410**	**553**	**1,963**	**2,616**	**1,011**	**3,627**
whereof related to the discontinued operation	87	–	87	129	–	129
Total net sales from continuing operations	**1,323**	**553**	**1,876**	**2,487**	**1,011**	**3,498**

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 (4) in financial assets and to SEKm 1 (0) 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 hiearchy. 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 och 2019 and has been payed during the year. The remaining change relates to a discounting effect and currency translations on the put/call option in MTech.

MSEK	2020-06-30	2019-06-30	2019-12-31
Contingent considerations and put/call options			
Opening balance	142	137	137
Payments	-9	–	–
Discounting	-2	3	1
Exchange-rate differences for the period	-4	4	5
Closing balance	**136**	**143**	**142**

Munters deems that the interest rate on interest-bearing liabilities are in line with market terms at June 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.

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 is classified as a discontinued operation. All income statement items in this report have been restated and relates to Munters continuing operations if not otherwise explicitly stated.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.

	Q2		Jan-Jun		LTM	Full year
MSEK	**2020**	**2019**	**2020**	**2019**	**Jul-Jun**	**2019**
Net sales	3	87	3	129	51	176
Cost of goods sold	-5	-84	-5	-138	-294	-427
Gross profit	**-2**	**2**	**-1**	**-9**	**-244**	**-251**
Selling expenses	0	-10	0	-14	-24	-39
Administrative costs	0	-9	0	-15	-23	-39
Research and development costs	0	-4	0	-6	-3	-9
Other operating income and expenses	-0	0	–	0	-113	-113
Operating profit	**-1**	**-20**	**-1**	**-44**	**-407**	**-450**
Financial income and expenses	-0	-1	-1	-2	-4	-5
Profit/Loss after financial items	**-1**	**-21**	**-1**	**-46**	**-410**	**-455**
Tax	–	1	–	1	6	8
Net income for the period from discontinued operations	**-1**	**-20**	**-1**	**-45**	**-404**	**-448**
Cash flow from operating activities	62	-142	4	-160	-160	-431

RECONCILIATION OF NET DEBT AND LEVERAGE

MSEK	2020-06-30	2019-06-30	2019-12-31
Net debt			
CURRENT ASSETS			
Cash and cash equivalents	-827	-521	-722
NON-CURRENT LIABILITIES	0	0	0
Interest-bearing liabilities, excluding leases	3,037	3,103	3,057
Interest-bearing lease liabilities	286	323	314
Provisions for pensions	263	220	268
CURRENT LIABILITIES	0	0	0
Interest-bearing liabilities, excluding leases	26	58	24
Interest-bearing lease liabilities	92	106	102
Accrued expenses	12	14	12
Provisions for pensions	6	6	6
TOTAL NET DEBT	**2,895**	**3,310**	**3,062**
Operating profit (EBIT)	138	66	105
Depreciations	-275	-165	-277
Amortization and write-down	-99	-496	-131
EBITDA	512	727	514
Items affecting comparability	-563	-138	-525
Adjusted EBITDA	**1,075**	**865**	**1,039**
Net debt/Adjusted EBITDA, LTM	2.7	3.8	2.9

The Board of Directors and the President and CEO certify that the Interim Report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes the significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 17 2020

Magnus Lindquist *Chairman of the Board*	**Klas Forsström** *President CEO*	**Håkan Buskhe** *Board Member*
Helen Fasth Gillstedt *Board Member*	**Per Hallius** *Board Member*	**Lena Olving** *Board Member*
Kristian Sildeby *Board Member*	**Juan Vargues** *Board Member*	**Anna Westerberg** *Board Member*
Simon Henriksson *Board Member,* *employee representative*	**Pia Nordqvist** *Board Member,* *employee representative*	

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

INFORMATION AND REPORTING DATES

Contact person:

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On 17 July, at 9:00 the President and CEO, Klas Forsström, together with the Group Vice President and CFO, Annette Kumlien will present the report in an audiocast with telephone conference.

Audiocast:
More information: http://www.financialhearings.com/event/12366

Link to Audiocast: https://tv.streamfabriken.com/munters-q2-2020

Dial-in number for the telephone conference:

SE: +46850558358
UK: +443333009271
US: +18335268384

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

Financial calendar:

October 22, 2020, January-September interim report 2020

February 4, 2021, Full year report 2020

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 July 17, 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 3,100 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.