

25 April 2002

MUNTERS AB
INTERIM REPORT, 1 January – 31 March 2002

	2002	2001	
	Jan -Mar	Jan-Mar	Change
Order intake, SEK M	1 144	960	+ 19 %
Net sales, SEK M	1 052	851	+ 24 %
Operating earnings, SEK M	86	72	+ 19 %
- as a percentage of net sales	8.2	8.5	-
Earnings before taxes, SEK M	81	67	+ 21 %
- as a percentage of net sales	7.7	7.9	-
<u>Earnings per share, SEK</u>	<u>1.97</u>	<u>1.62</u>	<u>+ 22 %</u>

- Operating earnings increased by 19 per cent to SEK 86M
- Acquisition of Polygon, Norway and Glacier-Cor, USA added net sales of SEK 124M in the quarter
- Strong growth within HumiCool
- Earnings per share rose by 22 per cent to SEK 1.97

MUNTERS OPERATIONS

Munters is the world leader in humidity control with products and services for dehumidification, humidification, air cooling and water damage control.

Munters' business objective is to be a global applications and service oriented niche company within air treatment from a base in dehumidification and humidification.

Operations are divided into three geographic regions – Europe, the Americas and Asia. In each region, operations are subdivided into the divisions: Dehumidification, Moisture Control Services (MCS) and HumiCool. Manufacturing and sales are carried out via the Group's own companies in more than 25 countries. The Group had 2,916 employees at the quarter end.

MARKET TRENDS

A large proportion of Munters' customers are relatively 'trend-insensitive', which means that demand for the Group's products, systems and services has remained high despite the current recession.

The market in Europe continued to improve, especially within the HumiCool and MCS operations.

The markets in America showed continued high growth within the Dehumidification division, especially for industrial applications, and HumiCool, despite the negative economic development in general. Munters' Zeol systems, which are

dependent on demand from the semiconductor industry, had a strong negative development.

Demand was high in Australia and Thailand, whereas demand in Japan and South-East Asia remained low.

GROUP ORDER INTAKE, NET SALES AND EARNINGS

During the first three months, order intake increased by 19 per cent to SEK 1,144 M (960) and the backlog rose by SEK 83M to SEK 676M during the period.

Net sales of the Munters Group rose by 24 per cent to SEK 1,052M (851). When adjusted for currency fluctuations, the sales increase for comparable units was 5 per cent.

Distributed by region, net sales increased by 39 per cent in Europe, 10 per cent in the Americas and fell by four per cent in Asia.

Consolidated operating earnings amounted to SEK 86M (72), an improvement of 19 per cent. Operating earnings were affected positively by exchange rate fluctuations, by just under SEK 4M. The operating margin, including goodwill amortisation, amounted to 8.2 per cent (8.5). For comparable units, the operating margin was 8.7 per cent.

Consolidated earnings before taxes increased by 21 per cent to SEK 81M (67). Net earnings for the period improved by 22 per cent to SEK 49M (41) after an effective tax rate of just over 39 per cent (39). Earnings per share increased to SEK 1.97

(1.62).

Net sales increased through organic growth within all divisions and through acquisitions within MCS and HumiCool. In addition, sales increased as a result of the launch of new products and increased value content of shipments during the quarter. The earnings improvement is due to increased net sales, a favourable product mix and implemented rationalisation, especially relating to indirect costs.

FINANCIAL POSITION

The equity ratio fell during the first quarter of the year and amounted to 42.1 per cent (42.6) on 31 March, due to acquisitions. Liquid funds were SEK 151M (98) and interest-bearing liabilities (including PRI pensions) were SEK 496M (413). During the year, the net debt increased by SEK 149M and amounted to SEK 345M at the quarter end. The financing of acquisitions represents SEK 145M of this debt. The Group has unutilised loan facilities of approximately SEK 150M.

INVESTMENTS

The Group's capital expenditure amounted to SEK 40M (31). The majority relates to investment in MCS, production and IT equipment. Depreciation amounted to SEK 36M (28) during the period, of which goodwill amortisation accounted for SEK 6M (3).

During the period, a new production plant was completed in China. At the quarter end, SEK 21M of the total investment of SEK 24M had been implemented.

PERSONNEL

At the period end, the number of staff was 2,916, an increase of 337 during the quarter. Within Europe, the number increased by 310; within the Americas by 22; and within Asia by 5. The MCS product area reported the largest increase in the number of staff, up by 280, of which 236 relate to personnel in the acquired company Polygon.

REGIONS

EUROPE

During the quarter, order intake in Europe increased by 32 per cent to SEK 639M (485). Net sales rose by 39 per cent to SEK 605M (435). When adjusted for currency fluctuations, the sales increase was nine per cent for comparable units. Operating earnings improved by 41 per cent and amounted to SEK 47M (33). Of this, the acquisition of Polygon contributed SEK 7M, excluding goodwill amortisation. Earnings were affected positively by increased net sales within HumiCool and MCS, and positive currency effects.

The Dehumidification division reported a normal start to the year for order intake, sales and operating earnings. Growth was high in Northern Europe, whereas Southern Europe reported weak growth. Growth is mainly driven by strong demand in the food industry.

The MCS division enjoyed a continued positive trend. Order intake, sales and operating earnings improved compared with the corresponding period in the previous year. During the year, Munters acquired Polygon AS, which has its head office in Oslo, Norway. During the period, the company contributed net sales of SEK 110M.

The HumiCool division reported increased sales and an improved operating margin. Growth remains high in cooling systems for the poultry industry and for mist eliminators. The water treatment operation reported a negative trend.

AMERICAS

During the quarter, order intake in the Americas rose by six per cent to SEK 400M (377). Net sales increased by 10 per cent to SEK 364M (331) during the reporting period. When adjusted for currency fluctuations and for comparable units, net sales were unchanged. Operating earnings during the period amounted to SEK 40M (32). Earnings during the quarter were influenced by a positive product mix.

The Dehumidification division reported continued strong order intake, sales and earnings despite a significant weakening within the Zeol operation which mainly sells to the semiconductor and automotive industries. Order intake for dehumidification units for industrial applications and department stores showed continued high growth.

The MCS division reported a significant fall in order intake due to the mild winter and dry spring in the USA. However, industrial applications for temporary dehumidification enjoyed a continued positive trend. Thanks to a large backlog at the start of the year, net sales were maintained on par with the previous year despite the low order intake. However, operating earnings fell compared with the previous year.

The HumiCool division reports an improving trend. Order intake, net sales and operating earnings improved significantly compared with the previous year. The negative trend for the American poultry industry during the previous year show signs of an upturn. During the period, Munters acquired the assets of the American competitor, Glacier-Cor, for the production of evaporative cooling components used by the poultry and power industries. Sales of components for mist eliminators also showed significant growth.

ASIA

Munters' operations in Asia reported a positive trend in order intake whereas net sales and earnings showed a slightly negative trend. The negative trend is mainly due to the generally low level of activity in Japan and the negative effect of moving the plant in China. Production was not operational throughout March but re-started in early April. During the quarter, order intake increased by five per cent to SEK 121M (115). Net sales fell by four per cent to SEK 96M (100). When adjusted for currency fluctuations it represented a decrease of five per cent. Operating earnings fell to SEK 9M (13).

The Dehumidification division reported a fall in order intake and net sales, and reduced earnings, mainly due to problems at the start-up of the new production unit in China.

The MCS division reported continued growth in order intake and earnings, whereas operating earnings developed marginally negatively. Measures have been implemented to improve profitability. These are expected to make an impact in the second quarter.

The HumiCool division enjoyed a significant increase in order intake, sales and operating earnings. The HumiCool operations in Thailand and Australia, in particular, reported a strong trend. The strong development of the poultry industry in Thailand and

China has a positive effect on the HumiCool operation. The ventilation sector showed a positive trend in Australia.

ACQUISITIONS DURING THE FIRST QUARTER OF 2002

In January, Munters acquired the assets, liabilities and the operations of its American competitor, Glacier-Cor. The company is one of the three largest manufacturers of components for evaporative cooling and reported sales of approximately SEK 50M in 2001. The acquisition price, USD 1.9M, does not give rise to any goodwill. Munters is already the largest company in the world in this sector and the acquisition is aimed at further strengthening Munters' HumiCool operation in the American market. Glacier-Cor's order intake for the first quarter amounted to SEK 14M and net sales were SEK 8M.

During the period, Munters acquired the Norwegian company, Polygon AS which has MCS operations in Norway and Denmark. Polygon is the leading supplier of water and fire damage restoration services to the Norwegian insurance industry. Munters has owned one third of Polygon since 1986. In 2001, Polygon's net sales amounted to SEK 450M and the number of employees to 230. In addition to its own organisation, Polygon has built a network of agents in the Norwegian market. These agents have an additional 180 employees. The acquisition is aimed at making Munters the leading water and fire damage restoration company in the Nordic countries. The acquisition is based on a value of NOK 230M for Polygon. Munters has acquired the remaining two thirds of the shares. Payment for these shares will be made in two stages. 70 per cent, NOK 107.3M, was paid when the agreement was entered into and the remaining 30 per cent will be paid on the basis of Polygon's earnings development during 2002-2004. The acquisition gives rise to goodwill and surplus values in buildings and machinery totalling SEK 105M. Polygon is included in the consolidated accounts from 1 January. In the first quarter order intake and net sales amounted to SEK 110M and operating earnings were SEK 7M.

FUTURE INFORMATION DATES

13 August 2002 - Interim Report
January-June 2002
28 October 2002 - Interim Report
January-September 2002
February 2003 - Year-End Report 2002
April 2003 - Annual General Meeting and
Interim Report January-March
2003

Stockholm, 25 April 2002
Munters AB (publ)

Lennart Evrell
President

For further information, please contact:

Lennart Evrell, CEO Tel: +46 8-626 63 03
E-mail address: lennart.evrell@munters.se
Bernt Ingman, CFO Tel: +46 8-626 63 06
E-mail address: bernt.ingman@munters.se
Munters AB (publ)
Box 430
SE-191 24 SOLLENTUNA
Sweden
Tel: +46 8-626 63 00
Fax: +46 8-754 68 96
Website on the Internet: www.munters.com

Comments on the accounting

Applied accounting principles and methods of calculation corresponds to the latest annual report in addition to recommendations from the Swedish Financial Accounting Standards Council which became effective from 1 January 2002. The application of these has not had any material effect on the company's earnings and balance. The alternative to recount goodwill according to transitional regulations in RR 1:00 has not been used since such recount would not lead to any significant change.

The interim report has not been reviewed by the company's auditors.

Income statement, SEK M

	--- 3 months ---		--- 12 months ---	
	2002	2001	2001/02	2001
	<u>Jan-Mar</u>	<u>Jan-Mar</u>	<u>Apr-Mar</u>	<u>Jan-Dec</u>
Order intake	1 144	960	4 129	3 945
Net sales	1 052	851	4 095	3 894
Operating expenses *	-966	-779	-3 680	-3 493
Operating earnings	86	72	415	401
Earnings from participation in associated companies	-	2	7	9
Financial net	-5	-7	-19	-21
Earnings before taxes	81	67	403	389
Minority share	0	-	0	-
Taxes	-32	-26	-155	-149
Net earnings for the period	49	41	248	240
* Depreciation	36	28	133	125
of which amortisation of goodwill	6	3	17	14
Earnings per share before dilution, SEK, Note 2	1.97	1.62	9.92	9.57
Earnings per share after dilution, SEK, Note 2	1.97	1.62	9.92	9.57
Number of shares at period-end, million, Note 2	25	25	25	25

Balance sheet, SEK M

	2002	2001	2001
Assets	<u>31 Mar</u>	<u>31 Mar</u>	<u>31 Dec</u>
Fixed assets			
Patents, licenses and similar rights	13	3	13
Goodwill	237	171	176
Buildings and land	203	173	171
Machinery and plant	284	216	219
Equipment, tools, fixtures and fittings	155	134	155
Construction in progress and advances	28	15	18
Shares and participations	1	33	38
Long-term receivables	23	19	14
Total fixed assets	944	764	804
Current assets			
Inventories	326	291	264
Trade receivables	888	773	861
Current receivables	136	101	147
Liquid funds	151	98	152
Total current assets	1 501	1 263	1 424
Total assets	2 445	2 027	2 228
Shareholders' equity and liabilities			
Shareholders' equity (no of shares 25 000 000), Note 1 and 2	1 029	864	1 012
Minority interest	4	-	-
Long-term liabilities and provisions	181	88	131
Long-term liabilities, interest-bearing	82	75	81
Advances from customers	52	50	77
Current liabilities	683	612	660
Current liabilities, interest-bearing	414	338	267
Total shareholders' equity and liabilities	2 445	2 027	2 228

Key figures

	2002	2001	2001/02	2001
	<u>Jan-Mar</u>	<u>Jan-Mar</u>	<u>Apr-Mar</u>	<u>Jan-Dec</u>
Operating margin, %	8.2	8.5	10.1	10.3
Return on capital employed, %	n.a.	n.a.	31,3	34,0
Return on shareholders' equity, %	n.a.	n.a.	26.2	26.1
Equity ratio, %	42.1	42.6	42.1	45.4
Net debt, SEK M	345	316	345	196
Net debt ratio	0.33	0.37	0.33	0.19
Interest coverage ratio	19.6	11.3	20.7	18.2
Investments in fixed assets, SEK M	40	31	149	140
Equity per share, SEK	41.16	34.56	41.16	40.49
Number of employees at period-end	2 916	2 419	2 916	2 579

QUARTERLY SUMMARY

Income statement, SEK M

	2000				2001				2002
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Order intake	791	884	784	863	960	974	982	1 029	1 144
Net sales	707	741	799	932	851	960	1 020	1 063	1 052
Operating expenses ¹⁾	-656	-676	-723	-818	-779	-868	-920	-926	-966
Items affecting comparability	-	-	15	-	-	-	-	-	-
Operating earnings	51	65	91	114	72	92	100	137	86
Earnings from participations in associated companies	1	2	2	1	2	2	2	3	-
Financial net	-4	-7	-6	-7	-7	-3	-5	-6	-5
Earnings before taxes	48	60	87	108	67	91	97	134	81
Minority share	-	-	-	-	-	-	-	-	0
Taxes	-19	-23	-35	-42	-26	-36	-38	-49	-32
Net earnings for the period	29	37	52	66	41	55	59	85	49
¹⁾ of which depreciations	24	25	26	28	28	31	33	33	36

Balance sheet, SEK M

	2000				2001				2002
	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar
Assets									
Fixed assets									
Intangible assets	162	162	161	163	174	174	190	189	250
Plants	447	461	491	513	538	555	560	563	670
Shares and participations	34	35	32	34	33	39	36	38	1
Long-term receivables	10	11	20	19	19	20	20	14	23
Total fixed assets	653	669	704	729	764	788	806	804	944
Current assets									
Inventories	214	239	263	254	291	319	324	264	326
Trade receivables	623	630	696	789	773	803	872	861	888
Current receivables	92	102	122	133	101	103	117	147	136
Liquid funds	127	107	90	88	98	79	120	152	151
Total current assets	1 056	1 078	1 171	1 264	1 263	1 304	1 433	1 424	1 501
Total assets	1 709	1 747	1 875	1 993	2 027	2 092	2 239	2 228	2 445
Shareholders' equity and liabilities									
Shareholders' equity (25 000 000 shares)	676	651	733	821	864	877	908	1 012	1 029
Minority share	-	-	-	-	-	-	-	-	4
Long-term liabilities and provisions	81	68	69	106	88	84	93	131	181
Long-term liabilities, interest-bearing	70	68	72	74	75	73	75	81	82
Advances from customers	38	39	43	50	50	42	64	77	52
Current liabilities and provisions	529	531	591	595	612	673	731	660	683
Current liabilities, interest-bearing	315	390	367	347	338	343	368	267	414
Total shareholders' equity and liabilities	1 709	1 747	1 875	1 993	2 027	2 092	2 239	2 228	2 445

Key figures

	2000				2001				2002
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
excl items affecting comparability									
Operating margin, %	7.3	8.7	9.6	12.2	8.5	9.6	9.8	12.8	8.2
Equity ratio, %	39.5	37.3	38.8	41.2	42.6	41.9	40.5	45.4	42.1
Net debt, SEK M	258	351	349	333	316	337	322	196	345
Net debt ratio	0.38	0.54	0.48	0.41	0.37	0.38	0.36	0.19	0.33
Interest coverage ratio	11.6	10.5	12.9	13.8	11.3	18.0	18.9	26.1	19.6
Investments in fixed assets, SEK M	33	33	33	49	31	33	27	49	40
Number of shares at period-end, million	25	25	25	25	25	25	25	25	25
Earnings per share, SEK	1.17	1.45	1.73	2.63	1.62	2.21	2.35	3.39	1.97
Equity per share, SEK	27.03	26.06	28.97	32.83	34.56	35.10	36.30	40.49	41.16
Number of employees at period-end	2 249	2 326	2 346	2 374	2 419	2 488	2 563	2 578	2 916

Regions

	2000				2001				2002
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Net sales, SEK M									
Europe	392	383	406	493	435	477	476	562	605
The Americas	261	300	312	358	331	400	449	412	364
Asia	67	77	95	96	100	95	109	104	96
Eliminations/adjustments	-13	-19	-14	-15	-15	-12	-15	-15	-13
Total	707	741	799	932	851	960	1 020	1 063	1 052
Operating earnings, SEK M									
Europe	28	20	33	69	33	41	32	75	47
The Americas	25	38	32	45	32	50	60	48	40
Asia	6	10	15	9	13	10	13	14	9
Group overheads	-4	-3	-4	-1	-2	-5	-5	-1	-1
Eliminations/adjustments/goodwill amort.	-4	76	0	-8	-4	-4	0	1	-9
Op. Earnings before items affecting comparability	51	65	76	114	72	92	100	137	86
Items affecting comparability	-	-	15	-	-	-	-	-	-
Op. Earnings after items affecting comparability	51	65	91	114	72	92	100	137	86

Statement of changes in Financial Position, SEK M	----- 3 months-----		----- 12 months-----	
	2002	2001	2001/02	2001
	<u>Jan-Mar</u>	<u>Jan-Mar</u>	<u>Apr-Mar</u>	<u>Jan-Dec</u>
Earnings after financial items excl associated companies	81	65	395	379
Depreciations according to plan	36	28	133	125
Change in working capital				
trade receivables	64	16	-24	-72
inventories	-20	-37	6	-10
trade payables	-24	-26	23	21
advances from customers	-25	0	2	27
Investments in tangible assets	<u>-40</u>	<u>-31</u>	<u>-149</u>	<u>-140</u>
Operating cash flow	72	16	386	330
Changes in other working capital	-17	19	-5	31
Investments in intangible assets	-	-9	-12	-21
Effect from acquired unit	-152	-	-152	-
Acquisitions of own shares, payment for warrants	-	-	-39	-39
Dividend paid	-	-	-57	-57
Taxes paid	-44	-19	-149	-124
Other, incl translation differences	<u>-8</u>	<u>10</u>	<u>-1</u>	<u>17</u>
Change in net debt	-149	17	-29	137

The Group's net debt is defined as follows:

	2 002	2001	2001
	<u>31 Mar</u>	<u>31 Mar</u>	<u>31 Dec</u>
SEK M			
Current loans	414	338	267
Long-term loans	6	2	7
Pensions	76	74	74
Cash and bank	<u>-151</u>	<u>-98</u>	<u>-152</u>
Net debt	345	316	196

REGIONS	2002	2001	2001/02	2001
Net sales, SEK M	<u>Jan-Mar</u>	<u>Jan-Mar</u>	<u>Apr-Mar</u>	<u>Jan-Dec</u>
Europe	605	435	2 120	1 950
The Americas	364	331	1 625	1 592
Asia	96	100	404	408
Eliminations/adjustments	-13	-15	-54	-56
Total	1 052	851	4 095	3 894
Operating earnings, SEK M				
Europe	47	33	195	181
The Americas	40	32	198	190
Asia	9	13	46	50
Group overheads	-1	-2	-12	-13
Eliminations/adjustments/goodwill amort.	-9	-4	-12	-7
Operating earnings	86	72	415	401

NOTES

Note 1

Change in equity, Group

(SEK M)	2002	2001
	<u>31 Mar</u>	<u>Jan-Dec</u>
Opening balance	1 012	821
Effect of change in accounting principle	-	<u>5</u>
Opening balance adjusted in accordance with new accounting principle	1 012	826
Dividend	-	-57
Received payment for warranty program	-	3
Buy-back of shares	-	-41
Net earnings for the period	49	239
Translation difference	-32	42
Closing balance	1 029	1 012

Note 2

Staff in Munters have subscribed during May 2000 for 202,000 warrants, equivalent to approximately 0.8 per cent of the share capital. The warrants can be utilized for subscription of corresponding number of shares in Munters AB during the period 3 January – 31 March 2005, at a set price of SEK 145 per share.

Staff in Munters have subscribed during May 2001 for 245,500 warrants, equivalent to approximately 1.0 per cent of the share capital. The warrants can be utilized for subscription of corresponding number of shares in Munters AB during the period 1 May – 29 October 2004, at a set price of SEK 263 per share.