Interim Report January-March 2003

April 25, 2003

- **Continued positive trend within MCS.**
- **Service accounts for 50 percent of Munters' operations.**
- **Fall in March within Dehumidification and HumiCool.**
- **Cost reduction program with a full year effect of SEK 50M implemented.**

	2003 Jan-Mar	2002 Jan-Mar	Change
Order intake, SEK M	1,134	1,144	-1%
Net sales, SEK M	1,089	1,052	3%
Earnings before interest and tax, SEK M	67	86	-22%
EBIT margin, percent	6.2	8.2	
Earnings per share, SEK	1.34	2.00	-33%

Munters operations

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

Munters' business objective is to be a global service and applications-oriented niche company within the air treatment market 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 following three divisions: Dehumidification, Moisture Control Services (MCS) and HumiCool. Munters' operations are often project-oriented with extensive collaboration between regions and divisions within sales, production and product development. Manufacturing and sales are carried out through the Group's own companies in 27 countries. The Group had 3,164 employees at the end of the reporting period.

Market trend

Several of the markets in which Munters operates report a weak trend for the first quarter of 2003. Effects of the war in Iraq have affected the confidence amongst Munters' customers and have led to the postponement of investment decisions.

The market in Europe has developed positively within the MCS operation whilst demand within Dehumidification and HumiCool has fallen. Many customers cite the uncertainty in the world as a reason for postponing investment decisions. Demand within the AgHort industry (Agriculture & Horticulture) has been affected by the prevailing uncertainty throughout the Middle East, which normally represents a large market for HumiCool. Demand for products for cooling inlet air to gas turbines remained weak at the beginning of the year.

Despite the continuing economic downturn, the markets in America showed a growth during the reporting period. MCS reported strong demand for services relating to water damage restoration despite the low level of the weather-related operation. Within HumiCool, demand was strong for evaporative cooling systems for the AgHort industry, whilst demand for products for cooling inlet air to gas turbines remained low. Demand for Dehumidification was low, with a continued fall in demand for Zeol systems, which is largely dependent on investments within the semiconductor industry.

Demand for HumiCool and Dehumidification remained strong in China, Australia and Thailand, whereas the level of activity in Japan and South East Asia remained low.

Group order intake, net sales and results

The first quarter of 2003 ended with a weak March. As a result, the full quarter was weak as the good development in MCS could not compensate the negative development in HumiCool and Dehumidification. During the first quarter, order intake fell by 1 percent to SEK 1,134M (1,144). When adjusted for currency fluctuations for the current structure, order intake fell by 2 percent. The backlog was SEK 661M (676) at the quarter end. When adjusted for currency fluctuations for the current structure, the increase in the backlog was 4 percent.

Net sales of the Munters Group rose by 3 percent to SEK 1,089M (1,052). When adjusted for currency fluctuations for the current structure, the increase was 1 percent.

Distributed by region, net sales increased by 10 percent in Europe, fell by 1 percent in the Americas and fell by 18 percent in Asia. When adjusted for currency fluctuations for the current structure, the Americas and Europe increased their net sales, whilst net sales fell in Asia.

Consolidated EBIT, after amortization of goodwill and surplus values of SEK 11M (6), amounted to SEK 67M (86). EBIT were affected by exchange rate fluctuations to the amount of SEK 8M. The fall in earnings is due to reduced sales within operations with a high margin (negative product mix change) and the fact that costs could not be reduced in step with the rapid market fall in Dehumidification and HumiCool. The EBIT margin amounted to 6.2 percent (8.2) during the period. For comparable units, the EBIT margin was 6.6 percent (8.2).

Consolidated earnings before tax amounted to SEK 60M (81), after a decline in financial income and expenses to SEK -7M (-5). This is due to increased indebtedness following acquisitions implemented during the previous year. Net earnings for the period fell by 33 percent to SEK 33M (49) after an effective tax rate of 45 percent (39). The tax rate was 39 percent when adjusted for non-deductible goodwill amortization and surplus values. Earnings per share amounted to SEK 1.34 (2.00).

Net sales increased through acquisitions implemented during the previous year and increased delivery volume within MCS. At the same time, net sales were affected by the impact of the Iraq crisis and by negative currency effects on translation into SEK.

Region Europe

During the quarter, order intake in Region Europe increased by 12 percent to SEK 716M (639). Net sales rose by 10 percent to SEK 667M (605). When adjusted for currency fluctuations, this represented an increase of 1 percent for the current structure. Operating earnings (EBIT excluding amortization of goodwill and surplus values) fell by 10 percent and amounted to SEK 42M (46). Operating earnings were affected by exchange rate fluctuations of SEK 1M. Earnings were affected due to reduced sales in Dehumidification and HumiCool and reduced margins. MCS reported a continued positive trend.

As indicated in the report for the fourth quarter of 2002, **the Dehumidification division** reported weak demand and has therefore had a lower order intake than in the previous year. Net sales have also reduced as a result of the fact that fewer large projects were delivered during the reporting period and operating earnings are negative. Market activities in the food and pharmaceutical industries remain at a high level but investment decisions are being postponed.

The MCS division reported a continued positive trend despite the mild and dry spring. Order intake, net sales and operating earnings improved significantly compared with the previous year. The operating margin improved as a result of the increased sales. Sales were not positively affected by floods or other disaster-related operations during the period.

The HumiCool division reported reduced order intake and net sales and almost halved operating earnings compared with the same quarter in the previous year. The division is affected by a dramatic fall in demand for cooling systems for the AgHort industry in the Middle East and adjacent markets. Demand for products for cooling inlet air to gas turbines remained low and demand for products for the HVAC industry also developed negatively.

Region Americas

During the quarter, order intake in the Americas fell by 11 percent to SEK 355M (400). When adjusted for currency fluctuations for the current structure, order intake decreased by 2 percent. Net sales fell by 1 percent to SEK 361M (364). When adjusted for currency fluctuations for the current structure, net sales increased by 7 percent. Operating earnings for the period amounted to SEK 38M (40). Operating earnings were affected by currency fluctuations of SEK 7M.

The Dehumidification division reported lower order intake and net sales, but improved operating earnings despite a further fall for the Zeol operation and for industrial dehumidification. During the quarter, order intake for Zeol was SEK 4M lower than in the previous year and net sales were down SEK 16M. Order intake for, and net sales of, dehumidification units for department stores showed increased sales. The new dehumidification program, launched during the previous year with combined functions for dehumidification and cooling, has been successfully commercialized. Low energy consumption means that the products can be electrically operated instead of using gas as the source of energy. This leads to an increased market potential.

The MCS division reported increased order intake. Net sales and operating earnings were on a par with the previous year. When adjusted for currency fluctuations, order intake increased by almost 50 percent. Net sales and operating earnings increased by more than 15 percent. Order intake, net sales and earnings were not significantly affected by floods or other disaster-related operations during the period.

The HumiCool division enjoyed a positive start to the year with significantly improved order intake. Net sales and operating earnings were on a par with the previous year. Munters focus on cooling systems for the AgHort industry was strengthened during the previous year through the acquisitions of Aerotech and Glacier-Cor, which has contributed to the positive trend during the quarter. Sales of components for mist eliminators, which are included in exhaust treatment systems for coal-fired power stations, also enjoyed strong growth, though growth has slowed down at a high level. As the European operation, demand was low for products for cooling inlet air to gas turbines.

Region Asia

Munters' operations in Region Asia are affected by the war in Iraq, which has led to postponement of investment decisions by customers. Order intake, net sales and operating earnings were all lower than in the previous year. During the period, order intake fell by 26 percent to SEK 90M (121). Net sales fell by 18 percent to SEK 79M (96). When adjusted for currency fluctuations, the fall was 9 percent. During the period, operating earnings amounted to SEK 7M (9). Changes in exchange rates affected the earnings by SEK 1M.

The Dehumidification division reported a fall in order intake and net sales, but improved operating earnings. Earnings were positively affected by improved margins in the Chinese operation.

The MCS division, which represents a small part of Region Asia, reported lower net sales. Operating earnings were on a par with the previous year. During the quarter, a new management took over and is implementing a comprehensive restructuring program with an increased market focus.

The HumiCool division reported lower order intake, net sales and operating earnings. The operations in Thailand, Australia and China continued to develop strongly. In particular, sales of evaporative cooling systems for the AgHort industry partly compensated for the continued fall in Japan.

Cost reduction program

Due to the weak trend in order intake for Dehumidification and HumiCool in the fourth quarter 2002 and first quarter 2003, cost reduction measures have been implemented within Dehumidification Europe and the Americas and within HumiCool Europe. On a yearly basis the cost level is expected to be reduced by SEK 50M. The cost reduction program will have an effect in the coming quarters.

Capital expenditure

The Group's capital expenditure in tangible assets amounted to SEK 35M (40) during the period. The majority relates to investment in MCS, production and IT equipment. Depreciation amounted to SEK 45M (36), of which goodwill amortization and depreciation of surplus values accounted for SEK 11M (6).

Financial position

The equity ratio increased during the quarter and amounted to 43.4 percent (42.1) at the end of the reporting period. On the same date, liquid funds were SEK 119M (151) and interest-bearing liabilities (including PRI pensions) were SEK 502M (496). During the period, the net debt increased by SEK 18M to SEK 383M. The Group has unutilized loan facilities of approximately SEK 240M.

Parent Company

The parent company's earnings after financial income and expenses amounted to SEK -4M (4). There were no sales outside the Group. At the period end, liquid funds amounted to SEK 0M (1) and net liabilities to SEK 78M (311). Capital expenditure amounted to SEK 0M (0) during the quarter and the number of employees was 19 (15).

Comments on the accounts

The applied accounting principles and calculation methods correspond with the latest Annual Report.

This Interim Report has not been examined by the company's auditors.

Future information dates

May 7	Annual General Meeting
August 18	Interim Report January-June
October 27	Interim Report January-September

Sollentuna, April 25, 2003

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Amounts in SEK million	2003 Jan-Mar	2002 Jan-Mar	2002/2003 Apr-Mar	2002 Jan-Dec	2001 Jan-Dec
Order intake	1,134	1,144	4,717	4,727	3,945
Income statement					
Net sales	1,089	1,052	4,703	4,666	3,894
Cost of goods sold [2]	-767	-691	-3,146	-3,070	-2,434
Gross earnings	**322**	**361**	**1,557**	**1,596**	**1,460**
Selling expenses [2]	-138	-173	-657	-692	-666
Administrative expenses [2]	-94	-85	-378	-369	-333
Research and development costs	-12	-11	-44	-43	-46
Other operating income and operating expenses	-11	-6	-32	-27	-14
Earnings before interest and tax [1]	**67**	**86**	**446**	**465**	**401**
Earnings in associated companies	-	-	-	-	9
Financial income and expenses	-7	-5	-31	-29	-22
Earnings after financial items	**60**	**81**	**415**	**436**	**388**
Tax	-27	-32	-164	-169	-149
Minority interests	0	0	0	-1	-
Net earnings	**33**	**49**	**251**	**266**	**239**
Earnings per share, SEK	1.34	2.00	10.17	10.83	9.69
Earnings per share after dilution, SEK	1.34	2.00	10.14	10.80	9.67
[1] Depreciation and amortization	45	36	170	161	125
of which goodwill and surplus values	11	6	38	33	14
Net sales by Region					
Region Europe	667	605	2,794	2,731	1,950
Region Americas	361	364	1,576	1,577	1,592
Region Asia	79	96	410	428	408
Eliminations	-18	-13	-75	-70	-56
Net sales	**1,089**	**1,052**	**4,705**	**4,666**	**3,894**
Operating earnings by Region					
Region Europe	42	47	271	275	182
operating margin	6.3%	7.7%	9.7%	10.1%	9.4%
Region Americas	38	40	202	205	198
operating margin	10.5%	11.0%	12.8%	13.0%	12.4%
Region Asia	7	9	44	46	51
operating margin	8.9%	9.7%	10.7%	10.8%	12.8%
Group overhead etc.	-6	-7	-14	-15	-18
Amortization goodwill, eliminations etc.	-14	-3	-57	-46	-12
Earnings before interest and tax	**67**	**86**	**446**	**465**	**401**
Key figures					
EBIT margin, %	6.2	8.2	9.5	10.0	10.3
Capital turnover rate, times	-	-	2.9	3.1	3.0
Return on capital employed, %	-	-	28.3	31.5	31.8
Return on equity, %	-	-	23.4	25.0	26.1
Equity ratio, %	43.4	42.1	43.4	41.0	45.4
Net debt, SEK M	383	345	383	365	196
Net debt ratio, times	0.34	0.33	0.34	0.33	0.19
Interest coverage ratio, times	8.9	15.1	12.9	14.2	16.3
Investments in fixed tangible assets, SEK M	35	40	178	183	140
Number of employees at period-end	3,164	2,916	3,164	3,192	2,579

[2)] Due to reclassifications in the internal reporting, the figures for 2003 are not comparable with 2002. If these reclassifications are reversed, the figures for Q1-2003 are: cost of goods sold 749 MSEK (-18), selling expenses 160 MSEK (+22) and administrative expenses 90 MSEK (-4).

Amounts in SEK million	2003 Jan-Mar	2002 Jan-Mar	2002/2003 Apr-Mar	2002 Jan-Dec	2001 Jan-Dec
Cash flow statement					
Current operations					
Earnings after financial items	60	81	415	436	389
Reversal of depreciation	45	36	170	161	125
Reversal of other items not affecting cash flow	3	-1	8	4	2
Tax paid	-31	-44	-185	-198	-130
Cash flow from current operations before changes in working capital	**77**	**72**	**408**	**403**	**386**
Cash flow from changes in working capital					
Changes in inventory	-47	-20	1	28	-10
Changes in accounts receivable	126	64	104	42	-64
Changes in other receivables	8	9	27	28	-8
Changes in accounts payable	-54	-24	-48	-18	19
Changes in other liabilities	-67	-46	-88	-67	50
Cash flow from current operations	**43**	**55**	**404**	**416**	**373**
Investing activities					
Acquisitions of subsidiaries	-	-128	-161	-289	-11
Investments in intangible assets	-	-	-5	-5	-7
Investments in tangible assets	-35	-40	-178	-183	-140
Sale of tangible assets	-	-	1	1	5
Change in other financial assets	-	-	1	1	5
Cash flow from investing activities	**-35**	**-168**	**-342**	**-475**	**-148**
Financing activities					
Payment received for issued stock options	-	-	3	3	2
Changes in loans and long-term liabilities	-20	114	6	140	-71
Dividends paid	-	-	-74	-74	-57
Buy-back of stock	-	-	-25	-25	-41
Cash flow from financing activities	**-20**	**114**	**-90**	**44**	**-167**
Cash flow of the period	**-12**	**1**	**-28**	**-15**	**58**
Liquid funds at the beginning of the period	133	152	151	152	88
Exchange rate differencies in liquid funds	-2	-2	-4	-4	6
Liquid funds at the end of the period	**119**	**151**	**119**	**133**	**152**
Net debt structure					
Short-term loans	266	414	266	260	267
Long-term loans	153	6	153	156	7
Provisions for pensions	83	76	83	82	74
Liquid funds	-119	-151	-119	-133	-152
Net debt	**383**	**345**	**383**	**365**	**196**
Share data					
Average number of shares, million	24.4	24.6	24.5	24.5	24.7
Number of shares at period-end, million	24.4	24.6	24.4	24.4	24.6
Holding of own shares, thousand	562	448	562	562	448
Equity per share, SEK	46.08	41.91	46.08	45.59	41.23
Stock price at period-end, SEK	178	227	178	193	175
Market cap at period-end, SEK M	4,350	5,574	4,350	4,716	4,284

Amounts in SEK million	2003 Mar 31	2002 Mar 31	2002 Dec 31	2001 Dec 31
Balance Sheet				
Assets				
Fixed assets				
Intangible assets				
Patent, licenses and similar rights	24	13	23	13
Goodwill	436	237	446	176
	460	250	469	189
Tangible assets				
Buildings and land	219	203	225	171
Machinery and plant	193	284	200	219
Equipment, tools, fixtures and fittings	203	155	208	155
New construction in progress	38	28	34	18
	653	670	667	563
Financial assets				
Shares and participations	2	1	-	38
Deferred tax asset	67	53	69	53
Long-term receivables	24	23	23	13
	93	77	92	104
	1,206	**997**	**1,228**	**856**
Current assets				
Inventory etc.	376	326	329	264
Accounts receivable - trade	822	888	948	861
Current receivables	84	83	94	95
Liquid funds	119	151	133	152
	1,401	**1,448**	**1,504**	**1,372**
Total assets	**2,607**	**2,445**	**2,732**	**2,228**
Equity and liabilities				
Equity	1,126	1,029	1,114	1,012
Minority interest	5	4	5	-
Provisions	213	211	222	206
Long-term liabilities				
Liabilities to credit institutions	153	6	156	7
Other liabilities	106	46	129	6
	259	52	285	13
Current liabilities				
Liabilities to credit institutions	266	414	260	267
Advances from customers	37	52	49	77
Accounts payable - trade	278	291	332	283
Other liabilities	423	392	465	370
	1,004	1,149	1,106	997
Total equity and liabilities	**2,607**	**2,445**	**2,732**	**2,228**

Change in equity

Opening balance	**1,114**	**1,012**	**1,012**	**821**
Effect of change in accounting principle	-	-	-	5
Adjusted opening balance	**1,114**	**1,012**	**1,012**	**826**
Dividend	-	-	-74	-57
Received payment for stock options program	-	-	3	2
Buy-back of shares	-	-	-25	-41
Translation difference	-21	-32	-68	43
Net earnings	33	49	266	239
Closing balance	**1,126**	**1,029**	**1,114**	**1,012**

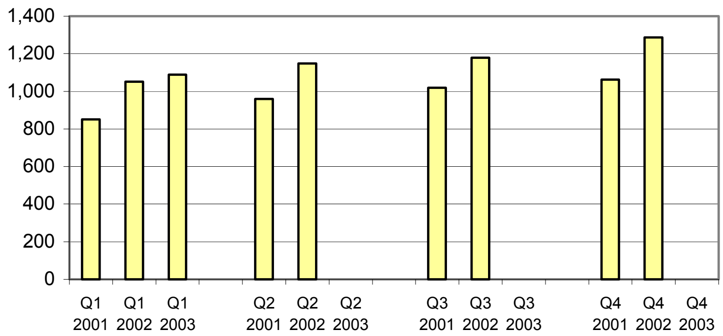
Quarterly summary

Amounts in SEK million	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1
Order intake	960	974	982	1,029	1,144	1,159	1,228	1,196	1,134
Income statement									
Net sales	851	960	1,020	1,063	1,052	1,149	1,179	1,286	1,089
Operating expenses [1]	-779	-868	-920	-926	-966	-1,035	-1,061	-1,139	-1,022
EBIT	**72**	**92**	**100**	**137**	**86**	**114**	**118**	**147**	**67**
Earnings in associated companies	2	2	2	3	-	-	-	-	-
Financial income and expenses	-7	-3	-5	-6	-5	-8	-5	-10	-7
Earnings before tax	**67**	**91**	**97**	**134**	**81**	**106**	**113**	**137**	**60**
Tax	-26	-36	-38	-49	-32	-41	-45	-52	-27
Minority interests	-	-	-	-	0	0	-1	0	0
Net earnings	**41**	**55**	**59**	**85**	**49**	**65**	**67**	**85**	**33**
[1] of which depreciation/amortization	28	31	33	33	36	38	44	43	45
Share data									
Earnings per share, SEK	1.63	2.23	2.38	3.45	2.00	2.66	2.71	3.46	1.34
Earnings/share after dilution, SEK	1.63	2.23	2.38	3.43	2.00	2.65	2.70	3.45	1.34
Average number of shares, million	24.8	24.8	24.7	24.6	24.6	24.6	24.5	24.4	24.4
No of shares at period-end, million	24.8	24.8	24.6	24.6	24.6	24.6	24.4	24.4	24.4
Equity per share, SEK	34.84	35.38	36.97	41.23	41.91	40.38	42.44	45.59	46.08
Stock price at period-end, SEK	150	173	140	175	227	204	190	193	178
Market cap at period-end, SEK M	3,720	4,290	3,437	4,284	5,574	5,009	4,643	4,716	4,350
Balance Sheet									
Assets									
Fixed assets									
Intangible assets	174	174	190	189	250	281	451	469	460
Tangible assets	538	555	560	563	670	635	677	667	653
Financial assets	107	114	111	105	77	77	77	92	93
	819	843	861	857	997	993	1,205	1,228	1,206
Current assets									
Inventory etc.	291	319	324	264	326	309	384	329	376
Accounts receivable - trade	773	803	872	861	888	894	924	948	822
Current receivables	46	48	62	94	83	98	106	94	84
Cash and cash equivalents	98	79	120	152	151	65	112	133	119
	1,208	1,249	1,378	1,371	1,448	1,366	1,526	1,504	1,401
Total assets	**2,027**	**2,092**	**2,239**	**2,228**	**2,445**	**2,359**	**2,731**	**2,732**	**2,607**
Equity and liabilities									
Equity	864	877	908	1,012	1,029	991	1,037	1,114	1,126
Minority interest	-	-	-	-	4	4	5	5	5
Provisions and long-term liabilities	88	84	93	131	181	104	177	269	236
Interest-bearing prov./long-term liab.	75	73	75	81	82	134	325	238	236
Advances from customers	50	42	64	77	52	45	49	49	37
Current liabilities	612	673	731	660	683	769	826	797	701
Interest-bearing current liabilities	338	343	368	267	414	312	312	260	266
Total equity and liabilities	**2,027**	**2,092**	**2,239**	**2,228**	**2,445**	**2,359**	**2,731**	**2,732**	**2,607**
Key figures									
EBIT margin, %	8.5	9.6	9.8	12.8	8.2	9.9	10.0	11.5	6.2
Equity ratio, %	42.6	41.9	40.5	45.4	42.1	42.0	38.0	41.0	43.4
Net debt, SEK M	316	337	322	196	345	381	525	365	383
Net debt ratio, times	0.37	0.38	0.36	0.19	0.33	0.38	0.51	0.33	0.34
Interest coverage ratio, times	9.6	27.5	18.8	16.3	15.1	13.0	19.6	12.0	8.9
Investm. fixed tang. assets, SEK M	31	33	27	49	40	53	42	48	35
Number of employees at period-end	2,419	2,488	2,563	2,579	2,916	3,043	3,216	3,192	3,164

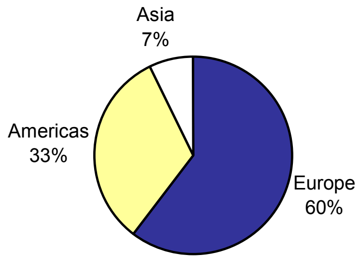
Quarterly summary

Amounts in SEK million	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1
Net sales by Region									
Region Europe	435	477	476	562	605	630	682	814	667
Region Americas	331	400	449	412	364	419	407	387	361
Region Asia	100	95	109	104	96	125	104	103	79
Eliminations	-15	-12	-14	-15	-13	-25	-14	-18	-18
Net sales	**851**	**960**	**1,020**	**1,063**	**1,052**	**1,149**	**1,179**	**1,286**	**1,089**
Operating earnings by Region									
Region Europe	34	42	33	73	47	51	66	111	42
operating margin	7.7%	8.9%	7.0%	13.1%	7.7%	8.1%	9.7%	13.7%	6.3%
Region Americas	34	52	62	50	40	58	56	51	38
operating margin	10.4%	12.9%	13.8%	12.1%	11.0%	14.0%	13.6%	13.0%	10.5%
Region Asia	13	10	13	15	9	14	14	9	7
operating margin	12.9%	11.1%	12.5%	14.4%	9.7%	11.1%	13.1%	9.3%	8.9%
Group overhead etc.	-5	-7	-2	-4	-7	-5	-7	-6	-6
Amort. goodwill, eliminations etc.	-4	-5	-6	3	-3	-4	-11	-18	-14
EBIT	**72**	**92**	**100**	**137**	**86**	**114**	**118**	**147**	**67**
EBIT margin	8.5%	9.6%	9.8%	12.8%	8.2%	9.9%	10.0%	11.5%	6.2%

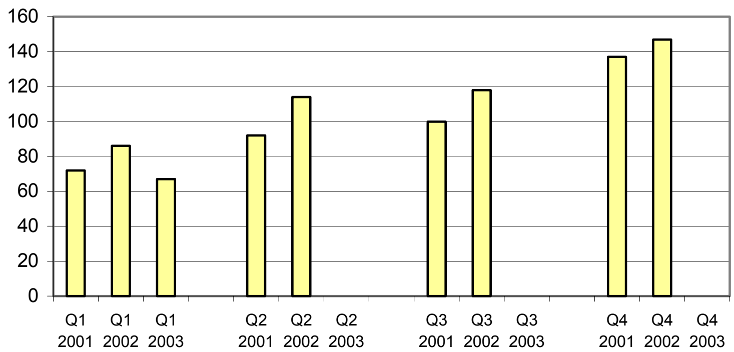
Net sales



Net sales in the quarter by Region



EBIT



Net sales in the quarter by Product Area