

INTERIM REPORT JANUARY-MARCH 2006

26 April 2006

- **Order intake rose 20 percent to SEK 1,515 M (1,184), adjusted for currency effects.**
- **Net sales increased by 21 percent to SEK 1,386 M (1,079), adjusted for currency effects.**
- **Net earnings totaled SEK 71 M (37).**
- **Earnings per share amounted to SEK 2.88 (1.51).**
- **Strong growth and improved margins in all divisions.**

	2006	2005	Change	Adjusted change ¹
Order intake, SEK M	1,515	1,184	28%	20%
Net sales, SEK M	1,386	1,079	28%	21%
EBIT, SEK M	118	64	84%	68%
EBIT margin, percent	8.5	5.9		
Net earnings, SEK M	71	37	93%	75%
Earnings per share, SEK	2.88	1.51	91%	

¹ Adjusted for currency fluctuations.

MUNTERS OPERATIONS

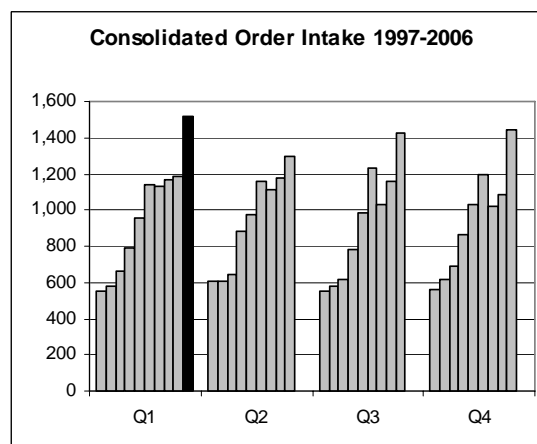
Munters is the world leader in moisture control offering services and products for water and fire-damage restoration and products for dehumidification, humidification and air cooling. Operations are organized in three divisions: Dehumidification, MCS (Moisture Control Services) and HumiCool. Manufacturing, sales and service activities are conducted through the Group's own companies, which have 3,365 permanent employees in 30 countries. The Munters share is quoted on the Stockholm Stock Exchange O List.

FIRST QUARTER
Order intake

Order intake during the first quarter rose 28 percent to SEK 1,515 M (1,184). Adjusted for currency effects, the increase was 20 percent.

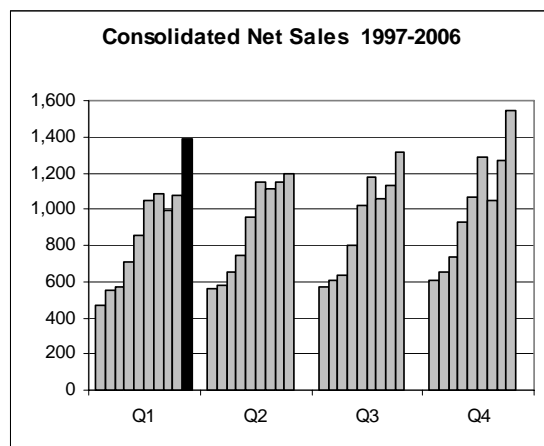
The order backlog rose 39 percent compared with the prior year period to SEK 972 M (701) at the end of the quarter. Adjusted for currency effects, the backlog rose 32 percent.

Order intake was strong within all divisions during the quarter, even when adjusted for currency effects.


Net sales

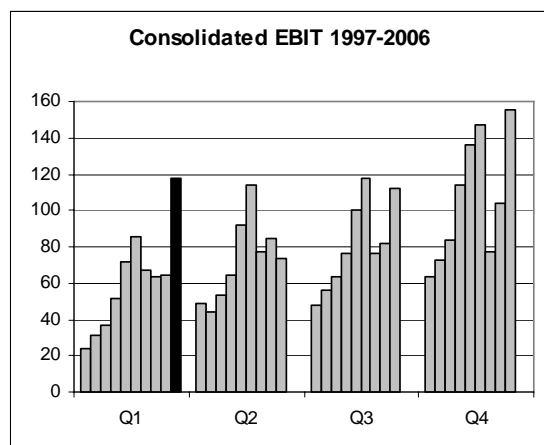
Consolidated net sales increased by 28 percent to SEK 1,386 M (1,079). Adjusted for currency effects, the increase was 21 percent.

Sales rose within all divisions during the quarter.



Earnings

EBIT rose 84 percent to SEK 118 M (64). Adjusted for currency effects, the increase was 68 percent. The EBIT margin was 8.5 percent (5.9). All divisions reported improvements in operating earnings and operating margin during the quarter, compared with the prior year period.



Figures for 2003 and prior years are in accordance with the former accounting principles.

Consolidated earnings after financial items amounted to SEK 113 M (61). Net earnings for the quarter rose to SEK 71 M (37) after an effective tax rate of 37 percent (39). Earnings per share amounted to SEK 2.88 (1.51), an increase of 91 percent.

The business unit Water within HumiCool was sold during the quarter. After provisions for costs related to the divestment, and an impairment of production equipment within HumiCool amounting to SEK 10 M, the net effect of this nonrecurring transaction was marginally favorable.

Capital expenditure

The Group's capital expenditure in tangible fixed assets amounted to SEK 30 M (21) during the quar-

ter. Most of the expenditure, or SEK 21 M (13), is related to investment in MCS equipment. Depreciation and impairments amounted to SEK 46 M (33).

Financial position

The equity ratio amounted to 52 percent at the end of the period (50 at the start of the year). Interest-bearing assets totaled SEK 248 M (178 at the start of the year) and interest-bearing-liabilities SEK 443 M (460 at the start of the year). Since the start of the year, net debt has been reduced by SEK 87 M to SEK 195 M. The Group has unutilized loan facilities of SEK 206 M.

Personnel

At the end of the period, the number of permanent employees was 3,365, an increase of 120 during the year. The number of employees rose by 14 in the Dehumidification Division, 78 in the MCS Division and 27 in the HumiCool Division.

DIVISIONAL PERFORMANCE

Dehumidification Division

The Dehumidification Division is divided into three business areas, Industrial Dehumidification, Commercial Dehumidification and Zeol. During the quarter, the Division showed strong growth in orders and an improved margin.

SEK M	1st Quarter	
	2006	2005
Order Intake	430	344
Grow th	25%	
Adj grow th	16%	
Net Sales	360	325
Grow th	11%	
Adj grow th	3%	
Operating Earnings	29	24
Operating Margin	8,1%	7,3%

The order intake increased within all business areas during the first quarter of 2006. A favorable trend was noted for traditional areas within Industrial Dehumidification, such as food and pharmaceuticals, during the quarter. The sales trend for Desi-Cool® products within the Commercial Dehumidification segment remained highly favorable, with continued growth in the US and growing interest in Europe and Asia. The order intake for Zeol operations (removal of solvents from the air) also rose during the quarter, following an extended period of weak growth. The Division noted relatively weak sales growth, due to the relatively weak order intake in the US during the fourth quarter of 2005.

The continued improvement in the operating margin was achieved as a result of Munters Efficiency Program and savings of material costs. An improved product mix, in the form of increased sales of larger systems also contributed to improved margins. The trend in Europe was particularly favorable.

Power Purge®, a new function for improved performance, was launched during the quarter. Power Purge® provides customers with energy savings of 5-20%.

MCS Division

The MCS Division is divided into six market areas: Nordic, Central, UK & Ireland, South & West, Americas och Asia. The Division showed robust growth during the quarter, with an improved margin.

SEK M	1st Quarter	
	2006	2005
Order Intake	650	509
Grow th	28%	
Adj grow th	22%	
Net Sales	660	494
Grow th	34%	
Adj grow th	27%	
Operating Earnings	46	31
Operating Margin	7,0%	6,4%

The order intake and sales trends were strong during the quarter, due to a normalized level of water damage, following an extended period of low demand. Global market shares improved. The cold winter in Europe contributed to the favorable demand. A total of SEK 75 M was invoiced during the quarter for projects pursuant to Hurricane Katrina in New Orleans in 2005. Excluding Hurricane Katrina, sales growth was 13 percent, adjusted for currency effects.

As a result of the strong increase in net sales, earnings rose sharply. The operating margin improved to 7.0 percent, compared with 6.4 percent during the first quarter of 2005. The improvement was attributable to high capacity utilization and higher gross margins in most units. The Division's margins continued to be held back by operations in Germany, which had an adverse impact of 1.7 percentage points on the Division's operating margin during the first quarter, compared with the average operating margin during 2001-2005. Forceful measures in the form of stronger management, training and cost control have been implemented to improve profitability. While the trend in Germany remained negative, initial signs of increased stability were noticeable.

HumiCool Division

The HumiCool Division is divided into five business areas: AgHort, Mist Elimination, HVAC, Pre-Cooler och Diesel Emission Control. The Division noted strong growth during the quarter and a sharply improved margin.

SEK M	1st Quarter	
	2006	2005
Order Intake	450	345
Grow th	30%	
Adj grow th	22%	
Net Sales	376	269
Grow th	40%	
Adj grow th	30%	
Operating Earnings	51	18
Operating Margin	13,6%	6,5%

HumiCool continued to experience highly favorable demand for its mist elimination products for emission control in coal-fired power plants. The order backlog for mist elimination products is currently high, although the margins represented by the backlog are somewhat lower than those achieved during the first quarter.

The prevailing avian flu situation had both positive and negative effects on the Division. Demand for chicken meat declined in certain countries, mainly in Southern Europe, resulting in the termination of a number of projects. At the same time, import restrictions were introduced to an increasing extent, which led to higher demand for locally produced chicken meat in many countries. As a result of this factor, combined with an increased need for the closed chicken houses in order to reduce the risk of spreading the infection, demand for AgHort products remained highly favorable during the quarter. In the US, where effects of the avian flu were not noticeable, demand was very favorable, considering the early stage of the season.

In addition to the strong volume trend, the reasons underlying the improved margin, compared with 2005, were enhanced productivity following the relocation of plants, an improved mix (mainly for mist elimination) and continued cost reductions for procurements of materials.

The Water business was sold during the quarter. After provisions for costs related to the divestment, and an impairment of production equipment within HumiCool amounting to SEK 10 M, the net effect of these nonrecurring events was marginally favorable.

FUTURE INFORMATION DATES

9 August Interim report January-June
30 October Interim report January-September

Sollentuna, 26 April 2006

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Examination

This interim report has not been examined by the Company's auditor.

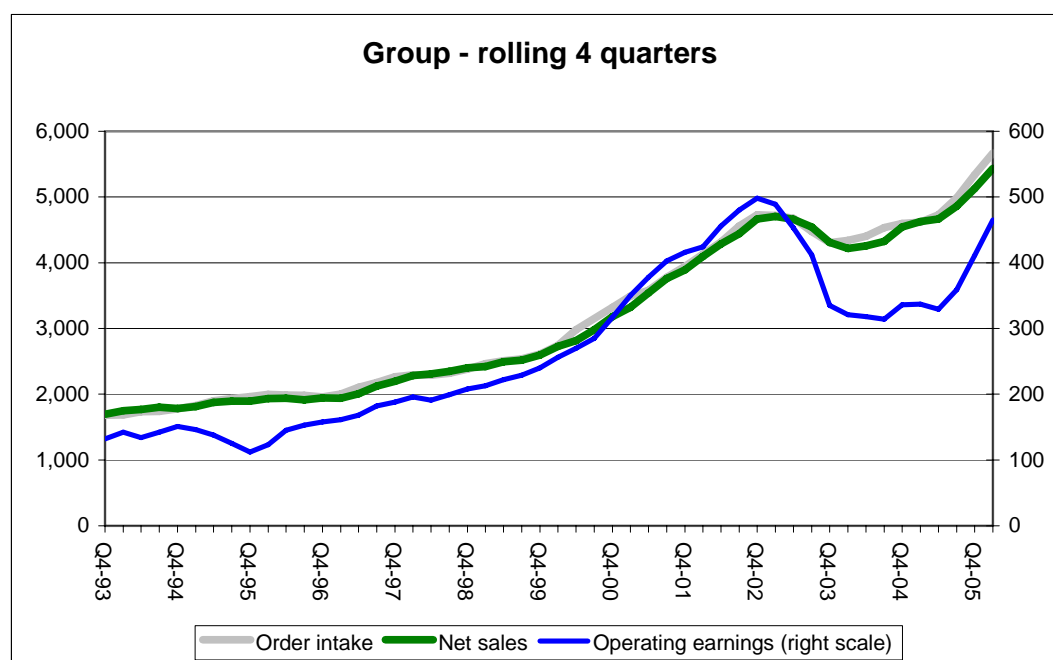
Amounts in SEK M	2006 Jan-Mar 3 months	2005 Jan-Mar 3 months	2005/2006 Apr-Mar 12 months	2005 Jan-Dec 12 months
Order intake	1,515	1,184	5,671	5,340
Income statement				
Net sales	1,386	1,079	5,437	5,130
Cost of goods sold	-1,019	-789	-3,931	-3,701
Gross earnings	367	290	1,506	1,429
Other operating income	13	-	13	-
Selling expenses	-146	-127	-599	-580
Administrative expenses	-103	-86	-406	-389
Research and development costs	-13	-11	-48	-46
Other operating expenses	0	-2	-7	-9
EBIT - Earnings before interest and tax	118	64	459	405
EBIT margin	8.5%	5.9%	8.4%	7.9%
Financial income and expenses	-5	-3	-16	-14
Earnings after financial income	113	61	443	391
Income taxes	-42	-24	-157	-139
Net earnings	71	37	286	252
Attributable to equity holders of parent	71	37	284	250
Attributable to minority interest	0	0	2	2
Earnings per share, SEK	2.88	1.51	11.54	10.17
Earnings per share - after dilution, SEK	2.88	1.51	11.54	10.17
Order intake by division				
Dehumidification Division	430	344	1,586	1,500
MCS Division	650	509	2,585	2,444
HumiCool Division	450	345	1,565	1,460
Eliminations	-15	-14	-65	-64
Order intake	1,515	1,184	5,671	5,340
Net sales by division				
Dehumidification Division	360	325	1,549	1,514
MCS Division	660	494	2,501	2,335
HumiCool Division	376	269	1,450	1,343
Eliminations	-10	-9	-63	-62
Net sales	1,386	1,079	5,437	5,130
Operating earnings by division				
Dehumidification Division	29	24	164	159
operating margin	8.1%	7.3%	10.6%	10.5%
MCS Division	46	31	167	153
operating margin	7.0%	6.4%	6.7%	6.5%
HumiCool Division	51	18	169	135
operating margin	13.6%	6.5%	11.7%	10.1%
Central, goodwill impairment, eliminations etc.	-8	-9	-41	-42
EBIT	118	64	459	405

Amounts in SEK M	2006 31 Mar	2005 31 Dec	2005 31 Mar
Balance sheet			
Assets			
Fixed assets			
Tangible assets			
Buildings and land	167	176	170
Plant and machinery	134	158	157
Equipment, tools, fixtures and fittings	212	216	196
Construction in progress	7	6	6
	520	556	529
Intangible assets			
Patent, licences and similar rights	17	18	19
Goodwill	362	364	350
	379	382	369
Financial assets			
Participation in associated companies	6	6	6
Deferred tax assets	51	60	49
Other long-term receivables	16	20	17
	73	86	72
	972	1,024	970
Current assets			
Inventory etc.	471	469	369
Accounts receivable	1,066	1,140	898
Other receivables	150	125	146
Liquid funds	248	176	178
	1,935	1,910	1,591
Total assets	2,907	2,934	2,561
Equity and liabilities			
Equity	1,517	1,469	1,261
Long-term liabilities			
Interest-bearing liabilities	3	3	47
Provisions	124	122	118
Deferred tax liabilities	22	24	29
Other liabilities	3	3	0
	152	152	194
Short-term liabilities			
Interest-bearing liabilities	329	348	324
Advances from customers	78	89	39
Accounts payable	328	355	280
Provisions	44	42	38
Other liabilities	459	479	425
	1,238	1,313	1,106
Total equity and liabilities	2,907	2,934	2,561
Changes in equity			
Opening balance	1,469	1,148	1,148
Financial instruments (implementation of IAS 39)	-	2	2
Opening balance in accordance with new principles	-	1,150	1,150
Exchange-rate differences in translating subsidiaries	-24	140	46
Cash flow hedges	1	-3	-
Net earnings	71	252	37
Change in minority interest	0	-1	-
Dividend	-	-98	-
Sale of own shares	-	29	28
Closing balance	1,517	1,469	1,261
Minority share of equity	6	5	3

Amounts in SEK M	2006 Jan-Mar 3 months	2005 Jan-Mar 3 months	2005/2006 Apr-Mar 12 months	2005 Jan-Dec 12 months
Cash flow statement				
Current operations				
Earnings after financial items	113	61	443	391
Reversal of depreciation etc.	46	33	154	141
Other earnings items not affecting cash flow	-12	-1	-14	-3
Taxes paid	-22	-22	-163	-163
Cash flow from current operations before changes in working capital	125	71	420	366
<i>Cash flow from changes in working capital</i>				
Changes in inventory	-11	-26	-74	-89
Changes in accounts receivable	60	45	-103	-118
Changes in other receivables	-22	-19	-9	-6
Changes in accounts payable	-22	-19	37	40
Changes in other liabilities	-34	2	77	113
Cash flow from current operations	96	54	348	306
Investing activities				
Acquisitions of enterprises	26	-	-15	-41
Investments in intangible assets	0	0	-2	-2
Investments in tangible assets	-30	-21	-135	-126
Sales of tangible assets	0	0	5	5
Changes in other financial assets	-	-1	-1	-2
Cash flow from investing activities	-4	-22	-148	-166
Financing activities				
Changes in loans	-19	-3	-42	-26
Dividend paid	-	-	-98	-98
Sale of own shares	-	28	1	29
Cash flow from financing activities	-19	25	-139	-95
Cash flow for the period	73	57	61	45
Liquid funds at the beginning of the period	176	117	178	117
Exchange-rate differences in liquid funds	-1	4	9	14
Liquid funds at end of the period	248	178	248	176
Operating cash flow	66	32	215	181
Key figures				
More key figures are disclosed in the quarterly review				
Capital turnover rate, times	-	-	2.9	2.8
Return on capital employed, %	-	-	24.8	22.8
Return on equity, %	-	-	20.7	19.2
Interest coverage ratio, times	24.9	12.3	23.5	20.2
Net debt structure				
Short-term liabilities	-	-	329	348
Long-term liabilities	-	-	3	3
Defined benefit plans etc	-	-	111	109
Interest-bearing assets	-	-	-248	-178
Net debt	-	-	195	282

Quarterly overview - Consolidated earnings, share data and cash flow

Amounts in SEK M	2006	2005				2004			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order intake	1,515	1,440	1,422	1,294	1,184	1,089	1,161	1,181	1,167
Income statement									
Net sales	1,386	1,543	1,317	1,192	1,079	1,270	1,127	1,150	996
Operating expenses	-1,268	-1,388	-1,205	-1,118	-1,015	-1,166	-1,045	-1,065	-933
EBIT	118	155	112	74	64	104	82	85	63
EBIT margin	8.5%	10.1%	8.5%	6.2%	5.9%	8.2%	7.2%	7.4%	6.4%
Financial income and expense	-5	-2	-6	-2	-3	-5	-4	-3	-4
Earnings after financial items	113	153	106	72	61	99	78	82	59
Income taxes	-42	-49	-38	-29	-24	-34	-29	-32	-23
Net earnings	71	104	68	43	37	65	49	50	36
Depreciation and impairments	46	35	35	38	33	33	35	41	36
Share data									
Earnings per share, SEK	2.88	4.19	2.76	1.71	1.51	2.67	1.97	2.08	1.48
Earnings per share after dilution, SEK	2.88	4.19	2.76	1.71	1.51	2.66	1.97	2.07	1.48
Average no of shares, thousand	24,581	24,581	24,524	24,495	24,407	24,378	24,378	24,378	24,378
No of shares at period-end, thousand	24,581	24,581	24,581	24,581	24,571	24,378	24,378	24,378	24,378
Holdings of own shares, thousand	419	419	419	419	429	622	622	622	622
Equity per share, SEK	61.49	59.56	54.84	52.36	51.17	46.96	46.31	45.42	47.55
Stock price at period-end, SEK	265	219	183	173	190	200	180	189	186
Market cap at period-end, SEK M	6,613	5,475	4,575	4,325	4,750	5,000	4,500	4,725	4,650
Cash flow statement									
From current operations	96	74	112	66	54	66	31	61	51
From investing activities	-4	-37	-37	-70	-22	-19	-22	-64	-23
From financing activities	-19	-22	-100	2	25	-44	-12	3	-34
Cash flow for the period	73	15	-25	-2	57	3	-3	0	-6
Operating cash flow	66	37	75	37	32	47	9	37	28



Quarterly overview - Consolidated balance sheet and key figures

Amounts in SEK M	2006	2005				2004			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Balance sheet									
Assets									
Fixed assets									
Tangible assets	520	556	551	555	529	523	541	581	603
Intangible assets	379	382	380	383	369	361	380	384	379
Financial assets	73	86	81	78	72	70	73	72	65
	972	1,024	1,012	1,016	970	954	994	1,037	1,047
Current assets									
Inventory etc.	471	469	442	431	369	329	405	367	340
Accounts receivable	1,066	1,140	953	923	898	914	823	815	778
Other receivables	150	125	141	144	146	126	176	155	140
Liquid funds	248	176	158	184	178	117	116	121	122
	1,935	1,910	1,694	1,682	1,591	1,486	1,520	1,458	1,380
Total assets	2,907	2,934	2,706	2,698	2,561	2,440	2,514	2,495	2,427
Equity and liabilities									
Equity	1,517	1,469	1,350	1,291	1,261	1,148	1,132	1,110	1,164
Long-term liabilities	149	149	151	151	147	145	199	202	200
Interest-bearing liabilities	332	351	374	481	371	367	419	427	350
Accounts payable	328	355	263	282	280	286	251	292	266
Other short-term liabilities	581	610	568	493	502	494	513	464	447
Total equity and liabilities	2,907	2,934	2,706	2,698	2,561	2,440	2,514	2,495	2,427
Key figures									
Equity ratio, %	52.2	50.1	50.0	47.9	49.2	47.0	45.0	44.5	47.9
Net debt, SEK M	195	282	318	397	296	351	389	389	311
Net debt ratio, times	0.13	0.19	0.23	0.31	0.23	0.31	0.34	0.35	0.27
Interest coverage ratio, times	24.9	33.6	27.7	12.3	12.3	20.6	19.2	20.1	11.9
Investments tangible assets, SEK M	30	37	37	31	21	38	23	25	22
Number of employees at period-end	3,365	3,245	3,180	3,122	3,128	3,064	3,003	3,038	3,036

Quarterly overview - Divisions

Amounts in SEK M	2006	2005				2004			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order intake									
Dehumidification Division	430	355	412	389	344	316	356	348	333
MCS Division	650	769	665	501	509	547	554	485	516
HumiCool Division	450	330	366	419	345	235	257	358	327
Eliminations	-15	-14	-21	-15	-14	-9	-6	-10	-9
Order intake	1,515	1,440	1,422	1,294	1,184	1,089	1,161	1,181	1,167
Net sales									
Dehumidification Division	360	431	404	354	325	395	323	350	276
MCS Division	660	775	562	504	494	620	512	479	484
HumiCool Division	376	347	374	352	269	264	300	333	241
Eliminations	-10	-10	-23	-18	-9	-9	-8	-12	-5
Net sales	1,386	1,543	1,317	1,192	1,079	1,270	1,127	1,150	996
Operating earnings									
Dehumidification Division	29	58	45	32	24	46	30	42	21
operating margin	8.1%	13.5%	11.2%	9.1%	7.3%	11.6%	9.3%	12.0%	7.5%
MCS Division	46	74	32	14	31	59	36	14	33
operating margin	7.0%	9.6%	5.8%	2.9%	6.4%	9.5%	6.9%	2.8%	6.9%
HumiCool Division	51	30	46	41	18	7	24	38	20
operating margin	13.6%	8.7%	12.4%	11.8%	6.5%	2.8%	7.9%	11.4%	8.1%
Group overhead, eliminations etc.	-8	-7	-11	-13	-9	-8	-8	-9	-11
Earnings before interest and tax	118	155	112	74	64	104	82	85	63
EBIT margin	8.5%	10.1%	8.5%	6.2%	5.9%	8.2%	7.2%	7.4%	6.4%
Operating capital									
Dehumidification Division	395	422	408	395	384	362	364	352	351
MCS Division	824	862	715	666	658	683	648	586	598
HumiCool Division	436	440	514	527	442	432	471	512	496
Central, eliminations	13	15	16	18	12	-5	-5	1	0
Operating capital	1,668	1,739	1,653	1,606	1,496	1,472	1,478	1,451	1,445
Employees									
Dehumidification Division	867	853	848	831	826	781	756	758	744
MCS Division	1,784	1,706	1,650	1,625	1,641	1,615	1,577	1,603	1,617
HumiCool Division	695	668	663	647	642	649	651	659	656
Central	19	18	19	19	19	19	19	18	19
Number of employees	3,365	3,245	3,180	3,122	3,128	3,064	3,003	3,038	3,036

Notes

Note 1. Accounting principles

This interim report has been prepared in accordance with IAS 34, Interim reporting, which is in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim reporting for groups.

Accounting principles used in this interim report are in accordance with Note 1 in the 2005 Annual Report 1.