Q2

2017

Munters Group AB (publ)

"Continued strong growth"

Second quarter 2017

- The order backlog increased by 21% to SEKm 2,449 (2,025).
- Order intake increased by 32% to SEKm 2,234 (1,688) of which 25% organically*.
- Net sales increased by 20% to SEKm 1,723 (1,438) of which 12% organically*.
- Operating profit (EBIT) decreased by 4% to SEKm 143 (150).
- Adjusted EBITA decreased by 3% to SEKm 190 (194), corresponding to an adjusted EBITA margin of 11.0% (13.5).
- Net income amounted to SEKm 11 (11).
- Cash flow from operating activities was SEKm 86 (19).
- Earnings per share amounted to SEK 0.11 (0.58).
- Munters Group was successfully listed on Nasdaq Stockholm on May 19, 2017.
- Kristian Sildeby was appointed member of the Board.

January - June 2017

- Order intake increased by 18% to SEKm 3,888 (3,305), of which 11% organically*.
- Net sales increased by 22% to SEKm 3,242 (2,657), of which 15% organically*.
- Operating profit (EBIT) decreased by 2% to SEKm 218 (223).
- Adjusted EBITA increased by 7% to SEKm 337 (314), corresponding to an adjusted EBITA margin of 10.4% (11.8).
- Net income amounted to SEKm -30 (-17).
- Cash flow from operating activities was SEKm 66 (73).
- Earnings per share amounted to SEK -0.52 (-1.12).

FINANCIAL SUMMARY

	Q2			Jan-Jun			LTM	Full year
SEKm	**2017**	**2016**	**Δ%**	**2017**	**2016**	**Δ%**	**Jul-Jun**	**2016**
Order backlog	2,449	2,025	21	2,449	2,025	21	2,449	1,741
Order intake	2,234	1,688	32	3,888	3,305	18	6,956	6,373
Net sales	1,723	1,438	20	3,242	2,657	22	6,625	6,040
Operating profit (EBIT)	143	150	-4	218	223	-2	572	577
Adjusted EBITA	190	194	-3	337	314	7	803	781
Adjusted EBITA margin, %	11.0	13.5		10.4	11.8		12.1	12.9
Net income	11	11		-30	-17		72	85
Earnings per share before and after dilution, SEK	0.11	0.58		-0.52	-1.12		2.20	5.08
Cash flow from operating activities	86	19		66	73		270	277
Net debt	2,775	2,639		2,775	2,639		2,775	2,724
Net debt/adjusted EBITDA	3.1x	3.7x		3.1x	3.7x		3.1x	3.2x

Some of the above presented numbers are so called alternative performance measures. Definitions are presented on page 24.
* As of Q2 2017 new definition of organic growth where organic growth excludes currency effects. See page 24 for detailed definition.

Munters
Your Perfect Climate

Comments from the CEO

CONTINUED STRONG GROWTH DRIVEN BY AIR TREATMENT AND DATA CENTERS BUT WITH SOME GROWING PAINS

We are pleased that the second quarter of 2017 showed continued strong growth for Munters with an increase in order intake and net sales of 32% and 20% respectively. The growth was mainly driven by continued high sales and deliveries to customers in our Data Center and Air Treatment businesses.

The adjusted EBITA for the quarter decreased by 3% to SEKm 190 (194), mainly impacted by low factory utilization in Data Centers and weak markets in AgHort and Mist Elimination. We are still in the learning curve in some of our high growth areas including operational challenges caused by project phasing. This is an area where we need to and will improve. We continue to invest in sales and R&D for future growth.

Strong growth in our key market segments

During the quarter, order intake in business area Air Treatment grew by 12% driven by continued high demand across all industrial and commercial end-markets. In industrials, solid demand was noted within the lithium-ion battery, pharmaceuticals and other industrial end-markets. In commercial, the supermarkets end-market continued to be strong during the quarter. Air Treatment net sales increased by 14%, with strong deliveries to customers in food, pharmaceutical and electronics. We are happy to see that the strong performance in Air Treatment continues.

The strong growth in business area Data Centers continued with order intake up 256% in the quarter which included significant orders from customers in the US and Europe. We continue to perform well in the digital and co-location market segments based on our innovative technology for significantly improved energy efficiency. Data Centers net sales grew by 131% with large deliveries to customers in Americas and Europe. During the quarter, we saw weaker margin performance in the Data Centers business due to low factory utilization in both in the US and Europe coupled with growth investments in the business. The negative profit impact of the low utilization during the second quarter is estimated to be SEKm 20-25. We continue to manage the operational challenges around strong growth and the lumpy nature of the Data Centers business.

The business area AgHort showed stable performance during the quarter with order intake and net sales growing 8%, supported by positive currency effects and the acquisitions of MTech Systems and Edata. As expected, the AgHort business area has experienced lower investment levels mainly in the poultry and swine sub-segments and we expect this to continue during the remainder of 2017. Margins and adjusted EBITA were slightly lower than the previous year partly due to higher overhead cost linked to investments in the IoT offering and the growth in China.

Our business area Mist Elimination showed order intake and net sales growth of 8% and 1% respectively, driven by positive impact from the acquisition of Kevin Enterprises in India and currency effects. The underlying organic growth was negative in the quarter, impacted by lower demand for coal FGD (Flue-Gas Desulphurization) equipment in the US compared to the strong first half of 2016. Lower margins and adjusted EBITA in the quarter was mainly due to fewer high margin FGD projects in Americas.

Focus on high growth end-markets

Munters´ successful IPO on 19 May was an important milestone for us. It is with great pleasure that we welcome new and old shareholders to take part in this next step in the journey – to develop Munters in a public environment. The listing will provide us with improved opportunities to continue our progress and implement our strategy to focus on growing customer segments where climate is mission critical. Long-term, all of Munters' current end-markets are expected to demonstrate resilient growth, driven by population and GDP growth, the need for increased energy efficiency, increased food and protein consumption, industrialization, urbanization and rising living standards globally. Munters has a strong track record of synergetic acquisitions and will continue to pursue M&A opportunities in a disciplined and systematic manner. Acquisitions will be made in selected segments to expand the portfolio of core technologies, customer relationships and/or to grow our presence in emerging markets.

Due to the lumpy nature and phasing of the Data Center business we foresee continued low factory utilization in the third quarter. The earnings in Data Centers in the third quarter are estimated to be at the same level as in the second quarter. The fourth quarter is still expected to be a strong quarter for Munters with large deliveries of won orders in the US and Europe.

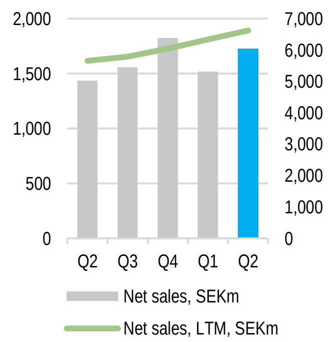
John Peter Leesi, CEO

Group financial performance

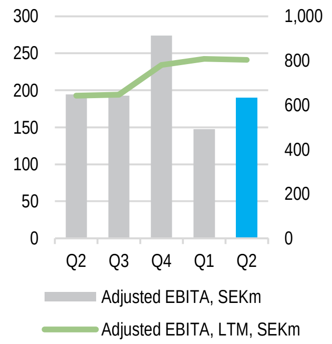
NET SALES AND ORDER INTAKE

	Order intake				Net sales			
SEKm	Q2	Δ%	Jan-Jun	Δ%	Q2	Δ%	Jan-Jun	Δ%
Current period	**2,234**		**3,888**		**1,723**		**3,242**	
Previous period	**1,688**		**3,305**		**1,438**		**2,657**	
Change	**546**	**32**	**583**	**18**	**285**	**20**	**585**	**22**
Organic growth*	420	25	370	11	172	12	390	15
Currency effects	88	5	156	5	73	5	133	5
Structural effects	38	2	57	2	40	3	62	2

Net sales per quarter and LTM (SEKm)



Adjusted EBITA per quarter and LTM (SEKm)



Order intake for the second quarter increased by 32% to SEKm 2,234 (1,688) of which 25% organically. The increase was mainly due to a continued strong order intake in Air Treatment and a strong order intake in Data Centers. Data Centers won two larger orders from two major digital customers in the quarter. Structural effects were 2% and includes the acquisitions of MTech Systems, Kevin and Edata. Continued strong performance was reported for all busines areas in China.

Order intake year to date increased by 18% to SEKm 3,888 (3,305) of which 11% organically. The increase was mainly due to strong order intake in Air Treatment and in Data Centers. Despite the market downturn seen for AgHort the order intake was on a higher level than in similar market downturns historically, where volumes have dropped 10-15%. Structural effects were 2% and include the acquisitions of MTech Systems, Kevin and Edata. Strong performance was reported for all busines areas in China.

Net sales for the second quarter increased by 20% to SEKm 1,723 (1,438) and 12% organically. The increase was mainly due to revenue growth in Air Treatment and Data Centers. For Air Treatment strong growth was reported for all the three product segments - Industrial, Commercial and Components. Structural effects in net sales were 3% comprising of the acquisitions of MTech Systems, Kevin and Edata.

Net sales year to date increased by 22% to SEKm 3,242 (2,657) and 15% organically. The increase was mainly due to revenue growth in Air Treatment and Data Centers. Structural effects in net sales were 2% comprising of the acquisitions of MTech Systems, Kevin and Edata.

Services net sales year to date increased by 13% to SEKm 326 (287), driven by continued investment in the sales force and an increasing share of the customer base with service contracts.

OPERATING PROFIT (EBIT)

Operating profit (EBIT) in the second quarter decreased by 4% to SEKm 143 (150) impacted by depreciations SEKm -16 (-17) and amortizations SEKm -56 (-45), whereof SEKm -50 (-41) was related to surplus values. The profit was positively affected by IAC-items amounting to SEKm 9 (0).

Operating profit year to date decreased by 2% to SEKm 218 (223) impacted by depreciations SEKm -37 (-34) and amortizations SEKm -108 (-91), whereof SEKm -98 (-82) was related to surplus values. The profit was also negatively affected by IAC-items amounting to SEKm 11 (0) as well as advisor costs of SEKm 8 (0) related to acquisitions.

ADJUSTED EBITA

Adjusted EBITA in the second quarter decreased by 3% to SEKm 190 (194), corresponding to an adjusted EBITA margin of 11% (13).

Business area Air Treatment reported growth in adjusted EBITA but was negatively affected by operational inefficiencies in our Mexican production unit and by less favorable project mix. Data Centers was negatively affected by postponed customer orders where planned capacity building was unused paired with continued investments in sales and marketing capabilities. For AgHort the adjusted EBITA declined as a result of lower net sales mainly driven by lower investment levels in line with anticipated industry variations. AgHort margins were also negatively affected by a higher share of sales in Asia, where margins are lower, and higher overhead costs related to the IoT (Internet of Things) offering. Mist Elimination reported lower adjusted EBITA impacted by lower net sales from Coal FGD replacement projects in the US.

Adjusted EBITA year to date increased by 7% to SEKm 337 (314), corresponding to an adjusted EBITA margin of 10% (12).

* As of Q2 2017 new definition of organic growth where organic growth excludes currency effects.

NET FINANCE ITEMS AND PROFIT/RESULT AFTER FINANCIAL ITEMS

Financial income and expenses for the second quarter amounted to SEKm -134 (-110). Due to the re-financing event in May, financing fees capitalized in balance sheet of SEKm -57 referring to the terminated debt has been expensed to P/L in the quarter. Interest expenses related to the shareholder loans amounted to SEKm -29 (-50). At the date of the IPO the shareholder loans was terminated and converted into shareholders equity and interest cost is accordingly reduced after that date. The total average weighted interest rate per end of the quarter was 3.07 per cent (6.67).

TAXES

Income taxes for the second quarter amounted to SEKm 2 (-28).

The effective tax rate in the second quarter was 22%. The taxable income in the quarter was negatively impacted by the non-deductible interest costs, amounting to SEKm -26, relating to the shareholder loans prior to the conversion in May. It was also positively impacted by the non-taxable income of SEKm 53 relating to the preliminary settlement of the HB earn-out (see page 5 for further information in the section about items affecting comparability).

CASH FLOW AND CAPITAL EMPLOYED

Cash flow from operating activities amounted to SEKm 86 (19) in the second quarter and was positively affected by a decrease of working capital corresponding to SEKm 23 (-87). Capital expenditures continued on a fairly high level in line with plan and business acquisitions had a negative cash flow effect of SEKm -81 (-2) for the period. Year to date cash flow from operating activities amounted to SEKm 66 (73).

Cash Flow from Financing activities amounted to SEKm 144 (-27) whereof the net effect of the change in loans was SEKm 27. A new share issue has been made during the period which is further described under Parent Company and Ownership.

Average capital employed during the last twelve months amounted SEKm 6,392 (5,851) and SEKm 6,066 (5,655) during 2016.

Return on capital employed (ROCE) for the last twelve months was 9% (8) and 10% (7) during 2016.

Return on capital employed (ROCE), where EBIT is adjusted for items affecting comparability and capital employed adjusted for goodwill, for the last twelve months was 28% (24) and 30% (20) during 2016.

SIGNIFICANT EVENTS DURING THE QUARTER

Market listing

Munters Group AB was listed on Nasdaq Stockholm on May 19, 2017. The price per share in the Offering was SEK 55, corresponding to a total value of the number of outstanding shares in Munters of SEK 10,098 million.

The Offering consisted of 73,439,120 shares, of which 1,872,728 new shares were issued by the Company. The remaining 71,566,392 existing shares were offered mainly by the principal shareholders: Nordic Capital Fund VII and Five Arrows. The Offering of new shares provided Munters with gross proceeds of SEK 103 million.

After full exercise of the Over-Allotment Option, the value of the Offering amounted to approximately SEK 4,524 million corresponding to approximately 44.8% of the total number of outstanding shares in Munters upon completion of the Offering.

Immediately following the completion of the Offering, Munters' largest shareholders included Nordic Capital Fund VII (50.1% of the total number of shares in Munters), FAM AB (10.0%), Alecta Pensionsförsäkring (5.0%), AMF Fonder (5.0%), Handelsbanken Fonder (3.0%) and Carve (Brummer) (3.0%)

As a result of the set-off issue and the new cash share issue carried out by Munters Group AB in connection with the recent initial public offering, the number of shares and votes in the company has increased by 166,799,454 since the first day of trading on Nasdaq Stockholm.

As of 30 June 2017, the number of shares and votes in Munters Group AB was a total of 183,597,802 .

Share Capital

In connection with the listing of Munters shares on Nasdaq Stockholm, all preference shares and all common shares of the company were converted into one class of common shares outstanding. Furthermore, a directed set off issue of new common shares was made to the selling shareholders against set-off of shareholder loans to the company. The extraordinary general meeting held on 7 May 2017 resolved on the following corporate actions to effect the share conversion and the set off issue.

1. A conversion of each outstanding preference share (preference shares of class A and class B) and each common share (common shares of class A and class B) into one new common share (common shares class B).
2. A directed set-off issue of new common shares is, with deviation from shareholders´ preferential rights, given to the selling shareholders against set-off of shareholder loans to the company. The aggregate value of the shareholder loans and accrued interest thereon amounted to SEK 2,553 million and SEK 251 million, respectively, as of 19 May 2017. The set-off issue comprised an issuance of up to 164,926,726 shares.

Incentive program

At the extraordinary general meeting on 7 May 2017, it was resolved to issue warrants as part of an incentive program for certain members of the Group management (the "participants"). In total, the incentive program comprises 8 individuals and not more than 5,222,000 warrants. The participants may subscribe for warrants at a market value corresponding to in total not more than SEK 17.99 million. The maximum number of warrants that could be subscribed for by the participants corresponded to approximately 2.77 percent of the Company's share capital following completion of the offering and assuming full exercise of the warrants.

The warrants will be issued in two separate series. Each participant subscribes for an equal number of warrants of both series. This number of warrants per participant and series depends on the participant's position within the Group and the number of shares held by the participant at the time of the commencement of the program. Series 2017/2019 comprises up to 2,611,000 warrants that may be exercised during the following subscription period; 19 May–19 November 2019, with the exception of the thirty-day period preceding (a) the day of the announcement of the company's interim report for the second quarter of 2019, and (b) the day of the announcement of the company's interim report for the third quarter of 2019. The exercise price for series 2017/2019 corresponds to 121.22 percent of the offer price.

Series 2017/2020 comprises up to 2,611,000 warrants that may be exercised during the following subscription period; 19 May–19 November 2020, with the exception of the thirty-day period preceding (a) the day of the announcement of the company's interim report for the second quarter of 2020, and (b) the day of the announcement of the Company's interim report for the third quarter of 2020. The exercise price for series 2017/2019 corresponds to 130.91 percent of the offer price.

The Company has reserved the right to repurchase warrants for example if the participant's employment with the company is terminated. The company's total costs for the programs during its term are not expected to exceed SEK 13.30 million (mainly relating to social security contributions for participants in jurisdictions where participation in the incentive programs is taxed as earned income).

More information on the programs is provided on https://www.munters.com/en/corporate-governance/management/share-related-incentive-program/

Changes in Munters Board of Directors

At the Annual General Meeting, held on 28 March 2017, Lena Olving was newly elected as member of the Board. In addition, Kristian Sildeby was elected as Board member at the extraordinary general meeting held on 7 May 2017. More information about Munters Board of Directors is provided on https://www.munters.com/en/corporate-governance/board-of-directors/

SEASONAL VARIATIONS

The seasonal profile of net sales differs by business area. In general Q1 is the slowest quarter as the number of projects typically is lower in the period.

Demand for Air Treatment products is seasonally stronger in the summer, due to higher construction activity in general and seasonal increase in humidity levels, which leads to strong invoicing in Q2 and Q3. Generally, Q3 and Q4 can be impacted by fiscal planning, with customers looking to utilize budgeted funds and take delivery before year end, which typically leads to a higher net sales level in Q4. The low point in order intake is typically November to February when project activity is lower and customers are in the process of planning for the next fiscal year.

Data Centers' sales are driven by larger projects where the seasonality is less transparent. Order intake and net sales are likely to fluctuate to a higher degree than in our other business areas quarter by quarter due to lumpiness of larger projects. Due to this we have temporarily provided more guidance for the third and fourth quarter 2017.

Seasonality in Mist Elimination is mostly driven by seasonal fluctuations of activity in the coal-fired power industry. The pattern is typically similar to Air Treatment with relatively high net sales in Q4 and limited activity in early Q1.

AgHort's sales are relatively stable over the year. In general, customer project activity is lower during the winter in Europe and the US, which normally affects the business area's sales during Q1 and Q4 negatively.

FINANCIAL POSITION AND LIQUIDITY

In connection with the listing at the stock exchange, Munters entered into a new unsecured loan facility agreement. New lenders are a group of six Scandinavian banks. The facilities contain of a Term Loan of USDm 250 and a Revolving Credit Facility of EURm 185. The facilities have no mandatory amortization requirement. The final maturity date is in May 2022. The loan agreement contains one financial covenant which stipulates a limit on the consolidated net debt in relation to Adjusted EBITDA.

Interest-bearing liabilities amounted to SEKm 3,075 (5,225) at the end of the quarter.

Available unutilized credit facilities as of June 30 amounted to SEKm 626 (314).

The company had cash and cash equivalents of SEKm 494 (265) as of June 30, 2017.

ITEMS AFFECTING COMPARABILITY

	2017			2016				
SEKm	**Q2**	**Q1**	**Jan-Jun**	**Q4**	**Q3**	**Q2**	**Q1**	**Full year**
Other								
Exit preparation costs	44	27	70	27	26	-	-	53
Divestment Cooler business	-	-	-	-	-7	-	-	-7
Business area Air Treatment								
Property sale	0	-7	-7	-	-	-	-	-
Final Earn out HB Group	-53	-	-53	-	-	-	-	-
Business area AgHort								
Final Earn out Reventa	-	-	-	-30	-	-	-	-30
Total	**-9**	**20**	**11**	**-3**	**20**	**-**	**-**	**17**

The items affecting comparability (IAC) in Q2 mainly comprised of exit preparation costs amounting to SEKm 44. Preliminary settlement of the HB Group acquisition earn-out resulted in a gain of SEKm 53.

In 2016, the largest IAC item refers to external costs in relation to Munters and owners' review of strategic exit-alternatives, which amounted to SEKm 53. Munters also benefitted from two positive effects during the year that have been adjusted for. Firstly, the effect from the early settlement of the Reventa acquisition earn-out of SEKm 30 and, secondly, SEKm 7 related to a provision reversal for the Cooler divestment that took place in 2015. There were no IAC items during the first 6-months of 2016 affecting comparability with Q2 2017 and year to date 2017.

The numbers in the table above shows the adjustments made to EBITA.

PARENT COMPANY AND OWNERSHIP

Munters Group AB does not engage in any business activities. The Company only holds shares in subsidiaries, cash and accounts payable. 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 SEKm 175 (46). The Parent Company has no employees.

On May 19th the shares in Munters Group AB were listed on Nasdaq Stockholm. The Offering consisted of 73,439,120 shares, of which 1,872,728 new shares were issued by the Company. The remaining 71,566,392 existing shares were offered mainly by the principal shareholders: Nordic Capital Fund VII and Five Arrows (the "Principal Owners"). The Offering of new shares provides Munters with gross proceeds of approximately SEK 103 million.

Nordic Capital remained as of June 30, the biggest shareholder (50.1%) followed by FAM (10.0%), AMF (5.3%), Alecta (5.0%), Handelsbanken Fonder (3.9%), Carve (3.0%) and Five Arrows (1.7%).

ACQUISITIONS

On April 1, Munters completed the acquisition of Kevin Enterprises Private Limited, a privately owned company headquartered in Mumbai, India. The acquisition was structured as an asset deal, acquiring company being Munters India Humidity Control Private Limited (Munters India). See page 22 for additional information.

On May 30, Munters announced the acquisition of Brazilian-based Edata specializing in key software for food processing plants, primarily for poultry production. Edata provides software to keep track of production within food processing plants and is a long-term partner to MTech Systems, the leading supplier of software solutions to the live production industry which was acquired by Munters on 1 February 2017. Edata delivers form-fit solutions for tracking finished products, measuring quality and yield, and for controlling waste in the food production process. Edata's software will be fully incorporated into MTech's suite enabling Munters to integrate data from farms, hatcheries, feed mills in the food producers' production system. Edata had a turnover of approximately SEKm 15 in 2016 and has 34 employees.

Acquisition costs was SEKm 1 related to the acquisition of Kevin Enteprises in Mist Elimination.

FINANCIAL TARGETS AND DIVIDEND POLICY

Net sales growth

Munters objective is to achieve an annual organic revenue growth of between 7-10% per year, supplemented by selective acquisitions.

Profitability

Munters' mid-term target is to have an adjusted EBITA margin of 14%.

Capital structure

Munters aims to maintain 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 aims to pay an annual dividend corresponding to 30-50% of the net income for the period. The pay-out decision will be based on the Company's financial position, investment needs, acquisitions and liquidity position.

Munters business areas

Munters is organized in four business areas, which are Air Treatment, Data Centers, AgHort and Mist Elimination. From 2017 the Data Center cooling business, previously a part of Air Treatment, is reported as a separate business area. Each of these business areas addresses a set of customer industries and applications, with an offering based on Munters' technologies and services. The application areas which Munters targets typically show a large degree of specialization, with substantial commonalities across geographical regions.

AIR TREATMENT

Air Treatment is a global leader in energy efficient air treatment solutions for industrial and commercial applications. Munters' systems provide precise humidity and temperature control and are used by clients in mission critical processes, and can have a major impact on production safety, product quality, operating efficiency, and financial viability. Our offering includes evaporative cooling, heating, VOC abatement, and dehumidification through desiccant rotors, evaporative cooling pads, and polymer heat exchangers. The underlying market is estimated to deliver 8% annual growth in 2017-2020.

DATA CENTERS

Data Centers is a global leader in climate control systems for medium and large scale Data Centers. Munters' solutions are recognized as being robust and durable in demanding conditions and have a best-in-class track record of reliability and energy efficiency. Munters is mainly active in the fastest growing part of the air economizer data center market (direct and indirect evaporative cooling) which is estimated to grow by approximately 27% annually in 2017-2020. Our dedicated teams have the ability to configure, manufacture, support and deliver data center cooling projects across the globe.

AGHORT

AgHort develops and manufactures energy efficient climate control systems for the growth and development of agriculture and greenhouse applications. By providing the perfect climate, our solutions enable farms to operate and produce under optimum conditions. Our innovative product range includes ventilation, cooling, heating and cutting-edge control systems. Munters always strives to be the premium partner for our customers and is a global supplier offering a full suite of climate control products for agricultural and greenhouse applications. The underlying market is estimated to deliver 6% annual growth in 2017-2020. Demand is underpinned by global factors such as population and GDP growth, and further accelerated by food and industry trends (e.g. productivity and safety issues).

MIST ELIMINATION

Mist Elimination is a globally leading provider of mechanical gas and liquid separation. Our mist eliminators are key components in scrubbers to reduce emissions from power plants and ships across the world. Our highly efficient mist eliminators also create optimum operating conditions and protect equipment in process industries, windmills, gas turbines and ships. Our dedicated team of experts helps customers find the perfect solution to their mist elimination needs. The underlying market is estimated to deliver a 6% annual growth 2017-2020 and will benefit from the introduction of the 0.5% sulphur cap in shipping industry with effect from 2020.

FUNCTIONS ACROSS THE BUSINESS AREAS

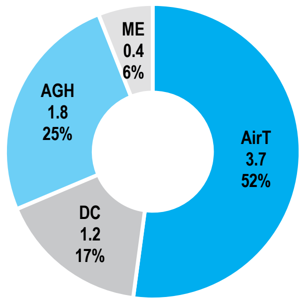
Munters´ equipment often plays a mission critical role in customers operations. Munters provides a range of services for its products, including installation supervision, commissioning, spare parts sales, repairs and performance optimization. The Service business recorded good growth in the second quarter, up 13% compared to previous year. Large investments during 2016 in hiring new service sales staff to drive future growth are expected to reach full effect during 2017.

Operations continued to generate savings within procurement, via cost out programs and implementation of lean principles across the factories.

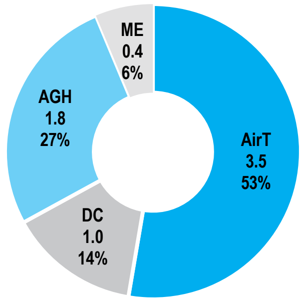
OTHER

Other refers to group related functions and costs that are not allocated to the different business areas. The former business area HumiCool is included in this segment in 2015 with immaterial amounts.

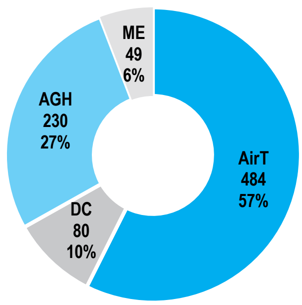
Order intake per business area and LTM (SEKbn)



Net sales per business area and LTM (SEKbn)



Adjusted EBITA per business area and LTM (SEKm)



Air Treatment

- Strong order intake and net sales in Q2 with growth of 12% and 14% respectively with key segments Industrial, Commercial and Components all showing robust growth.
- High demand and orders in the lithium-ion battery production, food and pharmaceutical end-markets as well as supermarkets were main growth drivers of orders in the quarter.
- Adjusted EBITA margin decreased by 1.0 percentage point in the quarter mainly due to production inefficiencies in Mexico and less favorable project mix compared to the previous year.

FINANCIAL SUMMARY

	Q2			Jan-Jun			LTM	Full year
SEKm	2017	2016	Δ%	2017	2016	Δ%	Jul-Jun	2016
External order backlog	1,171	1,067	10	1,171	1,067	10	1,171	959
Order intake	1,037	923	12	1,987	1,698	17	3,674	3,385
Net sales	931	820	14	1,724	1,491	16	3,527	3,294
Operating profit (EBIT)	173	114	52	267	173	55	531	437
Adjusted EBITA	123	117	5	213	178	20	484	448
Adjusted EBITA margin, %	13.2	14.2		12.4	11.9		13.7	13.6

Order intake and net sales

Order intake increased by 12 % during the quarter to SEKm 1,037 (923) of which 8% organically. Currency effects had a positive impact of 4%. In Industrial, order growth was primarily seen in food and pharmaceutical, in the US and Europe. The electronics industry remains the main driver of growth in Asia, particularly in China where lithium-ion battery demand remained strong. Growth in the supermarket end-market continued on a strong path through the second quarter.

Net sales increased by 14% during the quarter to SEKm 931 (820) of which 9% organically. Currency effects had a positive impact of 4%. The increase in net sales resulted from growth in deliveries to industrial and commercial end-markets as well as in components sales to OEMs. In the Americas, a significant delivery to the transportation industry was a major contributor to the revenue growth.

Order intake year to date increased by 17% to SEKm 1,987 (1,698) of which 13% organically. Currency effects had a positive impact of 4%. Order growth was primarily seen in the pharmaceutical, electronics and other industrial applications in the US and in Asia, where the demand from lithium-ion battery producers remained high. Growth in the supermarket end-market continued bringing the year to date order intake to a higher level than prior year.

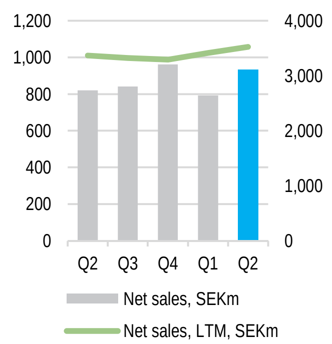
Net sales year to date increased by 16% to SEKm 1,724 (1,491) of which 12% organically. Currency effects had a positive impact of 4%. The increase in net sales was primarily driven by high volume deliveries to industrial customers in the electronics and transportation field as well as high demand from OEMs for components. The increased net sales to supermarkets in the second quarter also added significant growth year to date.

Adjusted EBITA

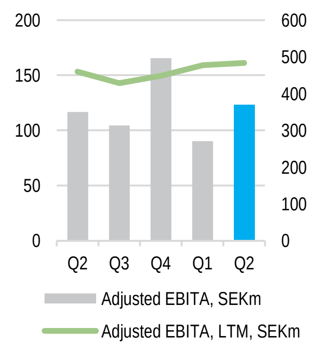
Adjusted EBITA in the second quarter increased by 5% to SEKm 123 (117), of which 3% derived from positive currency translation effects. The EBITA margin decreased from 14.2% to 13.2% due to operational inefficiencies in Americas, primarily in Munters' Mexican operations and by an unfavorable project mix.

Adjusted EBITA year to date remained solid totaling SEKm 213 (178), corresponding to an increase of 20% of which 4% derived from positive currency translation effects. The EBITA margin for the period remained unchanged at 12% as significant improvements in Europe offset the decline caused by the operational inefficiencies in Americas.

Net sales per quarter and LTM (SEKm)



Adjusted EBITA per quarter and LTM (SEKm)



Data Centers

- Order intake increased by 256% compared to the second quarter prior year, primarily due to a SEKm 275 order won in the US and a SEKm 232 order won in Europe.
- Net sales increased by 131% driven by large deliveries for digital customers in the US and a large co-location customer in Europe.
- Weaker performance on margins and adjusted EBITA due to low factory utilization in both the US and Europe and continued investments in the business.

FINANCIAL SUMMARY

	Q2			Jan-Jun			LTM	Full year
SEKm	2017	2016	Δ%	2017	2016	Δ%	Jul-Jun	2016
External order backlog	643	455	41	643	455	41	643	412
Order intake	558	157	256	723	477	52	1,164	919
Net sales	200	86	131	453	176	157	962	685
Operating profit (EBIT)	-14	-13	-12	18	-6		77	54
Adjusted EBITA	-13	-12	-9	19	-5		80	56
Adjusted EBITA margin, %	-6.6	-14.1		4.2	-2.8		8.3	8.1

Order intake and net sales

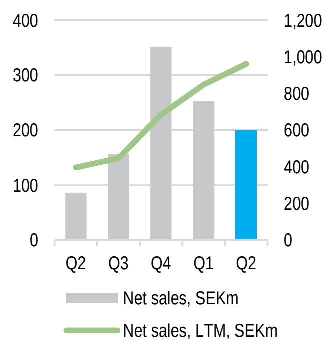
Order intake in the second quarter increased by 256% to SEKm 558 (157) of which 249% organically. Currency effects had a positive impact of 7%. The increase was related primarily to a large order received from a digital customer in the US for SEKm 275 and a large digital customer in Europe for SEKm 232.

Net sales in the second quarter increased by 131% to SEKm 200 (86) of which 125% was organic growth. Currency effects had a positive impact of 6%. Net sales were strong in the US due to sales to digital customers. Deliveries to co-location customers in Europe were also strong.

Order intake year to date increased by 52% to SEKm 723 (477) of which 47% organically. Currency effects had a positive impact of 5%. The increase was related primarily to large orders received from a digital customers in the US and Europe.

Net sales year to date increased by 157% to SEKm 453 (176) of which 151% was organic growth. Currency effects had a positive impact of 7%. The increase is related primarily to increased sales to large digital customers in the US and Europe as well as a co-location customer in Europe.

Net sales per quarter and LTM (SEKm)

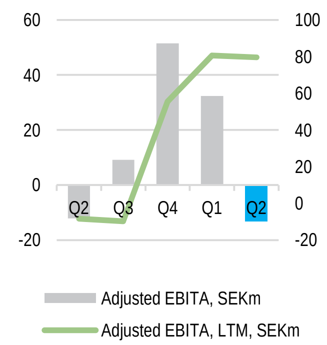


Adjusted EBITA

Adjusted EBITA in the second quarter was SEKm -13 (-12). Additional production facilities have been dedicated to Data Center production during 2017 and despite increased deliveries during the quarter, these additional facilities in both the US and Europe were underutilized, partly due to postponement of a significant production order. The profit impact of the low utilization during the second quarter is estimated to be SEKm 20-25.

Adjusted EBITA year to date was SEKm 19 (-5). The improved adjusted EBITA was due primarily to more consistent projects in both the US and Europe. The increase was partially offset by low project margin performance in the second quarter. Due to the lumpy nature and phasing of the Data Center business Munters foresee continued low factory utilization in the third quarter. The earnings in Data Centers in the third quarter are estimated to be at the same level as in the second quarter. The fourth quarter is still expected to be a strong quarter for Munters with large deliveries of won orders in the US and Europe.

Adjusted EBITA per quarter and LTM (SEKm)



AgHort

- Order intake and net sales both increased by 8% supported by positive currency effects and the acquisitions of MTech Systems and Edata.
- Demand was impacted by lower investment levels in the industry, which mainly had an effect on the Layer sub-segment. In the quarter there was a strong demand in the Swine end-market in China while the Broiler sub-segment showed moderate growth in US and Europe.
- Adjusted EBITA margins were lower than in the second quarter prior year driven by higher overhead cost due to investments in the IoT-offering and growth in China.

FINANCIAL SUMMARY

	Q2			Jan-Jun			LTM	Full year
SEKm	2017	2016	Δ%	2017	2016	Δ%	Jul-Jun	2016
External order backlog	490	375	31	490	375	31	490	249
Order intake	561	520	8	1,031	947	9	1,787	1,704
Net sales	502	463	8	905	824	10	1,787	1,705
Operating profit (EBIT)	75	85	-11	100	128	-22	248	276
Adjusted EBITA	78	88	-11	107	134	-21	230	258
Adjusted EBITA margin, %	15.6	18.9		11.8	16.3		12.9	15.1

Order intake and net sales

Order intake in the second quarter was SEKm 561 (520), an increase of 8% of which -3% organically. The increase was due to 5% in positive structural effect from MTech and Edata and a positive currency effect of 6%.The organic order intake decrease was mainly due to lower demand in the US and the fact that the very high demand from the Layer sub-segment in the first half of 2016 has not continued this year. However, in Asia the performance was very strong with high order intake in several geographical markets during the quarter.

Net sales in the quarter increased by 8% to SEKm 502 (463) with negative organic growth of 5% and positive currency effects of 6%. Structural effects in net sales were 7% comprising of the acquisitions of MTech and Edata. The Edata acquisition was closed in May with limited impact on net sales in the quarter.

Order intake year to date increased by 9% compared to the same period last year with a negative organic growth of 2%. Strong growth in Asia was noted while order intake in EMEA and Americas (excl. acquisitions) decreased.

Net sales year to date increased by 10% compared to the first six months prior year with a negative organic growth of 3%.

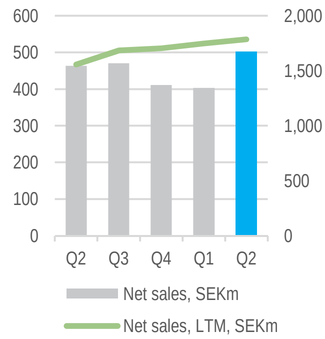
Adjusted EBITA

Adjusted EBITA in the second quarter was SEKm 78 (88) which represents a decrease of 11%, of which 7% derived from positive currency effects. The decrease was partly due to higher overhead cost due to investments in the IoT offering and growth in China. The adjusted EBITA was also impacted by increased cost for raw material and a larger share of sales in Asia where margins are lower.

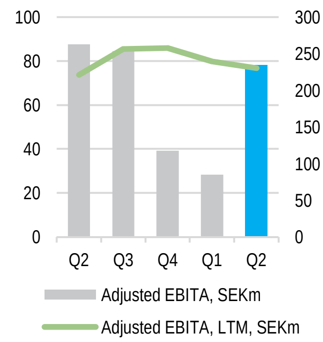
In the second quarter last year releases of warranty and bad debt accruals improved the result with SEKm 7.

Adjusted EBITA year to date was SEKm 107 (134). In addition to the cost increases seen in the second quarter, the result in the first quarter included cost of SEKm 6 for the acquisition of MTech Systems and costs relating to the startup of a new production line in Brazil.

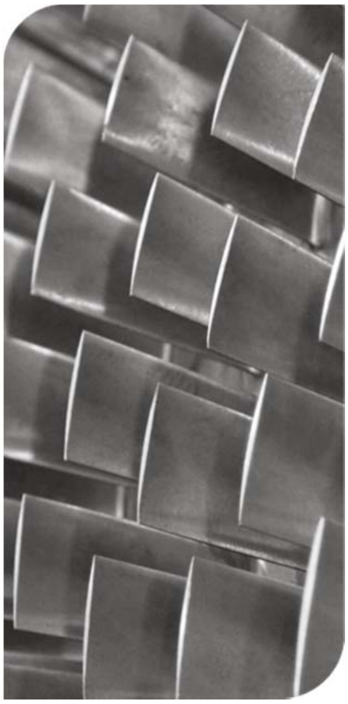
Net sales per quarter and LTM (SEKm)



Adjusted EBITA per quarter and LTM (SEKm)



Mist Elimination



- Order intake increased by 8% driven by structural effects.
- Net sales increased by 1% with structural impacts of +6%. Growth was impacted by continued weak demand for replacement projects in Coal FGD (Flue Gas Desulphurization) compared to prior year.
- Lower adjusted EBITA and adjusted EBITA margin in the quarter due to fewer high margin FGD projects in mainly Americas.

FINANCIAL SUMMARY

	Q2			Jan-Jun			LTM	Full year
SEKm	2017	2016	Δ%	2017	2016	Δ%	Jul-Jun	2016
External order backlog	145	129	13	145	129	13	145	121
Order intake	111	103	8	212	206	3	422	416
Net sales	107	106	1	200	215	-7	422	437
Operating profit (EBIT)	8	17	-55	14	35	-60	48	69
Adjusted EBITA	8	18	-52	15	35	-58	49	69
Adjusted EBITA margin, %	7.9	16.4		7.4	16.4		11.6	15.9

Order intake and net sales

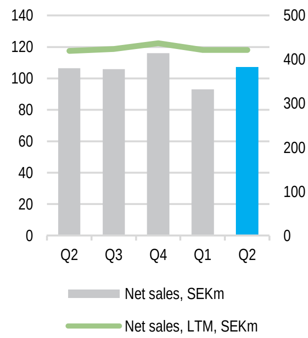
Order intake in the second quarter increased by 8% to SEKm 111 (103), including a currency impact of +5% and structural effects of +12% related to the acquisition of Kevin Enterprises in India. The organic growth was -9%. A declining order intake in EMEA and Americas was partly offset by growth in China. However, an increased activity was seen within the Marine EGC where smaller orders were won from large customers in the quarter.

Net sales in the second quarter increased by 1% to 107 (106) including a currency impact of +5% and structural effects of +6% related to the acquisition of Kevin Enterprises. The organic growth was -10%. EMEA net sales grew as a result of currency effects whereas Americas declined due to continued weak demand for replacement projects in Coal FGD, especially compared to last year. Asian volumes were up, with a slight growth in China coupled with structural positive impacts from the acquisition of Kevin Enterprises.

Order intake year to date was SEKm 212 (206) corresponding to a growth of 3% of which organic growth was -7%. In regions EMEA and Americas the order intake declined while the order intake in Asia increased, mainly as an effect of the Kevin Enterprises acquisition.

Net sales year to date declined by 7% to SEKm 200 (215) of which organic growth was -14%. In regions EMEA and Americas the order intake declined while the order intake in Asia increased, mainly as an effect of the Kevin Enterprises acquisition.

Net sales per quarter and LTM (SEKm)

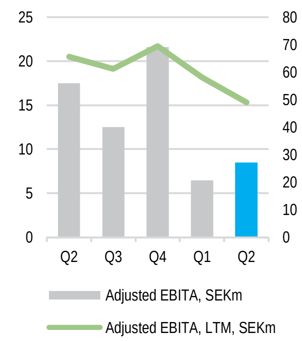


Adjusted EBITA

Adjusted EBITA in the second quarter was SEKm 8 (18), where currency had an impact of +5%. The declining earnings were mainly attributable to a volume mix change where a lower share of net sales were coming from the highly profitable Coal FGD replacement projects in US and a relatively higher share from the lower margin businesses in EMEA and Asia. Costs for final closure of the Kevin Enterprises acquisition amounted to SEKm 1 during the quarter.

During the first half year adjusted EBITA was SEKm 15 (35). The decline was mainly caused by the lower volumes of high-margin FGD replacement projects in US.

Adjusted EBITA per quarter and LTM (SEKm)



Consolidated accounts

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q2		Jan-Jun		LTM	Full year
SEKm	**2017**	**2016**	**2017**	**2016**	**Jul-Jun**	**2016**
Net sales	1,723	1,438	3,242	2,657	6,625	6,040
Cost of goods sold	-1,157	-922	-2,158	-1,713	-4,377	-3,931
Gross profit/loss	**566**	**516**	**1,084**	**945**	**2,248**	**2,109**
Other operating income	53	1	53	1	84	31
Selling expenses	-248	-220	-495	-434	-974	-913
Administrative costs	-175	-113	-333	-219	-626	-512
Research and development costs	-43	-37	-81	-72	-146	-138
Other operating expenses	-10	3	-10	3	-13	0
Operating profit	**143**	**150**	**218**	**223**	**572**	**577**
Financial income and expenses	-134	-110	-241	-202	-463	-424
Profit/Loss after financial items	**9**	**40**	**-23**	**21**	**109**	**153**
Tax	2	-28	-7	-39	-37	-69
Net income	**11**	**11**	**-30**	**-17**	**72**	**85**
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange-rate differences on translation of foreign operations	-63	85	-75	77	46	198
	-63	**85**	**-75**	**77**	**46**	**198**
Other comprehensive income not to be reclassified to profit or						
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax	-	-	-	-	-17	-17
Income tax effect on other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-	-	4	4
Other comprehensive income, net after tax	**-63**	**85**	**-75**	**77**	**33**	**185**
Comprehensive income for the year	**-52**	**96**	**-105**	**60**	**105**	**270**
Income for the year						
Attributable to Parent Company shareholders	11	10	-29	-19	75	85
Attributable to non-controlling interests	0	2	-2	1	-3	0
Comprehensive income for the year						
Attributable to Parent Company shareholders	-52	95	-104	58	108	270
Attributable to non-controlling interests	0	2	-2	1	-3	0
Earnings per share before dilution, SEK	0.11	0.58	-0.52	-1.12	2.20	5.08
Earnings per share after dilution, SEK	0.11	0.58	-0.52	-1.12	2.20	5.08

Consolidated accounts

CONDENSED STATEMENT OF FINANCIAL POSITION – ASSETS

SEKm	2017/06/30	2016/06/30	2016/12/31
ASSETS			
NON-CURRENT ASSETS			
Goodwill	4,268	4,023	4,227
Patents, licenses, brands, and similar rights	1,568	1,558	1,550
Buildings and land	174	153	156
Plant and machinery	159	140	172
Equipment, tools, fixtures and fittings	146	103	133
Construction in progress	111	66	69
Financial assets	26	60	24
Deferred tax assets	252	207	242
Total non-current assets	**6,702**	**6,310**	**6,574**
CURRENT ASSETS			
Raw materials and consumables	364	276	321
Products in process	151	126	123
Finished products and goods for resale	268	237	208
Work on contract	20	13	8
Advances to suppliers	14	10	17
Accounts receivable	1,068	797	1,094
Prepaid expenses and accrued income	83	71	76
Derivative instruments	6	6	2
Current tax assets	46	20	32
Other receivables	129	100	103
Cash and cash equivalents	494	265	432
Total current assets	**2,643**	**1,920**	**2,417**
TOTAL ASSETS	**9,344**	**8,230**	**8,991**

Consolidated accounts

CONDENSED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

SEKm	2017/06/30	2016/06/30	2016/12/31
EQUITY AND LIABILITIES			
EQUITY			
Shareholders equity	3,591	543	756
Non-controlling interests	12	10	11
Total equity	**3,604**	**553**	**767**
NON-CURRENT LIABILITIES			
Shareholder loan	-	2,488	2,688
Interest-bearing liabilities	2,398	2,376	2,544
Provisions for pensions and similar commitments	192	203	179
Other provisions	29	27	30
Other liabilities	153	81	15
Deferred tax liabilities	502	512	525
Total non-current liabilities	**3,273**	**5,687**	**5,981**
CURRENT LIABILITIES			
Interest-bearing liabilities	677	361	429
Advances from customers	280	217	315
Accounts payable	608	455	530
Accrued expenses and deferred income	538	593	565
Derivative instruments	4	6	4
Current tax liabilities	59	39	53
Other liabilities	185	222	232
Provisions for pensions and similar commitments	5	4	5
Other provisions	111	93	110
Total current liabilities	**2,467**	**1,990**	**2,243**
TOTAL EQUITY AND LIABILITIES	**9,344**	**8,230**	**8,991**

CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	2017/06/30	2016/06/30	2016/12/31
Opening balance	**767**	**495**	**495**
Total comprehensive income for the period	-105	59	270
Shareholders contribution	2,803	-	3
Warrants	18	-	-
New share issue	100	-	-
Change in non controlling interest	3	-2	0
Put/call option related to non controlling interests	18	-	-
Closing balance	**3,604**	**553**	**767**
Total shareholders´equity attributable to:			
The parent company's shareholders	3,591	543	756
Holdings with non controlling interests	12	10	11

Consolidated accounts

CONDENSED CASHFLOW STATEMENT

	Q2		Jan-Jun		LTM	Full year
SEKm	**2017**	**2016**	**2017**	**2016**	**Jul-Jun**	**2016**
OPERATING ACTIVITIES						
Earnings before interest and tax (EBIT)	**143**	**150**	**218**	**223**	**572**	**577**
Reversal of non-cash items;	-	-	-	-	-	-
Depreciation, amortization and impairments	72	62	145	125	282	262
Provisions	-0	-4	16	-1	-10	-27
Other profit/loss items not affecting liquidity	-51	-4	-52	-4	-67	-18
Cash flow before interest and tax	**164**	**203**	**326**	**343**	**776**	**794**
Paid financial items	-72	-60	-115	-101	-220	-206
Taxes paid	-29	-36	-54	-62	-123	-130
Cash flow from operating activites before changes in working capital	**63**	**107**	**157**	**180**	**433**	**458**
Cash flow from changes in working capital	**23**	**-87**	**-91**	**-107**	**-163**	**-180**
Cash flow from operating activities	**86**	**19**	**66**	**73**	**270**	**277**
INVESTING ACTIVITIES						
Business acquisitions	-81	-2	-268	-2	-268	-2
Sale of tangible fixed assets	1	-	1	-	1	-
Investment in tangible assets	-32	-37	-80	-72	-171	-163
Investment in intangible assets	-7	-3	-16	-5	-31	-20
Cash flow from investing activities	**-120**	**-42**	**-362**	**-79**	**-469**	**-186**
FINANCING ACTIVITIES						
New share issue	100	-	100	-	100	0
Warrants	18	-	18	-	18	-
Changes in loans	27	-27	249	-81	311	-19
Cash flow from financing activities	**144**	**-27**	**366**	**-81**	**428**	**-19**
Cash flow for the period	**110**	**-50**	**70**	**-88**	**230**	**72**
Cash and cash equivalents at period start	396	309	432	346	265	346
Exchange-rate differences in cash and cash equivalents	-12	5	-8	6	-0	14
Cash and cash equivalents at period end	**494**	**265**	**494**	**265**	**494**	**432**

Parent company

CONDENSED INCOME STATEMENT

	Q2		Jan-Jun		LTM	Full year
SEKm	**2017**	**2016**	**2017**	**2016**	**Jul-Jun**	**2016**
Net sales	-	-	-	-	-	-
Gross profit/loss	**-**	**-**	**-**	**-**	**-**	**-**
Administrative costs	-45	-1	-53	-2	-55	-5
Profit/Loss before interest and tax (EBIT)	**-45**	**-1**	**-53**	**-2**	**-55**	**-5**
Financial income and expenses	-29	-50	-83	-99	-186	-202
Profit/Loss after financial items	**-74**	**-51**	**-136**	**-101**	**-241**	**-207**
Group contributions	-	-	-	-	27	27
Profit/Loss before tax	**-74**	**-51**	**-136**	**-101**	**-214**	**-180**
Tax	7	-	7	-	7	-
Net income	**-68**	**-51**	**-129**	**-101**	**-207**	**-180**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q2		Jan-Jun		LTM	Full year
SEKm	**2017**	**2016**	**2017**	**2016**	**Jul-Jun**	**2016**
Profit/Loss for the year	-68	-51	-129	-101	-207	-180
Other comprehensive income, net after tax	-	-	-	-	-	-
Comprehensive income for the year	**-68**	**-51**	**-129**	**-101**	**-207**	**-180**

Parent company

CONDENSED BALANCE SHEET – ASSETS

SEKm	2017/06/30	2016/06/30	2016/12/31
ASSETS			
NON-CURRENT ASSETS			
Participations in subsidiaries	4,086	4,086	4,086
Other financial assets	7	-	-
Total non-current assets	**4,093**	**4,086**	**4,086**
CURRENT ASSETS			
Other current receivables	10	-	-
Receivables from subsidiaries	-	-	27
Cash and cash equivalents	175	46	44
Total current assets	**185**	**46**	**71**
TOTAL ASSETS	**4,278**	**4,132**	**4,157**

CONDENSED BALANCE SHEET – EQUITY AND LIABILITIES

SEKm	2017/06/30	2016/06/30	2016/12/31
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	0	0
Share premium reserve	1,177	1,177	1,177
Profit brought forward	3,173	437	437
Income for the year	-129	-101	-180
Total equity	**4,227**	**1,513**	**1,434**
NON-CURRENT LIABILITIES			
Shareholder loan	-	2,488	2,688
Total non-current liabilities	**-**	**2,488**	**2,688**
CURRENT LIABILITIES			
Accounts payable	37	-	-
Accrued expenses and deferred income	3	131	35
Other liabilities	11	1	-
Total current liabilities	**51**	**131**	**35**
TOTAL EQUITY AND LIABILITIES	**4,278**	**4,132**	**4,157**

Quarterly overview Group and Segments

Group

	2017			2016					2015	
SEKm	Q2	Q1	Jan-June	Q4	Q3	Q2	Q1	Full year	Q4	Q3
Order backlog	2,449	1,998	2,449	1,741	2,040	2,025	1,713	1,741	1,348	1,623
Order intake	2,234	1,654	3,888	1,491	1,577	1,688	1,617	6,373	1,286	1,439
Net sales	1,723	1,519	3,242	1,823	1,560	1,438	1,220	6,040	1,575	1,424
Transactions between segments										
Operating profit (EBIT)	143	75	218	228	126	150	74	577	107	144
Financial income and expenses	-134	-106	-241	-116	-106	-110	-92	-424	-99	-96
Tax	2	-9	-7	-8	-22	-28	-10	-69	23	-39
Net income	11	-41	-30	105	-2	11	-29	85	31	9
Amortization (incl. surplus values)	56	53	108	49	47	45	46	187	49	42
Items affecting comparability (IAC)	-9	20	11	-3	20	-	-	17	-15	2
Adjusted EBITA	190	147	337	274	193	194	119	781	140	188
Adjusted EBITA margin, %	11.0	9.7	10.4	15.0	12.3	13.5	9.8	12.9	8.9	13.2

Air Treatment

	2017			2016					2015	
SEKm	Q2	Q1	Jan-June	Q4	Q3	Q2	Q1	Full year	Q4	Q3
External order backlog	1,171	1,097	1,171	959	1,076	1,067	939	959	841	1,000
Order intake	1,037	950	1,987	840	848	923	775	3,385	828	740
External net sales	927	787	1,713	959	842	818	670	3,288	971	870
Transactions between segments	5	6	11	2	0	2	1	6	17	18
Operating profit (EBIT)	173	94	267	162	102	114	59	437	141	133
Amortization (incl. surplus values)	3	3	6	3	3	3	3	11	5	3
Items affecting comparability (IAC)	-53	-7	-60	-	-	-	-	-	-	-
Adjusted EBITA	123	90	213	166	105	117	62	448	146	136
Adjusted EBITA margin, %	13.2	11.4	12.4	17.2	12.4	14.2	9.2	13.6	14.8	15.3

Data Centers

	2017			2016					2015	
SEKm	Q2	Q1	Jan-June	Q4	Q3	Q2	Q1	Full year	Q4	Q3
External order backlog	643	321	643	412	558	455	328	412	112	205
Order intake	558	165	723	187	255	157	320	919	27	185
External net sales	192	249	441	352	156	57	90	655	115	105
Transactions between segments	8	4	12	0	0	29	0	30	0	0
Operating profit (EBIT)	-14	32	18	51	9	-13	7	54	-14	11
Amortization (incl. surplus values)	1	1	1	0	0	0	0	1	-	-
Items affecting comparability (IAC)	-	-	-	-	-	-	-	-	-	-
Adjusted EBITA	-13	32	19	51	9	-12	7	56	-14	11
Adjusted EBITA margin, %	-6.6	12.8	4.3	14.6	5.8	-14.1	8.0	8.5	-12.1	10.0

Quarterly overview Group and Segments

AgHort

	2017			2016					2015	
SEKm	Q2	Q1	Jan-June	Q4	Q3	Q2	Q1	Full year	Q4	Q3
External order backlog	490	454	490	249	267	375	316	249	260	264
Order intake	561	469	1,031	382	374	520	427	1,704	360	405
External net sales	500	391	891	399	459	457	355	1,669	379	333
Transactions between segments	1	13	14	11	12	7	5	36	12	8
Operating profit (EBIT)	75	25	100	66	81	85	43	276	35	49
Amortization (incl. surplus values)	3	3	6	3	3	3	3	12	3	0
Items affecting comparability (IAC)	-	-	-	-30	-	-	-	-30	-	-
Adjusted EBITA	78	28	107	39	85	88	46	258	38	49
Adjusted EBITA margin, %	15.6	7.0	12.0	9.5	18.0	18.9	12.9	15.4	9.7	14.4

Mist Elimination

	2017			2016					2015	
SEKm	Q2	Q1	Jan-June	Q4	Q3	Q2	Q1	Full year	Q4	Q3
External order backlog	145	126	145	121	140	129	130	121	135	147
Order intake	111	101	212	95	115	103	103	416	93	126
External net sales	104	92	196	113	103	106	106	428	102	99
Transactions between segments	3	1	4	3	3	0	3	9	2	2
Operating profit (EBIT)	8	6	14	21	12	17	18	69	12	16
Amortization (incl. surplus values)	1	0	1	0	0	0	0	1	0	0
Items affecting comparability (IAC)	-	-	-	-	-	-	-	-	1	1
Adjusted EBITA	8	6	15	22	13	18	18	69	13	17
Adjusted EBITA margin, %	7.9	6.9	7.6	18.6	11.8	16.4	16.4	16.2	13.0	16.6

Other and eliminations

	2017			2016					2015	
SEKm	Q2	Q1	Jan-June	Q4	Q3	Q2	Q1	Full year	Q4	Q3
Order intake	-34	-31	-65	-13	-15	-14	-8	-50	-21	-18
External net sales	-	-	-	-	-	-	-	-	8	15
Transactions between segments	-17	-24	-41	-17	-15	-39	-9	-80	-31	-29
Operating profit (EBIT)	-99	-82	-181	-73	-78	-54	-53	-258	-68	-65
Amortization (incl. surplus values)	48	46	94	42	40	39	40	161	41	38
Items affecting comparability (IAC)	44	27	70	27	20	-	-	47	-17	2
Adjusted EBITA	-7	-10	-17	-4	-18	-15	-13	-51	-43	-25

Notes

ACCOUNTING POLICIES

This report has been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting policies conform to International Financial Reporting Standards (IFRS), as well as with the EU approved interpretations of the relevant standards, the International Financial Reporting Interpretations Committee (IFRIC) and Chapter 9 of the Swedish Annual Accounts Act. The report has been drawn up using the same accounting policies and methods of calculation as those in the Annual Report (Note 1), except for a change in segments where, as of January 1, 2017, the Data Centers, previously part of the Air Treatment segment, is presented as s separate segment. The historical numbers have been recalculated to reflect this change. Segment information can be found on pages 7 through 10 and the segment disclosures are presented on page 17-18. New or revised IFRS standards that came into force in 2017 did not have any material impact on the Group. IFRS also comprises International Accounting Standards (IAS) and interpretations of the standards, called IFRIC and SIC, respectively. Besides IFRS and the Annual Accounts Act, recommendation RFR1 of the Swedish Financial Reporting Board – Supplementary Accounting Rules for Groups – is also applied.

The parent company has implemented the Swedish Financial Reporting Board's Recommendation RFR 2, which means that the parent in the legal entity shall apply all EU approved IFRS and related statements as far as this is possible, while continuing to apply the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and paying due regard to the relationship between accounting and taxation.The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and according to the Annual Accounts Act.

The consolidated accounts encompass the Parent Company and its subsidiaries. The financial statements for the Parent Company and its subsidiaries included in the consolidated accounts refer to the same period and have been prepared in accordance with the accounting policies that apply to the Group. All intra-Group transactions, revenues, costs, gains, or losses that arise in transactions between companies included in the consolidated accounts have been wholly eliminated.

IFRS 15, Revenue from contracts with customers (effective from 2018).

The Company is evaluating the impact of the standard and has not quantified the effects of IFRS 15. Based on a preliminary analysis of a number of contracts related to customers of the Air Treatment business area, the Company does not currently believe that the standard will have a significant effect on the Company's financial statements. This evaluation will continue throughout 2017.

IFRS 16 Lease (effective from 2019).

Munters has begun to analyze the effects IFRS 16 will have on the Company's financial statements. In brief, the initial analysis shows that Munters as an operational lessee will be affected by the implementation of IFRS 16. Monetary calculations of the effect of IFRS 16 and choice of transition approach have not yet been carried out. Based on the Company's preliminary review of its leases (primarily lease agreements in respect of premises), including notice periods and rental amounts, the Company currently believes that IFRS 16 will have an effect on its consolidated accounts and financial key performance indicators, primarily ratios based on gross assets and gross liabilities.

TRANSACTIONS WITH RELATED PARTIES

Munters loan from shareholders was raised in 2010. At the date of the IPO the Shareholder loan was terminated and converted into shareholders equity. For the second quarter 2017 the Group expensed interest on loans from shareholders amounting to SEKm -29 (-50). At the Extraordinary General Meeting on 7 May 2017, it was resolved to issue warrants as part of an incentive program for certain members of the Group management. In total, the incentive program comprises 8 individuals and not more than 5,222,000 warrants. The Participants may subscribe for warrants at a market value corresponding to in total not more than SEK 17.99 million. The maximum number of warrants that may be subscribed for by the Participants corresponds to approximately 2.77 percent of the Company's share capital following completion of the Offering and assuming full exercise of the warrants. For more information about the incentive programs, see page 4 in this report. For further information of transactions between Munters and related parties, see the Annual Report 2016.

EMPLOYEES

The number of permanent employees at June 30th 2017 was 3,431 (2,772), an increase of 24%. The increase in the number of employees was mainly attributable to the acquisition of MTech Systems and Kevin Enterprises as well as to the expansion of service and production staff to address the increase in volumes that occurred and the focus on the service business.

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 Environement, 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. We achieve this through strong leadership, teamwork and our constant quest for improvement in all that we do. Munters' manufacturing facilities all over the world are committed to working with a written EHS Management Program. The EHS Program establishes procedures to ensure regulatory compliance, to actively prevent injuries, and to reduce the impact that our business has on the environment.

RISKS AND UNCERTAINTIES

Munters is a company with geographically widespread operations and many small organisational entities. The Group depends to some extent on key customers and key personnel. Some of Munters' sales consist of components, products and facilities used in complex customer processes. Quality and contract obligations could result in claims for damages. Future alternative technologies could constitute a risk. Companies currently active in air treatment could become established in Munters' niches, which would mean increased competition. Demand for the Company's products is affected by the general economic trends. Financial risks mainly consist of currency, interest and financing risks. The continued development of the global economy (including interest rate and currency risk) is an uncertainty factor for profitability. A more detailed description of the Group's financial risks and how they are monitored and managed is disclosed in Note 3 in the Annual Report of 2016. Central guidelines govern the use of insurance, including coverage for general liability and product liability, property, business interruption, transportation, crimes against property, the liability of Board members and the CEO and employment practices liabilities. Several of insurance policies are managed Group-wide.

EARNINGS PER SHARE

Net profit per ordinary share in the second quarter 2017 amounted to SEK 0.11 (0.58). Income attributable to Parent Company's ordinary shareholders amounted to SEKm 11 (10) for the second quarter. The average number of outstanding ordinary shares in the second quarter was 92,784,766 before dilution and 93,010,632 after dilution. The two major factors behind the decrease in earnings per share compared to the same quarter previous year were the transformation of shareholder loans to equity and the share issue on May 19th. Net income was also negatively affected by previously capitalized financing fees amounting to SEKm -57 taken as cost in the second quarter.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's derivatives, recognized at fair value in the statement of financial position, are measured according to IFRS 13 and level 2 in the fair value hierarchy. The derivatives amount to SEKm 6 (4) in financial assets and to SEKm 3 (5) in financial liabilities.

Per end of the quarter the Term loan was fully drawn with USDm 250 and EURm 100 of the total Revolver facility were drawn in EUR, USD and SEK. Along with the main loan facility an amount of SEKm 20 in local debt is outstanding in Brazil, China and Czech Republic.

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 13 and level 3 in the fair value hierarchy. In the table below the changes in the contingent consideration liability during 2017 are explained. The largest changes are related to the acquisition of MTech Systems, see further description on page 21.

SEKm	**2017/06/30**	**2016/06/30**	**2016/12/31**
Contingent price considerations and put/call options			
Opening balance	51	78	78
Estimated liabilities at acquisition	162		-
Payments	-	-	-9
Changes recognized in other operating income	-53	-	-30
Discounting	-15	2	7
Exchange-rate differences for the year	-7	5	5
Closing balance	**138**	**85**	**51**

Munters deems that the interest rate on interest-bearing liabilities is in line with market terms at June 30, 2017, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount.

ACQUISITIONS

MTech Systems

On February 1, 2017, Munters completed the acquisition of 60% of the shares in the US based software company MTech Systems.
The company will operate within the business area AgHort. The purchase price amounted to SEKm 222, corresponding to a debt-free enterprise value for 100% of the company of SEKm 370. Munters also has an option to acquire the remaining 40% of the shares that are held by senior executives of MTech Systems, which also have an option to sell, starting in December 2020. The purchase consideration on exercising the option will be based on the financial result for the 12 months prior to the date of exercising the option. As a consequence of the option Munters recognize non-controlling participations initially and allocate such part of income. The Group also recognizes a liability corresponding to the discounted expected redemption price for the options whereupon non-controlling participations attributable to the options are eliminated. This is the final purchase price allocation. Compared with the preliminary purchase price allocation technology has decreased with SEKm 25 and goodwill has increased with the same amount.
The difference between liabilities for the options and the non-controlling participations to which the options refer is recognized directly in equity and disclosed separately from other changes in equity.

The acquisition of MTech Systems was financed by raising bank loans. In 2016 MTech Systems had revenues amounting to approximately SEKm 140. Acquisition costs during 2016 - 2017 incurred amounts to SEKm 10.

Information about acquired net assets and goodwill follows (SEKm)	**According to final purchase price allocation**
Cash purchase consideration paid	222
Total purchase consideration	**222**
Fair value of non-controlling interests	162
Fair value of acquired net assets	-219
Goodwill	**165**

Acquired net assets at time of acquisition	**Fair values according to preliminary purchase price allocation**
Assets	
Property, plant and equipment	13
Customer relationships	29
Technology	97
Brands	19
Accounts receivable	51
Other current assets	39
Cash and cash equivalents	35
Total assets	**282**
Liabilities	
Non-current interest-bearing liabilities	0
Current interest-bearing liabilities	0
Accounts payable	1
Accrued expenses and deferred income	20
Deferred tax liabilities	29
Other current liabilities	12
Total liabilities	**63**
Net identifiable assets and liabilities	**219**
Cash purchase consideration paid	222
Cash and cash equivalents in acquired company	-35
Change in the Group's cash and cash equivalents on acquisition	**187**

The fair value of acquired net assets was increased by SEKm 141. Of this amount SEK 29 million relates to customer relationships, SEKm 97 to technology, SEKm 19 to brands, and SEKm 29 to deferred tax liabilities. The fair value of the acquired accounts receivable at the date of acquisition, SEKm 51 corresponds to the amount expected to be paid. Receivables have a nominal value of SEKm 51.

The goodwill arising from the acquisition, SEKm 165, is primarily attributable to future synergies expected through combining MTech Systems expertise in advanced data analysis with data from Munters controllers, creating a complete overview of the supply chain for poultry and swine producers. Overall this will significantly expand Munters offering to our customers in business area AgHort.

Kevin Enterprises

On April 1, Munters completed the acquisition of Kevin Enterprises Private Limited, a privately owned company headquartered in Mumbai, India. The acquisition was structured as an asset deal, acquiring company being Munters India Humidity Control Private Limited, Munters India. The acquired business will as of April 2017 be reported as a separate reporting unit within Munters India, and will be consolidated into Business Area Mist Elimination. The preliminary purchased consideration, after preliminary net working capital and net debt adjustments, amounted to SEKm 76. Preliminary fair value of transferred net working capital and net fixed assets amounted to SEKm 18 and 35 respectively. Value of intangible assets, including goodwill, was estimated at approximately SEKm 23. Work will be carried out with respect to further specifying and allocating value to specific intangible assets. Net debt items were estimated at approximately SEKm 0.2. In 2016, Kevin Enterprises generated revenues of approximately SEKm 65.
Acquisition costs incurred amounts to SEKm 6.

Information about acquired net assets and goodwill follows (SEK million)	**According to preliminary purchase price allocation**
Cash purchase consideration paid	76
Total purchase consideration	**76**
Fair value of acquired net assets	61
Goodwill	**15**

Acquired net assets at time of acquisition	**Fair value according to preliminary purchase price allocation**
Assets	
Property, plant & equipment	35
Technology	6
Order backlog	1
Favourable contract to use Brand name	1
Inventories	11
Accounts receivable	10
Other current assets	0
Total assets	**64**
Liabilities	
Accounts payable	(3)
Accrued expenses and deferred income	(0)
Other current liabilities	(0)
Total liabilities	**(3)**
Net identified assets and liabilities	**61**
Cash purchase consideration paid	76
Change in Group's cash and cash equivalent on acquisition	**76**

Edata

On May 30 2017, Munters Group acquired Brazilian-based Edata specializing in key software for food processing plants, primarily for poultry production. Edata provides software to keep track of production within food processing plants and is a long-term partner to MTech Systems, the leading supplier of software solutions to the live production industry which was acquired by Munters on 1 February 2017. Edata delivers form-fit solutions for tracking finished products, measuring quality and yield, and for controlling waste in the food production process. Edata's software will be fully incorporated into MTech's suite enabling Munters to integrate data from farms, hatcheries, feed mills in the food producers' production system. Edata had a turnover of approximately 15 MSEK in 2016 and have 34 employees.

Alternative performance measures

In this interim report, there are references to a number of performance measures. Some of the measures are defined in IFRS while others are alternative performance measures and are not disclosed in accordance with applicable financial reporting frameworks or other legislations. The performance measures are used by the Group to assist both investors and management in analyzing Munters' business. Below are the performance measures found in this interim report described, defined and the reason for use disclosed.

Adjusted EBITA
Operating profit, adjusted for amortizations and items affecting comparability. Munters believes that using adjusted EBITDA is helpful in analyzing our performance because it removes the impact of items from our operating results that, in our opinion, do not reflect our core operating performance.

Adjusted EBITA margin
Adjusted EBITA as a percentage of net sales. Munters believes that Adjusted EBITA Margin is a useful measure for showing the Company's profit generated by the operating activities.

Capital employed
Capital employed is calculated as the balance sheet's total assets, excluding interest-bearing assets and deferred tax assets, less total liabilities, excluding interest-bearing liabilities, pension liabilities and deferred tax liabilities.

Cash and cash equivalents
Cash and bank balances plus investments in securities and the like with maturity periods not exceeding three months. This is a measure that highlights the short-term liquidity.

Items affecting comparability ("IAC")
Items affecting comparability relates to income statement items that have an impact on operating profit and are important for understanding the underlying development of operations.

LTM
LTM (last twelve months) after any key indicator means that the KPI corresponds to an accumulation of previous twelve month reported numbers. The measure is used to highlight trends in different KPIs, which is valuable in order to gain a deeper understanding of the development of the business.

Net debt
Net debt calculated as interest bearing debt and pension liabilities, deducted by cash and cash equivalents. This is a measure of the ability to repay the debt if it was all due.

Operating profit (EBIT)
Earnings before interest and tax. Munters believes that EBIT shows the profit generated by the operating activities.

Order backlog
Received and confirmed sales orders not yet delivered and accounted for as net sales. Order Backlog is a useful measure to indicate the efficiency of the conversion of received and confirmed sales orders into net sales in future periods, and is used by Munters to monitor business performance and customer demand, and adjust operations.

Order intake
Received and confirmed sales orders during the reporting period. The order intake is an indicator of future revenues and, consequently, an important KPI for the management of Munters' business.

Organic growth
Change in order intake and net sales compared to the previous period, excluding currency translation effects and contributions to order intake and net sales from businesses that were acquired and/or divested during the current period and/or any comparison period. The measure is used by Munters to monitor order intake and net sales growth driven by changes in volume and price between different periods.

Return on capital employed (ROCE)
Operating profit (EBIT), divided by the average capital employed. The average capital employed for each year consists of an average of the closing capital employed in the last 13 months.

Munters believes that the presentation of ROCE provides useful information to investors because ROCE can be used to determine whether capital invested in Munters yields competitive returns. The usefulness of ROCE is inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute amount of Munters income, debt or equity. It also excludes certain items from the calculation and other companies may use a similar measure but calculate it differently.

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, 15 August 2017

Christopher Curtis
Chairman of the Board

John Peter Leesi
President and CEO

Helen Fasth Gillstedt
Board Member

Per Hallius
Board Member

Joakim Karlsson
Board Member

Andreas Näsvik
Board Member

Lena Olving
Board Member

Kristian Sildeby
Board Member

Joachim Zetterlund
Board Member

Robin Heden
Board Member,
employee representative

Pia Nordquist
Board Member,
employee representative

Simon Henriksson
Deputy Board Member,
employee representative

Robert Wahlgren
Deputy Board Member,
employee representative

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

INFORMATION AND REPORTING DATES 2017/2018

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 below, at 08.00 CET on 15 August 2017.

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Additional information may be obtained from Munters Investor Relations at phone +46 8 626 63 01 or by e-mailing info@munters.com.

The report will be presented at a webcast/teleconference on 15 August 2017 at 10:00 CET via http://www.financialhearings.com/event/10287

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

Financial calendar 2017/2018:

9 November, Interim report, third quarter 2017
16 February, Interim report, fourth quarter and year-end 2017
26 April, Interim report, first quarter 2018

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, the largest being the food, pharmaceutical and data center sectors. Munters has been defining the future of air treatment since 1955. Today, around 3,500 employees (including temps.) carry out manufacturing and sales in more than 30 countries. Munters reports annual net sales above SEK 6 billion. 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.