Munters

MUNTERS TOPHOLDING AB ANNUAL REPORT 2016

Our Brand Promise – Your Perfect Climate

About Munters

Munters is a global leader and premium partner in energy efficient air treatment solutions. Using innovative technologies, our expert engineers create the perfect climate for customers in a wide range of industries with the largest being the food, pharmaceutical and data center sectors. Munters has been defining the future of air treatment since 1955. Today, manufacturing and sales are carried out in more than 30 countries by around 2 900 employees. Munters reports annual net sales in the region of SEK 6 billion and is owned by Nordic Capital Fund VII.

Visit us on munters.com

This English version of the Annual Report of Munters Topholding AB is a translation of the Swedish original. The Swedish text is the binding version and shall prevail in the event of any discrepancies. Figures in this report may include rounding differences.

Facts and Figures

- Global presence with sales and manufacturing in more than 30 markets
- SEK 6 billion in annual net sales
- Around 2,900 employees
- 17 manufacturing plants, 7 logistics and assembly hubs, and 55 sales and service centers
- Installed base of more than 320,000 air treatment systems
- Owned by Nordic Capital Fund VII

17
Manufacturing plants

6
Billion SEK in annual net sales

55
Sales and service centers

30
Global presence with sales and manufacturing in more then 30 markets and six continents

60
Years of innovation

Our Legacy

Munters is the original innovator in climate control since 1955. Founded by ingenious inventor and entrepreneur Carl Munters, the company was built around his insights to the laws of thermodynamics in combination with an ability to translate that understanding into groundbreaking technology.

During his lifetime Carl Munters applied for nearly 1,000 patents, mostly within the areas of dehumidification and evaporative cooling. These two areas are core technologies within Munters.

Today the legacy of innovation and engineering lives on within the company. The spirit of passionate innovator Carl Munters guides our daily work.

Business Areas

Air Treatment

Business Area Air Treatment is a global leader in energy efficient air treatment solutions. We create the perfect climate for manufacturing, preservation and commercial use with state-of-the-art products. Our innovative solutions provide precise humidity and temperature control that is healthy, comfortable and environment friendly. Our solutions include evaporative cooling, heating, VOC abatement, and dehumidification through desiccant rotors, evaporative cooling pads, and polymer heat exchangers.*

Case: Pharmaceuticals

Drugs and medicines are becoming more powerful and effective every day.

Manufacturing of pharmaceutical products is strictly regulated through the Good Manufacturing Practice (GMP) which is controlled by National Regulatory Agencies. Users of drugs and medicine must be absolutely certain that these are produced at the highest level of cleanliness and hygiene. The potential effects of having a contaminated environment are frightening.

Using Munters technology and solutions in this manufacturing environment ensures that GMP standards are met. Patient safety is achieved through Munters providing the perfect climate.

AgHort

Business Area 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.

Case: Greenhouses

We want to eat better and healthier. We understand more every day of what constitutes a good meal. We know that vegetables form crucial parts of our nourishment. As a result more vegetables must be grown in an energy efficient manner. But a greenhouse requires fans to be properly ventilated.

Munters fans provide more airflow at lower energy consumption levels leading to a better environment for the vegetables. Fewer fans mean lower investments – which lead to lower vegetable prices.

Producers, consumers and the world get the perfect climate.

Mist Elimination

Business Area Mist Elimination is a leading provider of mist elimination solutions. Our highly efficient separators create optimum operating conditions and protect equipment in process industries, windmills, gas turbines and ships. Our mist eliminators are also key components in scrubbers to reduce emissions from power plants and ships across the world. Our dedicated team of experts helps customers find the perfect solution to their mist elimination needs.

Case: Gas Turbines

The world is in constant need for energy. The Power and Process industries must continue to be innovative given the rising costs for producing energy.

Gas Turbines are an important part of the production facilities in many industries. The turbines must operate at a very high level of efficiency. A large amount of filtered air is a necessity to achieve effective and constant production. When Munters mist eliminators are a part of the production process the filter life is extended and it ensures that the production is not interrupted.

Extended filter life and continuous production is achieved through Munters providing the perfect climate.

**During 2016, Data Centers was part of Business Area Air Treatment. From Jan 2017 they are now a business area in their own right.*

Contents

Board of Directors' report

The Board of Directors of Munters Topholding AB, corp. reg. no. 556819-2321, with its registered office in Stockholm, Sweden, hereby submits the annual report and consolidated accounts for the fiscal year 1 January - 31 December 2016. The Board of Directors approved the annual accounts for publication 14 March 2017. The consolidated and Parent Company income statements and balance sheets will be submitted for approval at the Annual General Meeting on March 28, 2017.

Operations

The Munters Group is a world-leading supplier of energy-efficient dehumidification and air treatment solutions. Using innovative technology, Munters' experts create the perfect climate for customers in a wide range of industries. Our largest customers are found in the food, pharmaceutical, retail, data center, livestock and power industries. Munters has been a pioneer in the field of air treatment since the company was founded in 1955. The operation is organised into three business areas: Air Treatment, AgHort and Mist Elimination. During the year a decision was taken to reorganise the operation into four business areas, where Data Centers is separated from the business area Air Treatment. Services becomes a global product organisation which will eventually be a part of and serve all business areas. The new organisation is effective from 1 January 2017. Munters' business areas focus on industrial process air treatment, comfort-oriented climate control, data center cooling, climate control for livestock and greenhouses, and flue gas cleaning. Manufacturing and sales are carried out through subsidiaries in some 30 countries. The Group has approximately 2,900 employees.

Significant events during the fiscal year

Acquisitions and divestments

No acquisition or divestments occurred during the year.

Other

During the fourth quarter, an additional consideration was paid in advance to the former owner of Reventa. The amount paid was SEK 9 million. Additional information about the transaction can be found in Note 2.

Air Treatment

Munters' Air Treatment business area operates in the Americas, EMEA and Asia Pacific regions. Business is conducted in the market segments Industrial, Commercial, Data Centers, OEM Components and Service. Future growth opportunities are deemed to be very good primarily in the market segments Industrial, Data Centers, OEM Components and Service. Market positions within the Industrial segment are traditionally very strong, with a strong brand name and a high market share. During the year, the trend for Components was strong, driven in part by strong demand from the lithium battery market in China. Data Centers has had strong demand, and continued solid growth is expected in energy-saving solutions for cooling data center facilities. The Commercial segment is dominated by sales to retail chains in the US in particular where demand was weaker than the previous year. During 2014 a strategic decision was taken which meant that Munters eventually will stop producing and selling products that lack crutial components produced by Munters. During the year sales within Commercial have been negatively effected by this strategic decision. The trend for Service has been favourable during the year, with robust growth in all regions. During the year it was decided that as of 1 January 2017, Data Centers would be separated from the Air Treatment business area to form an independent business area, Data Centers. At the same time a global product organisation, Services, which will eventually serve all business areas was formed.

In the Americas region, order intake grew at a somewhat lower pace mainly due to lower demand in the retail sector. Order intake was strong in EMEA, with positive contributions from large projects in both the Industrial segment and the Service segment. The growth rate in Asia Pacific was good, with large deliveries to companies that produce lithium batteries. The data center cooling market performed well during the year with good growth in both the Americas and EMEA. During the year, Munters received the largest order in its history from a major data center customer in the EMEA region. The order was delivered in the second half of the year from Munters' factory in Dison, Belgium. The Service business showed strong growth in all regions during the year, with good growth in

the Americas region. Prices were raised in most markets during the year.

AgHort

The AgHort business area is globally recognised as a leading supplier of products and energy-efficient climate control solutions for livestock and greenhouses. The operations are conducted in the market segments Broiler, Layer, Swine, Dairy and Greenhouse. Robust demand was observed during the year, particularly in the US, where most segments showed extremely strong growth. Demand within the EMEA was more subdued, with lower demand from the Middle East, Eastern Europe and Russia. The healthy demand in the US also had a favourable impact on Rotem Computerized Controllers during the year, since US customers account for a substantial portion of sales. The strategy to shift the focus away from component sales to provide applications focused on integrated solutions for our customers has made good progress. The concentrated investment in China, which transitioned from a direct sales organisation to sales through indirect channels, provided a good return during the year.

The 2015 acquisition of Reventa in Germany provided Munters with better coverage in the Swine segment, along with access to a market where products are provided for poultry and pigs in cold climates. The majority of Reventa's customers are in Germany, though a large percentage of sales involves exports to Russia and Eastern Europe. Reventa is a strong and innovative company with expertise in regenerative ventilation technology. Prices were raised during the year.

Mist Elimination

The Mist Elimination business area provides complete solutions primarily for droplet separation from gas flows, which increases productivity, protects the equipment and safeguards the environment.

Business is conducted within the Power, Process and Marine market segments. During the year, the business area continued to focus on implementing its strategy and building the necessary infrastructure and expertise in both sales and production in order to expand operations into new focus segments and markets. During the year a decision was taken to close down production in Munters' production facility in Istanbul, Turkey, and production was outsourced to subcontractors in Europe. Production capacity at the manufacturing facility in Beijing has now been expanded and demand from customers in the Chinese market was very strong during the year. Order intake in the Power segment in China was strong during the year, including treatment facilities for coal-fired plants. Region Americas demonstrated robust profitability during the year, driven mainly by the Power segment. Good demand is expected moving forward in the segments Power and Marine. Prices were raised during the year.

Significant events after the balance sheet date

On February 1, 2017, Munters completed the acquisition of 60 per cent of the shares in the US based software company MTech Systems. The purchase price amounted to SEK 222 million, corresponding to a debt-free enterprise value for 100 per cent of the company of SEK 370 million.

The acquisition of MTech Systems will transform Munters offering through the use of advanced data analytics. By combining the expertise and solutions of the two companies, Munters will be able to provide a complete picture of the supply chain for poultry and swine producers. MTech Systems, headquartered in Atlanta, Georgia is the world leader in software systems providing insight and intelligence to every aspect of poultry and swine production management. MTech's applications can be found running swine and poultry businesses on six continents in over twenty countries. For more information see Note 31.

Munters' and its owners are currently investigating different strategic alternatives to support further development and growth of the company, including the possibility of an initial public offering of the Company. No decision has been made and the market will be informed if and when any such decisions are made.

In February 2017 Helen Fasth Gillstedt was appointed a new Board member and she will be the chairman of the Audit Committee.

Financial performance and position

Order intake and net sales

Order intake for the period was SEK 6,373 million (5,420) and order backlog at year-end was SEK 1,741 million (1,348). Order intake rose during the year by 18 per cent compared with the same period last year, of which 14 per cent was volume and price-related growth, 0 per cent was attributable to currency effects and 4 per cent to acquisitions. All business areas reported good organic growth during the year. The highest percentage growth rates were reported for Air Treatment and AgHort.

Net sales totalled SEK 6,040 million (5,399). Net sales increased during the year by 12 per cent compared with 2015, of which 8 per cent was volume and price-related growth, 0 per cent was attributable to currency effects and 4 per cent to acquisitions. All business areas reported growth during the year. Air Treatment and AgHort demonstrated the highest percentage growth rates for net sales as well.

Gross profit
Gross profit totalled SEK 2,109 million (1,819) and gross margin was 34.9 per cent (33.7).

Indirect expenses
Selling and administrative expenses amounted to SEK 1,425 million (1,303), corresponding to 23.6 per cent (24.1) of net sales.

Operating profit/loss
Operating profit for the year totalled SEK 577 million (384). The operating margin was 9.6 per cent (7.1).

Financial items
Consolidated net financial items in 2016 amounted to SEK -424 million (-371). Capitalised expenditure for previous financing had a negative impact on consolidated net financial items.

Taxes
The Group has a net tax expense of SEK -69 million (-31).

Non-recurring items
Non-recurring items that impact operating income negatively for 2016 totalled SEK 17 million (-11) and are mainly attributable to costs for preparations for a potential future sale of Munters. For more information about these items see definitions of key financial indicators on page 51.

Investments
Investments in property, plant, and equipment for the period amounted to SEK 163 million (91), a large part relates to machinery and equipment for production operations in the US, Italy, Mexico and Germany. Investments in intangible assets excluding goodwill and other acquisition-related intangible assets amounted to SEK 20 million (22) in 2016. Depreciation, amortization and impairment totalled SEK 262 million (233).

Financial position
The equity ratio at year-end was 8.4 per cent (6.2). Interest-bearing assets amounted to SEK 432 million (346) and interest-bearing provisions and liabilities amounted to SEK 5,841 million (5,451). Interest-bearing net debt at year-end was consequently SEK 5,412 million (5,106). Net debt includes SEK 2,688 million (2,488) in shareholder loans that are subordinated to other liabilities. The Company's choice of capital structure is the main reason for the low equity ratio. Net debt excluding shareholder loans amounted to SEK 2,724 million (2,617) and the equity ratio calculated including shareholder loans amounted to 38.3 per cent (37.1). As at 31 December 2016 the Group has unutilised credit facilities totalling SEK 68 million (209). At the end of December a new acquisition facility of USD 25 million was made available. The new facility was not utilized at the end of the year.

Goodwill
Goodwill amounted to SEK 4,227 million (3,944) as at 31 December 2016. The change is attributable to positive currency effects of SEK 285 million, resulting mainly from a weakening of the SEK against the USD and EUR compared with the previous year.

Financial instruments
Financial instruments in the Group, other than those that arise in current operations, consist of interest-bearing borrowings at banks, shareholder loans and currency hedging. Additional information about the Group's financial instruments can be found in Notes 3 and 18.

Research and development
Overall, research and development costs incurred by the Group amounted to SEK 138 million (127), corresponding to 9.0 per cent (8.8) of operating expenses. Capitalisation of internally generated intangible assets amounted to SEK 13 million (16). The key words for research and development are innovation, quality and efficient product development. One of our metrics for innovation is the number of patent applications. The number of patent applications are tracked against set target levels. We have effective procedures for managing and rewarding patentable ideas. Our development process has improved and includes several new steps to ensure high product quality. The past year has been successful in terms of number of product launches and Munters' new global development process has contributed to this achievement.

Environmental impact and environmental policy
Munters' operations affect the external environment through air and water emissions, chemical and waste management, and shipments of inputs and finished products to and from Munters' factories. Munters ensures that the organisation is constantly vigilant regarding the environmental impact of its operations. Munters is committed to continuously promoting improvements in all EHS aspects, wherever Munters conducts business and environmentally friendly and compliant operations. Munters constantly seeks opportunities to reduce risk and to create a safer and healthier environment with respect to the workplace for our employees, as well as for our customers, society and the overall environment. We achieve this through strong leadership, teamwork and our constant quest for improvement in all that we do.

Munters is committed to compliance with all relevant applicable environmental, health, and safety legislation. Munters' manufacturing facilities all over the world are committed to working with a written Environmental, Health, & Safety Management Program. This program establishes procedures to ensure compliance with relevant legislation and to actively prevent injuries, various incidents, and environmental pollution. Munters is committed to continually training and communicating regarding matters related to environmental health and safety for all Munters employees.

Employees

The number of employees at year-end was 2,939 (2,768), which represents an increase of 171 people (6 per cent) compared with the previous year. The increase in the number of employees is mainly attributable to the expansion of service and production staff to address the increase in volume that occurred and the focus on the service business. The average number of employees during the period was 2,953 people (2,874), an increase of 3 per cent compared with 2015. Women accounted for 18 per cent (18) of all employees. Staff turnover amounted to 16 per cent (16), which is relatively high. The high staff turnover mainly relates to Asia and the US, where Munters has large production operations. The average age is 43 (43). Remuneration to senior management as well as adopted remuneration guidelines can be seen in Note 28.

Significant risks and uncertainties

The greatest uncertainties for the Munters Group over the next 12 months are as follows:

Operational risks

Munters is a company with geographically dispersed operations and many small organisational entities. There is some dependence 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 general economic trends.

Financial risks

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 future earnings. A more detailed description of the Group's financial risks and how they are monitored and managed is disclosed in Note 3.

Insurable risks

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. The majority of insurance is handled group-wide.

Share capital and ownership in Munters Topholding

The share capital of SEK 86,278.48 comprises 2,399,764 shares with a par value of SEK 0.04 per share, including 536,981 ordinary shares and 1,862,783 preferential shares. The shares in Munters Topholding are indirectly owned via the companies Cidron Limited Maximus and Maximus Cidron S.a.r.l, through an 87.9 per cent stake held by Nordic Capital, through its fund Nordic Capital VII Limited. FA International Investments S.C.A., a fund managed by Rothschild, owns an 8.7 per cent stake of the remaining shares, while 3.4 per cent of shares are held by other shareholders. More information can be found in Note 20.

Composition of the Board of Directors

The 2016 Annual General Meeting re-elected directors Christopher Curtis (Chairman), Joachim Zetterlund, Joakim Karlsson, Andreas Näsvik, Per Hallius, John Peter Leesi and Klas Nordin. Pia Nordqvist and Gunnar Ståhlberg were re-elected as employee representatives to the Board with Robert Wahlgren and Karl-Erik Forsling as deputies. In February 2017 Helen Fasth Gillstedt was appointed new Board member and chairman of the Audit Committee. Gunnar Ståhlberg was replaced by Robin Hedén as employee representative to the Board and Simon Henriksson replaced Karl-Erik Forsling as deputy.

Responsibilities of the Board of Directors

In fiscal year 2016, the Board held 7 meetings, one of which was the constituent meeting. The Board's work primarily focuses on strategic issues and decisions, business plans, financial statements, acquisitions, major investments and other decisions that are to be addressed by the Board according to the Board's rules of procedure. A standing item on the agenda is the reporting of the development of the Company's operations and finances. Other executives at Munters have participated at meetings by presenting information.

The Board has established an Audit Committee and a Remuneration Committee, both of which follow instructions approved by the Board. The Audit Committee has the task

of addressing issues regarding risk assessment and internal control, financial reporting and audits. The Audit Committee works to ensure compliance with established principles for financial reporting and internal control, as well as to maintain a productive relationship between the Company and its auditor. The Remuneration Committee has the task of addressing and adopting principles for remuneration and other terms of employment for senior executives.

Group Management

The Group Management consists of the Chief Executive Officer (CEO of Munters Holding AB and Munters AB) John Peter Leesi, Group Vice President & Chief Financial Officer (CFO) Jonas Ågrup, Group Vice President Air Treatment Scott Haynes, Group Vice President Data Centers, Neil Yule, Group Vice President AgHort Peter Gisel-Ekdahl, Group Vice President Mist Elimination Per Hedebäck, Group Vice President Operations Ola Carlsson, Group Vice President Global Services Sebastien Leichtnam, Group Vice President Business Development & PMO Johannes Fabó, Group Vice President Human Resources and Corporate Communication Per-Arne Håkansson and Group Vice President of Munters China Wolf Frank.

Group Management meets once a week by phone and once each quarter in person.

Parent Company

Munters Topholding AB does not engage in any business activities. The Company only has shares in subsidiaries, shareholder loans and 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 SEK 44 million (0). The Parent Company has no employees.

Prospects for the coming year

Demand is expected to be somewhat better in 2017 than in 2016.

Proposed distribution of earnings

The following earnings (SEK) are at the disposal of the Annual General Meeting:

Profit brought forward	437 407 174
Income for the year	-179 600 715
Total	**257 806 459**
The Board of Directors proposes that earnings be distributed as follows:	
To be carried forward	257 806 459
Total	**257 806 459**

As for the previous year, the Board proposes no dividend for 2016.

Financial statements and notes

The Group's income and financial position in other respects are presented in the following statements of comprehensive income, financial position, cash flows and changes in equity, as well as in the notes.

The Parent Company's income and financial position in other respects are presented in the following income statement and balance sheet, statement of changes in equity, cash flow statement and notes.

All amounts are in millions of Swedish kronor (SEK million) unless otherwise specified.

GROUP

Five-year summary	**2016**	2015	2014	2013	2012
Order intake, MSEK	6,373	5,420	4,323	3,837	4,096
Net sales, MSEK	6,040	5,399	4,216	3,791	4,058
Organic growth excl currency effects,%	7.9	12.0	7.2	-4.9	-4.3
Currency effects on net sales, MSEK	27	538	150	-150	35
Earnings before interest and tax (EBIT), MSEK	577	384	-104	77	141
EBIT margin, %	9.6	7.1	-2.5	2.0	3.5
EBITA, MSEK	764	555	148	215	284
EBITA margin, %	12.6	10.3	3.5	5.7	7.0
Profit/Loss after financial items, MSEK	153	13	-513	-264	-236
Income for the year, MSEK	85	-18	-435	-276	-250
Interest-bearing net debt, MSEK	5,412	5,106	4,452	4,304	4,070
Interest-bearing net debt excluding shareholder loan, MSEK	2,724	2,617	2,148	1,662	1,627
Equity/assets ratio, %	8.4	6.2	7.2	2.7	6.2
Equity/assets ratio excl shareholder loan, %	38.3	37.1	38.9	42.6	42.3
Total assets, MSEK	8,991	8,008	7,271	6,627	6,774
Investments, MSEK	184	113	104	222	80
Average number of employees	2,953	2,874	2,635	2,658	2,732

The definitions of key financial indicators are presented on page 51.

Statement of comprehensive income

GROUP

Amounts in SEK M	Note	2016	2015
Net sales	6	**6,040**	5,399
Cost of goods sold		**-3,931**	-3,580
Gross profit/loss		**2,109**	1,819
Other operating income	7	**31**	2
Selling expenses		**-913**	-838
Administrative costs		**-512**	-465
Research and development costs		**-138**	-127
Other operating expenses	7	**0**	-7
Earnings before interest and tax (EBIT)	4, 8, 9	**577**	384
Financial income	10	**12**	3
Financial expenses	10	**-436**	-374
Profit/Loss after financial items		**153**	13
Tax	11	**-69**	-31
Income for the year		**85**	-18
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange-rate differences on translation of foreign operations		**198**	-3
		198	-3
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax	21	**-17**	0
Income tax effect on other comprehensive income not to be reclassified to profit or loss in subsequent periods	11	**4**	0
		-13	0
Other comprehensive income, net after tax		**185**	-3
Comprehensive income for the year		**270**	-21
Income for the year			
Attributable to Parent Company shareholders		**85**	-18
Attributable to non-controlling interests		**0**	0
		85	-18
Comprehensive income for the year			
Attributable to Parent Company shareholders		**270**	-21
Attributable to non-controlling interests		**0**	0
		270	-21
Earnings per share [1]			
– basic, SEK	12	**-222.67**	-386.48
– diluted, SEK	12	**-222.67**	-386.48

1) Earnings per share, basic and diluted, were calculated based on income for the year attributable to Parent Company shareholders.

Statement of cash flows

GROUP

Amounts in SEK M	Note	2016	2015
OPERATING ACTIVITIES			
Earnings before interest and tax (EBIT)		**577**	384
Reversal of non-cash items;			
Depreciation, amortization, and impairments	8	**262**	233
Provisions		**-27**	32
Other profit/loss items not affecting liquidity		**-18**	-86
Cash flow before interest and tax		**794**	563
Paid financial items		**-206**	-171
Taxes paid		**-130**	-101
Cash flow from operating activites before changes in working capital		**458**	291
Cash flow from changes in working capital			
Changes in inventory		**-132**	-18
Changes in accounts receivable		**-249**	-64
Changes in other receivables		**-20**	-11
Changes in accounts payable		**145**	11
Changes in other liabilities		**76**	105
Change in working capital		**-180**	23
Cash flow from operating activities		**277**	314
INVESTING ACTIVITIES			
Business acquisitions	5	**-2**	-513
Investment in tangible assets	13	**-163**	-91
Investment in intangible assets	14	**-20**	-22
Cash flow from investing activities		**-186**	-626
FINANCING ACTIVITIES			
Loans raised		**503**	471
Amortization of loans		**-522**	-79
Dividend paid to non-controlling interests		**0**	-8
Shareholders' contributions		**0**	1
Cash flow from financing activities		**-19**	385
Cash flow for the year		**72**	73
Cash and cash equivalents at 1 January		**346**	273
Exchange-rate differences in cash and cash equivalents		**14**	0
Cash and cash equivalents at 31 December		**432**	346

Interest received totaled 2(4). Interest paid totaled 137(107).

Statement of financial position

GROUP

Amounts in SEK M at December 31	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Goodwill	15	**4,227**	3,944
Patents, licenses, brands, and similar rights	14, 15	**1,550**	1,614
Buildings and land	13	**156**	154
Plant and machinery	13	**172**	140
Equipment, tools, fixtures, and fittings	9, 13	**133**	92
Construction in progress	13	**69**	31
Financial assets		**24**	27
Deferred tax assets	11	**242**	216
Total non-current assets		**6,574**	6,218
CURRENT ASSETS			
Raw materials and consumables		**321**	230
Products in process		**123**	74
Finished products and goods for resale		**208**	176
Work on contract		**8**	11
Advances to suppliers		**17**	14
Accounts receivable	3	**1,094**	790
Prepaid expenses and accrued income	17	**76**	44
Derivative instruments	18	**2**	5
Current tax assets		**32**	8
Other receivables		**103**	92
Cash and cash equivalents		**432**	346
Total current assets		**2,417**	1,790
TOTAL ASSETS		**8,991**	8,008

Statement of financial position

GROUP

Amounts in SEK M at December 31	Note	2016	2015
EQUITY AND LIABILITIES			
EQUITY			
Attributable to Parent Company shareholders	20		
Share capital		**0**	0
Other capital contributions		**2,167**	2,167
Reserves		**439**	241
Profit brought forward		**-1,850**	-1,921
		756	487
Non-controlling interests	20	**11**	8
Total equity		**767**	495
NON-CURRENT LIABILITIES			
Shareholder loan	18	**2,688**	2,488
Interest-bearing liabilities	18	**2,544**	2,351
Provisions for pensions and similar commitments	21	**179**	170
Other provisions	22	**30**	26
Other liabilities		**15**	103
Deferred tax liabilities	11	**525**	527
Total non-current liabilities		**5,981**	5,665
CURRENT LIABILITIES			
Interest-bearing liabilities	18	**429**	441
Advances from customers		**315**	193
Accounts payable		**530**	361
Accrued expenses and deferred income	23	**565**	466
Derivative instruments	18	**4**	4
Current tax liabilities		**53**	38
Other liabilities		**232**	238
Provisions for pensions and similar commitments	21	**5**	5
Other provisions	22	**110**	102
Total current liabilities		**2,243**	1,848
TOTAL EQUITY AND LIABILITIES		**8,991**	8,008

Statement of changes in equity

GROUP Amounts in SEK M	Attributable to Parent Company shareholders						
	Share capital	Other capital contribu-tions	Trans-lation reserves	Profit brought forward	Total	Non-controlling interests	Total equity
Opening balance, January 1, 2015	**0**	**2 166**	**244**	**-1 887**	**523**	**2**	**525**
Changes in equity, 2015							
Offset issue	0[1]	–	–	–	0	–	0
Shareholders' contributions	–	1	–	–	1	–	1
Call/put options related to non-controlling interests	–	–	–	-8	-8	–	-8
Dividend to non-controlling interests	–	–	–	-8	-8	–	-8
Acquisition of non-controlling interests	–	–	–	–	–	6	6
Income for the year	–	–	–	-18	-18	–	-18
Other comprehensive income, net after tax	–	–	-3	–	-3	–	-3
Comprehensive income for the year	–	–	-3	-18	-21	–	-21
Closing balance, December 31, 2015	**0[2]**	**2 167**	**241**	**-1 921**	**487**	**8**	**495**
Opening balance, January 1, 2016	**0**	**2 167**	**241**	**-1 921**	**487**	**8**	**495**
Changes in equity, 2016							
Shareholders' contributions	–	–	–	–	–	3	3
Acquisition of non-controlling interests	–	–	–	–	–	0	0
Income for the year	–	–	–	85	85	–	85
Other comprehensive income, net after tax	–	–	198	-13	185	–	185
Comprehensive income for the year	–	–	198	71	270	–	270
Closing balance, December 31, 2016	**0[3]**	**2 167**	**439**	**-1 850**	**756**	**11**	**767**

1) Refers to new share capital, SEK 269.
2) Refers to closing balance share capital 2015, SEK 86,278.
3) Refers to closing balance share capital 2016, SEK 86,278.

Income statement

PARENT COMPANY

Amounts in SEK M	Note	2016	2015
Net sales		–	–
Gross profit/loss			
Administrative costs		-5	-4
Earnings before interest and tax (EBIT)		-5	-4
Financial income	10	0	0
Financial expenses	10	-202	-187
Profit/Loss after financial items		-207	-191
Group contributions		27	53
Profit/Loss before tax		-180	-138
Tax	11	–	–
Income for the year		-180	-138

Statement of comprehensive income

PARENT COMPANY

Amounts in SEK M	Note	2016	2015
Profit/Loss for the year		-180	-138
Other comprehensive income, net after tax		–	–
Comprehensive income for the year		-180	-138

Balance sheet

PARENT COMPANY

Amounts in SEK M, at Dec 31	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Participations in subsidiaries	16	**4,086**	4,086
Total non-current assets		**4,086**	4,086
CURRENT ASSETS			
Receivables from subsidiaries		**27**	53
Cash and cash equivalents		**44**	–
Total current assets		**71**	53
TOTAL ASSETS		**4,157**	4,139
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**0**	0
Share premium reserve		**1,177**	1,177
Profit brought forward		**437**	575
Income for the year		**-180**	-138
Total equity		**1,434**	1,614
NON-CURRENT LIABILITIES			
Shareholder loan	18	**2,688**	2,488
Liabilities to subsidiaries		**–**	3
Total non-current liabilities		**2,688**	2,492
CURRENT LIABILITIES			
Accrued expenses and deferred income	23	**35**	32
Liabilities to subsidiaries		**–**	1
Total current liabilities		**35**	33
TOTAL EQUITY AND LIABILITIES		**4,157**	4,139

Cash flow statement

PARENT COMPANY

Amounts in SEK M	Note	2016	2015
OPERATING ACTIVITIES			
Profit/Loss after financial items		**-207**	-191
Other profit/loss items not affecting liquidity	10	**202**	187
Total non-cash items		**-5**	-4
Cash flow from operating activities before changes in working capital		**-5**	-4
Cash flow from changes in working capital			
Changes in accounts receivable		**0**	0
Changes in other receivables		**0**	0
Changes in accounts payable		**0**	0
Changes in other liabilities		**0**	0
Changes in working capital		**0**	0
Cash flow from operating activities		**-5**	-4
INVESTING ACTIVITIES			
Current receivables interest bearing		**–**	–
Cash flow from investing activitie		**0**	0
FINANCING ACTIVITIES			
Shareholders' contributions		**–**	1
Group contribution		**53**	–
Loans raised		**–**	3
Amortization of loans		**-4**	–
Cash flow from financing activities		**49**	4
Cash flow for the year		**44**	0
Cash and cash equivalents at the beginning of the period		**0**	0
Cash and cash equivalents at the end of the year		**44**	0

Interest received totaled 0 (0).
Interest paid totaled 0 (0).

Statement of changes in equity

PARENT COMPANY Amounts in SEK M	Share capital	Share premium reserve	Profit brought forward	Income for the year	Total
Opening balance January 1, 2015	**0**[1]	**1,176**	**786**	**-211**	**1,751**
Changes in equity, 2015					
Debt conversion	0[2]	–	–	–	0
Shareholders' contributions	–	1	–	–	1
To be carried forward			-211	211	–
Income for the year	–	–	–	-138	-138
Other comprehensive income, net after tax	–	–	–	–	–
Closing balance, December 31, 2015	**0**[3]	**1,177**	**575**	**-138**	**1,614**
Opening balance January 1, 2016	**0**	**1,177**	**575**	**-138**	**1,614**
Changes in equity, 2016					
Debt conversion	–	–	–	–	–
Shareholders' contributions	–	–	–	–	–
To be carried forward			-138	138	–
Income for the year	–	–	–	-180	-180
Other comprehensive income, net after tax	–	–	–	–	–
Closing balance, December 31, 2016	**0**[4]	**1,177**	**437**	**-180**	**1,434**

1) Refers to share capital, SEK 86,009.
2) Refers to new share capital, SEK 269.
3) Refers to closing balance share capital, SEK 86,278.
4) Refers to closing balance share capital, SEK 86,278.

Notes

NOTE 1 | ACCOUNTING POLICIES

BASIS OF PREPARATION

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. 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's annual report was prepared in accordance with the Annual Accounts Act and through application of the Swedish Financial Reporting Board's Recommendation RFR 2 (Accounting For Legal Entities). Thus, IFRS rules for measurement and disclosure are applied with the exception of the deviations indicated in the section titled Parent Company's accounting policies. The consolidated accounts are based on historical acquisition costs, with the exception of financial derivatives and contingent purchase considerations.

Standards, amendments and interpretations that have not yet been adopted by the EU

IFRS 16 Lease

IFRS 16 is effective from 2019. The standard requires that the lessee recognizes the assets and liabilities relating to all the leases, except for contracts less than 12 months and/or are of small amounts. The presentation of the lessor will essentially be unchanged. The standard replaces IAS 17 Leases and related interpretations. The Group has started to list the actual leasing contracts (mainly lease agreements for premises) as well as agreed period of notice and size of the rental charges. The Group's assessment is that the standard will have a not insignificant effect on the Group's financial statements.

Standards, amendments and interpretations that have been adopted by the EU

IFRS 9 Financial Instruments: Recognition and Measurement

IFRS 9 is effective from 2018.

This standard will replace IAS 39 Financial instruments: Recognition and measurement. It contains rules for the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. The Group has not yet assessed the impact of the new standard.

IFRS 15, Revenue from contracts with customers

IFRS 15 is effective from 2018.

The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations (SIC and IFRIC). The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is evaluating the effects of the implementation of the standard. After having analysed a number of customer contracts within business area Air Treatment it is our assessement as of today that the standard will not have a significant effect on the Group´s financial statements. The work will continue during 2017 to further evaluate effects and to adapt internal routines and controls.

BASIS FOR CONSOLIDATION

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.

Business combinations

At the time of acquisition, the fair value of the identifiable assets and liabilities of the acquired operations is established. These fair values include participations in the assets and liabilities attributable to any remaining non-controlling interests in the acquired operations. Identifiable assets and liabilities include assets, liabilities, and provisions, as well as commitments and claims from external parties that are not recognized in the balance sheet of the acquired operations. Provisions are not made for outlays for projected restructuring measures that result from the acquisition. The difference between the consideration remitted for the acquisition and the acquired share in the fair value of net assets of the acquired operations is classified as goodwill and recognized in the statement of financial position. All outlays related to an acquisition are expensed in the period in which they arise.

The useful life of each intangible asset is established and then amortized over the established useful life. If the useful life is deemed indefinite, no amortization is recognized. An assessment that causes the useful life of an intangible asset to become indefinite takes all relevant circumstances into account and is based on the premise that there is no predictable maximum time limit for the net cash flow generated by the asset. The useful life of goodwill is generally assumed to be indefinite.

Subsidiaries

"Subsidiary" refers to a company in which the Parent Company directly or indirectly owns more than half of the voting rights or otherwise has a controlling influence.

A subsidiary is included in the consolidated accounts as of the time of its acquisition, which is the date when the Parent Company acquires a controlling influence, and is included in the consolidated

Note 1 cont.

accounts until the date on which the controlling influence ceases.

Subsidiaries are recognized using the acquisition method, whereby identifiable assets and liabilities in the acquired company are recognized at the fair values determined by the purchaser at the time of acquisition.

Associated companies

"Associated company" refers to a company in which the Parent Company directly or indirectly has a long-term holding corresponding to not less than 20 per cent and not more than 50 per cent of the voting rights or otherwise has a significant influence. Munters has no holdings in associated companies.

Non-controlling interests

Non-controlling interests consists of the portion of income and net assets in subsidiaries not wholly owned that accrues to owners other than Parent Company shareholders. Income attributable to non-controlling interests is included in income recognized in the consolidated statement of comprehensive income, and the share of net assets is included in the equity recognized in the consolidated statement of financial position.

Translation of the accounts of foreign subsidiaries

Items in the balance sheets of subsidiaries are valued in the relevant functional currency, which is normally that country's local currency. The consolidated financial statements are presented in Swedish kronor, which is the Parent Company's functional currency as well as reporting currency.

The income statements and balance sheets for foreign subsidiaries are translated into Swedish kronor. The balance sheets are translated at the closing rates of exchange. The income statements are translated at the average exchange rate during the period. Exchange-rate differences arising upon translation do not affect income for the year but are recognized in other comprehensive income in the consolidated accounts.

Goodwill and any adjustments to fair value arising from acquisitions of a foreign subsidiary are treated as assets and liabilities in the foreign operation and are translated at the closing rate.

The net investments attributable to Munters' net investments in foreign currency are not currently hedged.

Translation differences relating to investments in foreign operations are recognized as a translation reserve in equity. When foreign operations are sold, the accumulated translation differences attributable to the divested foreign operations must be recognized as part of the consolidated gain or loss on the divestment.

The following main foreign exchange rates have been used in translating accounts.

		Average rate		Closing rate	
Currency	**Country**	**2016**	2015	**2016**	2015
AUD	Australia	**6.37**	6.34	**6.57**	6.09
CAD	Canada	**6.46**	6.60	**6.74**	6.03
CNY	China	**1.29**	1.34	**1.31**	1.29
DKK	Denmark	**1.27**	1.25	**1.29**	1.22
EUR	Euro zone	**9.47**	9.36	**9.57**	9.14
GBP	United Kingdom	**11.57**	12.90	**11.18**	12.38
JPY	Japan	**0.08**	0.07	**0.08**	0.07
NOK	Norway	**1.02**	1.05	**1.05**	0.96
SGD	Singapore	**6.20**	6.13	**6.29**	5.91
THB	Thailand	**0.24**	0.25	**0.25**	0.23
USD	United States	**8.56**	8.44	**9.10**	8.35
ZAR	South Africa	**0.59**	0.66	**0.67**	0.54

TRANSACTIONS IN FOREIGN CURRENCIES

A transaction denominated in a foreign currency is translated at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange and any resulting translation differences are charged to income. Accordingly, both realized and unrealized exchange-rate differences are recognized through income for the year. Exchange-rate differences concerning operating receivables and operating liabilities are recognized in EBIT, while exchange-rate differences attributable to financial assets and liabilities are recognized as financial income or financial expense.

REVENUE RECOGNITION

Net sales are recognized at the sale value less discounts and value added tax and other taxes. Revenue from the sale of goods is recognized upon delivery, at which point essentially all risks and rights are transferred to the purchaser. As a result, sales are normally reported on delivery to the customer in accordance with the terms of sale.

Revenue from major project assignments is recognized in relation to the degree of completion at the end of the reporting period, provided the profit can be reliably calculated. Degree of completion is determined mainly on the basis of committed project costs in relation to estimated project costs upon completion. Any anticipated losses are expensed directly.

Interest income on receivables of long maturity is calculated using the effective interest method. Interest income includes the accrued amount of transaction costs and any discounts, premiums, and other differences between the original value of the receivable and the amount received when due.

BORROWING EXPENSES

Borrowing expenses are recognized as costs in the period in which they arise, apart from borrowing expenses that are directly attributable to the purchase, design, or production of an asset that will necessarily take substantial time to complete and that is intended for use or sale. Borrowing expenses are capitalized in the respective asset when they are directly attributable.

WARRANTY COMMITMENTS

Warranty costs are recognized in cost of goods sold. Provisions for warranty costs are calculated at a standard rate in an amount that corresponds to the average warranty costs in relation to sales in the most recent 24-month period, with an adjustment for known warranty claims exceeding the standard provision. Provisions for warranty commitments are related to the stated warranty period.

INCOME TAXES

Income taxes in the consolidated financial statements consist of current and deferred income tax.

Tax is recognized in income for the year except when the underlying transaction is recognized directly in equity or other comprehensive income, in which case the associated tax is also recognized in equity or other comprehensive income.

Current tax is tax to be paid or received with respect to the current year, or adjustments of current tax attributable to prior periods. Current income taxes are based on each company's taxable income for the period. This item includes adjustments for current income tax attributable to previous periods.

Deferred income tax is recognized using the balance sheet liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amount. The valuation is made based on the latest decided tax-rate. Temporary differences arise in conjunction with company acquisitions as the difference between the value of assets and liabilities and their value for tax purposes.

Note 1 cont.

Deferred tax assets based on loss carry-forwards are recognized to the extent it is deemed likely that the carry-forwards can be used to offset future surpluses.

Deferred tax liabilities referring to temporary differences attributable to investments in subsidiaries and associated companies are not recognized, because the Parent Company can control the timing of the reversal of the temporary differences in all such cases, a capital gain or loss on a sale is not subject to taxation, and it is considered unlikely that a reversal will occur in the near future.

TANGIBLE AND INTANGIBLE FIXED ASSETS

Non-current assets are recognized in the statement of financial position at acquisition cost less accumulated depreciation or amortization according to plan and any impairment losses. The assets of acquired companies are recognized at fair value on the date of acquisition less accumulated depreciation or amortization.

The acquisition cost of the asset is depreciated or amortized on a straight-line basis to the estimated residual value over the anticipated useful life of the asset. Anticipated useful lives are specified in Note 8. Each asset's remaining useful life is tested at the end of each accounting period and adjusted if necessary.

Buildings, machinery, and equipment

Land is not subject to depreciation because it is considered to have an indefinite useful life. Normal maintenance and repair costs are expensed as they arise. More extensive renovation and upgrade costs are reported as an asset and depreciated over the remaining useful life of the asset.

Leases

Leases are classified either as finance or operating leases. Leases in which Munters adopts essentially the same risks and benefits associated with a direct ownership of the asset are classified as finance leases. Recognition of finance leases entails recognizing a non-current asset as an asset item in the statement of financial position, at the lower of the fair value of the asset and the estimated present value of the underlying lease payments, and initially reporting a corresponding liability. The asset is depreciated according to plan over its useful life, while the lease payments are recognized as interest and repayment of the liability. For an operating lease, the lease payments are expensed during the lease period.

Goodwill

Goodwill is the value by which the purchase price exceeds the fair value of the net assets acquired in conjunction with a business combination or an acquisition of assets and liabilities.

Patents, licenses, and similar intellectual property rights

Direct external expenses for the development of software for internal administrative use are capitalized, provided future efficiency gains are likely and exceed the expenses committed. Activities during the feasibility study phase, and maintenance and training costs, are expensed on an ongoing basis.

Research and development

The Group's outlays for research are expensed as they are incurred. Research outlays are recognized as an intangible asset in the statement of financial position, provided that it is technically feasible and also that the Group intends to complete the asset for use or sale. There should also be conditions to use and sell the asset and it should be possible to demonstrate the probability of future financial benefits. In addition, adequate resources are required to complete the development and to use or sell the asset. Outlays arising before the aforementioned criteria are met are expensed. Depreciation of capitalized development starts when the asset is complete and ready to use. Amortization occurs on a straight-line basis over the useful life, usually three to five years.

Impairment testing

When there is an indication that a non-current asset's value has declined, the carrying amount of the asset is assessed. Goodwill and other intangible assets with an indefinite useful life are impairment-tested at least once a year, or more often if there are indications of impairment.

If an asset's carrying amount exceeds its estimated recoverable amount, the asset is impaired to its recoverable amount. The recoverable amount is the higher of net sale value and value in use. The recoverable amount is assessed individually for each cash-generating unit.

"Net sale value" refers to the most likely sale price in a normally functioning market, after the deduction of selling costs. "Value in use" refers to the present value of the estimated future cash flows that are expected to result from the use of the asset plus the estimated residual value at the end of the asset's useful life.

Value in use is generally measured using discounted cash flow models, which requires assumptions of such parameters as a discount rate, future cash flows, and the expenses necessary to generate the estimated cash flows.

Any impairment previously recognized is reversed if the recoverable amount is judged to exceed the carrying amount. The reversal amounts are limited such that a carrying amount must not exceed what it would have been if no impairment had been recognized in prior periods.

Goodwill is tested for impairment using the following method. The goodwill value established on the date of acquisition is distributed among cash-generating units, or groups of cash-generating units, that are expected to contribute advantages from synergistic effects resulting from the acquisition. Assets and liabilities already in the Group at the time of acquisition can also be assigned to these cash-generating units. Each cash-generating unit to which goodwill is allocated corresponds to the smallest identifiable group of assets, as part of continuous usage, generates cash inflows that are substantially independent of other assets or groups of assets. This is a unit of the Group that is not larger than a segment – that is, a business area according to the Group's segment reporting. Goodwill impairment is not reversed.

INVENTORY

Inventory is valued at the lower of acquisition cost and net sales value (fair value). Required impairment is recognized for obsolescence based on each item's age and rate of turnover. Acquisition cost is determined using the first-in, first-out method. Otherwise, weighted average cost may be used if it results in a good approximation of the first-in, first-out method. For products manufactured in-house, the acquisition cost consists of direct manufacturing costs plus a reasonable share of indirect manufacturing costs. Interest expenses are not included in the value of inventory. Measurement has taken into account normal capacity utilization.

WORK ON CONTRACT

Work on contract consists of committed expenses attributable to currently incomplete work.

FINANCIAL INSTRUMENTS

Financial instruments are all forms of contract that give rise to a financial asset in one company and a financial liability or an equity instrument in another company.

Financial instruments are classified in the following categories: (a) financial assets and liabilities measured at fair value through income for the year, (b) loans receivable or accounts receivable, (c) financial instruments held to maturity, (d) financial assets available for sale, and (e) other financial liabilities. Classification depends on the purpose of acquiring the instrument. Management establishes the classification of an instrument for initial recognition and reassesses this classification at each reporting

Note 1 cont.

date. All financial instruments are recognized from the transaction date.

Classification of financial assets and liabilities
Munters has financial assets and liabilites within the following categories:

Financial assets and liabilities measured at fair value through income for the year
This category has two sub-groups: financial assets and liabilities held for trading, and assets and liabilities that are initially classified as measured at fair value through income for the year. A financial asset or liabilities is classed in this category if it was acquired primarily with the intention to sell or buy it soon or if this classification was determined by management. Derivative instruments are also classified as held for trading if they are not identified as hedges. Assets and liabilities in this category are classified as current assets or other liabilities if they are held for trading or expected to be realized within 12 months of the end of the reporting period. Munters has foreign exchange forwards and contingent purchase consideration classified in this category.

Loans receivable and accounts receivable
Loans receivable and accounts receivable are non-derivative financial assets with determined or determinable payments that are not quoted on an active market. Characteristic for these assets is that they arise when the Group provides money, goods, or services directly to a customer without the intention to trade the resulting receivable. They are included in current assets with the exception of items falling due more than 12 months after the end of the reporting period, which are classified as non-current assets. Munters has cash and cash equivalents, accounts receivable, accrued income, and certain other receivables in this category.

Other financial liabilities
Financial liabilities not held for trading belong to this class. Munters' borrowing, accounts payable, and certain accrued expenses are included in this category.

Cash and cash equivalents
Cash and cash equivalents are defined as cash and bank balances plus investments in securities maturing in three months or less. Utilized overdraft facilities are recognized in short-term loans.

Recognition and measurement of financial instruments
Financial assets and liabilities measured at fair value at year end in the statement of financial position refer to derivatives and contingent purchase considerations. Derivatives are initially recognized at acquisition cost in the statement of financial position and thereafter at fair value at the end of subsequent reporting periods. Changes in value are recognized in net income, no hedging is applied.

Contingent purchase considerations are initially, and thereafter, recognized at fair value in the statement of financial position. Changes in value are recognized in net income as other operating income alternatively other operating expenses.

The net investments attributable to Munters' net investments in foreign currency are not currently hedged. Exchange rates on receivables that constitute an extended investment in the subsidiary are recognized through other comprehensive income in the same way as translation differences pertaining to investments in foreign subsidiaries.

Loans receivable and accounts receivable are measured initially at fair value. On subsequent occasions, the assets are measured at amortized cost using the effective-interest method and adjusted for any credit losses. A provision for credit losses is made when there are strong indications that the Group will not be able to receive the amounts specified in the original terms of the receivable.

Other financial liabilities are recognized at amortized cost using the effective-interest method. The acquisition cost corresponds to fair value upon acquisition. For borrowing, this corresponds to the amount received, less any transaction costs.

Any gains or losses arising in conjunction with the disposal of financial instruments or the repurchase of loan obligations are recognized through income for the year.

Offsetting of financial instruments
Financial assets and liabilities may be offset against each other and recognized net in the consolidated accounts in cases where Munters has agreed with the counterparty that assets and liabilities will be netted. No offsetting has taken place in the statement of financial position.

RECLASSIFICATIONS AND CHANGE OF ACCOUNTING POLICY
In the cashflow statement of the parent company a reclassification from current receivables interest bearing and group contribution in 2015 to group contribution 2016 has been made since this item was not affecting the cashflow in 2015. This also affects the interest bearing receivables in the specification of net debt excluding shareholder loan. The reclassified amount is SEK 53 million.

In note 22 Other provisions a reclassification between current and non-current portion of provisions is made for 2015, SEK 102 million is the current portion and SEK 26 million is the non-current portion.

During 2016 a change in accounting policy regarding the company´s pension obligations secured by endowment insurances has been made. These are now classified and recognized as defined contribution pension plans. The changes results in an alteration of recognized pension provision and corresponding financial asset but no impact on result since the pension obligation and asset were recognized at the same value. The comparative year has been restated by SEK 27 million.

PROVISIONS
A provision is recognized when the Group has or may be considered to have an obligation as a result of events that have occurred and where it is probable that payments will be required to fulfill the obligation. An additional prerequisite is that it must be possible to reliably estimate the amount to be paid.

Provisions for restructuring measures are allocated when a detailed, formal plan for the measures is established and well-founded expectations have been created among those who will be affected by the measures.

EMPLOYEE BENEFITS
Pensions
Within the Group, there are several defined-contribution as well as defined-benefit pension plans and other non-current employee benefits, including some with pension plan assets. In defined-contribution plans, the company pays a predetermined premium to a separate legal entity and does not have any legal or informal obligation to make additional payments if, when compensation to the employee is to be paid, the legal entity has insufficient assets. All other plans for post-employment benefits are defined-benefit plans. Pension plans are mainly funded through premiums paid by the various Group companies. Independent actuaries compute the amount of the commitments of the various plans and reassess pension plan commitments every year.

For defined-benefit plans, pension expenses are calculated using the Projected Unit Credit Method, so that the cost is distributed over the employee's working life. These commitments are measured as the present value of the anticipated future payments calculated using a discount rate that corresponds to the interest on high-quality corporate bonds with a remaining term that approximately corresponds to that of the commitments. For Swedish plans, the discount rate equals the housing bond rate. For funded plans, the

Note 1 cont.

pension commitment is recognized net after deduction of the plan assets.

Expenses for the year for employment in the current year are recognized in administrative costs and the interest expense for the defined-benefit net liability is recognized in financial expenses in the statement of comprehensive income for the year.

When establishing the present value of the defined-benefit commitment, and the fair value of the minor plan assets that exist, there may be effects of revaluation, so-called actuarial gains and losses, either because the actual outcome deviates from previous assumptions, or because the assumptions are changed. The result of such revaluation is recognized in other comprehensive income in the period they arise.

Special employer's contribution in Sweden is calculated on the difference between the pension obligation adopted according to IAS 19 and according to the rules applied for the legal entities. Calculated future employer's contribution is recognized in the balance sheet as a part of the pension liability. The change in the provision is recognized to the extent that it pertains to the effects of revaluations, in other comprehensive income.

The Group's payments relating to defined-contribution plans are recognized as an expense during the period the employee performed the services to which the expense relates.

CONTINGENT LIABILITIES

Contingent liabilities are reported when there are possible obligations relating to transpired events that will only become actual obligations given the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of Munters. A contingent liability may also be an obligation arising from transpired events but which is not reported as a liability or a provision because it is not probable that the obligation will be settled or because the amount of the obligation cannot be calculated with sufficient reliability.

RELATED PARTY DISCLOSURES

The companies related to Munters are defined as the Parent Company, subsidiaries, and associated companies as well as other companies managed by Nordic Capital. "Related physical persons" are defined as Board members, senior executives, and close family members of such persons. Companies in which any of the mentioned physical persons have significant influence are also defined as companies related to Munters. Information on transactions that entail a transfer of resources, services, or obligations between related parties is disclosed, regardless of whether or not remuneration is paid. The disclosure contains information as to the character of the relationship and the effect of the relationship on the financial statements.

EVENTS AFTER THE END OF THE REPORTING PERIOD

If events arise that are significant but that should not be taken into account when the amounts in the statements of comprehensive income or financial position are adopted, then the character of the event and, if possible, an estimate of its financial impact will be disclosed in the Board of Directors' Report and notes. "Significant" implies that an omission to disclose the information could influence financial decisions made by users of the financial statements.

Significant events that confirm the situation that existed at the end of the reporting period and that occur after the reporting period but prior to the signing of the Annual Report result in adjustments in the amounts in the Annual Report.

ACCOUNTING POLICIES OF THE PARENT COMPANY

The Parent Company's annual report was prepared in accordance with the Annual Accounts Act and through application of the Swedish Financial Reporting Board's Recommendation RFR 2, Accounting For Legal Entities. This means that IFRS are applied with the deviations and additions presented below.

Financial statements

In accordance with the requirements in RFR 2, the Parent Company's financial statements deviate from those presented for the Group. The Parent Company has the following five statements in the Annual Report: income statement, other comprehensive income, balance sheet, statement of cash flow and statement of changes in equity.

Financial instruments: Recognition and measurement

The Parent Company does not apply IAS 39 Financial Instruments: Recognition and Measurement. Instead measurements are based on the acquisition cost of assets and liabilities.

Ownership of subsidiaries

Holdings in subsidiaries are recognized in the Parent Company using the cost method. When there are indications of a decline in value, the value is tested and if required the holdings are impaired.

Group contributions

The Parent Company recognizes all Group contributions, paid and received, as appropriations.

Shareholders' contributions

Shareholders' contributions from the Parent Company are recognized directly in the receiver's equity and capitalized in the shares and participations of the Parent Company, to the extent that impairment is not required.

NOTE 2 | SIGNIFICANT ESTIMATESAND ASSESSMENTS

In preparing the financial statements, Company management and the Board of Directors must make assessments and assumptions that affect the final accounts and disclosures. These assessments are based on past experience and the various assumptions that management and the Board consider reasonable under the prevailing circumstances. The conclusions thus drawn form the basis for determinations concerning carrying amounts of assets and liabilities in cases where they cannot be readily determined using information from other sources. Actual outcomes may differ from these assessments, if other assumptions are made or other conditions applied.

The estimates and assessments that are considered to have the greatest impact on Munters Topholdings' earnings and financial position are discussed below.

Measurement of goodwill

The Group tests for impairment of goodwill each year. This test requires an estimation of parameters that affect future cash flows and a determination of a discount rate. Then the recoverable amount of each individual cash-generating unit is established by calculating the value in use. Note 15 presents the significant assumptions made to test goodwill and describes the effects of reasonable and possible changes in the assumptions on which the calculations were based. At the end of 2016, the Group recognized goodwill to a value of SEK 4,227 million (3,944).

Acquired intangible assets and establishing useful lives

When businesses are acquired, the intangible assets acquired are measured at fair value. In cases where there is an active market for the acquired assets, the fair value is determined based on prices

Note 2 cont.

in that market. Because active markets are often lacking for these assets, valuation models have been developed to estimate fair values. One example of a valuation model is discounted future cash flows. These assets are amortized based on established useful lives. When establishing useful lives, Company management makes assumptions and judgements regarding how long each asset will generate financial benefits for the Group. At the end of 2016, the Group recognized Technology, Customer relationships and Brands to a value of SEK 1,450 million (1,510).

Development expenses

Determining whether or not an intangible asset that results from development should be recognized as an asset requires an assessment of the extent to which certain specific conditions are satisfied. With regard to capitalized development projects, management has assessed that it is confirmed that these are technically and financially feasible. At the end of 2016, the Group recognized intangible assets regarding product development to a value of SEK 54 million (48).

Deferred tax assets on loss carry-forwards

The Group recognizes deferred tax assets on loss carry-forwards to the extent it is probable that it will be possible to deduct such losses from future profits. The actual outcome may deviate from the assessments made because of factors such as changes in the business climate or in tax regulations.

At the end of the 2016 reporting period, the Group's total tax loss carry forward was SEK 900 million (959). In the consolidated balance sheet, a value for tax purposes of capitalized loss carry-forwards was recognized in the amount of SEK 100 million (85), relating chiefly to Australia, Belgium, Netherlands, Turkey, Germany and Sweden.

Contingent purchase consideration

A contingent purchase consideration in connection with acquisitions is often dependent on future financial performance related to the acquired unit. Actual results may differ from these assumptions, which involve previously recognized contingent consideration changes. Contingent considerations related to the acquisition in 2015 of HB Group and Reventa are initially recognized in purchase price analysis. In 2016 the contingent purchase consideration in Reventa was released prematurely and the payment was SEK 9 million. This amount was less then what had been recognized in the purchase price analysis and therefore meant a positive effect of SEK 30 million on the Group's statement of comprehensive income.

Legal disputes

Provisions for legal disputes are estimates of the future cash flows that will be required to settle the obligations. The disputes primarily relate to contracted obligations attributable to contracts with customers and suppliers, though other types of disputes also arise in normal business operations. Management considers it improbable that any of the known disputes in which Munters is currently involved will have a significant negative effect on the Group's accounts. For more information see Note 24.

NOTE 3 | FINANCIAL RISK MANAGEMENT

Through its operations in a global environment, Munters is exposed to several different financial risks, such as currency risk, interest rate risk, credit risk, and liquidity risk.

The financial risks are controlled and managed based on a financial policy adopted by the Board. The policy covers the entire Group and is updated annually. The purpose of the policy is to create a framework for managing the various financial risks.

Risk management and financing activities are handled centrally by the CFO and the Group Treasury function, under the control and monitoring of the Board of Directors and CEO. The overall objective is to limit the volatility attributable to financial factors in the income statement and balance sheet, protect financial assets and future cash flows, as well as optimize the Group's financing and meet covenants. The Treasury function, which acts as the Group's internal bank, identifies, evaluates, and hedges financial risks in close cooperation with the Group's operational units.

Currency risk

Due to Munters global presence, the Group is exposed to currency risks, both through transaction exposure in transactions in foreign currency and through translation exposure when translating income statements and balance sheets into SEK.

Transaction exposure

Group internal sales in foreign currency primarily occur through the Group's sales companies, which are invoiced in the recipient's functional currency. In so doing, transaction exposure and hedging operations are concentrated to a few companies in the Group.

The hedging of transaction exposure shall primarily occur through so-called natural hedges, whereby incoming and outgoing cash flows in foreign currencies are matched so as to minimize the net exposure. For example, Munters has decided to have their external loans in USD to get a natural hedge towards the large inflows of USD as presented in the table below. Otherwise, hedging shall chiefly occur through the forward selling of currency. The value of forward contracts at year-end was about SEK -2 million (2), see Note 18. Munters does not apply hedge accounting for these financial instruments.

A significant proportion of Munters' income and expense is generated in foreign currencies, of which the most significant are presented in the table below. The geographic distribution of Munters' production plants results in significant matching of revenues and expenses in local currencies, which limits the currency exposure.

2016 Currency	Percentage of revenue, %	Percentage of costs, %
USD	43.4	39.0
EUR	28.4	29.3
CNY	8.4	7.0
GBP	4.1	4.3
SGD	3.1	0.5
JPY	2.3	2.3
AUD	1.9	1.6
BRL	1.6	1.7
SEK	1.3	7.1
Other	5.4	7.2
Total	**100.0**	**100.0**

Note 3 cont.

2015 Currency	Percentage of revenue, %	Percentage of costs, %
USD	47.5	42.5
EUR	25.2	25.7
CNY	6.9	6.9
GBP	3.1	3.4
SGD	1.3	0.6
JPY	2.2	2.1
AUD	2.0	1.7
BRL	2.1	1.9
SEK	3.5	8.6
Other	6.2	6.6
Total	**100.0**	**100.0**

Munters' sensitivity to variations in exchange rates is presented in the table below. The analysis includes transaction exposure and is based on EBIT for 2016. All other factors that can influence earnings are assumed unchanged in the calculation.

2016 SEK +10% compared with	**Estimated effect on earnings before interest and tax (EBIT)**	
	SEK M	**%**
AUD	-3.6	-1
CNY	-16.5	-3
EUR	-18.0	-3
GBP	-1.7	0
ILS	8.5	1
JPY	-1.6	0
KRW	-3.9	-1
MXN	7.4	1
SGD	-19.6	-3
USD	-65.5	-11
Total	**-115**	**-20**

Translation exposure

A large proportion of Munters' subsidiaries have net assets in a functional currency that is different from the Group's reporting currency. When these are translated into SEK, translation differences arise which are recognized in other comprehensive income. Translation differences attributable to net investments in foreign currency are not hedged. However, pursuant to the financial policy, this is monitored and calculated regularly in order to determine its impact on earnings and financial position. The effect on other comprehensive income of the translation of foreign subsidiaries' net assets into SEK totaled SEK 198 million (-3) for the year. This refers mainly to subsidiaries that have USD and EUR as functional currency.

Interest rate risk

Interest rate risk refers to the risk of the value of financial instruments and interest-bearing assets and liabilities changing due to changes in the interest rate level.

To ensure efficiency and sound risk control, the major part of borrowings are managed by the Group Treasury function.

Munters is exposed to interest risk through interest-bearing borrowings, which are one of the Group's sources of financing in addition to equity and cash flow from operating activities. Interest-bearing borrowings consist primarily of a shareholder loan, with a fixed interest rate, and a long-term bank loan, with a variable interest rate. In addition to these, banks have granted a few individual loans to subsidiaries.

The Group has no significant interest-bearing assets besides bank balances, so revenues and cash flow from operating activities are largely independent of changes in market interest rates.

The Group had at the end of 2016 no outstanding interest rate derivatives.

Interest exposure

The average fixed interest term for the Group's external loans was 3,1 months (2,9) at year-end 2016. If the interest rate increases with one per centage in all countries where Munters has loans or investments, the impact on net financial income and expense would be approximately SEK 23 million (10), based on the portion of net debt carrying interest not hedged at year-end. This sensitivity analysis assumes that all other factors, such as exchange rates, remain unchanged.

Credit risk

Credit risk is the risk of Munters incurring losses due to a counterparty failing to pay.

Credit exposure

For Munters, the predominant portion of credit risk relates to accounts receivable. Munters works actively to limit this risk. An approved credit rating is required for a counterparty to be approved.

Advance payment is generally encouraged, and partial advance payment is required when the value of the order is a significant amount and delivery extends over a long period of time. Accounts receivable are also mainly spread among many customers, primarily companies in different industries and with wide geographical distribution, which limits concentration of the credit risk. The Group's five largest customers accounted for 13 per cent (12) of total revenues, calculated on a full-year basis. At December 31, 2016, the five largest customers accounted for 12 per cent (8) of total outstanding accounts receivables.

To ensure that the Group's accounts receivables are paid, the management of receivables is regulated in a special policy. According to this policy, each business unit must have established and documented processes for handling unpaid receivables. The documented processes include specifications of time limits for taking various actions, including legal action, as well as who is responsible at various stages of the process. Documentation of actions taken ensures that follow-up is possible. The measures are matched to amounts and to different groups of customers and business areas in a manner that will result in efficient handling of overdue accounts receivables.

Time analysis of accounts receivable, past due but not impaired	**2016**	2015
< 30 days	**177**	174
30–90 days	**135**	90
91–180 days	**39**	28
> 180 days	**1**	0
Closing balance	**352**	292

Provisions for bad debts correspond to 4 per cent (6) of total receivables and changed as follows.

Provision for bad debts	**2016**	2015
Amount at January 1	**51**	54
Provision for anticipated losses	**27**	18
Realized losses	**-8**	-12
Reversals of unutilized amounts	**-30**	-9
Exchange-rate differences	**2**	0
Closing balance	**42**	51

Note 3 cont.

The credit quality of financial assets not past due or not impaired at the end of the reporting period is considered good.

The credit risk for financial assets besides accounts receivable, such as cash and cash equivalents, equals the carrying amounts.

Counterparty exposure

A list of approved counterparties and maximum exposure to each approved counterparty is established in the financial policy. Approved counterparties should be characterized by high ethical values and have a credit rating of at least A-/A2 according to Standard & Poor's/Moody's credit assessments. Exceptions may sometimes be made for local banks, but such cases must have the advance approval of the CFO.

Liquidity risk

Liquidity risk refers to the risk of Munters, at a given point in time, not having sufficient liquidity to cover expected or unforeseen expenses.

Management continually monitors forecasts of Group cash flows and liquidity reserves to ensure that the Group has sufficient funds to satisfy the needs of operating activities and to cover interest payments and loan repayments. Actions are taken if necessary.

According to the financial policy, the long-term liquidity reserve shall exceed an amount equivalent to one month of disbursements (both direct and indirect). A short-term liquidity reserve is set at the critical amount of SEK 200 million, which represents two weeks of disbursements. Long-term the liquidity reserve shall amount to SEK 400 million.

Group Treasury works actively to ensure an effective cash management structure by centralizing the liquidity to the parent company through cash pools and other form of sweeping mechanisms.

The liquidity reserve shall be secured in form of cash and cash equivalents and unutilized credit facilities. At the end of 2016, the Group had unutilized credit facilities of SEK 68 million (209). At the end of December a new acquisition facility of USD 25 million was made available. The new facility was not utilized at the end of the year.

Cash surplus shall primarily be used to repay external debt.

The Group's cash and cash equivalents shall be placed in bank accounts or high-liquidity interest-bearing instruments. Surplus liquidity in subsidiaries shall be placed with Group Treasury.

By securing accessibility to guaranteed long-term credit facilities and spreading maturities and sources of financing for borrowings, the Group will avoid expensive financing and refinancing difficulties.

For more information about the Group's borrowings, see Note 18.

Capital structure

Munters aims to have a capital structure that ensures a long-term approach in the operations, satisfies various investment requirements and safeguards the value of the Group. Munters endeavors to ensure that the Group's subsidiaries shall have an optimal capital structure relating to financing requirements and foreign exchange and tax regulations in each jurisdiction. Subsidiary financing shall mainly be done by internal loans or capital contributions.

Requirements in the Groups external loan agreement and commonly praxis following the type of business of the individual subsidiary and country shall be taken into account when deciding form of financing.

An analysis of the subsidiaries'capital structure is done on a yearly basis to secure that the different requirements are met.

NOTE 4 | INFORMATION ON COSTS BY NATURE

2016	**Cost of goods sold**	**Sales costs**	**Administrative costs**	**Research and development costs**	**Other operating expenses**
Material costs	-2,511				
Other production costs	-744				
Personnel and other administration	-587	-737	-497	-126	
Cost of depreciation	-59	-7	-15	-12	
Amortization surplus values		-169			
Other costs	-32				0
Total	**-3,931**	**-913**	**-512**	**-138**	**0**

2015	Cost of goods sold	Sales costs	Administrative costs	Research and developement costs	Other costs
Material costs	-2,307				
Other production costs	-670				
Personnel and other administration	-543	-676	-449	-116	
Cost of depreciation	-46	-10	-16	-11	
Amortization surplus values		-152			
Other costs	-14				-7
Total	**-3,580**	**-838**	**-465**	**-127**	**-7**

NOTE 5 | BUSINESS COMBINATIONS

Acquisitions in 2016
No acquisitions were made in 2016. For acquisitions after the balance sheet date, see Note 31.

Acquisitions in 2015
Hebova Holding B.V.
On July 7, 2015, 100 per cent was acquired of the Dutch company Hebova Holding B.V. and its subsidiaries in the Netherlands, Belgium, Denmark and the Czech Republic. The HB Group is engaged in the business area AirT's Food segment and had sales of SEK 119 million in 2014. The company adds product range and application knowledge in the Food segment and also has production plants in the Netherlands and the Czech Republic.

The company was consolidated as of July 7, 2015, when controlling interest was established.

The acquired operations contributed sales of SEK 79 million, earnings before interest and tax (EBIT) of SEK 4 million, and comprehensive income of SEK 3 million for the period July 7 –December 31, 2015.

Contingent purchase consideration shall be paid, if agreed profit during the period 1 July 2015 to 1 July 2017 are achieved, with between zero up to a maximum of EUR 10 million. In the purchase price analysis contingent consideration is estimated at EUR 5.5 million.

The acquisition analysis has been completed during 2016 without any significant changes from the preliminary.

Information about acquired net assets and goodwill follows	According to final acquisition analysis
Cash purchase consideration paid	104
Contingent purchase consideration	51
Total purchase consideration	**155**
Fair value of acquired net assets	-48
Non-controlling interest	6
Goodwill (Note 15)	**113**

Acquired net assets at time of acquisition	Fair values according to final acq. analysis
Property, plant and equipment (Note 13)	41
Customer relationships (Note 14)	7
Technology (Note 14)	18
Brands (Note 15)	12
Inventory	13
Accounts receivable	17
Other current assets	2
Cash and cash equivalents	3
Total assets	**113**

Acquired net assets at time of acquisition	Fair values according to final acq. analysis
Non-current interest-bearing liabilities	19
Current interest-bearing liabilities	12
Accounts payable	8
Accrued expenses and deferred income	0
Deferred tax liabilities	12
Other current liabilities	10
Other current provisions	3
Total liabilities	**66**
Net identifiable assets and liabilities	**48**
Cash purchase consideration paid	104
Cash and cash equivalents in acquired company	-3
Change in the Group's cash and cash equivalents on acquisition	**101**

The fair value of acquired net assets was increased by SEK 37 million. Of this amount SEK 12 million relates to Buildings, SEK 7 million customer relationships, SEK 18 million to technology, SEK 12 million to brands, and SEK 12 million to deferred tax liabilities. The fair value of the acquired accounts receivable at the date of acquisition, SEK 17 million corresponds to the amount expected to be paid. Receivables have a nominal value of SEK 17 million.

The goodwill arising from the acquisition, SEK 113 million, is chiefly attributable to future synergies expected through adding Hebova Group's product portfolio and Food application knowledge into AirTs Food segment and reaching more customers through each company's sales channels. In addition the HB Group owns competitive production facilities in The Netherlands and the Czech Republic.

Acquisition-related outlays expensed in 2015 amounted to SEK 3 million and are included in administrative costs in the statement of comprehensive income.

Reventa Group
On November 19, 2015, 100 per cent was acquired of the German company Reventa Group. The Group is engaged in the business area AgHort with systems for climate control for animal husbandry, especially in the Swine and Poultry segment. The Company also has a strong market position in markets with colder climates.

The company was consolidated as of October 1, 2015, when controlling interest was established.

The acquired operations contributed sales of SEK 58 million, earnings before interest and tax (EBIT) of SEK 3 million, and comprehensive income of SEK 2 million for the period October 1– December 31, 2015.

Contingent purchase consideration shall be paid, if agreed profit for 2016 and 2017 are achieved, with EUR 2 million or a maximum of EUR 4 million. No contingent consideration will be paid if profit levels are not attained. In the purchase price analysis contingent consideration is estimated at EUR 4 million.

The acquisition analysis has been completed during 2016 without any significant changes from the preliminary.

Note 5 cont.

Information about acquired net assets and goodwill follows	According to final acquisition analysis
Cash purchase consideration paid	191
Liability regarding purchase consideration not yet paid	36
Contingent purchase consideration	37
Total purchase consideration	**265**
Fair value of acquired net assets	-71
Non-controlling interest	0
Goodwill (Note 15)	**194**

Acquired net assets at time of acquisition	Fair values according to final acq. analysis
Property, plant and equipment (Note 13)	19
Customer relationships (Note 14)	21
Technology (Note 14)	21
Brands (Note 15)	11
Inventory	40
Accounts receivable	14
Other current assets	2
Cash and cash equivalents	9
Total assets	**136**
Non-current interest-bearing liabilities	0
Current interest-bearing liabilities	0
Accounts payable	19
Accrued expenses and deferred income	0
Deferred tax liabilities	16
Other current liabilities	16
Other current provisions	13
Total liabilities	**65**
Net identifiable assets and liabilities	**71**
Cash purchase consideration paid	191
Cash and cash equivalents in acquired company	-9
Change in the Group's cash and cash equivalents on acquisition	**182**

The fair value of acquired net assets was increased by SEK 36 million. Of this amount SEK 21 million relates to customer relationships, SEK 21 million to technology, SEK 11 million to brands, and SEK 16 million to deferred tax liabilities. The fair value of the acquired accounts receivable at the date of acquisition, SEK 14 million corresponds to the amount expected to be paid. Receivables have a nominal value of SEK 14 million.

The goodwill arising from the acquisition, SEK 194 million, is chiefly attributable to future synergies expected through adding Reventa's market position in the husbandry of Swine and markets with colder climates of northern and eastern Europe. Overall, this extends Munters' market position in Europe.

Acquisition-related outlays expensed in 2015 amounted to SEK 6 million and are included in administrative costs in the statement of comprehensive income.

Divestments in 2016
No divestments were made in 2016.

Divestments in 2015
On December 31, 2015, 100 per cent was divested of the Chinese subsidiary Munters Keruilai Air Treatment Equipment (Guangdong) Co., Ltd. The company was a part of the former Business area HumiCool. The result for the company has been part of the Group's performance for the full year. The divested company had sales of SEK 73 million, earnings before interest and tax (EBIT) of SEK -24 million, and comprehensive income of SEK -23 million in 2015. The divestment resulted in a result of SEK -1 million and is presented on line financial expenses in the statement of comprehensive income.

Information about divested net assets follows	Divested as per December 31
Cash sale consideration received	2
Total sale consideration	**2**
Less value of divested net assets	-8
Currency translation difference reclassified to other comprehensive income	5
Divestment result	**-1**

Divested net assets	Divested net assets
Non-current assets (Note 13 and 14)	15
Inventory	13
Accounts receivable	9
Other current assets	0
Cash and cash equivalents	4
Total assets	**41**
Current interest-bearing liabilities	0
Accounts payable	9
Accrued expenses and deferred income	15
Other current liabilities	9
Other current provisions	1
Total liabilities	**33**
Net identifiable assets and liabilities	**8**
Cash sale consideration received	2
Cash and cash equivalents in divested company	-4
Change in the Group's cash and cash equivalents on divestment	**-2**

NOTE 6 | OPERATING SEGMENTS

Munters is a global leader in energy-efficient solutions for air treatment based on its expertise in humidity- and climate control technologies.

Reportable operating segments

The Group's reportable operating segments have been identified from a management perspective. Thus the segment information disclosed is based on internal reporting to the chief operating decision maker, which at Munters has been equated with Group management.

The Group's operations are managed and reported by three business areas as described below.

Air Treatment manufactures and markets products and holistic solutions for controlling humidity and improving the indoor climate. Customers' manufacturing processes and warehousing are becoming more efficient and product quality, shelf life, and hygiene are improving.

AgHort manufactures and markets energy-efficient products and systems to create the right indoor climate for the animal husbandry and horticultural industries.

Mist Elimination manufactures and markets environmentally friendly solutions and products for mist elimination, such as for cleaning flue gas.

Business area consolidation is performed applying the same policies as for the Group as a whole. Transactions between business areas are conducted on market terms. Key control and reporting concepts are order intake, net sales, operating earnings, and operating working capital. No profit and loss items after EBIT are allocated to the business areas.

No individual customer outside the Group accounts for 10 per cent or more of Munters' sales.

	Air Treatment		AgHort		Mist Elimination		Other and Eliminations[1]		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Sales from external customers	**3,943**	3,583	**1,669**	1,325	**428**	420	**0**	71	**6,040**	5,399
Transactions between business segments	**6**	76	**36**	38	**9**	8	**-50**	-121	**0**	0
Net sales	**3,949**	3,658	**1,705**	1,363	**437**	428	**-50**	-50	**6,040**	5,399
Earnings before interest and tax (EBIT)	**491**	410	**276**	167	**69**	70	**-258**	-262	**577**	384
Change balance sheet items										
Accounts receivable	**-232**	-149	**-18**	-17	**-6**	11	**7**	92	**-249**	-64
Inventories	**-91**	-26	**-38**	-19	**-2**	-6	**0**	32	**-132**	-18
Accounts payable	**143**	23	**-4**	24	**0**	0	**6**	-36	**145**	11
Advances from customers	**99**	53	**4**	2	**-1**	-2	**2**	-3	**104**	50
Change in operating working capital	**-82**	-98	**-56**	-10	**-10**	2	**15**	85	**-132**	-21
Internal reallocations	**11**	7	**4**	2	**1**	1	**-16**	-10	**0**	0
Investment	**-109**	-73	**-59**	-26	**-3**	-6	**-12**	-8	**-184**	-113
Add back of depreciation, amortization, and impairments	**53**	45	**36**	21	**5**	4	**168**	164	**262**	233
Operating cashflow	**365**	291	**200**	153	**62**	71	**-103**	-32	**523**	484
Other disclosures										
Number of permanent employees at year end	**2,086**	1,855	**639**	658	**156**	199	**58**	56	**2,939**	2,768

1) Pertains group internal eliminations and group items not allocated to any operating segment.
The former business area HumiCool is included in Other in the 2015 figures.

Note 6 cont.

GEOGRAPHIC INFORMATION

External net sales	2016	2015
Sweden	**135**	113
United States	**2,153**	2,336
Germany	**456**	389
China	**658**	500
Other countries	**2,639**	2,061
Total revenues from external customers	**6,040**	5,399

The information above is based on where customers have their registered head office.

Non-current assets	2016	2015
Sweden	**499**	508
United States	**3,719**	3,463
Euro countries	**1,892**	1,843
Other countries	**197**	159
Total non-current assets	**6,308**	5,973

The information presented in the table above regarding non-current assets is grouped according to assets location, i.e. where the entity carries on its production of goods and services. Non-current assets consist of buildings and land, plant and machinery, equipment, tools, and installations, construction in progress, patents, licenses, brands and similar rights and goodwill.

NOTE 7 | OTHER OPERATING REVENUE AND OPERATING EXPENSES

	Group		Parent Company	
	2016	2015	2016	2015
Other operating revenue				
Change in contingent price considerations	**30**	–	**–**	–
Other	**1**	2	**–**	–
Total	**31**	2	**–**	–
Other operating expenses				
Other	**-2**	-1	**–**	–
Exchange-rate differences	**2**	-6	**–**	–
Total	**0**	-7	**–**	–

Other operating revenue 2016 refers to the contingent purchase price consideration prematurely settled in the German subsidiary Munters Reventa GmbH. The outcome fell below the amount reserved in the preliminary purchase price analysis.

NOTE 8 | DEPRECIATION, AMORTIZATION, AND IMPAIRMENT LOSSES

Amortization of intangible assets and depreciation of property, plant, and equipment are based on the historical acquisition cost and the estimated useful life of different groups of assets. For assets acquired during the period, depreciation or amortization is calculated from the acquisition date. Depreciation and amortization are charged primarily on a straight-line basis over the following useful lives.

Leasehold improvements	3–7 years
Research and development work	3–5 years
Patents, licenses, brands (with definitive useful life)	2–10 years
Customer relationships	7–12 years
Technology	6–8 years
Brands (with indefinitive useful life)	not amortized
Machinery and equipment	3–10 years
Buildings	20–33 years
Land lease	50 years

The brands that emerged in connection with business combinations acquired when Munters Topholding AB acquired Munters AB via Munters Holding AB are deemed to have an indefinite useful life, while the useful life of customer relationships and technology also identified are estimated at 6–12 years. Also the brands that emerged in connection with the acquisition of Proflute are deemed to have an indefinite useful life.

No write-down of goodwill and other acquisition-related intangible assets has been made during the year. Depreciation, amortization, and impairment losses on non-current assets were charged to income for the year as shown below.

	Group	
	2016	2015
Cost of goods sold	**59**	46
Selling expenses	**176**	161
Administrative costs	**15**	16
Research and development costs	**12**	11
Total	**262**	233

Amortization and impairment of acquisition-related intangible assets totaled SEK 169 million (152) and is included in the item selling expenses.

Impairment of inventory

	Group	
	2016	2015
Opening balance	**-60**	-66
Write down current year	**-10**	-18
Reversal of previous years write down	**1**	23
Exchange-rate differences	**-3**	2
Closing balance	**-71**	-60

Most of the write downs and reversal of write down are related to the obsolescence that is made at each period end.

NOTE 9 | LEASES

Operating leases

The period's expense for operating leases on assets, such as leased premises, machinery, and major computer and office equipment, is recognized among operating expenses and totaled SEK 91 million (85). The minimum future lease payments for irrevocable operating leases have the following maturity.

2017	88
2018–2021	224
2022 and later	37
Total	**350**

Finance leases

As previous years, no material financial leasing occurred.

NOTE 10 | FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2016	2015	**2016**	2015
Financial income				
Interest income, subsidiaries	**–**	–	**0**	0
Interest income, other	**10**	3	**0**	0
Other financial income	**2**	0	**0**	0
	12	3	**0**	0
Financial expenses				
Interest expenses subsidiaries	**–**	–	**0**	-0
Interest expenses, other	**-391**	-361	**-202**	-187
Financing Fees	**-18**	-14	**0**	0
Exchange-rate differences	**-19**	11	**0**	0
Other financial expenses	**-7**	-10	**0**	0
	-436	-374	**-202**	-187
Total financial income	**-424**	-371	**-202**	-187

NOTE 11 | INCOME TAXES

	Group		Parent Company	
	2016	2015	**2016**	2015
Current tax	**-109**	-108	**–**	–
Tax attributable to prior years/ withholding tax	**-5**	-2	**–**	–
Deferred tax related to temporary differences and loss carry-forwards	**50**	82	**–**	–
Income tax not calculated based on net profits	**-5**	-3	**–**	–
Tax recognized in income statement for the year	**-69**	-31	**–**	–
Reconciliation of effective tax				
Profit/Loss before tax	**153**	13	**-180**	-138
Tax according to prevailing tax rate for the Parent Company	**-34**	-3	**40**	30
Difference attributable to foreign tax rates	**-18**	-15	**–**	–
Tax effect of;				
Non-deductible expenses[1]	**-54**	-48	**-41**	-37
Non-taxable income	**12**	10	**–**	–
Utilization of losses not recogized as an asset in the balance sheet	**3**	5	**–**	–
Change in valuation of deferred tax on temporary differences and losses	**36**	-2	**1**	7
Revaluation of deferred tax assets/liabilities due to change in tax rate	**-4**	27	**–**	–
Non-income-related taxes	**-5**	-3	**–**	–
Tax attributable to prior years/ withholding tax	**-5**	-2	**–**	–
Other	**0**	0	**–**	–
Tax recognized in income statement for the year	**-69**	-31	**–**	–

1) Refers mainly to interest expenses on shareholder loan.

Tax attributable to components of other comprehensive income	Group	
	2016	2015
Deferred tax attributable to:		
Actuarial gains and losses on defined-benefit pension obligations	**4**	0
Total	**4**	0

Deferred tax assets	Group	
	2016	2015
Buildings	**0**	0
Machinery and equipment	**5**	5
Inventory	**21**	23
Accounts receivable	**10**	9
Provisions	**6**	11
Accrued expenses and prepaid income	**61**	48
Goodwill	**6**	7
Loss carry-forwards	**100**	85
Provisions for pensions	**19**	16
Other	**14**	12
Total	**242**	216

Note 11 cont.

Deferred tax liabilities	Group 2016	2015
Buildings	**3**	3
Machinery and equipment	**21**	14
Technology	**45**	63
Brands	**361**	335
Customer relationships	**83**	109
Goodwill	**10**	0
Other	**2**	3
Total	**525**	527

Reconciliation of net deferred taxes:

Change in deferred taxes	Group 2016	2015
Opening balance	**311**	344
Acquisition of subsidiaries (Note 5)	**–**	28
Charges in this year's profit	**-50**	-82
Tax on amounts recorded in Other comprehensive income[1]	**22**	21
Closing balance	**283**	311

1) Including change in Translation reserve for the year

Deferred tax assets for pension provisions refer to the difference between the calculation of defined-benefit pension obligations based on local tax legislation and based on IAS 19 Employee Benefits.

Deferred tax assets relating to loss carry-forwards are recognized to the extent that it is deemed likely that the losses will be used to offset taxable income during the coming five years.

At year-end, there were tax loss carry-forwards in the group companies amounting to SEK 900 million (959), of which SEK 877 million (934) may be carried forward for an unlimited period of time. Loss carry-forwards for which deferred tax assets are not recognized totaled SEK 528 million (631), of which SEK 528 million (631) may be carried forward for an unlimited period of time. Consequently, deferred tax assets on loss carry-forwards totaling SEK 372 million (328) were recognized. These losses relate to the subsidiaries in Australia, Germany, Belgium, Denmark, Italy, Netherlands, Turkey and Sweden. Tax losses in Turkey may be carried forward for five years. In the other countries, losses may be carried forward for an unlimited period of time.

SEK 24 million out of the SEK 372 million that has been included in the basis for calculating a deferred tax asset relate to Turkey. During 2016 deferred tax assets relating to loss carry-forwards have been recognized in Turkey since the business conditions have improved in the country and the loss carry-forwards are thus deemed possible to use against future taxable profits.

The deferred tax liabilities are mainly attributable to surplus values identified in connection with the acquisition of Munters AB in 2010.

NOTE 12 | EARNINGS PER SHARE

	Group 2016	2015
Income attributable to Parent Company's ordinary shareholders, SEK 000s	**84 396**	-18 229
Preferential share´s right to dividend for the financial year, SEK 000s	**203 967**	188 858
Income attributable to Parent Company's ordinary shareholders, after consideration to preferential shares, SEK 000s	**-119 570**	-207 087
Weighted average number of outstanding ordinary shares, 000s	**537**	536
Earnings per share, SEK	**-222.67**	-386.48

Computing earnings per share, basic and diluted, is based on the net income attributable to the Parent Company's ordinary shareholders. This means that earnings are adjusted for effects of preferential shares classified as equity. Net income attributable to ordinary shareholders is thus adjusted for the right of preferential shares to cumulative dividend for the period based on the terms described in Note 20.

The number of shares used in the calculation consists of a weighted average of outstanding ordinary shares during the period.

For 2016 there are no circumstances to give rise to a dilution effect and earnings per share, basic and diluted, are thus the same.

NOTE 13 | PROPERTY, PLANT, AND EQUIPMENT

2016 Group	Buildings and land	Plant and machinery	Equipment, tools, fixtures, and fittings	Construction in progress	Total
Acquisition cost					
Opening balance	**368**	**674**	**385**	**31**	**1,458**
Investment for the year	3	55	66	39	163
Sales and disposals	-1	-36	-26	-1	-64
Reclassifications	1	1	4	-6	0
Exchange-rate differences for the year	22	39	25	5	91
Closing balance	**393**	**731**	**454**	**69**	**1,647**
Accumulated depreciation					
Opening balance	**214**	**534**	**293**	**0**	**1,041**
Sales and disposals	-1	-35	-24	–	-60
Reclassifications	0	-2	2	–	0
Depreciation for the year	11	32	32	–	75
Write-down for the year	–	–	0	–	0
Exchange-rate differences for the year	13	30	19	–	61
Closing balance	**237**	**559**	**321**	**0**	**1,117**
Closing carrying amount	**156**	**172**	**133**	**69**	**530**

2015 Group	Buildings and land	Plant and machinery	Equipment, tools, fixtures, and fittings	Construction inprogress	Total
Acquisition cost					
Opening balance	**305**	**693**	**320**	**20**	**1,338**
Acquisition of subsidiaries (Note 5)	49	8	27	1	86
Investments for the year	4	37	34	16	90
Divestment of subsidiaries (Note 5)	–	-18	-10	–	-28
Sales and disposals	-2	-11	-20	0	-33
Reclassifications	6	-44	30	-4	-13
Exchange-rate differences for the year	6	9	4	-1	18
Closing balance	**368**	**674**	**385**	**31**	**1,458**
Accumulated depreciation					
Opening balance	**183**	**566**	**249**	**0**	**998**
Acquisition of subsidiaries (Note 5)	16	3	8	–	27
Divestment of subsidiaries (Note 5)	–	-10	-6	–	-16
Sales and disposals	0	-11	-18	–	-29
Reclassifications	1	-43	29	–	-13
Depreciation for the year	10	24	29	–	63
Write-down for the year	–	–	–	–	–
Exchange-rate differences for the year	4	5	1	–	10
Closing balance	**214**	**534**	**293**	**0**	**1,041**
Closing carrying amount	**154**	**140**	**92**	**31**	**417**

Depreciation is based on an asset's acquisition cost and its estimated useful life as specified in Note 8.
The carrying amount of land totaled SEK 17 million (16).

NOTE 14 | PATENTS, LICENSES, CUSTOMER RELATIONS AND OTHER INTANGIBLE ASSETS WITH DEFINITE USEFUL LIFE

2016 Group	Technology	Customer relationships	Internally generated intangible assets	Other intangible assets	Total
Acquisition cost					
Opening balance	485	809	73	124	1 491
Investment for the year	–	–	13	7	20
Sales and disposals	–	–	-1	0	-2
Reclassifications	–	–	–	1	1
Exchange-rate differences for the year	33	55	4	2	95
Closing balance	**519**	**864**	**89**	**135**	**1,607**
Accumulated amortization					
Closing balance	290	474	25	68	857
Amortization for the year	62	96	9	19	186
Impairment for the year	–	–	–	–	–
Sales and disposals	–	–	–	0	0
Exchange-rate differences for the year	23	37	–	1	62
Closing balance	**375**	**607**	**34**	**89**	**1,105**
Closing carrying amount	**143**	**258**	**54**	**46**	**502**

2015 Group	Technology	Customer relationships	Internally generated intangible assets	Other intangible assets	Total
Acquisition cost					
Opening balance	433	779	56	118	1 386
Acquisition of subsidiaries (Note 5)	39	29	–	24	92
Divestment of subsidiaries (Note 5)	–	-16	–	-25	-41
Investments for the year	–	–	16	5	21
Sales and disposals	–	–	–	–	–
Exchange-rate differences for the year	13	17	1	3	34
Closing balance	**485**	**809**	**73**	**124**	**1,491**
Accumulated amortization					
Opening balance	225	391	15	74	705
Acquisition of subsidiaries (Note 5)	–	–	–	–	0
Divestment of subsidiaries (Note 5)	–	-17	–	-19	-36
Amortization for the year	58	93	6	12	169
Impairment for the year	–	–	4	–	4
Sales and disposals	–	–	–	–	–
Exchange-rate differences for the year	7	7	–	1	15
Closing balance	**290**	**474**	**25**	**68**	**857**
Closing carrying amount	**195**	**335**	**48**	**56**	**634**

Technology
This item includes technology, SEK 143 million (195), the majority of which was identified in conjunction with the acquisition of Munters AB in 2010.

Customer relationships
This item includes customer relationships, SEK 258 million (335), the majority of which was identified in conjunction with the acquisition of Munters AB in 2010.

Internally generated intangible assets
This item includes product development expenses, SEK 54 million (48).

Other intangible assets
Other intangible assets mainly include patents, tradenames, licenses, and similar rights in Sweden, Germany, the United States, the Netherlands and China.

NOTE 15 | GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Intangible assets with indefinite useful life consist of brands and goodwill.

2016 Group	Brands	Goodwill
Acquisition cost		
Opening balance	985	3,968
Exchange-rate differences for the period	70	285
Closing balance	**1,055**	**4,253**
Accumulated impairment		
Opening balance	5	24
Impairment of the year	–	–
Exchange-rate differences for the period	0	2
Closing balance	**6**	**26**
Closing carrying amount	**1,049**	**4,227**

2015 Group	Brands	Goodwill
Acquisition cost		
Opening balance	954	3,618
Acquisition of subsidiaries (Note 5)	–	298
Divestment of subsidiaries (Note 5)	–	-50
Exchange-rate differences for the period	31	102
Closing balance	**985**	**3,968**
Accumulated impairment		
Opening balance	5	82
Impairment of the year	–	–
Divestment of subsidiaries (Note 5)	–	-50
Exchange-rate differences for the period	0	-8
Closing balance	**5**	**24**
Closing carrying amount	**980**	**3,944**

Recognized brands per cash-generating unit	2016	2015
Air Treatment	**884**	824
AgHort	**105**	99
Mist Elimination	**61**	57
Total	**1,049**	980

Recognized amount of goodwill per cash-generating unit	2016	2015
Air Treatment	**3,324**	3,096
AgHort	**778**	731
Mist Elimination	**125**	117
Total	**4,227**	3,944

At November 8, 2010, the subsidiary Munters Holding AB acquired 97.6 per cent of the share capital and votes in the Munters Group, a global leader in energy-efficient solutions for air treatment based on its expertise in humidity- and climate-control technologies. In 2011 the remaining shares were acquired through compulsory redemption. In connection with the acquisition of the Munters Group, goodwill arose, primarily attributable to the general cyclical recovery, expansion into new customer categories and markets, and efficiency enhancements in processes such as production, purchasing, and pricing. Furthermore, the brand Munters was identified upon acquisition.

In connection with the acquisition in 2011 – of Rotem Computerized Controllers (1994) – goodwill arose. It was chiefly attributable to future synergy effects expected by adding Rotem's advanced control systems to Munters' existing product range thus offering a greater range of products, and reaching more customers through each company's sales channels.

The goodwill arising from the acquisition in 2013 of Swedish company Proflute AB and its Chinese subsidiary Jiangyin SAT Air Treatment Equipment Co. Ltd ("SAT") is chiefly attributable to future synergies expected through adding Proflute's advanced technology and reaching more customers through each company's sales channels. Upon acquisition, the brand Proflute was also identified.

The goodwill arising from the acquisition in 2015 of the Dutch company Hebova Holding B.V., and its subsidiaries in the Netherland, Belgium, Denmark and the Czech Republic is chiefly attributable to future synergies expected through adding Hebova Group's product portfolio and Food application knowledge into AirTs Food segment and reaching more customers through each company's sales channels. In addition the HB Group owns competitive production facilities in The Netherlands and the Czech Republic. The goodwill arising from the acquisition in 2015 of the German company Reventa Group is chiefly attributable to future synergies expected through adding Reventa's market position in the husbandry of Swine and markets with colder climates. Overall, this extends Munters' market position in Europe. Upon acquisition, the brand Reventa was also identified.

Impairment testing of goodwill and brands

The values of goodwill and brands are tested annually to ensure that the value does not deviate negatively from book value, but are tested more often if there are indications of impairment. The carrying amounts for goodwill and brands were tested at September 30, 2016.

Goodwill and brands with an indefinite useful life are allocated to the Group's cash-generating units. The cash-generating units have been defined based on the level at which the Group's operations are managed and supervised, i.e. the three business areas that also make up the Group's operating segments: Air Treatment, AgHort, Mist Elimination.

Impairment testing of recognized goodwill and brands has been based on recoverable amounts for cash-generating units established through calculating future value in use. Future cash flows for the first five years are mainly based on the forecasts approved by the Board and Group management, and progress thereof. The growth rate in the terminal period after the first five years has been determined at 2 per cent (2).

Significant assumptions used to calculate values in use are the progression of sales growth and EBIT margin, utilization of operating capital employed, and the discount rate. Management has established the forecast growth rate based on previous results and expectations about the future market trend by operating segment, which for Air Treatment substantially exceeds the current sales levels. These assessments observe various economic indicators and internal and external analyses thereof. In addition,

Forts. not 15

important aspects are observed pertaining to the future financial trend, described in the Group's strategic plan. No impairment has been identified.

These calculations use a nominal discount rate (average weighted cost of capital before tax) of 12.4 per cent (13.2).

A sensitivity analysis for the parameters discount rate, sales growth and EBIT margin has been performed for each cash-generating unit, as below. The effects refer to a change in the individual parameter, all else being equal.

Discount rate

A 2.5 percentage point (1.7) increase in the discount rate would be required for goodwill and brands impairment to be necessary in the Air Treatment business area, and the corresponding increase of 5.1 percentage points (6.5) for the business area AgHort. For the business area Mist Elimination no reasonable changes are judged to lead to a need for impairment.

Sales growth

A sales growth of 5 per cent annually is required to avoid impairment for goodwill and brands in the Air Treatment business area. For the business areas AgHort and Mist Elimination no reasonable changes are judged to lead to a need for impairment.

EBIT margin

For business area Air Treatment, a 29 per cent (21) decrease in average EBIT margin in the forecast period would be required for goodwill and brands impairment to be necessary. For the other two business areas, AgHort and Mist Elimination, no reasonable changes are judged to lead to a need for impairment.

NOTE 16 | PARTICIPATIONS IN SUBSIDIARIES

Direct shareholdings	Country	Percentage, %	Carrying amount
Munters Holding AB (corp. reg. no. 556818-9749) Registered office: Stockholm	Sweden	100	4,086
			4,086

Indirect shareholdings	Country	Percentage, %
Munters AB (corp. reg. no. 556041-0606)	Sweden	100
AB Carl Munters (corp. reg. no. 556035-1198)	Sweden	100
Munters Europe AB (corp. reg. no. 556380-3039)	Sweden	100
Pro Component Sweden AB (corp. reg. no. 556904-0891)	Sweden	100
Proflute AB (corp. reg. no. 556558-3415)	Sweden	100
Munters Corporation	United States	100
Munters Canada Inc	Canada	100
Munters de Mexico S de RL de CV	Mexico	100
Shelf Service Company No 1 S de RL de CV	Mexico	100
Munters Brasil Industria e Comércio Ltda	Brazil	100
Munters Beteiligungs GmbH	Germany	100
Munters Euroform GmbH	Germany	100
Munters GmbH	Germany	100
Munters Reventa GmbH	Germany	100
Munters Netherlands BV	Netherlands	100
HB Beheer BV	Netherlands	100
HB Koeltechniek BV	Netherlands	100
Munters Spain SAU	Spain	100
HB Krako sro	Czechia	50
Hebova sro	Czechia	50
Munters France SAS	France	100
Munters Italy SpA	Italy	100
Munters Ltd	United Kingdom	100
Munters Management Service Ltd	United Kingdom	100
Munters Belgium SA	Belgium	100
HB Drying Belgium	Belgium	80
Munters Finland Oy	Finland	100
Rotem Computerized Controllers (1994) Ltd	Israel	100
Munters A/S	Denmark	100
HB Air Treatment Denmark	Denmark	100
Munters (Pty) Ltd	South Africa	100
Munters-Form Endüstri Sistemleri Sanayi ve Ticaret A.Ş.	Turkey	80
Munters India Humidity Control Private Ltd	India	100
Munters Air Treatment Equipment (Beijing) Co Ltd	China	100
Jiangyin SAT Air Treatment Equipment Co Ltd	China	100
Munters Korea Co Ltd	South Korea	100
Munters (Thailand) Co Ltd	Thailand	100
Munters KK	Japan	100
Munters Pte Ltd	Singapore	100
Munters Pty Ltd	Australia	100

No restrictions exists regarding Group's access to the subsidiaries assets, as a result of regulations or minorities.

Note 16 cont.

	2016	2015
Acquisition cost at January 1	**4,086**	4,086
Shareholders' contributions, cash	**–**	–
Shareholders' contributions, other	**–**	–
Accumulated acquisition cost at December 31	**4,086**	4,086

Non-controlling interests

In the table below there is information about all non-controlling interests within Munters.

2016	HB Drying Belgium	HB Krako sro	Hebova sro	Munters-Form Endüstri Sistemleri Sanayi ve Ticaret A.Ş.
Net sales	16	44	–	55
Gross profit	3	20	–	11
Earnings before interest and tax (EBIT)	2	4	1	-15
Income for the year	1	3	0	-12
Equity	1	16	11	14
Participating interest %	80	50	50	80

NOTE 17 | PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2016	2015	2016	2015
Prepaid rent and leases	**8**	5	**–**	–
Prepaid insurance premiums	**19**	11	**–**	–
Prepaid expenses for goods and services	**4**	3	**–**	–
Other items	**45**	26	**–**	–
Total	**76**	44	**–**	–

NOTE 18 | FINANCIAL INSTRUMENTS

Munters' financial risks and how they are managed are described in Note 3.

Derivative instruments

At year-end, there were forward currency contracts in the Group as follows. They were recognized at fair value in the statement of financial position.

	Net amount in local currency	Carrying amount
EUR/SEK	-23	1
ILS/SEK	8	0
ILS/USD	-7	0
JPY/SEK	150	-1
SGD/SEK	0	0
USD/EUR	11	-1
USD/SEK	2	-1
ZAR/SEK	-2	0
Total		**-2**

Negative net amounts refer to sales, and positive net amounts refer to purchases. All forward contracts fall due for payment during 2017. For more information about the Group's financial risks and management thereof, see Note 3.

Financial assets and liabilities that are offset, or which are covered by a legally binding master netting arrangement or similar agreement

Financial assets and liabilities that can be offset against each other consist of foreign exchange derivatives covered by a legally binding master netting arrangement. No offsetting has occurred in the balance sheet in the year 2016. The carrying amounts of such assets and liabilities amount to SEK 2.4 million (5.2) and SEK -4.5 million (-3.7) respectively.

Fair value of assets and liabilities

The carrying amounts of interest-bearing assets and liabilities in the statement of financial position may deviate from their fair value for reasons such as changes in market interest rates. Munters deems that the interest rate on interest-bearing liabilities is in line with market terms at December 31, 2016, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount. The fair value of financial instruments such as accounts receivable, accounts payable, and other non-interest-bearing financial assets and liabilities, which are recognized at amortized cost less any impairment, is deemed equal to the carrying amount because of the short maturities of these instruments.

The Group's derivatives, recognized at fair value in the statement of financial position, were measured according to IFRS 13 Level 2, fair value hierarchy – data for the asset or liability other than quoted prices on an active market for identical assets or liabilities that are observable either directly (as quoted prices) or indirectly (derived from quoted prices).

The Group's contingent price considerations, recognized at fair value in the statement of financial position, are measured according to IFRS 13 and level 3 in the fair value hierarchy. The contingent consideration related to the acquisition of HB Group in 2015 is valued based on the EBITDA during the period July 1, 2015 to July 1, 2017. The range, depending on what EBITDA level is achieved, is between zero up to a maximum of EUR 10 million. In the table below the changes in the contingent consideration liability during 2016 are explained, with the largest change being related to the early settlement of the Reventa contingent purchase consideration.

In the table below the changes in contingent purchase considerations during 2016 are shown.

	Group	
Contingent price considerations	**2016**	2015
Opening balance	**78**	–
Estimated liabilities at acquisition (Note 5)	**–**	88
Payments	**-9**	–
Changes recognized in other operating income	**-30**	–
Discounting	**7**	-9
Exchange-rate differences for the year	**5**	-1
Closing balance	**51**	78

Note 18 cont.

In the table below the additional items of the purchase price related to Hebova Holding B.V are included under "Financial liabilities at fair value through the profit/loss". The calculation of that item is regulated in the Share Purchase Agreement. For further information of the conditions see Note 5.

Group	2016	2015
Book value of financial assets and liabilities by category	**Book value**	Book value
Financial assets		
Loans receivable and accounts receivable		
Other non-current financial assets	**62**	54
Accounts receivable	**1,094**	790
Other current receivables	**103**	92
Cash and cash equivalents	**432**	346
Loans receivable and accounts receivable, total	**1,691**	1,281
Financial assets at fair value through profit/loss		
Currency derivatives whose cash flows are not subject to hedge accounting	**2**	5
Financial assets at fair value through profit/loss, total	**2**	5
Financial assets, total	**1,693**	1,286
Financial liabilities		
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	**5,241**	4,845
Current interest-bearing liabilities	**420**	435
Accounts payable	**530**	361
Accrued expenses	**35**	32
Other non-current liabilities	**17**	41
Other current liabilities	**181**	171
Financial liabilities measured at amortized cost, total	**6,424**	5,885
Financial liabilities at fair value through profit/loss		
Currency and interest rate derivatives whose cash flows are not subject to hedge accounting	**4**	4
Other financial liabilities measured at fair value		
Contingent purchase consideration, current	**–**	69
Contingent purchase consideration, non-current	**51**	66
Financial liabilities at fair value through profit/loss, total	**55**	139
Financial liabilities, total	**6,478**	6,024

The table below maps the maturity of the Group's financial liabilities. The amounts specified in the table are the contractual, non-discounted cash flows. Variable interest streams with future interest adjustment dates are estimated using the anticipated market interest rate at year-end for each settlement date and each interest adjustment date. All cash flows in foreign currency are converted into SEK using the rate at the end of the period.

31 December 2016	**<1 year**	**1–5 years**	**>5 years**	**Total**
Interest-bearing liabilities	590	570	6,683	7,843
Derivative instruments	4	0	0	4
Other liabilities	234	17	0	251
Accounts payable	530	0	0	530
Total	**1,359**	**587**	**6,683**	**8,629**

31 December 2015	<1 year	1–5 years	>5 years	Total
Interest-bearing liabilities	596	702	6,469	7,767
Derivative instruments	4	0	0	4
Other liabilities	239	103	0	342
Accounts payable	361	0	0	361
Total	**1,200**	**805**	**6,469**	**8,474**

Interest-bearing liabilities

Interest-bearing liabilities in Munters chiefly comprise a loan from shareholders and non-current and current bank loans, and amounted to SEK 5 660M (5 280) at the turn of the year. The distribution is presented in the table below.

Maturity	**Type of loan**	**Interest rate, %**	**Currency**	**Nominal value**	**Book value 2016**	Book value 2015
Non-current loans						
2022	Shareholder loan	Fixed	SEK	2,688	2,688	2,488
2021	Non-current loan	Variable	USD	285	2,528	2,337
2017–2025	Other non-current loan	Fixed/ Variable	Different currencies	–	16	14
Total					**5,231**	4,839
Current portion of non-current loans						
	Non-current loan	Variable	USD	3	27	25
	Other non-current loan	Fixed/ Variable	Different currencies	–	1	4
Total					**28**	29
Other current loans						
	Utilized committed credit facilities Sweden	Variable	USD	20	182	333
	Utilized committed credit facilities Sweden	Variable	SEK	205	205	
	Other current loan	Fixed/ Variable	Different currencies		14	79
Total					**401**	412
Total loans					**5,660**	5,280

Note 18 cont.

Loans from shareholders

The shareholder loan is granted by Cidron Maximus Ltd and Rothschild (FA International Investments SCA) pro rata based on their respective ownership. The loan is subordinated to other loans and carries an 8 per cent interest rate. The maturity date is May 5, 2022. Cumulative interest is capitalized annually and will be paid upon maturity of the loan. At December 31, 2016, non-capitalized accrued interest totaled SEK 33 million (31).

Non-current loans

Munters has since 2014 a dollar-denominated Senior Secured long term loan directed to investors on the US market with one lead bank as an agent. The table also outlines local financial indebtedness incurred by Munters subsidiaries in Brazil, Czech Republic and the Netherlands.

The long term Senior Debt is amortized according to the stipulated repayment schedule.

The loan agreement contains one financial covenant, which stipulates limits on the size of the Group's consolidated debt in relation to EBITDA. Munters' financial policy regulates the management of external borrowings. The management and Board carefully monitor the Group's forecast performance in relation to the limits stipulated by the covenant. This ensures that the Group fulfills its commitments to external lenders and minimizes the liquidity and financing risk. At December 31, 2016, the covenant was met and is expected to be met during 2017.

Munters has committed revolving credit facilities under the principle credit agreement that is long-term. During the year these facilities have been re-structured and increased. Drawings under the facility are by nature short term and are shown as current loan.

Current loans

Along with the utilized part of the credit facility and a short term portion of the long term loan, the table also outlines local bank debt in Munters subsidiaries in Brazil, China and Czech Republic.

Two current (short-term) bilateral credit facilities with Swedbank has matured and been repaid during the year. In December a new acquisition facility of USD 25 million was established with the same bank. This facility was not utilized at the end of the year.

The total average weighted interest rate at the end of the year was 6.26 per cent (5.89).

NOTE 19 | PROPOSED DISTRIBUTION OF EARNINGS

The following earnings (SEK) are at the disposal of the Annual General Meeting:

Proposed distribution of earnings	
Profit brought forward	437,407,174
Income for the year	-179,600,715
Total	**257,806,459**
The Board of Directors proposes that earnings be distributed as follows:	
To be carried forward	257,806,459
Total	**257,806,459**

As for the previous year, the Board proposes no dividend for 2016.

NOTE 20 | EQUITY

Share capital

The share capital of SEK 86,278.48 comprises 2,399,764 (2,399,764) fully paid shares, each with a par value of SEK 0.04.

Shares can be issued in four series; series A and B preferential shares and series A and B ordinary shares. In voting at general meetings, series A preferential and ordinary shares entitle the holder to ten votes, while series B preferential and ordinary shares entitle the holder to one vote. Number of shares, according to the articles of association, should be minimum 1,000,000 and maximum 4,000,000.

At December 31, 2016, as previous year, there were 847,286 series A preferential shares, 1,015,497 series B preferential shares, 467,090 series A ordinary shares, and 69,891 series B ordinary shares.

Preferential shares carry preferential rights ahead of ordinary shares to annual dividend per preferential share corresponding to 8 per cent of a basic amount of SEK 1,000 per preferential share. In cases where preferential shares do not receive full payment for a year, the amount is added to the basic amount in the following period. Accumulated right to dividend for the preferential shares amount to SEK 890 million as per December 2016 and includes the 2016 right to dividend. The Board has the right to convert all series A preferential shares to series B preferential shares, all series B preferential shares to series A ordinary shares, and all series A ordinary shares to series B ordinary shares.

Otherwise, the stipulations of the articles of association apply.

Reserves	Reserve for exchange-rate differences	Total reserves
Opening balance, January 1, 2015	**244**	**244**
Exchange-rate differences	-3	-3
Closing balance, December 31, 2015	**241**	**241**
Exchange-rate differences	198	198
Closing balance, December 31, 2016	**439**	**439**

The reserve for exchange-rate differences consists of differences that arise when the income statements and balance sheets of foreign subsidiaries are translated into SEK. Compared with last year, the positive exchange-rate effects during 2016 mainly due to weaker SEK against USD and EUR.

Holdings of treasury shares

Munters Topholding AB does not have any treasury shares.

Number of outstanding shares

The number of outstanding shares at year-end was 2,399,764.

Dividend during the period

No dividend has been made during the period.

Offset issue

No offsetting has been made in 2016.

NOTE 21 | PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Group	2016	2015
Non-current defined-benefit obligations to employees	**175**	166
Other benefits to employees	**4**	4
Non-current	**179**	170
Current defined-benefit commitments to employees	**4**	4
Other current employee benefits	**1**	0
Current	**5**	4
Total provisions for pensions and similar commitments	**184**	174
Non-current defined-benefit obligations to employees	**175**	166
Current defined-benefit commitments to employees	**4**	4
Provisions recognized in defined-benefit commitments	**179**	170

The Group finances pension plans for its employees in several countries. These plans mainly follow practice in the country in question and may be defined-contribution or defined-benefit plans or a combination of both. The most important defined-benefit pension plans cover employees in Sweden, Italy and Belgium. In France and Italy, provisions are made for mandatory remuneration when employment ceases. For senior executives of the Group, there are guidelines regarding pension rights and pension plans described in Note 28.

Defined-benefit pension plans in Sweden constitute 94 per cent (93) of total Group provisions for pensions recognized as per IAS 19. The calculations are primarily based on final salary and the plans are unfunded. The pension plan in Belgium is funded and constitutes 0 per cent (0) of total pension provisions. The pension plans in Italy, which constitute 4 per cent (5) of total pension provisions are unfunded.

The Swedish pension plans (known as ITP plans) supplement the country's social insurance system, and result from agreements between employer and employee organizations. ITP plans mainly comprise retirement pensions, disability pensions and survivor's pensions.

The ITP plan has two parts, firstly, ITP1, which is a defined-contribution pension plan applying to employees born in 1979 or later, and secondly, ITP2, which is a defined-benefit pension plan applying to employees born before 1979. White collar employees within the Group in Sweden are covered by both these parts.

The ITP2 plan is managed internally by Munters in the FPG/ PRI system. Financing occurs through provisions to an account in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti.

Defined-benefit pension plans subjects the Group to different kinds of risk attributable to increases in life expectancy, inflation and salary.

In the Group, there are also defined-contribution plans that mainly comprise retirement pensions, disability pensions and survivor's pensions. The premiums are paid continuously during the year by each Group company to separate legal entities, such as insurance companies. The size of the premium is based on salary. The cost of these defined-contribution plans for the period totaled SEK 73 million (85).

Munters recognizes actuarial gains and losses in other comprehensive income in the period they occur to the extent that they refer to post-employment remuneration. Actuarial losses totaled SEK -17 million (0) for the period.

Note 21 cont.

Recognition of provisions for pensions recognized as per IAS 19 in the consolidated balance sheet:

2016 Group	Present value of defined benefit obligation	Fair value of plan assets	Recognized provision, net
Opening balance	**174**	**-4**	**170**
Pension expenses current year, included in Income for the year			
Current service cost	7	–	7
Result from settlement [1]	0	–	0
Interest cost/income on benefit obligation	5	–	5
	12	**–**	**12**
Re-measurement, included in Other comprehensive income			
Return on plan assets	0	0	0
Actuarial changes arising from changes in demographic assumptions	8	–	8
Actuarial changes arising from changes in financial assumptions	9	–	9
Experience adjustments	0	0	0
	17	**0**	**17**
Transactions			
Benefits paid by employer	-7	–	-7
Benefits paid from plan assets	0	0	0
Benefits paid by employer to plan assets	0	-1	-1
Settlement [1]	-12	–	-12
	-19	**-1**	**-20**
Additional pension plan [2]	11	-11	0
Exchange-rate differences for the year	0	0	0
Closing balance	**195**	**-16**	**179**
Of which funded plans:			
Other countries (Belgium)	17	-16	1
Of which unfunded plans:			
Sweden	167	–	167
Other countries	11	–	11

1) Redeemed benefits.
2) Pension plan reclassified as defined benefit pension plan due to changed legislation in Belgium.

2015 Group	Present value of defined benefit obligation	Fair value of plan assets	Recognized provision, net
Opening balance	**172**	**-4**	**168**
Pension expenses current year, included in Income for the year			
Current service cost	6	–	6
Interest cost/income on benefit obligation	5	–	5
	11	**–**	**11**
Re-measurement, included in Other comprehensive income			
Actuarial changes arising from changes in financial assumptions	0	–	0
Experience adjustments	1	0	1
	1	**0**	**1**
Transactions			
Benefits paid by employer	-9	–	-9
Benefits paid from plan assets	0	0	0
Benefits paid by employer to plan assets	–	0	0
	-9	**0**	**-9**
Exchange-rate differences for the year	-1	0	-1
Closing balance	**174**	**-4**	**170**
Of which funded plans:			
Other countries (Belgium)	5	-4	1
Of which unfunded plans:			
Sweden	158	–	158
Other countries	12	–	12

Group	2016	2015
Plan assets		
Other assets (external insurances), %	**100**	100

Note 21 cont.

Plan assets comprise insurance contracts signed with independent insurance companies. No portion of plan assets in 2016 was invested in the Company's equity instruments, debt instruments, real estate, or other assets used by the Company.

The Company only has a minor share of funded plans.

The most important actuarial assumptions are as follows:

Significant actuarial assumptions	**2016**		2015	
Group, weighted values	**Sweden**	**Other**	Sweden	Other
Discount rate, %	**2.7**	**1.5**	3.0	2.0
Future inflation, %	**1.5**	**1.7**	1.5	2.0
Future wage and salary increases, %	**2.7**	**2.8**	2.7	3.0
Pension increases, %	**1.5**	**–**	1.5	–
Social security increases, %	**2.7**	**–**	2.7	–

At the end of the reporting period, the discount rate is derived from a functioning market based on investment-grade corporate bonds adjusted for the duration of the commitment.

A reduction of 0.5 per centage points in the discount rate would increase the pension commitments by around SEK 20 million, while an increase in the rate of 0.5 percentage points would reduce the commitment by around SEK 17 million. Altered assumptions with respect to inflation being 0.5 percentage points lower would reduce the commitment by around SEK 13 million, and increase it by around SEK 15 million in an assumption of it being 0.5 percentage points higher. The sensitivity analysis is performed by an actuarial assumption changing, while the other assumptions are kept unchanged. The method shows the sensitivity of the liability to an individual assumption.

This is a simplified method, because actuarial assumptions are normally correlated.

Assumptions about life span are based on public statistics and experience from mortality surveys in each country, and are set in consultation with actuarial experts. As of this year, for Swedish pension plans, the most current life span investigation DUS14 is applied instead of the Swedish financial supervisory authority (Finansinspektionen) as set out in Regulation FFFS 2007:31. This has lead to a demographical actuarial loss of SEK 8 million recognized in Other comprehensive income.

Munters' budgeted fees for defined-benefit obligations equal SEK 5 million for 2017.

Duration analysis regarding expected payments for post-employment pension benefits (not calculated on present value):

Payments in the future years Group as per 31 December	**2016**
Within the next 12 months	**5**
Between 1 and 2 years	**5**
Between 2 and 5 years	**16**
Between 5 and 10 years	**35**
Total	**62**

The weighted average duration for the defined-benefit commitments is 19,8 years.

NOTE 22 | OTHER PROVISIONS

2016 Group	Provisions for warranties	Provision for restructuring	Other provisions	Total
Opening balance	**108**	**2**	**17**	**128**
Additional provisions	29	7	7	42
Reversals of unutilized provisions	-25	0	-4	-29
Exchange-rate differences	7	0	2	9
Utilized during the year	-7	-4	0	-11
Closing balance, December 31, 2016	**113**	**4**	**23**	**140**

2015 Group	Provisions for warranties	Provision for restructuring	Other provisions	Total
Opening balance	**69**	**48**	**9**	**126**
Additional provisions	35	–	10	46
Acquisition of subsidiaries (Note 5)	16	–	–	16
Divestment of subsidiaries (Note 5)	-1	–	–	-1
Reversals of unutilized provisions	-8	-26 [1]	-1	-35
Exchange-rate differences	1	-1	0	0
Utilized during the year	-4	-20	-1	-24
Closing balance, December 31, 2015	**108**	**2**	**17**	**128**

1) Relates mainly to unutilized provisions for the divestment of Heaters-operation within the business area HumiCool and restructuring (relocation of production activities) in the business area Mist Elimination.

Provisions consist of:	2016	2015
Current portion	**110**	102
Non-current portion	**30**	26
Total	**140**	128

NOTE 23 | ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2016	2015	**2016**	2015
Vacation pay liabilities	**77**	68	**–**	–
Social security contributions	**41**	33	**–**	–
Other expenses related to personnel	**157**	135	**–**	–
Received goods not yet invoiced	**82**	57	**–**	–
Commissions to agents/sales representatives	**61**	43	**–**	–
Interest expenses	**35**	32	**33**	31
Other	**111**	98	**1**	1
Total	**565**	466	**35**	32

NOTE 24 | PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets for liabilities to credit institutions	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Non-current assets	**207**	149	**–**	–
Current assets	**586**	454	**–**	–
Bank accounts	**193**	105	**–**	–
Receivables from subsidiaries	**42**	40	**–**	–
Other net assets[1]	**2,380**	2,210	**–**	–
Shares in subsidiaries	**–**	–	**4,086**	4,086
Total	**3,408**	2,958	**4,086**	4,086

1) Other net assets refer to consolidated values for all subsidiaries pledged with the exception of individual assets pledged and separately specified in the table above.

Contingent liabilities	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
FPG guarantees	**2**	2	**–**	–
Guarantees from banks and insurance companies	**113**	143	**–**	–
Total	**115**	145	**–**	–

FPG guarantees refer to pension liabilities in Sweden. Other guarantees are normal operational guarantees, such as advances and completion guarantees.

The subsidiary in the United States, Munters Corporation, has entered into a comprehensive collateral with a loan syndicate regarding its´ borrowings. The security is set for the short- and long-term bank loans in the USA and Sweden, as specified in Note 18. For these bank loans, the shares in Munters Holding AB and the five Swedish subsidiaries and the US subsidiary Munters Corporation have been pledged as collateral for the credit facilities granted to the Company. The bank also has direct collateral in all assets, subject to certain limitations and exclusions, in Munters Corporation.

Amounts listed as pledged asset in the parent company consists of the Parent Company's carrying amount of the shares in Munters Holding AB. The amount shown as pledged asset for the Group intends to illustrate how the Group's equity is affected in the event the pledged shares in Munters Holding would be called.

Litigation

Munters is involved in a number of commercial disputes and by year-end the company is recognizing provisions based on best estimates of future outcomes. None of the disputes are deemed to have any material negative effect on the Company's financial position or earnings.

The largest ongoing dispute involves Munters' Australian subsidiary, which has been sued in the amount of SEK 72 million plus interest for breach of contract in relation to services provided during 2008. The services were provided within the business area Moisture Control Services, which in Australia was discontinued during 2010. Munters disputes the claim and considers it to be unfounded. If Munters is held liable Munters expects to be covered by insurance, but such insurance cover may under certain circumstances be limited to SEK 21 million.

Other significant legal proceedings are attributable to Munters' subsidiary in the United States, Munters Corporation. At December 31, 2016, the Company was named co-respondent in 8 (14) asbestos-related cases (a few of which have multiple plaintiffs). In the past few years, seven cases have been voluntarily dismissed by the plaintiff and are now closed. Munters Corporation is of the firm opinion that the remaining claims are unfounded and the company will strongly dispute every claim. Munters Corporation has coverage for the asbestos-related claims by several insurance policies. Subject to certain reservations, the insurance companies have confirmed that, until further notice, they will pay a significant portion of the expenses for legal defense.

One new asbestos-related case was added in 2016.

NOTE 25 | TRANSACTIONS WITH RELATED PARTIES

Shares in Munters Topholding are owned indirectly through the companies Cidron Maximus Limited and Cidron Maximus S.a.r.l, 87.9 per cent owned by Nordic Capital through its fund Nordic Capital VII Limited. The remaining shares are 8.7 per cent owned by FA International Investments S.C.A., a fund managed by Rothschild, and 3.4 per cent by others.

Other parties related to Munters include other portfolio companies managed by Nordic Capital, and associated companies. The table below shows significant transactions and other outstanding dealings with other portfolio companies. Sales and purchasing have occurred on market terms. There are also certain other transactions, amounting to small amounts, with other companies in which Nordic Capital has interests. The Parent Company has a related party relationship with its subsidiaries. Information about participations in subsidiaries is provided in Note 16. Neither sales nor purchasing occurred between Munters Topholding AB and its subsidiaries in 2015 or 2016.

	2016			
Group	**Sales**	**Purchasing**	**Receivables**	**Liabilities**
Luvata	1	35	0	2

	2015			
Group	Sales	Purchasing	Receivables	Liabilities
Luvata	0	52	0	4

Munters Topholding AB has a loan from shareholders raised in 2010 and subordinate to other loans. At December 31, 2016, the loan amounted to SEK 2,688 million (2,488), and carries an 8.0 per cent rate of interest. Interest accumulates and is repaid when the loan matures on May 5, 2022. In 2016 the Group expensed interest on loans from shareholders amounting to SEK 202 million (187). In November 2014, SEK 550 million of the shareholder loan was converted into equity by offsetting, in order to ease the Group's financial situation.

Remuneration for senior executives and individual members of the Board are presented in Note 28.

Munters has not provided guarantees or sureties to or on behalf of Board members or senior executives. The Board has not identified any transactions with other related parties, besides those specified in this Note and those to which reference is made.

NOTE 26 | AVERAGE NUMBER OF EMPLOYEES AND GENDER DISTRIBUTION

Average number of employees Group	2016 Number	2016 of which men, %	2015 Number	2015 of which men, %
Austria	**4**	**75**	4	75
Australia	**29**	**83**	29	86
Belgium	**173**	**93**	120	93
Brazil	**104**	**88**	96	92
Canada	**4**	**75**	4	75
China	**354**	**81**	420	77
Czech Republic	**76**	**91**	64	91
Denmark	**38**	**70**	33	73
Finland	**11**	**82**	10	80
France	**27**	**85**	30	83
Germany	**212**	**83**	237	86
India	**21**	**95**	20	95
Israel	**125**	**81**	117	79
Italy	**157**	**83**	157	81
Japan	**45**	**84**	43	85
Korea	**16**	**75**	17	76
Mexico	**155**	**74**	133	75
Netherlands	**67**	**90**	65	91
Poland	**3**	**100**	3	100
Singapore	**18**	**78**	19	74
Spain	**10**	**80**	9	78
South Africa	**22**	**82**	22	82
Sweden	**277**	**76**	272	76
Switzerland	**3**	**67**	3	67
Thailand	**17**	**59**	19	62
Turkey	**34**	**82**	46	78
United Arab Emirates	**3**	**100**	3	100
United Kingdom	**59**	**78**	53	85
United States	**886**	**83**	824	84
Vietnam	**3**	**67**	2	50
Total	**2,953**	**82**	2,874	82

Gender distribution – Board of Directors and Group management
At year-end, the Board of Directors consisted of eight men and one woman. Group management, including the CEO, consisted entirely of men.

NOTE 27 | WAGES, SALARIES, OTHER REMUNERATION, AND SOCIAL SECURITY EXPENSES

Group	2016	2015
Wages, salaries and other remuneration	**1,341**	1,242
Social security expenses	**307**	270
Pension expenses – defined contribution	**73**	85
Pension expenses – defined benefit	**7**	4
Total	**1,728**	1,600

NOTE 28 | REMUNERATION TO BOARD MEMBERS AND SENIOR EXECUTIVES

Senior executives in the Group have been defined as the same as senior executives in the corporate group that Munters Topholding AB acquired by acquiring Munters AB through Munters Holding AB. During 2017 the same Chief Executive Officer (CEO) has been appointed in Munters Topholding AB as previously appointed in Munters Holding AB and Munters AB.

Guidelines

Salaries for senior executives shall be competitive and on market terms and with other terms of employment that correspond to the manager's responsibility, authority, expertise, and experience. Total remuneration shall be reconciled with market statistics and other information regularly.

In addition to a fixed annual salary, senior executives may also receive a variable annual salary, which for the CEO and other senior executives will be based on the Group's earnings and other financial parameters. The variable annual salary shall correspond to at most 140 per cent of the fixed annual salary for the President and at most 40–70 per cent for other senior executives.

Pension rights apply from no earlier than 62 years. The CEO is covered by a premium-based (defined-contribution) plan, according to which the contracted premium provision may amount to a maximum of 40 per cent of the base salary. Other senior executives residing in Sweden are covered by a premium-based (defined-contribution) plan coordinated with the ITP plan, where the agreed premium provision may not exceed 35 per cent of base salary. Senior executives residing outside Sweden may be offered pension arrangements that are competitive in the country in which they reside. All pension plans for senior executives are vested, that is, not conditional on future employment.

Fees for Board members are established by the AGM. If a Board member is employed by the Company, remuneration shall be paid to such a member along these guidelines, with no separate remuneration paid to the Board member for the Board assignment.

If a Board member performs assignments for the Company that are not Board assignments, the remuneration to be paid shall be market-based with respect to the nature of the assignment and the work required.

These guidelines shall apply to individuals who are, during the period in which the guidelines apply, members of Group management, other managers in a senior position directly under the CEO, or Board members. These guidelines apply to contracts signed under a resolution of the AGM and for cases in which changes are made to existing contracts after this time. The Board of Directors shall have the right to deviate from these guidelines if there are special reasons in an individual case, provided that this decision is reported and justified at a later date.

Remuneration and other benefits to senior executives during the year

	2016				
Amounts in SEK 000s	**Board fee/Base salary**	**Variable remuneration**	**Other benefits**	**Pension expenses**	**Total**
Members of the Board	1,904	–	–	–	1,904
CEO and other senior executives (11 individuals)	27,485	22,189	5,355	7,563	62,592
Total	**29,389**	**22,189**	**5,355**	**7,563**	**64,496**

	2015				
Amounts in SEK 000s	Board fee/Base salary	Variable remuneration	Other benefits	Pension expenses	Total
Members of the Board	1,807	–	–	–	1,807
CEO and other senior executives (9 individuals)	25,077	17,560	3,411	7,104	53,152
Total	**26,884**	**17,560**	**3,411**	**7,104**	**54,959**

Senior executives refer to the Chief Executive Officer, Chief Financial Officer, Group Vice President Air Treatment, Group Vice President AgHort, Group Vice President Mist Elimination, Group Vice President China, Group Vice President Operations, Group Vice President Business Development & PMO, Group Vice President Human Resources and Corporate Communication, and from 1 July 2016 Group Vice President Data Centers and Group Vice President Services.

Variable remuneration refers to the period's proportional share of variable remuneration for fiscal year 2016, which will be paid in 2017. For the CEO, the variable remuneration corresponds to at most 140 per cent of fixed annual salary. For other senior executives, the variable remuneration corresponds to 40-70 per cent of fixed annual salary.

Other benefits refer to company cars as well as housing benefits. Pension expenses include costs for disability pension insurance, survivor annuity, and the like. The amounts are stated excluding special employer's contribution pension expenses.

Severance pay

Between the Company and the CEO the period of notice shall not be longer than 24 months. Between the Company and other senior executives, the period of notice shall not be longer than six months. If employment is terminated by the Company, severance pay will be paid equal to 12 months' base salary. Severance pay is not considered pensionable income. If the CEO or other senior executive takes the initiative in terminating employment, there is no severance pay.

NOTE 29 | INVESTMENT PROGRAM

Investment program for senior executives

For senior executives and other key individuals at Munters, totaling 63 people at the end of the year, there is an investment program comprising ownership of shares in Munters Topholding AB. Participants in the program paid the market value for the shares. The program includes 27,218 series B preferential shares and 55,182 series B ordinary shares.

No new programs were started in 2016.

NOTE 30 | FEES TO AUDITORS

Fees and remuneration recognized as an expense to the Group's auditors during the period are shown below. Audit engagement refers to the statutory audit of the annual report and accounts, as well as the administration of the Board of Directors and the President, other tasks which the Company's auditors are responsible for performing, and advice or other assistance occasioned by observations in such audits or the performance of other similar tasks. Tax advice is consulting on fiscal issues. Other services are advice that cannot be attributed to any of the above-mentioned categories.

	Group		Parent Company	
Amounts in SEK 000s	**2016**	2015	**2016**	2015
Ernst & Young				
Audit engagements	**8,558**	6,611	**142**	140
Tax advice	**1,248**	717	**–**	–
Other services	**24,690**	1,950	**–**	–
Other auditors				
Audit engagements	**102**	127	**–**	–
Tax advice	**14**	–	**–**	–
Other services	**–**	–	**–**	–
Total	**34,612**	9,405	**142**	140

NOTE 31 | SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On February 1, 2017, Munters completed the acquisition of 60 per cent of the shares in the US based software company MTech Systems. The company will operate within business area AgHort. The purchase price amounted to SEK 222 million, corresponding to a debt-free enterprise value for 100 per cent of the company of SEK 370 million.

Munters also has an option to acquire the remaining 40 per cent of the shares, which are held by senior executives of MTech Systems, who 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 recognize a liability corresponding to the discounted expected redemption price for the options whereupon non-controlling participations attributable to the options are eliminated.

The difference between liabilities for the options and the non-controlling participations to which the options refer are 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 SEK 140 million and EBITDA amounted to approximately SEK 31 million. Acquisition costs incurred amounts to SEK 10 million.

Information about acquired net assets and goodwill follows	**According to preliminary acquisition analysis**
Cash purchase consideration paid	222
Total purchase consideration	**222**
Fair value of non-controlling interests	162
Fair value of acquired net assets	-244
Goodwill	**140**

Acquired net assets at time of acquisition	**Fair values according to preliminary acq. analysis**
Property, plant and equipment	13
Customer relationships	29
Technology	122
Brands	19
Accounts receivable	51
Other current assets	12
Cash and cash equivalents	62
Total assets	**307**

Note 31 cont.

Acquired net assets at time of acquisition	Fair values according to preliminary acq. analysis
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	**244**
Cash purchase consideration paid	222
Cash and cash equivalents in acquired company	-62
Change in the Group's cash and cash equivalents on acquisition	**160**

The fair value of acquired net assets was increased by SEK 141 million. Of this amount SEK 29 million relates to customer relationships, SEK 122 million to technology, SEK 19 million to brands, and SEK -29 million to deferred tax liabilities. The fair value of the acquired accounts receivable at the date of acquisition, SEK 51 million corresponds to the amount expected to be paid. Receivables have a nominal value of SEK 51 million.

The goodwill arising from the acquisition, SEK 140 million, 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.

During February 2017 John Peter Leesi has been appointed CEO in Munters Topholding AB.

In February 2017 Helen Fasth Gillstedt was appointed a new Board member.

NOTE 32 | COMPANY INFORMATION

Munters Topholding AB is a Swedish public limited company registered with the Swedish Companies Registration Office; its corporate registration number is 556819-2321. The registered office of the Board of Directors is in the municipality of Stockholm, Sweden. The address to the headquarter is Munters Topholding AB, Box 1188, 164 26 Stockholm. The principal operations of the Group are described in Note 6. Munters' shares were previously listed on NASDAQ Nordic Exchange Stockholm but were delisted on December 23, 2010, after Nordic Capital, via Munters Holding AB, acquired the majority of shares and votes. On May 17, 2011, the Board of Arbitration announced a special arbitration award regarding preferential rights to the shares held by shareholders with non-controlling interests, and at that time Nordic Capital owned 100 per cent of the shares in Munters Topholding AB.

In May 2011, an investment program was introduced regarding share ownership for senior executives and other key individuals at Munters.

In August 2011, Rothschild acquired, through a fund, around 9 per cent of the shares.

At December 31, 2016, the shares in Munters Topholding are, indirectly through the companies Cidron Maximus Limited and Cidron Maximus S.a.r.l, 87.9 (88.5) per cent owned by Nordic Capital through its fund Nordic Capital VII Limited. The remaining shares are 8.7 (8.7) per cent owned by FA International Investments S.C.A., a fund managed by Rothschild, and 3.4 (2.8) per cent by others.

The annual report and consolidated accounts for the fiscal year that ends in December 31, 2016, has been approved by the Board of Directors on March 14, 2017.

Assurance

The undersigned assures that the Annual Report has been prepared in accordance with generally accepted accounting principles, and that the consolidated accounts have been prepared in accordance with international accounting standards as referred to in Regulation EC 1606/2002 of the European Parliament and of the Council of July 19, 2002, on the application of international accounting standards, provide a true and fair view of the Company's and the Group's financial position and earnings, and that the Board of Directors' report and the Board of Directors' report for the Group provide a fair view of the development of the Company's and the Group's operations, financial position, and earnings and describe material risks and uncertainty factors to which the Company and the companies in the Group are exposed.

Stockholm, March 14, 2017

Christopher Curtis
Chairman of the Board

Joakim Karlsson
Board member

Joachim Zetterlund
Board member

Andreas Näsvik
Board member

Per Hallius
Board member

Klas Nordin
Board member

John Peter Leesi
Chief Executive Officer

Helen Fasth Gillstedt
Board member

Pia Nordqvist
Board member
Employee representative

Robin Hedén
Board member
Employee representative

Our auditor's report was submitted on March , 2017

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Definitions of key financial indicators

In this annual report, there are references to a number of performance measures. Some of the measures are defined in IFRS, 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 annual report described, defined and the reason for use disclosed.

Organic growth
Net sales change in %, excluding acquired or sold businesses. The measure is used to analyze underlying sales growth.

Order backlog
Received and confirmed sales orders not yet delivered and accounted for as net sales. The order backlog highlights how much business relating to the operating activities that Munters have already received that will be turned into revenue in future periods.

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.

Operating profit
Earnings before interest and taxes. This gives an overall view of the total profit generation in the operating business.

Adjusted EBITA
Operating profit, adjusted for amortizations and items affecting comparability. The measurement is a key component in order to evaluate the underlying business of Munters and is regularly monitored and analyzed by the Group.

Items affecting comparability ("IAC")
Items affecting comparability relates to income statement items that are non-recurring, have an impact on operating profit and are important for understanding the underlying development of operations. The items adjusted for are summarized below.

SEKm	2016	2015
Other		
Exit preparation costs	53	
Divestment Cooler business	-7	-13
Business area Mist Elimination		
Restructuring Germany		3
Business area AgHort		
Final Contingent consideration Reventa	-30	
Total	**17**	**-11**

In 2016 the largest item refer to external costs in relation to Munters and owners' review of strategic alternatives which amounted to SEK 53 million. Munters also benefitted from two positive one-time effects during the year that have been adjusted for. Firstly, the effect from the early settlement of the Reventa earn-out of SEK 30 million and secondly SEK 7 million related to a provision reversal for the Cooler divestment that took place in 2015.

In 2015 two items have been adjusted for. The first is related to expenses incurred in conjunction with the divestment of the Cooler business. In the fourth quarter a provision, originally recorded in 2014, was reversed. Secondly, the restructuring of the Mist Elimination production footprint in Europe in 2014 that was completed during 2015.

Adjusted EBITA margin
Adjusted EBITA divided by net sales. Adjusted EBITA margin is used in comparing profit generated from the operating business, since it excludes items that would otherwise disrupt the comparability between periods.

Net debt
Net debt calculated as external interest bearing debt (excluding shareholder loans) 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. See page 52.

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.

Operating liabilities
Advances from customers plus accounts payable.

Operating cash flow
Earnings before interest and tax (EBIT), adjusted for depreciation, amortization, and impairments, including investments and operating working capital.

Operating working capital
Accounts receivables, inventories, accounts payables and advances from customers.

Earnings per share
Net income adjusted for the right of preferential shares to dividend, divided by the weighted average number of ordinary shares.

Equity/assets ratio
Equity (including holdings with non-controlling interests) divided by total assets.

Earnings before interest and tax (EBIT)
Operating profit in relation to net sales.

Earnings before interest, taxes and amortization (EBITA)
Operating profit before amortization in relation to net sales.

Earnings before interest, taxes, depreciation and amortization (EBITDA)
Operating profit before depreciation and amortization in relation to net sales.

Average number of employees
Average number of employees during the year is calculated as the sum of permanent employees at the end of each of the last 13 months (December, January. November, December) divided by 13.

Reconciliation of net debt

Group

Amounts in SEK M	**2016**	2015
Net debt excluding shareholder loan		
Current interest-bearing liabilities	**432**	441
Non-current interest-bearing liabilities	**2,544**	2,351
Defined-benefit pension plans	**181**	171
Interest-bearing assets	**-432**	-346
Net debt excluding shareholder loan	**2,724**	2,617
Net debt including shareholder loan		
Current interest-bearing liabilities	**432**	441
Non-current interest-bearing liabilities	**5,231**	4,840
Defined-benefit pension plans	**181**	171
Interest-bearing assets	**-432**	-346
Net debt including shareholder loan	**5,412**	5,106

Parent Company

Amounts in SEK M	**2016**	2015
Net debt excluding shareholder loan		
Non-current interest-bearing liabilities	**–**	3
Interest-bearing assets	**–**	–
Net debt	**–**	3

Auditor's report

To the general meeting of the shareholders of Munters Topholding AB, corporate identity number 556819-2321

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Munters Topholding AB for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 6-50 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-4. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of

accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Munters Topholding AB for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm March , 2017
Ernst & Young AB

Erik Sandström
Authorized Public Accountant