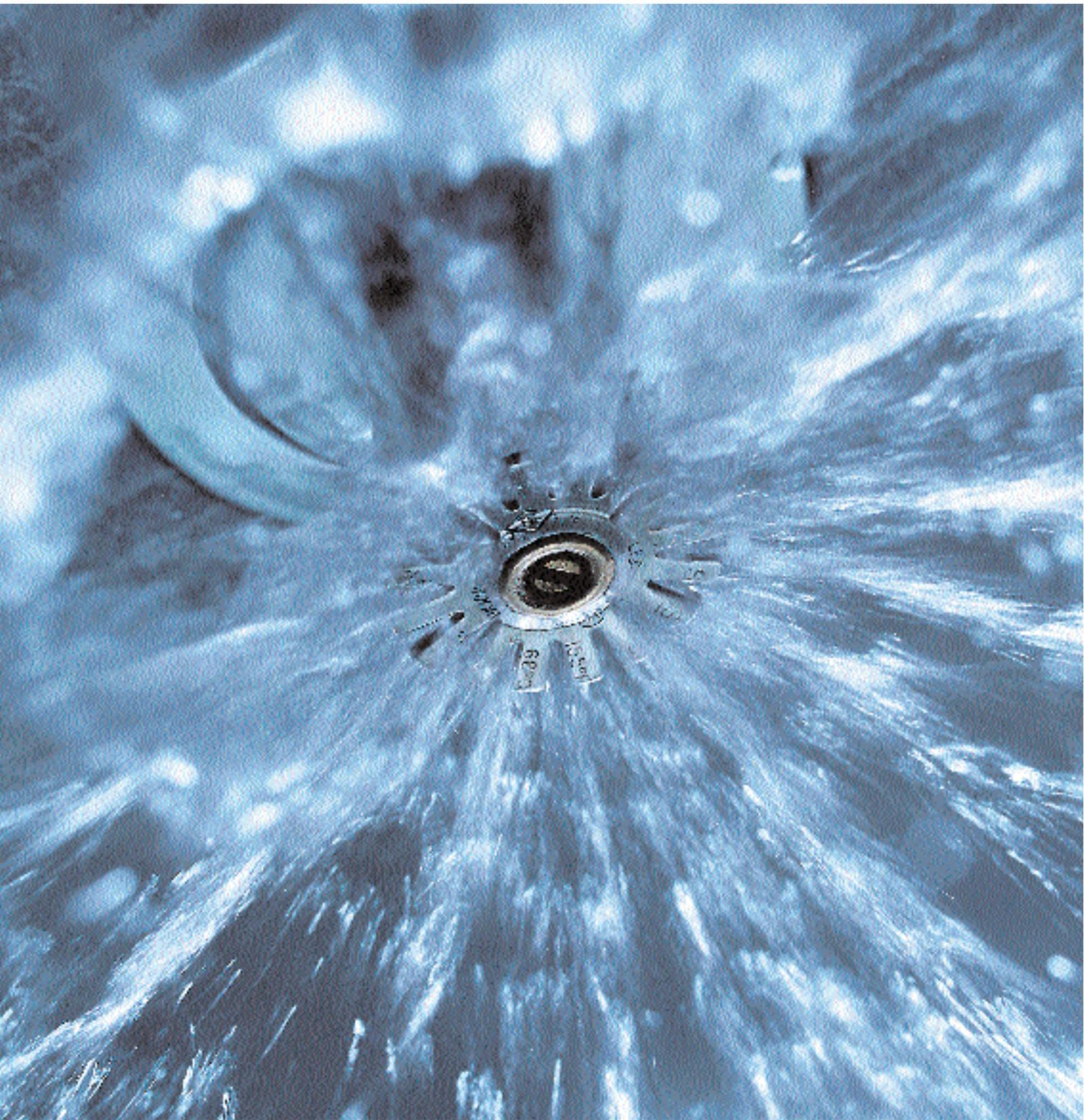


Annual Report 2001



Restoration of the Pentagon after the September 11 terror attacks. The extensive firefighting effort and water from the sprinkler systems increased the scope of material damage caused by the plane crash into the Pentagon. Six hundred Munters dehumidifiers were able to

quickly contain damage from moisture. Munters dried a surface bigger than 33 football fields. **David Rosner, Project Manager at the Pentagon:** "The Munters team was very efficient. Their equipment began showing up within hours. With all they had to do, they never were stressed

or overwhelmed, and it was a big job! They methodically set up and acted swiftly to new requests and changes. The company proved very easy to work with."

Munters – The Humidity Expert

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

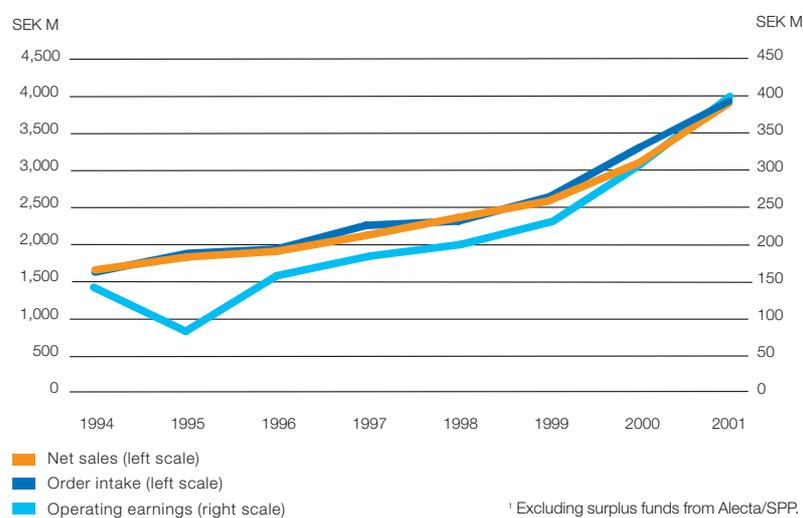
Munters' mission is to be a global applications and service oriented niche company in air treatment, from a base in dehumidification and humidification.

The business is divided into three geographical regions – Europe, Americas, and Asia. Operations in each region are subdivided in three divisions: Dehumidification, Moisture Control Services (MCS), and HumiCool.

At year-end 2001, Munters had production in 11 countries and sales through subsidiaries in 27 countries. The Group had 265 service depots and 2,579 employees.

HIGHLIGHTS

- Strong growth for MCS and HumiCool
- Consolidated net sales increased by 22 percent to SEK 3,894 M (3,179)
- Operating earnings increased by 31 percent to SEK 401 M (306)¹
- Net earnings rose by 30 percent to SEK 240 M (184)
- Earnings per share were SEK 9.57 (7.37)
- Proposed dividend SEK 3.00 (2.30)
- Net debt declined by SEK 137 M to SEK 196 M



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CEO Lennart Evrell: Munters in 2001

2001 was another year of strong growth for Munters. Business trends were strong, with development reinforced by the weak Swedish krona. Munters carried out four minor acquisitions during the year. Annual growth has been steady at about 15 percent since the IPO in 1997 and earnings per share have risen by more than 20 percent a year. In 2001, EPS increased by 30 percent.

Lennart, how would you characterize 2001 for Munters?

We had another good year. The numbers for growth and order intake are among our highest ever and we ended the year on a strong note despite the stagnant global economy. We also improved our margins during the year. Cash flow trends were very good. We have a capital-light balance sheet that is back in shape after weakening in 2000.

This was a year of dramatic events. Hurricane Allison hit Houston, Texas in June and gave us business of more than nine million dollars, and then there were the terrorist attacks on September 11th in the United States. We were entrusted with helping clean up smoke and water damage around the World Trade Center and were awarded a large contract at the Pentagon. We are particularly proud of that because security was extremely tight due to worries that there would be additional terror attacks. We believe the reference value is substantial for future contracts from U.S. Government agencies.

2001 was our first full year of operations in Korea and Thailand. Business has developed very well. We have just moved into a new plant in China and opened another sales office. We carried out four minor acquisitions, in Australia, France, and Sweden. The poultry industry in Europe and Asia has developed well, while the strong dollar depressed exports of poultry products from the USA. The Zeol products, used mainly in the semiconductor industry, reached a sales peak early in the year. The semiconductor industry is highly cyclical. Accordingly, we are forecasting substantially lower sales for Zeol in 2002.

2001 was the eighth consecutive year of growth in sales and earnings. What are the main reasons for the success?

We are especially happy with the growth in the second half when the world economy quickly turned into recession. One of the main reasons sales and earnings trends have been so good is that we have for many years focused on stable, growing customers in industries like insurance, pharmaceuticals, and food. We received the major service contracts I mentioned earlier just as the business cycle turned downwards for some of our customers.

Your strategy mentions forward integration. Can you expand on the concept for us?

Forward integration is about getting closer to our end customers and adding value to our deliveries. We have gone from selling standard dehumidifiers to providing integrated systems that include cooling, heating, filtering, and control systems. We are expanding the MCS service portfolio around the core of water damage restoration to include fire damage restoration. And within HumiCool, we used to sell components but now we sell complete cooling systems.

Munters is experiencing strong growth. Is there any risk that you may run into capacity limitations requiring major investments?

When we looked at our future opportunities, we prioritized areas where we can combine growth with low capital expenditures. As a result, we are working extensively with outsourcing, while handling development, final assembly, and distribution ourselves. We manufacture our core components, CELdek[®] and dehumidifier rotors, in-house. By so doing, we avoid large, sudden needs for capital investments. Instead, Munters' capacity is being expanded gradually in many small steps.

What demands is growth putting on the organization?

We are working hard to make sure our employees develop in harmony with the company. We are doing that through training and by delegating responsibility. As Munters grows, we have to exploit economies of scale and create synergies. It is crucial to retain a positive spirit of entrepreneurship and simultaneously provide scope for efficiency measures, knowledge transfer, and traditional improvement efforts.

What are the growth drivers for Munters?

They haven't changed: quality and productivity enhancement, general trends in the service industry, and globalization. We are seeing a greater need for improving the indoor climate. Stricter demands on energy efficiency and environmental issues are other factors important to Munters' growth.

What is Munters doing to ensure that its products remain ahead of their imitators?

We are improving our core technology to increase performance and extend the lifetime of our basic components. We are also devoting effort to improving components to make them compatible with our modular product platforms. We can now offer customized products for every application and climate. By providing the sales force more extensively with our own proprietary programs for product configuration, we can quickly and efficiently configure the right solution for the individual customer's needs.

How is Munters going to grow in future?

Munters' strategy has remained essentially unchanged for several years. We have to concentrate on customers with underlying growth and stability in the business cycles. We are trying to sell more to those customers and expand our product and service offering. This has a strong impact on growth, especially for HumiCool and MCS. Our ambition to increase the share of service through MCS and after sales service isn't going to change. We will continue expanding into new countries but it will be perhaps even more important to increase our geographical coverage in key markets in China, the United States, and eventually South America. We are repeating successful applications from one unit in the organization to others. Munters has been doing that very skillfully throughout all our years in business.

Looking ahead, I believe we will remain an organically growing company. But we will be supplementing organic growth with acquisitions.

What does Munters have that the competition doesn't?

Munters' hallmarks are very good core products, a global organization, and employees with thorough knowledge of service and applications. Our total offering to the customer is excellent. We operate under a strong brand and have a solid market position.

Which part of Munters is developing the fastest right now?

For many years, HumiCool developed fastest, but growth was strongest in 2001 for MCS services, primarily due to steady underlying and non-cyclical growth, but also to Hurricane Allison and the events of September 11, which I mentioned earlier.

Sustained strong growth can lead to growing pains. Are you aware of any at Munters?

No, I don't believe so. We have a competent organization and strong management. We are working actively with growth issues. Every year, our 100 top managers attend something we call the Munters Growth Academy, where we develop management in strategy, leadership, and market issues. I see great potential in our organization and we are well prepared for the future.

We owe our strong performance to the extraordinary efforts of everyone in the organization.

Stockholm, February 2002
Lennart Evrell
CHIEF EXECUTIVE OFFICER



Munters Ensures Optimal Humidity

Munters' business is based on moisture, the invisible water in the air. By controlling humidity, Munters creates optimal conditions for people, plants, goods, and machinery. The technology is energy efficient, and based on nature's own laws on dehumidification and humidification.

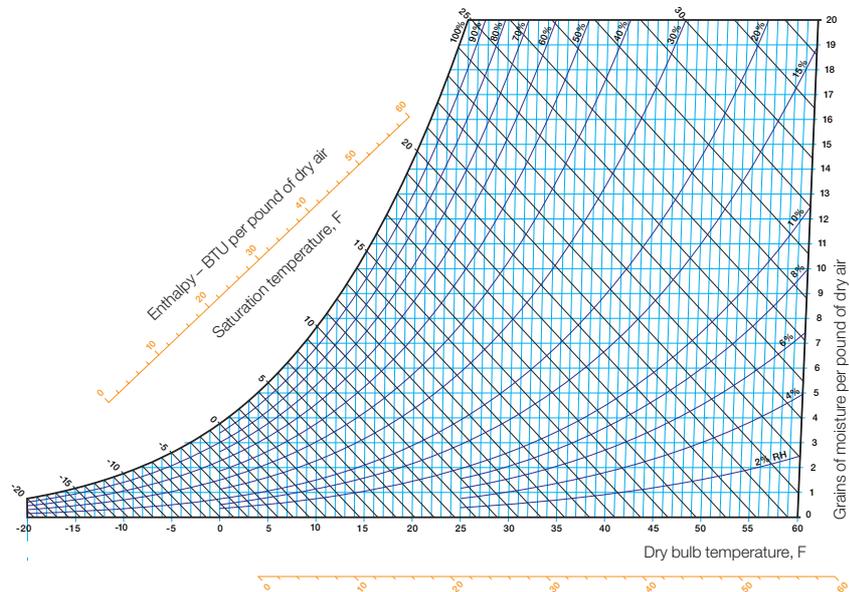
Munters provides an array of applications and service solutions that are all based on the same basic technology.

Almost everything is affected by moisture. Suboptimal humidity can cause problems with rust, mold, and dehydration. A great deal of money can be saved by controlling and maintaining optimal humidity levels. Over the years, Munters has devised reliable solutions to meet both predictable and unexpected needs.

MOISTURE IS EVERYWHERE BUT IS HARD TO DETECT

It is hard to understand what you cannot see. Air always contains a varying amount of water vapor. Relative humidity (RH) is the relationship between the amount of water vapor and the maximum amount the air can hold at a particular temperature. The same amount of water vapor results in varying RH at different air temperatures. The warmer it is, the more water vapor the air can hold, and vice versa.

People can perceive temperature differences of as little as a degree or two and are sensitive to small concentrations of particles in the air, but RH can change several hundred percent before we notice any difference. Nevertheless, corrosion and mildew processes can be triggered by even very small changes in RH. As a result, many companies think the inconsistencies in their quality and production are inexplicable. But RH can be controlled. Munters has created an array of environmentally friendly products and services that can be used individually or combined to meet a variety of needs. The basic principle for all Munters products is to achieve the optimal interaction between water and air along a sorption surface. Using extremely large sorption surfaces packed into small volumes, the process of dehumidifying, humidifying or cooling air can be optimized. The result is cost-effective products that improve indoor and outdoor environments.

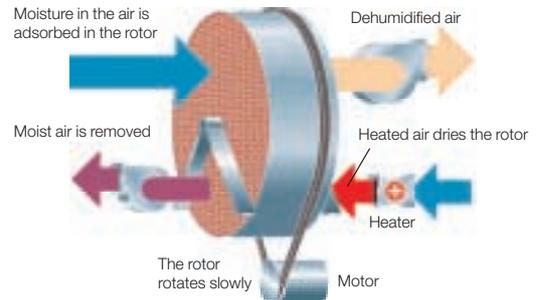


The Psychrometric Chart. Munters' operations are based on changing the condition of the air. The Mollier diagram, also known as the Psychrometric Chart, describes the condition of the air and the correlation between humidity, temperature, and energy.

THE ROTOR – DEHUMIDIFICATION AND MOISTURE CONTROL SERVICES

The Munters dehumidifier is the nucleus of the Group’s dehumidification and MCS business. It contains a rotor with many small air channels that combine to form a very large sorption surface. The rotor is treated with substances that easily adsorb moisture, e.g., silica gel or lithium chloride. Two air streams pass simultaneously through two sectors of the slowly rotating rotor. One air stream is dehumidified while the other dries the rotor so it can adsorb moisture again.

Munters’ dehumidifiers are energy efficient and environmentally friendly. They use no freons, unlike other dehumidification methods.



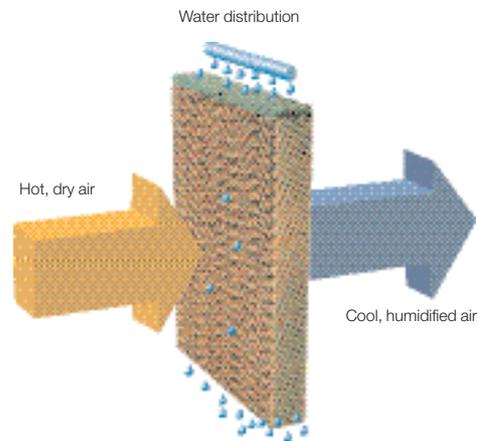
DEHUMIDIFIER ROTOR. Two air streams pass simultaneously through two sectors of the slowly spinning rotor. One air stream is dehumidified and the other dries the rotor so that it can adsorb moisture again.

HUMIDIFICATION AND AIR COOLING – HUMICOOL

The process by which air is cooled by adding water is called evaporative cooling. The temperature drops as the water evaporates, just as it gets cooler outside after a heavy rain.

An example: when four grams of water are converted to vapor in one cubic meter of air, the temperature will drop by ten degrees Celsius. Munters exploits this principle in the HumiCool product area to create the ideal indoor climate for people, animals, and industrial processes in the food industry and elsewhere.

Munters has further developed Carl Munters’ patent so that any heat source can be used to create cooled air in the air conditioning and ventilation system. The product family is called DesiCool™ and works entirely without compressors and chemical refrigerants and works as a heat recovery system during the winter.



CELdek®/GLASdek™. Humidification and air cooling. When warm, dry air passes over the wet CELdek® surface, the air gets cooler and moister due to evaporation.

MIST ELIMINATION

Mist elimination removes mist or droplets from gas or air. The Munters mist eliminator removes moisture, particles, and chemicals from air, vapor, and gas. Munters is the world leader in the field. The most widespread application is cleaning emissions from coal-fired power plants. Flue gases are sprayed with water containing chemicals that absorb the pollutants. Munters’ mist eliminator then separates the water droplets binding the pollutants.

MUNTERS’ HISTORY – GOOD IDEAS ENDURE

Munters’ products are all based on nature’s own laws on how moisture, temperature and energy interrelate. Carl Munters laid the foundation for the company with the ideas he was working on in the early fifties. Those ideas were continually developed and achieved commercial breakthrough at various points in the company’s history.

Business Direction

Munters is the world leader in humidity control. The Group provides products and services for dehumidification, humidification, and air cooling. Market segments are carefully selected to allow Munters to create or solidify a strong global position. A substantial portion of annual growth is generated by new applications and service solutions devised in cooperation with customers. By expanding the product and service offering, Munters is taking over an increasing part of the value chain within its chosen niches.

BUSINESS CONCEPT

Munters' mission is to be a global, applications and service-driven niche company in air treatment, from a base in dehumidification and humidification.

Munters shall be known as a quality-conscious company with superior expertise in the field of humidity control – The Humidity Expert. The mission is based on the following cornerstones:

- Global orientation for sales, production, and product development
- Applications and service – Focus on customer benefits. Creating functionality for the customer is the most crucial long-term growth factor
- Choice of niches – Munters shall remain a specialized company with high market shares in selected niches
- Operations shall be based on Munters' unique expertise in humidity control.

OPERATIONAL OBJECTIVES

With respect to operations, Munters management is focusing on the following medium-term objectives:

- A substantial portion of the Group's products and services based on global product platforms
- More than half of net sales from end users
- Service – MCS and after sales service – account for half of annual consolidated net sales
- The Group has integrated IT systems that facilitate rapid communication and information transfer, efficient management, and shorter lead times
- The Group offers global training programs that lead to motivated, highly competent personnel and to perception of Munters as an appealing employer.

FINANCIAL TARGETS

The Group's financial targets over the economic cycle are:

- Net sales growth above 10 percent a year
- Operating margin above 10 percent
- Capital turnover ratio of above 3.

Each business unit has individual targets, adapted to their specific conditions.

STRATEGY

The Group's strategy for achieving its objectives is summarized as follows:

- Concentration on non-cyclical customers with favorable underlying growth
- Increasing value added and distribution to end customers – forward integration
- Repetition of successful installations
- Expansion of service operations
- Opening of new geographical markets.

1950s: Refrigeration cold using heat resulted in the DesiCool™ project: rotors for dehumidification and heat exchangers and structures for humidification/cooling.

1960s: Munters started doing business in Fort Myers in the USA with products for evaporative cooling and closed license agreements for production of dehumidifiers in Amesbury, USA.

1920–1940

Carl Munters, **1897–1989:** Innovator and Entrepreneur

1923: Carl Munters and Baltzar von Platen invented the first cooling device with no moving parts, with the rights to the invention going to Electrolux. They used their global marketing organization for vacuum cleaners to also sell refrigerators. During his lifetime, Carl Munters was granted more than 1,000 patents.

1950

1955: Carl Munters & Co was formed.

1958: Breakthrough for dehumidifiers. The Swedish Armed Forces wanted to decentralize their mobilization warehouses and ordered 200 dehumidifiers. Warehouse construction continued through the years and defense organizations worldwide began using dehumidifiers on a large scale.

1960

1964: The M100 was launched – the best-selling dehumidifier of all time.

1968: MCS was developed into a separate business.

STRONG POSITION

Munters enjoys a strong position in selected market segments worldwide. The company chooses its niches with the aim of creating stable, long-term growth and good profitability. Market shares in the selected niches are high, often above 50 percent. Munters is enhancing its global market potential through forward integration – selling products with more features in order to increase value content.

Munters' niches are dehumidification, humidification, air cooling, and water damage restoration, which have a combined global market of more than SEK 15 billion per year. These niches are part of the air treatment market, which is worth SEK 1,000 billion annually and is dominated by American and Japanese companies. Munters has its own organization in 27 countries. Most recently, Munters opened companies in Korea and Thailand and expanded sales operations in China.

Slightly more than 70 percent of Munters' customers are in non-cyclical industries. The most important customer segments are the insurance, food, pharmaceutical, and energy industries. The economic downturn in 2001 caused certain customers to postpone investment decisions and some larger orders. Demand was uneven, with substantial differences between products and countries. Taken as a whole, Munters' order intake, net sales, and earnings increased at a rate similar to that in the past despite the weaker general economy during the year.

THREE PRODUCT SEGMENTS

Munters' business is divided into three product segments of roughly equal size: Dehumidification, with products for humidity control, MCS (Moisture Control Services), with services for water damage restoration, and HumiCool, with products for cooling and humidification of air.

SELECTION OF NICHES

Munters' growth strategy is based on concentration on carefully selected niches. Munters prioritizes niches with:

- Potential markets worth more than SEK 500 million
- Underlying market growth
- Non-cyclical demand
- Opportunities for favorable margins
- Low capital needs
- Global customers
- Opportunities to establish related service business
- Operations within the framework of Munters' business concept.

GROWTH DRIVERS

- **Productivity and quality.** There is a distinct trend towards globalization in most industries. In order to assure product quality, production must often take place in identical environments, even if plants are in different climate zones. This gives Munters the opportunity to deliver systems for creating optimal humidity and temperature.
- **Dry instead of rebuild.** Water and fire damage accounts for a substantial portion of insurance company costs. The Munters method – drying damaged floors and walls instead of tearing them down and rebuild – is highly cost-effective and reduces waste of resources in the form of scrapped building materials. With its comprehensive geographical distribution, Munters is the ideal partner for insurance companies, which are becoming fewer and larger. Munters offers high quality and availability and fast service.
- **Demands for better indoor air quality.** In many countries, extensive energy conservation measures have led to poorer ventilation. This in turn has caused severe problems with mold and mildew, moisture damage, and widespread allergies. Munters is alleviating these problems by putting MCS to work when problems have already occurred and by installing permanent systems designed to prevent problems.

1970s: The international agent network was established. The focus was on energy saving applications.

1980s: Broad international expansion. The modern Munters took shape via acquisition of agents. The MCS business was expanded in several of the countries where Munters operated.

1990s: Focus on profitable growth. Environmental issues became more important, laying the foundation for HumiCool products. Munters focused on products rather than core components.

1970

1973: The oil crisis brought sudden and severe demands for energy savings. The company was facing completely new market potential.

1974: Incentive AB takes over Munters.

1976: A breakthrough order was shipped to Agfa for dehumidifiers for film production. The technology became critical to the manufacture of photographic film.

1980

1987: Munters began doing business in Japan.

1988: Munters acquired a unique Swedish air purification technology. The ZEOL products were further developed with Munters' rotor technology and helped improve the environment by reducing emissions of solvents from industrial processes.

1989: A new plant was opened in Tobo, Sweden, which enabled cost-effective production of new rotors with unique characteristics for various applications.

1990

1992: A new plant was built in San Antonio to concentrate dehumidification applications, e.g., for supermarkets and ice rinks.

1997: Munters was listed on the Stockholm Exchange.

1999: Munters finalized its largest acquisition ever, of the Italian company Euroemme. Munters began offering complete cooling systems for the rapidly expanding poultry industry.

2000: Munters established sales operations in Thailand and Korea and opened a CELdek® plant in Thailand.

- **Environment and energy.** Products and services from Munters usually lead to lower energy consumption and less waste of resources compared to other solutions. As a result of climbing energy prices and higher environmental awareness, demand is steadily rising for environmentally sensitive, energy efficient products and production processes.

PRODUCTION CONCEPT AND PRODUCT DEVELOPMENT

Munters’ products are costly to transport over long distances. Local manufacturing in eleven countries yields competitive advantages as well as ideal adaptation to local conditions.

As well, most costs and revenues are in the same currency, which leads to stability when there are fluctuations in exchange rates. By working with modular product platforms that can be combined into total solutions, Munters can meet increasing demands for customized solutions. The products can be easily adapted to varying climates and needs and are the basis of an increasingly globalized product range.

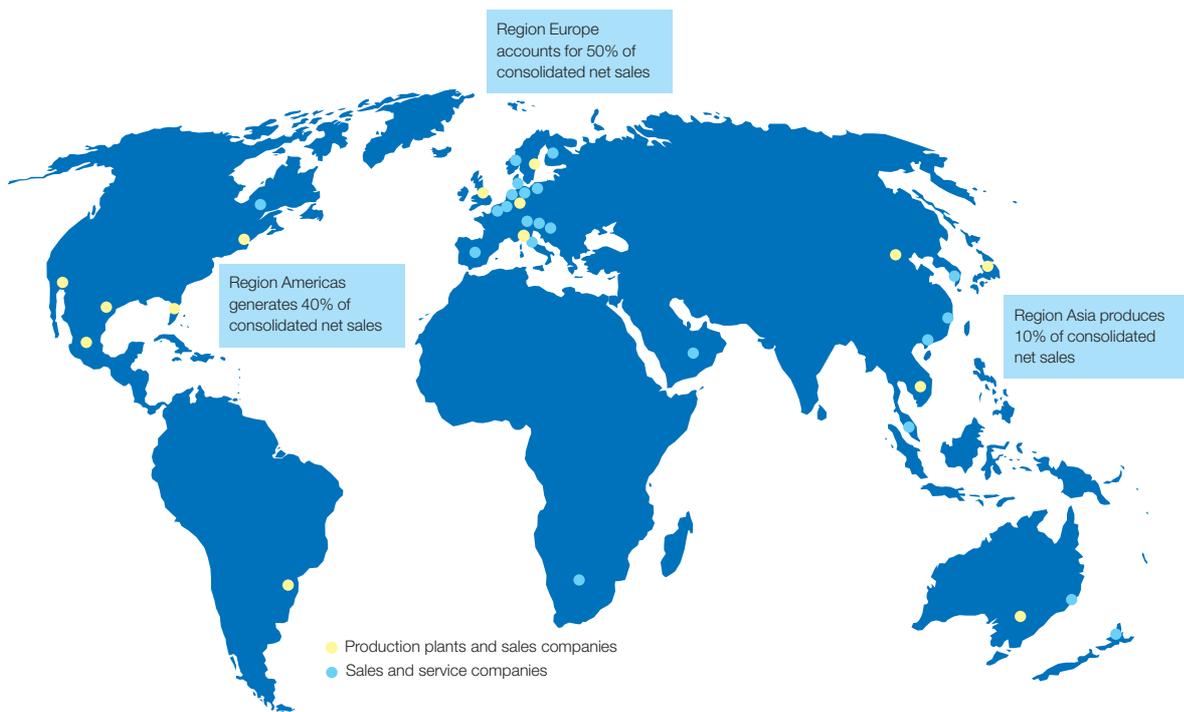
An important element of technical development for Munters is the continual performance enhancement of existing core components and products, as well as more efficient handling of IT in product development, production, and sales processes. The majority of production is outsourced, allowing Munters to maintain a low level of capital employed, but manufacturing of core components and final assembly are done in-house to assure high quality in the final products.

MARKET FOCUS

Forward integration – increasing value content and getting closer to end customers – requires a different sales process and more customer-oriented marketing. The ability to solve the customer’s problems is becoming a more important success factor for Munters. In response, the organization is being systematically improved to facilitate knowledge transfer concerning new and successful applications. Munters is investing in comprehensive training of managers and other key personnel to secure long-term growth.

MUNTERS IS BECOMING A SERVICE COMPANY

The MCS business has grown rapidly for many years. In the past year, MCS showed robust underlying growth. Munters has demonstrated capacity to handle a variety of projects, whether large and sensitive or the small and mundane troubles caused by leaking water pipes, dishwashers, and washing machines. Small projects make up the bulk of MCS business and are the source of its stability. To promote growth within MCS, Munters is carrying out comprehensive employee training programs aimed at continually enhancing skills and capacity.



Organization

Munters is a global company where every part of the organization is able to benefit from the experiences and knowledge of other units. The work is often project oriented, with extensive cooperation among regions and divisions in sales, production, and product development.

Munters' operations are divided into three regions – Europe, Americas, and Asia. Each region is organized according to its specific climatic conditions and industrial structure. All three regions have operations in the three divisions: Dehumidification, MCS (Moisture Control Services), and HumiCool.

REGION EUROPE

This is Munters' largest region with operations in Europe, Africa, and the Middle East. The most extensive operations are in Germany, Sweden, the United Kingdom, Finland, and France.

REGION AMERICAS

The region comprises the United States, Canada, South America, and Central America. The US operation is by far the largest.

REGION ASIA

Munters operates in Japan, Australia, China, Korea, Thailand, Vietnam, and Singapore. The Japanese operation is the largest.

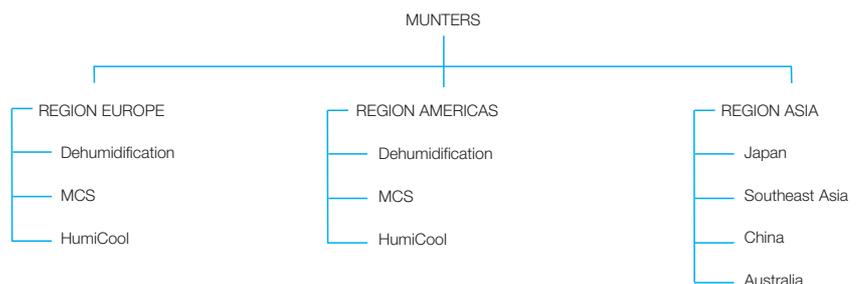
SUCCESSFUL MARKET ENTRY IN THAILAND.

In winter 1999–2000, Munters decided to open a subsidiary in Thailand, primarily because Munters' products were too expensive for the Thai market when sold via an agent. Imports of finished products are subject to customs duties. Munters could be much more competitive through selling directly to end customers. Munters carried out a widespread launch of its technology and know-how, establishing both Dehumidification and HumiCool.

In autumn 2000, Munters also opened a CELdek® production plant in Thailand. Sales representatives with engineering backgrounds were given technical training at the Munters Center in Singapore and began cultivating key accounts in the pharmaceutical, electronics, and chemical industries. Market response was excellent and in early 2001, one of Munters' HumiCool experts relocated from Sweden to Thailand to further develop technical applications projects in cooperation with customers.

Erik Williamsson, Vice President and head of Region Asia: "Development has been very satisfactory in Thailand. Profitability was already good in 2001. Munters now has 25 employees in Thailand and there is substantial potential in the market."

The Munters organization underpins the corporate strategy of being global, customer-oriented, and highly specialized. Outside of key markets, Munters works with strategic partners for sales and marketing.



Dehumidification

Dehumidification offers products and complete solutions for controlling humidity and indoor climate. The dehumidifiers eliminate problems with rust, mold, frost, and bacterial growth. The customer's production processes and storage options become more efficient and product quality, durability, and hygiene are improved.

PRODUCT/SERVICE PORTFOLIO AND MARKET POSITION

Dehumidification has been Munters largest product area for many years. Demand for products with high and consistent quality marketed under global brands is growing every year. Global companies are demanding that their plants everywhere in the world maintain identical quality standards for production processes. There is a growing need for controlled production climates.

Munters has products that can be adapted according to climate and has the capacity to be a partner in globalization with its customers through rapid product and service development.

The Group's modular products combine economies of scale in the production process and meet specific customer needs. Munters enjoys a unique and strong position in prioritized market segments. The company's competitors are often local companies.

PRODUCTS AND PRODUCT DEVELOPMENT

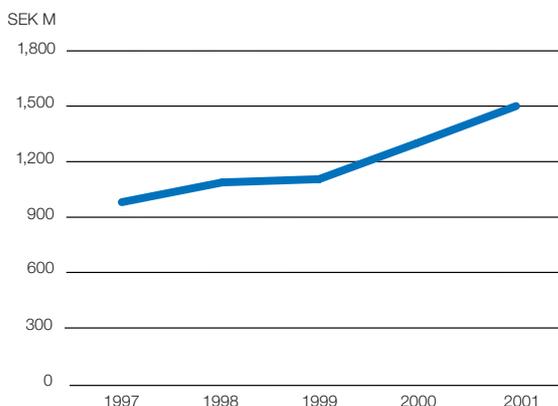
Munters' product development in the dehumidification segment is focused on adapting products to selected applications while improving opportunities to meet the customer's changing needs. R&D is carried out to enhance performance and product quality. The effort to achieve continuous improvement requires extensive employee training and development of methods for systematic knowledge transfer within the Group.

PRIORITIZED MARKET SEGMENTS

- **Food.** Munters has solutions for production processes and the entire supply chain for all types of food. Munters' dehumidifiers are used for production, distribution, and storage to meet hygiene, quality, and productivity standards. The technology is also used for refrigerator and freezer cases and to improve the indoor environment in retail stores.
- **Pharmaceutical industry.** Pharmaceutical manufacturing requires precise humidity conditions to meet hygiene standards and ensure high quality in every process, from handling chemicals and manufacturing pills to storage and distribution.
- **Storage.** Many Munters customers have materials that must be kept at low humidity and temperature. Munters' dehumidifiers are used to ensure proper storage of e.g. archives and museum collections, as well as military equipment.
- **Electronics.** The semiconductor industry uses Munters' Zeol system, which eliminates solvents and other environmentally hazardous substances from the air.
- **Industrial coatings.** Many industries, e.g. the automotive industry, are switching to environmentally sensitive water-based paints and adhesives, which require carefully controlled humidity. Controlling climatic conditions during painting improves quality and productivity.

Munters will continue concentrating its resources on customized solutions for key customer segments. In the food industry, Munters' products are extremely useful in a range of areas and there is high potential for growth. The combination of dehumidification and air conditioning is making it possible to create comfortable indoor climates while lowering energy consumption and environmental impact.

NET SALES





R.P. Scherer, the world's largest manufacturer of soft gel capsules. R.P. Scherer is part of the worldwide Cardinal Health's Pharmaceutical Technology & Services Group. The capsules are used primarily for pharmaceutical, food, and cosmetic products. The company uses Munters

equipment to ensure ideal temperature and humidity and to keep capsules dry in several of its production facilities.

Peter Beke, Head of the Project Engineering Group at R.P. Scherer: "We use Munters products at several sites around the world. The equip-

ment is very effective for our purposes. The people at Munters work closely with us to devise solutions to our problems. They give us valuable points of view on our projects and we gain a process that allows us to select equipment that suits our needs. We work very well together."

MCS – Moisture Control Services

The MCS product area provides services for Water and Fire Damage Restoration and temporary climate control. The services span a broad spectrum, from limitation of water damage in homes to leasing dehumidifiers for industrial needs. MCS has 265 service depots in 20 countries with extensive technical expertise and round-the-clock availability, 365 days a year.

PRODUCT/ SERVICE RANGE AND MARKET POSITION

The MCS vision is to be the Preferred Service Provider for key accounts, primarily insurance companies providing property and casualty coverage. Munters has a complete product and service range and is the leader in the field with a strong, well-known brand.

MCS has a network of local service depots that work with delegated profit responsibility and entrepreneurship within set frameworks. Proximity to customers and minimizing response time are critical to limiting damage. The market is still relatively immature and fragmented. The advantages of Munters' technology and services have yet to become fully appreciated. However, some consolidation has begun, primarily through mergers and acquisitions. Munters' main competitors are Belfor, ISS, and Aggreko. MCS estimates its global market share at 15 percent, with large local variations.

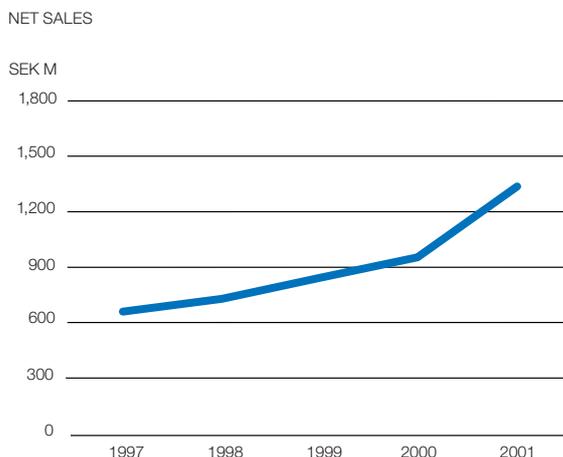
PRODUCTS AND PRODUCT DEVELOPMENT

The business has expanded from leasing of dehumidifiers for temporary moisture control to become more directed toward full-coverage services offered to the insurance industry. MCS is continually developing its broad line of services. Product development is mainly oriented toward making the Group's product/service range more versatile in order to optimally satisfy changing customer needs.

PRIORITIZED MARKET SEGMENTS

- **Water and Fire Damage Restoration.** MCS services include drying, moisture measurement, leak detection, mold and odor control, damage restoration, and renovation. MCS restores buildings, equipment, and documents. When Munters methods are put to work, the costs of fire and water damage are contained in the least possible time and with minimal destruction, rebuilding, and difficulty while restoration is in progress. The result is lower costs for insurance companies. By collaborating with Munters, they also gain a partner with extensive geographic coverage, which is becoming more important.
- **Construction industry.** Moisture control makes new construction and renovation projects less dependent on the weather. The drying process is speeded up and quality problems after the project is finished are limited.
- **Industrial coatings.** Protective coatings on e.g. steel or concrete require meticulous moisture control from the preparatory phases until the final coat of paint is applied to save time and money.
- **Other industrial processes.** Many other industrial and storage processes require temporary dehumidification. Temporary moisture control is also needed during construction and maintenance work, e.g. in the petrochemical industry when pipelines and tanks are restored.

Traditionally, water damage was remediated by tearing down the damaged structure and rebuilding, which entailed huge costs for the insurance industry. For many years, Munters has demonstrated the cost-effectiveness of its drying method. Cost-cutting efforts in the insurance industry are a strong growth driver for MCS.





Restoration after a fire in a German shopping center. A fire in a restaurant triggered the sprinkler system in the Bärenschauenster shopping center in Berlin and 1,400 square meters of floor space in the stores were soaked without warning. Fast response was needed to minimize damage and prevent sales losses. Munters got the job and rapid-

ly gathered the necessary resources from several service depots and got the drying process started at once.

Dr Michael Rosenbusch, district manager, MCS Germany, Region East: "In a few hours, we installed 20 dehumidifiers that distributed dry air in a high-pressure system through ducts leading to

the damaged areas in the floor and ceiling. There was smoke damage to the ceiling, walls, and furniture in the restaurant, so we also had to restore the site and furniture, replace the ceiling and renovate the restaurant. Everything looked as original when Munters was done."

HumiCool

HumiCool provides products and systems for evaporative cooling and humidification. HumiCool also offers methods and products for mist elimination and water treatment.

PRODUCT/SERVICE RANGE AND MARKET POSITION

In the HumiCool product area, Munters offers components, products, systems, and services based on evaporative cooling and humidification. In simple terms, customers in hot climates need cooling while those in cold and dry climates need humidification. HumiCool has high market shares in its prioritized market segments. Competitors are often local players with small-scale production. Munters' strengths are its strong brand, expertise, application knowledge, economies of scale, and global presence.

PRODUCTS AND PRODUCT DEVELOPMENT

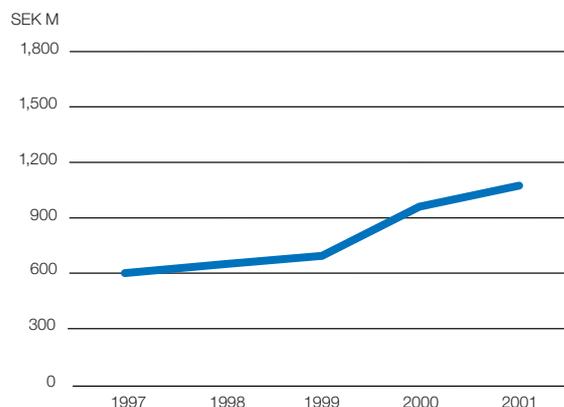
HumiCool sells components and total solutions. One of the core components is CELdek®, an evaporative cooling pad manufactured in nine plants all across the world. When hot, dry air passes through the wet passages of the pad, water evaporates off the surface of the passages and the air gets cooler and moister. The GLASdek™ variant of CELdek® is ideal for use in air conditioners or where there are stringent fire prevention standards in place for handling fluids containing environmentally hazardous substances. CELdek® and GLASdek™ are continually developed to ensure that the products continue to have the best quality and performance in the market.

PRIORITIZED MARKET SEGMENTS

- **Poultry industry.** Much of the rapidly expanding poultry industry is located in hot, dry climates. HumiCool supplies cooling systems for poultry houses.
- **Air treatment.** HumiCool products are useful in connection with many industrial processes. In the automotive industry, controlling humidity and temperature optimizes paint quality when water-based paints are used.
- **Precoolers for gas turbines.** Munters' air cooling methods can cost-effectively increase the output of gas turbines for power generation by 5-15 percent.
- **Diesel engines.** Munters has achieved a breakthrough for systems that reduce harmful emissions from diesel engines.
- **Air conditioning systems.** HumiCool products cool indoor air in hot, dry climates. The complete air conditioning systems, sold under the DesiCool™ brand, will be introduced in the rest of the world as soon as they have been established in Europe. DesiCool™ is a product line of complete climate control systems based on environmentally friendly technologies that use no freons. Market potential for DesiCool™ is substantial and market response is encouraging.
- **Mist elimination.** Munters' mist eliminators remove environmentally hazardous substances from air, steam, or gas in the power industry. Many industrial processes, e.g. in the chemical industry, handle such substances.
- **Water treatment.** Munters offers components and systems for cleaning drinking water and wastewater.

HumiCool provides cooling technology with low capital outlay and low maintenance costs. The technology is environmentally friendly and is currently used mainly in the poultry and power industries, but new applications are in development.

NET SALES





Gas turbines at the Siemens Westinghouse – Black Hawk power plant in Texas. Temperatures above 30° C and humidity of 20 percent are common in the southwestern USA. Those conditions have a negative impact on the output of generators and turbines. Black Hawk turned to

Munters when it wanted to boost its electricity production.

D.J. Rogers, head of Black Hawk: “We installed Munters’ evaporative cooling system to lower temperatures around our air-cooled generators. As a result, we can produce 9-10 megawatts more electrical

power on the hottest days. We also achieved higher output in the turbines by using Munters’ CELdek® evaporative systems for cooling inlet air. Munters’ collective expertise helped us significantly increase the power plant’s output.”

Region Europe

Region Europe accounts for 50 percent of Munters' sales. Order intake and net sales grew by 16 percent during the year and operating earnings increased by 20 percent. Earnings trends were good for the Dehumidification Division despite relatively weak growth. Sales and earnings trends for MCS were positive. HumiCool developed well in most areas, although certain segments were affected by the weaker economy.

Munters enjoys a strong position in the European market. The concentration of the European insurance industry contributed to rising demand for efficient water damage restoration from larger suppliers with broad market coverage, which benefits Munters' MCS operations.

Munters acquired Sundsvalls Totalsanering in June, reinforcing the service business and improving the company's position in northern Sweden. The company also acquired M'Renov in St Head, France, strengthening the service range and market position in southern France. Munters bought a business with know-how and patents for reducing environmentally hazardous emissions from diesel engines from ABB Fläkt Marine during the year and combined it with existing sales of equipment for cleaning diesel engine emissions.

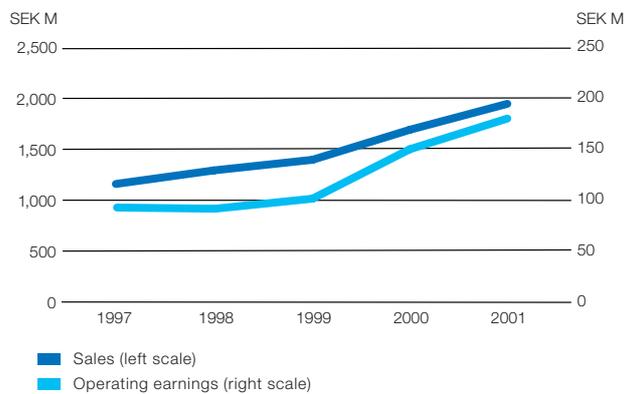
EARNINGS AND MARKET DEVELOPMENT IN 2001

- **Dehumidification Division:** Growth was weak in 2001 due to moderate demand, but earnings trends were good due to continued efforts to make dehumidifier production more efficient and positive currency effects.
- **MCS Division:** MCS achieved vigorous growth during the year. Order intake, net sales, and earnings increased significantly compared with the preceding year. The Division has begun an extensive project to introduce a standard organization in all countries, including systematic implementation of efficient procedures and rollout of training programs.

- **HumiCool Division:** HumiCool underwent major changes during the year. The division was reorganized and prioritized market segments are now targeted by cohesive teams that include sales, product development, and production. Total order intake increased slightly even though the poor economy reduced demand for certain products. Development remained strong for gas turbine cooling and cooling products for the poultry industry.

Munters service concept in the insurance industry is enjoying wider acceptance. The ongoing consolidation of the insurance industry favors Munters as a supplier with broad geographic coverage. The poultry industry is still growing and Munters has fine opportunities to increase penetration in the cooling systems market. There are several operations with major potential in the early stages of development. One is DesiCool™, an environmentally friendly alternative to conventional air conditioning and another is DEC (Diesel Emission Control), a family of products designed to reduce harmful NOx (nitrogen oxide) emissions from diesel engines.

NET SALES AND OPERATING EARNINGS



REGION EUROPE

- 50 percent of consolidated net sales and 1,606 employees
- Europe, Africa, and the Middle East, with production in the UK, Germany, Sweden, and Italy
- 220 service depots in the region

Region Americas

Region Americas generates 40 percent of Munters' total sales. Order intake increased in 2001 by 22 percent, net sales rose by 29 percent, and net operating earnings increased by 36 percent. Operations are growing rapidly and the US market accounts for about 90 percent of the region's sales. A large portion of Munters' customers are non-cyclical, which means that Munters can increase sales and earnings despite the sagging American economy.

Despite the economic downturn, 2001 was a successful year. Munters received large MCS orders after floods caused by Hurricane Allison in Houston in June. After the terror attacks of September 11th, Munters was given a large order from the Pentagon and was involved in the clean-up effort in New York City.

The Zeol products had a very strong year in 2001, despite a sharp downturn in order intake in the second half.

Munters is intensifying its customer-orientation to increase its capacity to solve the wide variety of problems faced by its customers. In recent years, Munters carried out managerial changes and refined its methods to enhance the market-oriented approach.

In 2001, Munters expanded dehumidification and MCS operations in Canada, and received a series of large orders from the nuclear power producer OPG – Ontario Power Generation.

EARNINGS AND MARKET DEVELOPMENT IN 2001

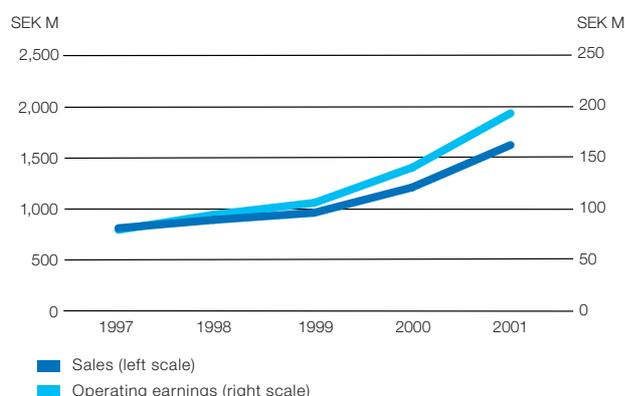
- **Dehumidification Division:** Growth was good in 2001. Trends were robust in food and pharmaceuticals. There was strong demand from the electronics industry for Zeol products early in the year, but demand declined as the economy slowed down. Demand for DryCool systems was strong in 2001 and growth remained vigorous for Munters' MDS modular dehumidification systems. Munters took market shares from two of its main competitors, ATS and Kathabar.
- **MCS Division:** MCS developed well in 2001. The year was characterized by two major events for which Munters' expertise was called on to reduce water damage. Houston,

Texas, was hit by Hurricane Allison in spring and Munters was brought in for the extensive clean-up and restoration. After the terror attacks of September 11th, Munters was awarded contracts at the World Trade Center and the Pentagon to dry and restore water damage caused by activated sprinkler systems and broken water pipes.

- **HumiCool Division:** Overall growth for HumiCool was relatively weak compared with past years. Demand for pre-coolers for gas turbines remained good, but the strong dollar impeded exports by the American poultry industry, reducing demand for HumiCool products.

Munters' products are ideally suited to the industrial structure and climate in the USA. The food and pharmaceutical industries are key customer segments and there is strong potential for various combinations of dehumidification and air conditioning. After the successes and prestigious orders of 2001, MCS has excellent opportunities for continued expansion. HumiCool has growth opportunities in existing and new customer segments.

NET SALES AND OPERATING EARNINGS



REGION AMERICAS

- 40 percent of consolidated net sales and 657 employees
- North and South America, with production in the USA, Mexico, and Brazil
- 30 service depots in the region



Nestlé's ice cream production in Australia. Ice cream production poses strict demands for precise climatic conditions to ensure premium flavor and consistency. The process requires very low temperatures and humidity to minimize ice and frost formation on the product and machinery. With dehu-

midifiers from Munters, Nestlé Confectionary could create dry air in the large freezer facility (-40°C).

Paul Brandt, project engineer at Nestlé Confectionary: "The advantages were enormous. I am certain the installation paid for itself within a year. Munters' employees were very service-oriented and extremely competent. The project was a success from beginning to end."

Region Asia

Region Asia generates about 10 percent of Munters' sales. Order intake increased in 2001 by 15 percent, net sales rose by 22 percent, and operating earnings increased by 16 percent, even though the Asian market overall was stagnant, especially in Japan and Southeast Asia.

The Asian market represents great potential for Munters. The climate varies considerably on the continent, including areas with the highest humidity in the world and very dry winter climates. Distances are great and there are significant differences in standard of living, culture, and industrial structure.

The organization and production capacity were expanded in Asia during the year. Munters opened new sales companies in Thailand and Korea in 2000, for which 2001 was the first full year of operations. Both new companies have been successful. Production capacity for CELdek® was expanded in Australia and the company built a new plant in Beijing. The MCS business in Australia is small, but was considerably expanded through the acquisition of Mullins Restoration early in the year. The acquisition has led to high growth but earnings were unsatisfactory.

Munters covers other parts of the region by combining company representation with sales and marketing through partners.

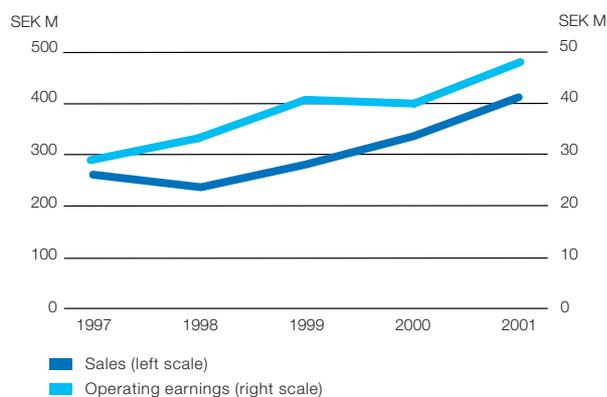
EARNINGS AND MARKET DEVELOPMENT IN 2001

- **Dehumidification Division:** The Division finalized the largest-ever delivery in Asia during the year, to Fuji Film in Japan. The company started manufacturing two new dehumidifier product series in the region, with production localized in Beijing. Development was good in Australia, with two relatively large projects in storage and process applications.
- **MCS Division:** Volume growth was high for MCS, especially in Australia via the purchase of Mullins Restoration. In Australia, Munters now offers total solutions for fire and water damage restoration. Growth was also favorable in Southeast Asia and Japan.

- **HumiCool Division:** HumiCool experienced very good development in the new operations in Thailand, which includes assembly of fans and CELdek®. Munters also succeeded in its initiative to move away from being a component supplier to selling entire system solutions in China and Thailand. Existing production capacity in Australia was substantially expanded with a newly built plant and the start of GLASdek™ manufacturing. Combined, these measures will cost-effectively meet customer needs in the region.

The market remains weak in Japan and Southeast Asia, but development remains favorable in China and Australia. Several applications are going to be important to Munters in Asia, e.g. in the food and pharmaceutical industries.

NET SALES AND OPERATING EARNINGS



REGION ASIA

- 10 percent of consolidated net sales and 266 employees
- Asia and Australia, with production in Australia, Japan, China, and Thailand
- 15 service depots in the region

Human Resources

Profitable growth is based on maintaining a spirit of entrepreneurship. To take optimal advantage of the organization, Munters must remain entrepreneurial while finding a balance between freedom and structure.

COMPANY CULTURE

Carl Munters, the company's founder, was determined to constantly develop his ideas and his company. His sense of entrepreneurship left an indelible mark on the Munters spirit. The company culture is based on personal dedication from every employee and on maintaining constant focus on customer needs. Openness and transparency are key values at Munters, where cooperation across borders is common for both technology and people. The company is divided into more than 80 business units operated as independent profit centers. Munters shall be an appealing employer for highly skilled individuals.

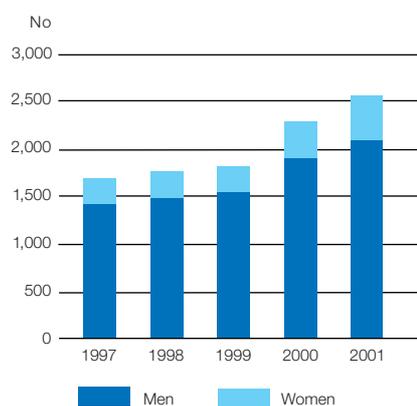
DELEGATED LEADERSHIP

Leadership is delegated within Munters in order to uphold the spirit of entrepreneurship in the organization. Every manager works with considerable freedom within clearly defined frameworks. The Group has a distinct information structure with easily accessible guidelines or "frameworks", e.g. the Munters Strategic Plan, the Munters Management Manual, and the Munters Accounting Manual.

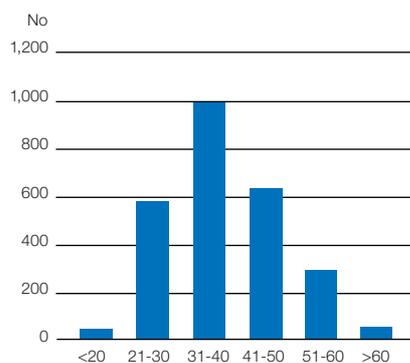
SKILLS ENHANCEMENT

Overall skills enhancement at Munters is based on constantly improving product and service knowledge among our employees. New employees are given introductory training on the Group's products and services. Munters offers continual advanced education and specialized training for the various professional roles within the company. Overall training initiatives are extensive in the divisions and regions. Employee training is critical in the MCS service operations and comprehensive training programs cover specific areas of technology as the various organizational segments.

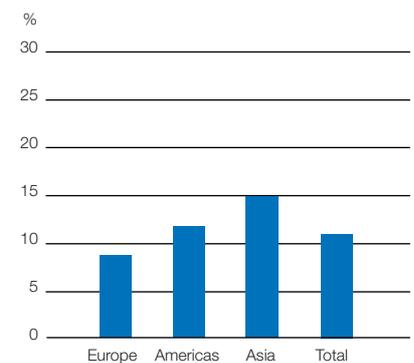
AVERAGE NUMBER OF EMPLOYEES



AGE DISTRIBUTION



EMPLOYEE TURNOVER



MUNTERS GROWTH ACADEMY

Munters Growth Academy is a leadership program that covers most managers and addresses strategy, leadership, market issues, and personal development. Munters arranges regular world and regional conferences at which company managers meet and are given the opportunity to share knowledge and discuss methods and relevant issues. The conferences always include a significant element of application sharing aimed at identifying future growth areas.

INCENTIVE PROGRAMS

Munters has established incentive programs to stimulate sustained positive development. People need the right incentives to improve performance. All higher managers, middle managers, and other key individuals (about 90 people in all) are covered by a bonus system that rewards improvements in each manager's personal area of responsibility. The bonus system is based on four performance criteria:

- Net sales growth
- Earnings growth
- Improved capital turnover
- Individual objectives.

The various criteria are weighted individually, based on the organization's situation.

Stock options are regularly offered to senior officers. Options programs are constructed according to customary principles in order to stimulate commitment to improving Munters' development.

MUNTERS APPROACH

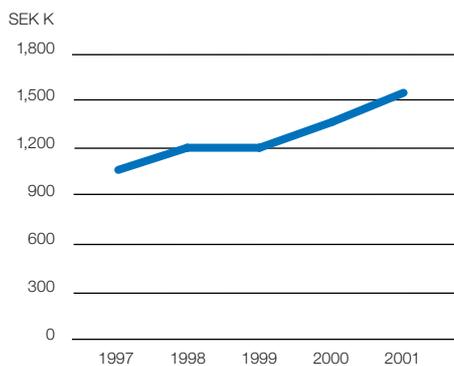
Delegated leadership and comprehensive skills enhancement are based on solid support from the central organization. Standardization and follow-up are important tools for building an effective company. Munters' approach to developing human resources is both strategic and operational.

THE FUTURE

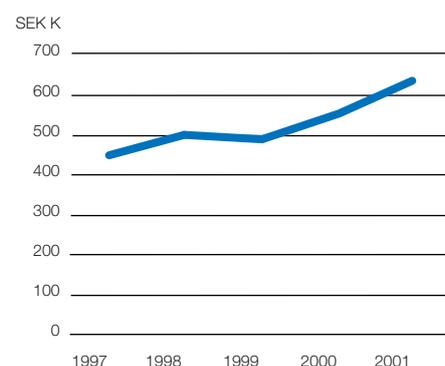
Munters will focus on enhancing performance in the following areas:

- Recruiting
- Training and skills enhancement
- Career planning
- Incentive programs
- IT-based frameworks that provide guidelines for delegated leadership.

NET SALES PER EMPLOYEE



ADDED VALUE PER EMPLOYEE



Quality

Our quality work is focused on the demands our customers impose on our products and services. Munters is engaged in continuous improvement throughout the Group, from development and production to sales, service, and aftermarket.

Two examples illustrate Munters' efforts to improve quality in 2001. MCS Europe concentrated on rationalizing IT support and standardizing methods, processes, and procedures. Ongoing quality efforts at Dehumidification Europe resulted in more efficient production processes with more distinct roles for function and documentation responsibility. Employee training and information initiatives were a key aspect. Munters has put great emphasis on improving the order and contract process by raising the quality of information along the sales-delivery supply chain.

The results of quality improvement include a reduction in product returns and complaints, lower warranty expenses, and better delivery capacity.

ISO 9001 CERTIFICATION

Most Munters' units are ISO 9001 certified. Certification fulfills several vital functions for the company. First, it is meaningful proof that Munters upholds consistently high standards in its processes. It also entails an obligation to work with continuous improvement. Munters uses ISO 9001 as a managerial tool that along with the company's other improvement projects is meant to produce added value for our customers. In 2001, Munters began analyzing the company's ability to live up to forthcoming new quality standard, ISO 9001:2000.

MUNTERS QUALITY POLICY

Ambition

Munters ambition is to provide products, systems, and services with high and consistent quality. This can only be achieved through coordinated and well-planned work processes throughout the Munters group.

Policy

It is Munters policy to develop, manufacture and market products, systems, and services in accordance with contractual demands and of such quality that they gain the full satisfaction of our customers. High and consistent quality shall be a major factor for customers to buy our products. This policy is applicable to all products, systems, and services provided by Munters.

Implementation

The implementation of this policy demands that businesses within Munters are managed according to the following principles:

- Every employee within Munters shall be aware of the importance of quality through communication and continuous training
- The organization and division of responsibility and authority related to all activities that affect quality shall be documented
- Customer focus, cost efficiency and the requirements in ISO 9001/2000 or its equivalent shall be the basis for all activities
- The research and development of products, systems and services shall originate from customer needs
- Routines, processes, and methods that secure requested quality shall be documented and used
- Only suppliers with the ability to fulfil our specified quality requirements shall be used
- Marketing and sales activities must only create customer expectations that can be fulfilled
- The progress of quality work shall be continuously followed up by information, feedback, and quality audits
- Quality related work shall be directed towards yearly targets for quality improvements.

The Environment

Munters' most important contribution to improving the environment is helping customers consume fewer resources and less energy and minimize emissions of harmful substances. Munters also endeavors to continually reduce consumption of resources and the negative environmental impact caused by the company's production of goods and services. The overarching goals are summarized in the Group's environmental policy.

Munters offers products and services to the market that help reduce negative environmental impact, primarily through lower energy consumption and reduced emissions. The Dehumidification Division provides solutions that create optimal storage conditions in warehouses with no heating required, which substantially reduces energy consumption. Munters' DryCool and DesiCool™ products use natural gas or waste heat, unlike conventional air conditioning methods run by electricity. No freons are used in Munters' cooling systems or components, nor do the finished products use freons in operation. By comparison, the annual production of CELdek® is equal to the cooling capacity of one million standard-size air conditioners. MCS helps save considerable resources through fast response in water-damaged buildings. The buildings are dried instead of demolished and rebuilt from the ground up. HumiCool products for water treatment and mist elimination are key components of water treatment systems used to clean emissions from coal-fired power plants.

ENVIRONMENTAL EFFORTS IN TOBO, SWEDEN

The Tobo plant is one of Munters' largest production facilities. The Group's environmental efforts in Tobo are aimed at reducing impact on the environment from production processes. The plant has been certified according to ISO 14001 since November 2000. Environmental certification requires systematic, long-term efforts to achieve environmental improvements. One of Munters' objectives is to reduce consumption of energy in the form of LPG, oil, and gas by ten percent by 2004. Due to increased production capacity, the plant became subject to new permit regulations in 2001 according to the Swedish Environmental Code. A long-term project is in progress aimed at reducing emissions to water and to continually reduce waste sent to landfills (waste that cannot be incinerated).

MUNTERS ENVIRONMENTAL POLICY

Ambition

Munters ambition is to develop all businesses in order to obtain sustainable solutions with regard both to financial and environmental benefits. When our products are being used they will contribute to a better environment. For example through energy savings in Dehumidification and HumiCool and the reuse of resources in the case of MCS restoration services. It is also Munters ambition to manufacture products in a manner that has minimal impact on the environment.

Policy

It is Munters policy to only develop, manufacture, and market products, systems, and services that contribute to a sustainable world. This policy is applicable to all products, systems, and services provided by Munters.

Implementation

The implementation of this policy demands that all businesses in Munters are managed according to the following principles:

- Comply and if possible, exceed current environmental legislation
- Involve and educate all key personnel in environmental issues
- Involve our suppliers in environmental questions
- Measurable improvement of environment issues
- Promote the environmental benefit resulting from the use of Munters products and services
- Not export environmental problems from countries with strict legislation to countries with less strict legislation
- We shall have an open attitude regarding environmental issues.

Munters is engaged in several activities within the framework of the Environmental Policy. These include environmental training for employees, continual reduction of resource consumption through recycling, and assessment of suppliers from the environmental perspective.

Munters' Stock

Munters' stock has been traded on the O List of Stockholmsbörsen since October 21, 1997. As of December 31, Munters had capital stock of SEK 125,000,000 distributed over 25,000,000 shares at par value of SEK 5. Each share entitles the shareholder to one vote. All shares convey equal rights to a share in the company's assets and earnings.

SHAREHOLDERS

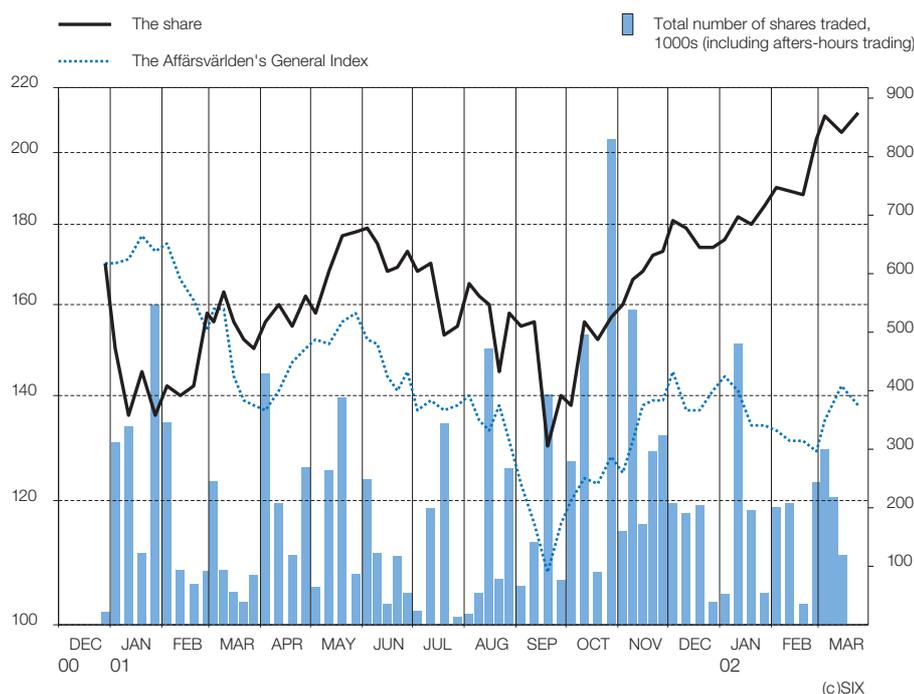
As of year-end, Munters had 4,288 shareholders, compared with 4,043 the preceding year. The ten principal shareholders control approximately 47 percent of capital and votes. About 50 percent of capital stock is owned by Swedish institutional investors and about 43 percent is owned by foreign investors.

Shareholder	Shares held	Proportion of capital stock and votes, %
Nordea fonder	2,043,500	8.2
Robur fonder	1,940,050	7.8
Third National Pension Fund	1,828,649	7.3
AMF Pension	1,241,500	5.0
Fidelity fonder	1,174,925	4.7
SEB fonder	1,060,547	4.2
Skandia	891,000	3.6
Second National Pension Fund	579,031	2.3
Fourth National Pension Fund	576,825	2.3
Skandia Carlsson fonder	432,800	1.7
Total, 10 principal shareholders	11,768,827	47.1
Other	12,783,673	51.1
Shares held by Munters	447,500	1.8
Total	25,000,000	100.0

DISTRIBUTION OF STOCK AS OF DECEMBER 31, 2001

Holding	No. of shareholders	Proportion in %	Total holdings and votes	Proportion in %
1- 500	3,370	78.6	761,030	3.0
501- 5,000	741	17.3	1,096,492	4.4
5,001- 50,000	99	2.3	2,029,264	8.1
50,001-	78	1.8	21,113,214	84.5
Total	4,288	100	25,000,000	100

STOCK TRENDS



PRICE TREND AND TRADING VOLUME

In fiscal 2001, 10.8 million shares were traded for a total value of SEK 1,695 million, meaning that 43 percent of the company's stock changed hands. The highest price paid during the period was SEK 189 on Dec. 10, 2001 and the lowest price paid was SEK 126 on Sept. 21, 2001. The share price rose during the period from SEK 171 to 174.50, an upturn of 2 percent. As of year-end, Munters' market capitalization was SEK 4,363 million.

TOTAL RETURN

As of year-end, Munters' stock was trading at SEK 174.50, an increase of 118 percent since the initial public offering in October 1997. The annual total return¹ during the period of 1998-2001 was 29 percent. The average increase for the SIX Return Index during the same period was 10 percent. An investment in Munters' stock yielded an 18 percent better return per year during the period, compared to a general investment in stocks traded on Stockholmsbörsen. Since December 1997, Munters' earnings per share have risen from SEK 4.18 to SEK 9.57, equal to annual average growth of 23 percent.

DIVIDEND POLICY

The board of directors intends to apply a dividend policy by which dividends are adapted to Munters' earnings performance, financial position, and other factors that the board finds relevant. The annual dividend shall correspond to approximately one third of annual net earnings over a multi-year period.

DIVIDEND

For the 2001 fiscal year, the board is proposing a dividend of SEK 3.00 (2.30) per share to the Annual General Meeting. This is an increase of 30 percent and corresponds to 31 percent of net earnings.

¹ The increase in value of the stock including reinvested dividends.

INCENTIVE PROGRAMS AND STOCK BUY-BACK

In May 2001, senior officers were offered the opportunity to acquire warrants in Munters AB valued at market price. The exercise period is May 1, 2004 through October 29, 2004 with a strike price of SEK 263 per share. A total of 49 employees subscribed 245,500 options, corresponding to about 1 percent of capital stock. In connection with the stock options program, Munters repurchased a corresponding percentage of its stock at an average price of SEK 165 per share to prevent dilution of stock owned by current shareholders. There are 448,200 warrants outstanding, equal to 1.8 percent of capital stock.

ANALYSTS WHO CONTINUALLY MONITOR MUNTERS

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Nordiska Fondkommission, <i>Henrik Alveskog</i>	+46 (0)8 791 48 69
Swedbank Markets, <i>Mats Larsson</i>	+46 (0)8 585 925 42

OUTSTANDING WARRANTS HELD BY SENIOR OFFICERS

Number of options	Strike price, SEK	Exercise period
202,700	145	Jan 3–Mar 31 2005
245,500	263	May 1–Oct 29 2004

Per share data ²	2001	2000	1999	1998
Earnings per share, SEK	9.57	7.37	5.78	4.95
Equity, SEK	40.49	32.80	26.20	21.85
Operating cash flow, SEK	18.79	10.51	8.78	6.83
Dividend, SEK	3.00 ³	2.30	1.80	1.50
Last price paid, SEK	174.50	171.00	102.00	69.00
P/E ratio, multiple	18.2	23.3	17.6	13.9

² Computed based on 25,000,000 shares

³ As proposed by the Board of Directors

Financial Overview

MULTI-YEAR OVERVIEW

Munters has had average sales growth of 12 percent during the period of 1992-2001 and operating earnings growth of 20 percent.

	2001	2000	1999	1998	PRO FORMA ¹					
					1997	1996	1995	1994	1993	1992
Order intake, SEK M	3,945	3,322	2,608	2,384	2,265	1,943	1,853	1,698	1,566	1,148
Net sales, SEK M	3,894	3,179	2,594	2,401	2,197	1,927	1,799	1,681	1,548	1,142
Growth, %	22.5	22.5	8.0	9.3	14.0	7.1	7.0	8.6	35.6	n/s ³
Operating earnings, SEK M	401	306 ²	237	205	184	155	81	149	105	62
Operating margin, %	10.3	9.6 ²	9.1	8.5	8.4	8.1	4.5	8.8	6.8	5.4
Earnings before tax, SEK M	389	289 ²	231	198	178	146	66	132	82	13
Equity, SEK M	1,012	821	655	545	437	303	242	241	199	139
Return on equity, %	26.1	25.0	24.1	25.2	28.2	33.2	17.0	37.2	29.8	n/s ³
Capital employed, SEK M	1,208	1,151	885	681	549	528	542	598	527	536
Return on capital employed, %	34.0	30.1 ²	30.3	33.3	34.5	29.3	14.2	26.3	19.7	n/s ³
Capital employed rate, times	3.3	3.1	3.3	3.8	4.1	3.6	3.2	3.0	2.9	n/s ³
Total assets, SEK M	2,228	1,993	1,689	1,252	1,199	1,027	976	975	962	833
Equity ratio, %	45.4	41.2	38.8	43.6	36.5	29.5	24.8	24.7	20.7	16.7
Net debt, SEK M	196	333	230	135	112	225	300	357	332	397
Debt/equity ratio, times	0.19	0.41	0.35	0.25	0.26	0.74	1.24	1.48	1.67	2.84
Interest coverage ratio, times	18.2	12.4 ²	13.1	11.6	10.5	7.6	3.2	5.0	3.2	1.2
Operating cash flow, SEK M	470	263	253	171	211	176	119	187	42	n/s ³
Capital expenditure, SEK M	140	148	114	109	84	72	88	71	53	37
Average number of employees	2,541	2,311	2,086	2,011	1,842	1,779	1,714	1,559	1,538	1,455

Key ratios per share, see page 27.

QUARTERLY DATA

Munters has distinct seasonal variations. Net sales and operating earnings are usually lowest in Q1 and highest in Q4.

	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Order intake, SEK M	659	644	614	691	791	884	784	863	960	974	982	1,029
Net sales, SEK M	574	652	637	731	707	741	799	932	851	960	1,020	1,063
Growth, %	3.7	12.1	4.5	11.4	23.1	13.7	25.4	27.4	20.4	29.5	27.6	14.1
Operating earnings, SEK M	37	53	64	83	51	65	76 ²	114	72	92	100	137
Operating margin, %	6.5	8.2	10.0	11.4	7.3	8.7	9.6	12.2	8.5	9.6	9.8	12.8
Earnings before tax, SEK M	36	51	61	83	48	60	72 ²	108	67	91	97	134

¹ "Pro forma" refers to the group structure created in connection with the initial public offering of stock in the Munters Group in October 1997

² Excluding items affecting comparability of SEK 15M referring to surplus Alecta/SPP funds

³ Not significant

Directors' Report

The board of directors and president of Munters AB (publ), corporate registration number 556041-0606, submit herewith the annual report for fiscal 2001. The results of the year's operations for the Parent Company and the Group are shown on the following income statement, balance sheet, and notes.

OWNERSHIP STRUCTURE

Munters AB has been traded on the O List of Stockholmsbörsen since October 21, 1997. Munters' ten largest shareholders own 47 percent of capital stock and votes.

GROUP OPERATIONS

Munters AB is the parent company of a group whose business consists of controlling humidity by means of several methods. Munters' business concept is to be a global applications and service oriented niche company in air treatment, from a base in dehumidification and humidification. Munters prioritizes applications and customer segments where it can achieve strong global positions. The Parent Company's operations are oriented toward Group management, Group reporting, financial management, IT coordination, Corporate Communication, technical coordination, and human resources development.

The business is divided into three geographical regions: Europe, Americas, and Asia. Operations in each region are divided into divisions: Dehumidification, Moisture Control Services (MCS), and HumiCool.

GROUP ORDER INTAKE, NET SALES, AND EARNINGS IN 2001

Order intake increased during the year by 19 percent to SEK 3,945 M (3,322) and order backlog rose by SEK 83 M to 593 M (510). Adjusted for currency fluctuations, growth in order intake for comparable units was 8 percent. Net sales for the Munters Group increased 22 percent to SEK 3,894 M (3,179). Adjusted for currency fluctuations, there was a 12 percent increase in sales for comparable units.

Net sales by region increased 16 percent in Europe, 29 percent in Americas, and 22 percent in Asia. The MCS business is showing the highest growth in all regions.

Consolidated operating earnings were SEK 401 M (306 excluding surplus funds from Alecta/SPP), an improvement of 31 percent. The operating margin was 10.3 percent in 2001 (last year 9.6 excluding surplus funds from Alecta/SPP). Operating earnings were enhanced by exchange rate gains of approximately SEK 40 M.

Consolidated earnings before tax increased 35 percent to SEK 389 M (last year 289 excluding surplus funds from Alecta/SPP). Net earnings improved by 30 percent to SEK 240 M (184) after a tax charge of slightly more than 38 percent (39).

The tax rate was 37 percent after adjustment for non-deductible amortization of goodwill. Earnings per share increased to SEK 9.57 (7.37).

Net sales increased due to expansion within MCS, higher value content in deliveries, and positive currency effects upon translation to sek. The earnings improvement is attributable to higher net sales in all divisions, improved margins primarily within MCS, and efficiency measures. In terms of percentage, the workforce increased less than sales in all regions.

Region Europe

Order intake in Europe increased in 2001 by 16 percent to SEK 1,979 M (1,702). Net sales rose 16 percent to SEK 1,950 M (1,674). Adjusted for currency fluctuations, the increase was 9 percent. Net operating earnings rose by 20 percent to SEK 179 M (150). Earnings were enhanced by higher net sales, primarily within MCS, efficiency measures implemented in dehumidifier production, and positive currency effects.

The Dehumidification Division is reporting an increase in order intake following recovery in the fourth quarter. Net sales rose thanks to a strong end of the year, when efficiency measures and positive currency effects led to improved operating earnings.

The MCS Division experienced strong and accelerating growth. Order intake, net sales, and operating earnings improved substantially compared with the preceding year. Operating margin also improved due to higher net sales and more even geographical distribution of sales growth than in the preceding year. Two companies were acquired in 2001 aimed at expanding the service range and strengthening local market positions.

The HumiCool Division had a strong increase in order intake but somewhat weaker sales growth and lower operating earnings. Growth remains good for cooling equipment for poultry and green houses and for cooling of inlet air to gas turbines.

Region Americas

Order intake in Region Americas increased in 2001 by 22 percent to SEK 1,611 M (1,325). Net sales rose by 29 percent to SEK 1,592 M (1,231). Adjusted for currency fluctuations, the increase was 15 percent. Operating earnings for the period were SEK 190 M (140). Earnings were enhanced by high net sales, especially for MCS and Dehumidification, efficiency measures, and positive currency effects.

The Dehumidification Division demonstrated sustained strong order intake, sales, and operating earnings. Order intake for Zeol equipment, which is sold mainly to the semiconductor and automotive industries, tapered off gradually during the year.

The MCS Division showed continued strong growth during the year, in part due to water damage restoration after Hurricane Allison in Texas, which generated sales of USD 9 M. Trends for operating earnings remained good due to higher sales and a favorable service mix. The sustained concentration on industrial applications also contributed to higher order intake and substantially improved operating earnings. Munters was also commissioned to reduce the effects of damage after the terror attacks of September 11th against the Pentagon and the World Trade Center.

The HumiCool Division is reporting weak order intake and moderately higher sales and improved operating earnings. Order intake was impacted by the slowdown in the American poultry industry, which weakened due to declining exports as a result of the strong dollar. The negative trend in the poultry industry was compensated for via higher sales of products for mist elimination and for cooling inlet air to gas turbines.

Region Asia

Munters' operations in Asia showed positive trends for order intake, net sales, and operating earnings. Order intake increased in 2001 by 15 percent to SEK 410 M (357). Net sales rose 22 percent to SEK 408 M (335). Adjusted for currency fluctuations, the increase was 18 percent. Operating earnings were SEK 48 M (40).

The Dehumidification Division is reporting lower order intake, higher sales, and improved operating earnings. The favorable product mix enhanced operating earnings, especially in China and Australia.

The MCS Division experienced a strong increase in sales, while net earnings declined from an already low level. The sales increase was attributable to the acquisition of Mullins Restoration in Australia in January 2001. Earnings performance for the business is not yet satisfactory and measures have been instituted to increase profitability.

The HumiCool Division is reporting increases in order intake, sales, and operating earnings. The opening of a company in Thailand in the preceding year largely compensated for the downturns in Japan and China.

Gross earnings

Munters carries out product development and design in-house, while production of a large portion of components and parts is outsourced. Subcontractors are used frequently in connection with major service assignments within MCS. Core components such as dehumidifier rotors, cooling panels, and mist eliminators are produced in the company's own production plants and Munters develops production machinery to manufacture those components in-house. Munters' outsourcing strategy enables highly versatile operations and adaptation of production volume to sales volume. Munters' strategy of increasing the value content of deliveries lowered the gross margin but improved the operating margin. Gross earnings for the Group increased in 2001 by SEK 234 M to SEK 1,460 M (1,226), i.e., the gross margin declined by 1.1 percent.

Operating earnings

Operating earnings for 2001 were SEK 401 M (321), corresponding to an operating margin of 10.3 percent (10.1).

Selling costs increased by SEK 88 M to 666 M (578), amounting to 17.1 percent (18.2) of net sales. Administrative expenses were SEK 347 M (301), corresponding to 8.9 percent (9.5) of net sales, and R&D expenses totaled SEK 46 M (40), equal to 1.2 percent (1.3) of net sales. Development expenses in connection with customer order projects and all MCS development expenses are reported as current operating expenses.

Operating earnings were encumbered during the year by amortization of goodwill in the amount of SEK 14 M (11), which is reported as an administrative expense. Amortization of goodwill was higher due to four acquisitions carried out during the year.

Earnings after financial items

Earnings after financial items increased 28 percent to SEK 389 M (303), corresponding to a margin of 10.0 percent (9.5). The financial net includes the company's share in earnings of associated companies – Polygon AS, Norway, and Polygon A/S, Denmark – of SEK 9 M (6) and interest expense of SEK 25 M (27).

Taxes

Tax expense for the year was SEK 149 M (120), equal to an effective tax rate of 38.4 percent (39.5), which is higher than the nominal tax rate of 28 percent in Sweden. This is primarily due to the fact that a significant portion of the Group's earnings is generated in foreign subsidiaries in countries where tax rates are higher, and because amortization of goodwill is not tax deductible.

Financial position

Liquid funds were SEK 152 M (88) and interest-bearing liabilities (including PRI pensions) were SEK 348 M (421). Net debt declined during the year by SEK 137 M to SEK 196 M (333).

The Group has non-utilized credit facilities of approximately SEK 155 M. Consolidated equity as of closing day was SEK 1,012 M (821), corresponding to an equity ratio of 45.4 percent (41.2) and a debt/equity ratio of 0.19 (0.41).

Capital expenditures and depreciation

The Group had total capital expenditures during the fiscal year of SEK 140 M (148). The majority referred to investments in MCS, production, and IT equipment. Depreciation and amortization during the period amounted to SEK 125 M (103), including amortization of goodwill of SEK 14 M (11). A decision was made during the year to invest in a new plant and production equipment in China to meet increasing demand. The production unit went operational in the first quarter of 2002. As of December 31, total investments in that expansion amounted to SEK 16 M.

Company acquisitions

In January, Munters acquired operations in the Australian company Mullins Restoration, which is in the Fire Damage Restoration business, has three service depots, about 30 employees, and annual sales of SEK 35 M.

Munters acquired all shares in the Swedish company Sundsvalls Totalsanering AB in June. The company has three service depots, 25 employees, and annual sales of SEK 13 M. The purpose of the acquisition was to expand Munters' service range and strengthen the company's market position in northern Sweden.

Also in June, Munters acquired the assets and liabilities of ABB Fläkt Marine, including know-how and patent rights to the SCR system (Selective Catalytic Reduction) for NOx reduction. By virtue of the acquisition, Munters can now offer a complete range of products to reduce NOx emissions from large diesel engine systems.

In July, Munters acquired all shares in the French company M'Renov SA. The company is located in St Head near St Etienne and has 20 employees and annual sales of SEK 14 M. The purpose of the acquisition was to expand Munters' service range and strengthen its market position in southern France.

Product development

The Munters Group carries out continual product development aimed at improving products, developing new products, and establishing new applications. One fundamental principle is that development shall take place close to the market, in collaboration with customers and end users.

Expenditures for product development, which amounted to SEK 46 M (40) during the year, are expensed as they in-

currred and are reported on the income statement under "Research and development expenses." At present, no capitalized expenditures for development are reported on the consolidated balance sheet. Starting in 2002, the Group will be applying the Swedish Financial Accounting Standards Council's recommendation RR15 and a small portion of development expenses may be capitalized on the balance sheet.

Human resources

In 2001, the average number of employees in the Group was 2,541 (2,311), including 449 (413) employees in Sweden. Payroll expense for the year amounted to SEK 983 M (804), including SEK 149 M (133) for employees in Sweden. The costs of social benefits regulated by law and collective agreement for employees of the parent company amounted to SEK 10 M (8). The corresponding cost for employees of subsidiaries was SEK 284 M (242).

During the year, 49 senior officers subscribed stock options in Munters AB at market value. Option premiums will be subsidized at 30 percent in the form of a cash bonus, provided that the option holder is employed by Munters when he or she exercises the options. In connection with earlier options programs from 2000, Munters AB repurchased 447,500 shares at an average price of SEK 147 per share to cover the company's obligations pursuant to the options programs and to prevent dilution effects.

OPTION PROGRAM

The board intends to propose that the Annual General Meeting (AGM) resolve to approve a stock options program directed at about 100 senior officers through issuance of no more than 192,500 options on the repurchased stock in Munters AB and transfer of no more than 192,500 shares in the company if the options are exercised. Purchasers shall pay premiums on market terms computed according to a valuation model generally accepted in the market. Premiums will be subsidized at 40 percent in the form of a cash bonus, provided that the option holder is employed by Munters when the options become exercisable. The purpose of the subsidy is to improve conditions for a high degree of participation and to induce employees to remain with the company. The proposed exercise period is September 1, 2005 through March 31, 2006.

If the options program is fully subscribed, it will equal 0.8 percent of the total number of shares in Munters AB. The company intends to buy back stock equal to the subscribed options and the program will thus not dilute the company's capital stock.

The scope and terms of the program are currently being studied and will be presented to the AGM on April 25, 2002.

In earlier options programs issued in 2000 and 2001, a total of 447,500 options were subscribed, corresponding to 1.8 percent of Munters AB's capital stock.

BUY-BACK OF STOCK

The board intends to propose to the AGM that it resolve to give the board renewed authorization to decide on buy-back of company stock. Such a mandate would mean that the board would be given the option, until the next ordinary AGM, to decide on buy-back of company stock, should the board find the measure appropriate. Such a buy-back may be executed through the stock exchange or through an offer to shareholders. The board's mandate is intended to also include the option of transferring repurchased stock.

PARENT COMPANY OPERATIONS

The Parent Company's operations comprise group-wide functions. The company conducts no outside business. The net loss after financial items was SEK -9 million (-15). After net financial income and expense, dividends from subsidiaries, and appropriations, the Parent Company is reporting earnings before tax of SEK 89 (99) million.

Equity in the Parent Company as of closing day was SEK 512 million (509), which corresponds to an equity ratio of 60 percent (61). Liquid funds as of year end were SEK 41 million (10). Investments during the year amounted to SEK 2.1 million (0.2), and the average number of employees was 15 (15). See also notes 4 and 5.

EVENTS AFTER THE END OF THE FISCAL YEAR

In January 2002, the company acquired the assets and liabilities, including all operations, of the American competitor Glacier-Cor. The company is one of the three largest manufacturers of evaporative cooling components, with annual sales of SEK 50 M. Munters was the largest player in the world in that niche even before the acquisition, which was carried out in order to further strengthen Munters' HumiCool business.

BOARD OF DIRECTORS

Munters' board is made up of seven directors elected by the AGM, with no alternates, and two directors and two alternates elected by the unions. The president of the company sits on the board. Officers of the company attend board meetings in a reporting capacity.

According to the board's rules of procedure, the board of directors must hold one statutory meeting and five ordinary meetings per year. To ensure that the board's needs for information are met, the company's independent auditors attend meetings at which the annual report and interim reports are discussed. The auditors report their observations from their audits and present their assessment of the company's internal control.

The work of the board of directors is concentrated on strategic matters such as business direction, finance and budget, control and efficiency. The chairman leads board activities and monitors the company's development. Within the frameworks adopted by the board, the president manages operations and keeps the chairman continually informed about significant business events.

Nominees for election to the board by the AGM are put forward by a nominating committee made up of representatives of principal shareholders and the chairman of Munters AB. The nomination committee prior to the 2002 AGM was made up of Nordea fonder, Robur, the Third National Pension Fund, AMF Pension, and SEB Fonder, which together control 32.5 percent of capital and votes. The proposed nominees for election to the board are listed in the notice of the annual general meeting. The AGM determines remuneration to directors and independent auditors based on the nomination committee's proposal.

The president's salary and bonus are fixed by the board of directors following a proposal by the compensation committee, which is made up of the chairman of the board and two directors. Salaries and bonuses to other members of the executive committee are set by the chairman according to a proposal by the president.

Current options programs were approved by the AGM in 2000 and 2001.

ENVIRONMENTAL IMPACT

The Group conducts business which requires permits according to the Swedish Environmental Code in the Swedish subsidiary, Munters Europe AB. The Group's business requiring permits and reports to government agencies affects the natural environment surrounding Munters Europe's plant in Tobo through emissions to air and water. For additional environmental information, see page 25.

EURO HARMONIZATION

Munters' sales to euro currency countries in 2001 amounted to SEK 1,085 M, corresponding to 28 percent of the Group's total sales. Transactions in euro amounted to SEK 981 M.

Munters has its own companies in eight EMU countries, customers in all of them, and suppliers in most. The introduction of the euro will simplify Munters' currency management. Bids and invoices to the Group's customers in EMU countries are issued in euro as a separate currency.

Conversion to euro for affected Group companies has been carried out as planned.

CURRENCY AND INTEREST EXPOSURE

A significant portion of Munters' revenues and expenses are generated in foreign currency. Consequently, Munters' revenues, expenses, operating earnings, equity, and other balance sheet items are affected by exchange rate fluctuations between the Swedish krona and other currencies.

The geographical distribution of Munters' production plants results in significant matching of revenues and expenses in local currencies, which limits currency exposure. Munters' revenues and operating expenses per currency are shown on the table below:

Currency	Share of revenues in 2001, %	Share of expenses in 2001, %
USD	40.6	37.9
EUR	31.9	29.9
SEK	8.4	14.3
GBP	5.7	5.1
JPY	4.1	4.2
AUD	3.3	3.2

The table shows that Munters had satisfactory matching of revenues and expenses in each currency. Munters' policy is to fully hedge all contracted net flows and 70 percent of forecast flows for the next nine months in order to minimize the effects of exchange rate fluctuations on Munters' net earnings.

The table below shows Munters' sensitivity in operating earnings against variations in certain currencies. The analysis is based on earnings for 2001 and presumes that all other factors that can affect earnings are unchanged.

Changes in the following currencies	Estimated impact on 2001 operating earnings	
	M	%
Compared with the Swedish krona		
USD +1 %	+2.7	+0.7
EUR +1 %	+2.5	+0.6
GBP +1 %	+0.4	+0.1
AUD +1 %	+0.4	+0.1
JPY +1 %	+0.3	+0.1

Translation exposure

Munters is exposed to currency fluctuations when the balance sheets of foreign subsidiaries are translated to Swedish kronor; see note 23. Munters' equity was affected by SEK 42.5 M by translation of the accounts of foreign subsidiaries to Swedish kronor.

Interest exposure

Munters' profitability is affected by interest rate fluctuations. The estimated effect on earnings after financial items of a one-percent change in the interest rate is approximately SEK 2.6 M.

PROPOSED DISTRIBUTION OF EARNINGS, SEK

The following earnings are at the disposal of the annual general meeting:

Retained earnings	231,291,832
Earnings for the year	83,968,445
Total	315,260,277

The board of directors and president propose that earnings be distributed as follows:

Distributed to shareholders	73,657,500
Retained	241,602,777
Total	315,260,277

According to the consolidated balance sheet, non-restricted Group equity amounts to SEK 673 M.

No transfers to restricted reserves are required.

Income Statement

SEK THOUSANDS	NOTE	GROUP		PARENT COMPANY	
		2001	2000	2001	2000
Net sales	2, 3	3,893,531	3,178,872	23,573	15,093
Cost of goods sold		-2,433,249	-1,953,172	-	231
Gross earnings		1,460,282	1,225,700	23,573	15,324
Items affecting comparability ¹		-	14,543	-	10,393
Selling costs		-665,737	-577,936	-6,913	-9,805
Administrative expenses		-347,494	-301,472	-33,789	-27,531
Research and development expenses		-45,912	-40,167	-	191
Operating earnings	2, 7	401,139	320,668	-17,129	-11,428
Profit or loss from financial investments					
Profit or loss from shares in group companies		-	-	101,180	103,164
Profit or loss from shares in associated companies		9,493	6,000	-	-
Miscellaneous interest income and similar profit items		3,446	3,611	21,099	23,311
Interest expense and similar loss items		-25,386	-26,986	-13,386	-16,163
Earnings after financial items		388,692	303,293	91,764	98,884
Appropriations	8	-	-	-2,673	257
Earnings before tax		388,692	303,293	89,091	99,141
Tax on the year's earnings	8	-149,334	-119,155	-5,123	2,002
Net earnings for the year		239,358	184,138	83,968	101,143
Earnings per share (EPS)		9.57	7.37	-	-
EPS excluding stock held by the company		9.75	7.43	-	-

¹ Refers to the present value of refunds from Alecta/SPP.

DEFINITIONS

Operating margin

Operating earnings as a percentage of net sales.

Return on capital employed

Operating earnings as a percentage of average capital employed.

Return on equity

Net earnings for the year as a percentage of average equity.

Equity ratio

Equity as a percentage of total assets.

Debt/equity ratio

Net debt in relation to equity.

Net debt

Interest-bearing liabilities including the interest-bearing component of pension commitments less liquid funds (cash and cash equivalents).

Interest coverage ratio

Earnings after financial items plus interest expense, divided by interest expense.

Capital employed

Total assets less liquid funds (cash and cash equivalents) plus non-interest-bearing liabilities (including deferred tax).

Earnings per share

Net earnings for the year in relation to the number of shares.

Equity per share

Equity at the end of the period in relation to the number of shares.

Capital employed rate

Net sales divided by average capital employed.

Operating cash flow

Earnings after financial items, excluding associated companies, plus depreciation and changes in operating working capital (accounts receivable, inventory, accounts payable, and advances from customers).

Added value per employee (page 23)

Operating earnings plus payroll and payroll expenses divided by the average number of employees.

Cash Flow Statement

SEK THOUSANDS	NOTE	GROUP		PARENT COMPANY	
		2001	2000	2001	2000
Current operations					
Earnings after financial items		388,692	303,293	91,764	98,884
<i>Adjustment for items not included in cash flow, etc.</i>					
Less share of earnings in associated companies		-6,844	-	-	-
Depreciation and write-downs of assets		124,779	102,613	960	879
Unrealized exchange rate differences		-5,867	30,839	-	-
Profit or loss from sales and discards of capital assets		7,481	-8,737	104	-
Refund from SPP		-	-11,239	-	-
Provisions for pensions		2,681	-8,591	-	1,038
Other provisions		9,185	29,035	495	-280
Other profit/loss items not affecting liquidity		-3,895	-16,428	23	-3,952
		127,520	117,492	1,582	-2,315
Tax paid		-129,950	-119,784	-6,103	-2,240
Cash flow from current operations before changes in working capital		386,262	301,001	87,243	94,329
<i>Cash flow from changes in working capital</i>					
Changes in inventory		-10,132	-46,735	-	-
Changes in accounts receivable		-63,629	-167,806	174	871
Changes in other receivables		-8,630	135	-16,739	-86,475
Changes in accounts payable		19,046	69,968	1,149	-1,678
Changes in other liabilities		50,098	-19,123	53,743	1,634
Cash flow from current operations		373,015	137,440	125,570	8,681
<i>Investing activities</i>					
Acquisitions of subsidiaries	22	-10,842	-	-5,320	-
Investments in intangible assets		-19,470	-6,617	-550	-
Investments in tangible assets		-127,514	-169,966	-1,554	-206
Sale of tangible assets		5,122	8,490	-	-
Investments in financial assets		-	-192	-	-3,841
Change in other financial assets		5,053	-	38,946	-
Cash flow from investing activities		-147,651	-168,285	31,522	-4,047
<i>Financing activities</i>					
Group contribution		-	-	14,386	-
Payment received for issued stock options	15	2,327	4,568	2,327	4,568
Changes in loans		-71,861	61,710	-45,126	48,569
Dividends paid	15	-57,040	-45,000	-57,040	-45,000
Buy-back of stock	15	-40,888	-24,842	-40,888	-24,842
Cash flow from financing activities		-167,462	-3,564	-126,341	-16,705
Cash flow for the year		57,902	-34,409	30,751	-12,071
Cash and cash equivalents at the beginning of the year ¹		88,073	120,722	10,038	22,109
Exchange differences in liquid funds		5,867	1,760	-	-
Cash and cash equivalents at the end of the year		151,842	88,073	40,789	10,038

¹ Cash and cash equivalents include cash, deposits in postal giro accounts, and bank balances.

Balance Sheet

SEK THOUSANDS (DECEMBER 31)	NOTE	GROUP		PARENT COMPANY	
		2001	2000	2001	2000
ASSETS					
Fixed assets					
Intangible assets	9				
Patents, licenses and similar rights		13,289	2,785	550	-
Goodwill		175,544	160,029	-	-
		188,833	162,814	550	-
Tangible assets					
	10				
Buildings and land		171,106	165,336	-	-
Machinery and plant		218,495	209,943	-	-
Equipment, tools, fixtures, and fittings		155,420	125,451	1,890	1,296
New construction in progress and advances referring to tangible assets		17,695	12,398	-	-
		562,716	513,128	1,890	1,296
Financial fixed assets					
Participating interests in group companies	11	-	-	187,726	182,510
Participating interests in associated companies	12	37,996	33,652	-	-
Long-term receivables, group companies		-	-	8,508	44,820
Other long-term receivables		14,305	19,357	3,648	6,282
		52,301	53,009	199,882	233,612
Total fixed assets		803,850	728,951	202,322	234,908
Current assets					
Inventory, etc.					
Raw materials and consumables		139,946	126,778	-	-
Work in progress		41,350	51,010	-	-
Finished goods and goods for resale		65,376	61,889	-	-
Contract work in progress		9,576	12,094	-	-
Advances to suppliers		7,714	1,831	-	-
		263,962	253,602	-	-
Current receivables					
Accounts receivable		860,898	789,203	1,113	1,287
Receivables, group companies		-	-	593,314	573,243
Deferred tax credit	13	52,661	55,299	-	-
Other receivables		52,611	46,983	9,061	9,341
Prepaid expenses and accrued income	14	42,464	30,468	1,472	4,438
		1,008,634	921,953	604,960	588,309
Cash and cash equivalents		151,842	88,073	40,789	10,038
Total current assets		1,424,438	1,263,628	645,749	598,347
Total assets		2,228,288	1,992,579	848,071	833,255

Balance Sheet

SEK THOUSANDS (DECEMBER 31)	NOTE	GROUP		PARENT COMPANY	
		2001	2000	2001	2000
EQUITY AND LIABILITIES					
Equity	15				
Restricted equity					
Capital stock (25,000,000 shares, par value SEK 5)		125,000	125,000	125,000	125,000
Restricted reserves		214,148	205,406	71,596	69,269
		339,148	330,406	196,596	194,269
Non-restricted equity					
Non-restricted reserves		433,721	306,282	231,293	213,692
Net earnings for the year		239,358	184,138	83,968	101,143
		673,079	490,420	315,261	314,835
Total equity		1,012,227	820,826	511,857	509,104
Untaxed reserves	8	-	-	2,673	-
Provisions					
Provisions for pensions and similar obligations	16	86,919	84,238	32,286	31,791
Deferred tax debt	13	15,663	21,035	-	-
Other provisions	17	103,470	81,067	-	-
Total provisions		206,052	186,340	32,286	31,791
Long-term liabilities					
Liabilities to credit institutes	18	7,179	1,651	-	-
Liabilities to group companies		-	-	-	12,968
Other liabilities		5,517	2,373	-	-
Total long-term liabilities		12,696	4,024	-	12,968
Current liabilities					
Liabilities to credit institutes	18	266,606	347,015	180,062	212,220
Advances from customers		77,313	50,102	-	-
Accounts payable		282,662	261,795	5,550	4,401
Liabilities to group companies		-	-	99,820	47,172
Tax liability		94,175	64,513	2,245	3,225
Other liabilities		46,586	49,702	588	-
Accrued expenses and deferred income	19	229,971	208,262	12,990	12,374
Total current liabilities		997,313	981,389	301,255	279,392
Total equity and liabilities		2,228,288	1,992,579	848,071	833,255
Pledged assets	20	5,003	4,740	None	None
Contingent liabilities	21	5,951	40,199	72,316	66,975

Accounting Principles and Notes

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

Accounting principles

Munters complies with recommendations issued by the Swedish Financial Accounting Standards Council. SFASC recommendations are consistent in all significant respects with the standards of the International Accounting Standards Committee (IASC). SFASC recommendation RR 9 was implemented in 2001, whereupon comparative data for 2000 was revised. The effects of changes in accounting principles have been reported in compliance with SFASC recommendation RR 5; see note 15. The accounting principles applied by the company are otherwise unchanged from preceding years.

Consolidated accounts

The consolidated accounts comprise the Parent Company and all subsidiaries. "Subsidiaries" refers to companies where the Parent Company, directly or indirectly, owns more than 50 percent of the votes or over which it has a controlling influence.

Munters' consolidated accounts are prepared using the acquisition method in accordance with Recommendation RR1 of the Swedish Financial Accounting Standards Council. Assets and liabilities reported by subsidiaries at date of acquisition are reported at market value in the consolidated balance sheet in accordance with an acquisition analysis. If the acquisition value of shares in subsidiaries exceeds the estimated market value of the company's net assets according to the acquisition analysis, the difference constitutes consolidated goodwill.

Untaxed reserves are reported in the Group in part as deferred tax liability and in part as restricted reserves. Deferred tax liability is computed at the prevailing tax rate. Accordingly, changes in untaxed reserves are not posted to the consolidated income statement. Changes in deferred tax liability are added to the year's tax expense. Intercompany profit is eliminated when the consolidated accounts for the Munters Group are prepared. Tax effects of group eliminations are taken into consideration when the year's tax expense is computed.

Translation of the income statements of foreign subsidiaries

Munters' foreign subsidiaries are independent foreign economic entities. The financial statements of these economic entities are translated in the group to SEK in accordance with Recommendation RR8 of the Swedish Financial Accounting Standards Council. The assets and liabilities of foreign subsidiaries are translated at the closing day rate, while the income statement is translated at the average rate. Translation differences are posted directly to consolidated equity.

Accounts of associated companies

Associated companies are companies in which the Group holds a long-term ownership interest of 20 to 50 percent. The accounts of associated companies are prepared using the equity method. Shares in the after tax earnings of associated companies correspond to Munters' share of the net earnings of associated companies less dividends received and any depreciation of surplus value. The tax expenses of associated companies are reported as part of the Group's tax expense. The book value of shares in associated companies is adjusted in the consolidated balance sheet to reflect the share of earnings in the consolidated income statement.

Receivables

Receivables are reported in the amounts at which they are expected to be paid.

Receivables and liabilities in foreign currency

For the Parent Company and other Group companies, receivables and liabilities in foreign currency are reported in accordance with Recommendation RR8 of the Swedish Financial Accounting Standards Council, meaning that all receivables and liabilities in foreign currency are translated at the closing day rate in the consolidated accounts. If an asset or investment is effectively protected against currency fluctuations by a liability in the corresponding foreign currency, book values are not adjusted.

Valuation and depreciation of tangible and intangible assets

Scheduled depreciation is based on the acquisition value and economic lifetime of the asset. Permanent declines in value are written down. In accordance with Recommendation RR6 of the Swedish Financial Accounting Standards Council, financial leasing agreements are distributed by type of asset. Depreciation periods are shown below:

Buildings	25–30 years	Patents, licenses and similar rights	3–20 years
Machinery and equipment	3–10 years	Goodwill	5–20 years

Consolidated goodwill is usually amortized over a period of 5 to 10 years. Consolidated goodwill with an amortization rate of less than 10 percent per year is attributable to strategically important acquisitions deemed to justify a longer amortization period for market or technical reasons. All consolidated goodwill values are reexamined annually to determine that there is no need for other write-downs through computation of each entity's discounted future cash flows.

Inventory, etc.

Inventory is valued at the lower of cost or market value. Required allocations are made for obsolescence. Work in progress is valued as the sum of direct labor and materials costs plus a reasonable markup for indirect production costs.

Research and development expenses

The Group does not capitalize expenditures for research and development; they are expensed as they are incurred during the year.

Recognition in revenue

Net sales and earnings are reported upon delivery of goods and services when the main risks and rights have been transferred to the buyer.

Allocations for warranty expenses

Allocations for warranty expenses are made at a standard rate in an amount equal to the average cost of warranty expenses in relation to sales during the past 24 months, adjusted by an amount for known warranty claims in excess of the standard reserve.

Taxes

As of January 1, 2001, current and deferred taxes are reported in compliance with RR9. Current taxes are based on each company's tax return, while deferred tax takes into account the fiscal effect of the differences between book and fiscal values. Deferred tax is also computed on unutilized loss deductions. If the computations result in a deferred tax claim, it will be reported as an asset only if it is likely to be realized. Deferred tax reported on the balance sheet is based on the most recently imposed tax rate.

Pensions

The majority of Group companies have pension commitments or contribute to the costs of employee pensions within the framework of various pension plans. Pension plans may be common to a large number of companies or be company-specific. In all cases, provisions for pension liabilities, contributions to pension funds, and insurance premiums are based on actuarial computations.

NOTE 2 DISTRIBUTION OF NET SALES AND OPERATING EARNINGS, SEK K

Net sales and earnings distributed by region:

GROUP	NET SALES		OPERATING EARNINGS	
	2001	2000	2001	2000
Europe	1,949,761	1,674,309	179,243	149,682
Americas	1,592,321	1,230,909	190,297	139,603
Asia	408,227	335,146	47,537	40,390
Central & eliminated	-56,778	-61,492	-15,938	-9,007
Total	3,893,531	3,178,872	401,139	320,668

Net sales distributed by geographical market:

NET SALES	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Scandinavia	412,131	373,466	8,450	3,760
Europe, excluding Scandinavia	1,358,910	1,147,480	10,763	9,573
North America	1,454,289	1,149,364	1,050	1,213
Other markets	668,201	508,562	3,310	547
Total	3,893,531	3,178,872	23,573	15,093

NOTE 3 INTERCOMPANY TRANSACTIONS

Net sales in the parent company refer to services performed for subsidiaries. All transactions between Group companies are on market terms.

NOTE 4 AVERAGE NUMBER OF EMPLOYEES

	2001		2000	
	MEN	WOMEN	MEN	WOMEN
Australia	67	15	54	11
Belgium	16	5	13	4
Brazil	24	3	23	4
Denmark	2	2	2	2
Finland	137	18	131	13
France	85	25	60	18
Italy	103	25	88	12
Japan	51	7	55	9
Canada	10	2	9	2
China	65	19	60	17
Mexico	23	3	15	4
Netherlands	36	6	33	6
Norway	0	0	1	1
Poland	9	2	9	3
Switzerland	19	3	19	3
Singapore	15	6	16	6
Spain	7	5	8	4
United Kingdom	122	34	115	31
Sweden	375	74	352	61
South Africa	19	4	16	3
Thailand	18	3	8	2
Germany	371	54	349	47
USA	489	103	472	88
Austria	52	8	45	7
Total	2,115	426	1,953	358
Thereof parent company (Sweden)	9	6	11	4

NOTE 5 SALARY, WAGES, AND OTHER REMUNERATION AND EMPLOYER-PAID BENEFITS, SEK K

	2001		2000	
	Salary, wages, and other remuneration	Employer paid benefits	Salary, wages, and other remuneration	Employer paid benefits
Parent company	12,164	9,709	14,428	7,644
Thereof pension expense		5,934 ¹		2,894 ¹
Subsidiaries	970,643	284,428	789,980	241,834
Thereof pension expense		2,700		2,738
Group total	982,807	294,137	804,408	249,478
		8,634 ¹		5,632 ¹

WAGES, SALARIES, AND OTHER REMUNERATION

	2001			2000		
	President and board	Thereof bonuses	Other	President and board	Thereof bonuses	Other
Australia	4,397	796	13,405	1,036	345	10,572
Belgium	532	110	7,009	568	213	4,931
Brazil	413	0	2,674	0	0	2,519
Denmark	0	0	2,693	0	0	2,276
Finland	996	0	46,629	803	0	33,759
France	4,098	401	27,183	2,946	205	22,475
Italy	1,634	33	28,563	2,543	153	22,408
Japan	4,008	0	33,456	4,073	0	36,095
Canada	0	0	6,360	1,566	595	3,994
China	1,825	609	3,854	1,689	503	3,398
Mexico	1,735	258	3,077	1,466	0	2,199
Netherlands	1,801	500	14,203	1,368	218	10,920
Norway	0	0	0	0	0	726
Poland	438	10	829	303	42	828

	President and board	2001 Thereof bonuses	Other	President and board	2000 Thereof bonuses	Other
Switzerland	1,078	159	10,367	857	54	8,686
Singapore	1,360	432	4,456	866	0	3,898
Spain	991	235	2,766	857	222	2,388
United Kingdom	0	0	55,878	0	0	50,443
Sweden	4,531	795	144,224	4,692	652	128,684
South Africa	607	0	3,812	36	0	2,974
Thailand	1,225	287	1,120	0	0	224
Germany	7,502	1,395	160,532	4,289	743	123,911
USA	3,438	960	347,284	2,794	870	276,437
Austria	1,547	465	18,277	1,203	344	15,708
Total	44,156	7,445	938,651	33,955	5,159	770,453
Thereof parent company (Sweden)	3,672	669	8,492	3,897	577	10,531

Information in accordance with the industry and commerce stock exchange committee's recommendation on benefits to senior officers:

Remuneration to the board of directors:

Chairman	275
Other directors not employed by Munters	625

President:

Salary and other benefits	2,853 (2,618)
Thereof bonus	669 (577)

The president's bonus is directly related to Munters' earnings and is set at a maximum of 60 percent of fixed salary.

¹ Of the parent company's pension expense, 1,944 (703) refers to the president. The capital value of the company's outstanding pension commitments to the president and other senior officers is 10,332 (6,458). Senior officers are covered by a pension plan under which a pension will be paid starting at age 65 equal to 70 percent of pensionable salary, which is the sum of fixed salary and average bonus during the last three years.

Audit fees in 2001 amounted to 4,894 distributed among the following accounting firms:

	GROUP
Ernst & Young	4,715
Thereof parent company	380
KPMG	96
Other	83
Assignments other than audits:	
Ernst & Young	2,263
Thereof parent company	124
KPMG	102
Other	81

NOTE 6 CONTRACTUAL SEVERANCE PAY

Senior officers of the Group are entitled to severance notice of six months and are also entitled to severance pay equal to 12 months' salary (18 months for the president) if employment is terminated by the company. Severance pay is offset against salary earned through other employment.

NOTE 7 DEPRECIATION, SEK K

Depreciation for the year has been charged to the income statement as follows:

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Direct costs	82,855	67,548	-	-
Selling costs	12,886	11,634	66	61
Administrative expenses	28,709	23,243	894	818
Research and development expenses	190	199	-	-
Total	124,640	102,624	960	879

Amortization of goodwill is reported as an administrative expense.

NOTE 8 TAX ON EARNINGS FOR THE YEAR, SEK K

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Current tax expense	161,496	104,750	2,245	2,240
Tax adjustment attributable to previous years/dividend tax	-9,426	5,359	8,471	-
Deferred tax referring to temporary differences and loss deductions	-4,170	8,934	-5,593	-4,242
Deferred tax attributable to changes in valuation reserves	1,054	136	-	-
Deferred tax attributable to changes in tax rates	380	-24	-	-
Tax expense	149,334	119,155	5,123	-2,002
Reconciliation of effective tax rate				
Earnings before tax	388,692	303,293	89,091	99,141
Tax according to prevailing tax rate for the parent company	108,834	84,923	24,945	27,759
Difference attributable to foreign tax rates/dividend taxes	33,267	26,089	8,471	-
Non-deductible expenses	13,287	5,834	162	47
Non-taxable revenues	-6,665	-7,615	-28,455	-29,079
Change in valuation reserves	1,054	-	-	-
Adjustment of previous years	-188	9,391	-	-729
Changes in tax rates	-255	533	-	-
Tax expense	149,334	119,155	5,123	-2,002

Deferred tax referring to untaxed reserves in the parent company amounts to SEK -748,000.

NOTE 9 INTANGIBLE ASSETS, SEK K

	Acquisition value	Incoming and outgoing assets	The year's amortiz- ation	The year's write- downs	Accumu- lated amortiz- ation	Trans- lation diffe- rence	Closing balance 2001	Closing balance 2000
Patents, licenses, and similar rights, 10 years ¹	6,552	10,316	-437	-	-3,768	626	13,289	2,785
Goodwill, 5 years	-	20,379	-3,123	-	-	244	17,500	-
Goodwill, 10 years ²	46,812	-	-3,059	-139	-39,746	142	4,010	7,066
Goodwill, 20 years	161,014	-	-8,476	-	-8,051	9,547	154,034	152,963
Total intangible assets	214,378	30,695	-15,095	-139	-51,565	10,559	188,833	162,814

¹ Thereof parent company 550 - - - - - 550 -

² Fully amortized amounts have been excluded.

NOTE 10 TANGIBLE ASSETS, SEK K

GROUP	Acquisition value	Incoming and outgoing assets	The year's depreciation	The year's write-downs	Accumulated depreciation	Accumulated depreciation	Translation difference	Closing balance 2001	Closing balance 2000
Buildings and land	286,558	2,651	1,660	-12,022	1,133	-121,223	12,349	171,106	165,336
Machinery and plant ¹	538,176	1,274	35,291	-54,264	12,526	-328,234	13,726	218,495	209,943
Equipment, tools, fixtures, and fittings	422,795	-9,029	-278	-43,259	69,580	-297,272	12,883	155,420	125,451
New construction in progress and advances related to tangible assets	12,398	39,410	-36,716	-	-	-	2,603	17,695	12,398
Total tangible assets	1,259,927	34,306	-43	-109,545	83,239	-746,729	41,561	562,716	513,128
¹ Thereof parent company	3,855	1,554	-	-960	-	-2,559	-	1,890	1,296

The assessed value of buildings (in Sweden) is SEK 10,180,000. The assessed value of land (in Sweden) is SEK 1,311,000.

Previously received localization grants amount to SEK 6,613,000 (6,613,000) for the Group. Localization grants have reduced the acquisition value of buildings, while other localization grants in the Group reduce the acquisition value of machinery and equipment.

Localization grants attributable to machinery and equipment are utilized at the same rate as depreciation on machinery and equipment, e.g. over a period of ten years. Localization grants not recognized in income amounted to SEK 360,000 as of December 31 (618,000).

Financial leasing agreements are included in the closing balance for the asset type "Machinery and plant" in the amount of SEK 953,000. The acquisition value of these assets is SEK 1,558,000 and accumulated depreciation is SEK 605,000. Depreciation charged to the year's income statement amounts to SEK 295,000.

The minimum lease expense for operational leasing agreements in 2001 was SEK 133,227,000. Future minimum leasing charges for operational leases are distributed as follows:

	Rental properties	Cars and other
Charges due in 2002	82,251	42,192
Between 2003-2007	140,958	42,858
After 2008	45,073	-

NOTE 11 PARTICIPATING INTERESTS IN GROUP COMPANIES, SEK K

	Proportion of equity	Currency	No. of participating interests	Nominal value	Book value
AB Carl Munters, Sollentuna	100%	SEK	600,000	60,000	169,301
Sundsvalls Totalsanering AB, Sundsvall	100%	SEK	1,000	100	4,815
Munters S.A., France	100%	FRF	29,994	300	3,056
Munters BV, Netherlands	100%	NLG	25	250	41
Munters Group Ltd, England	100%	GBP	500,000	500	4,323
Munters Beteiligungs GmbH, Germany	100%	DEM	5	8,000	3,154
Munters Group Inc. USA	100%	USD	1,050,000	1,050	2,393
Munters Holding Italy Srl, Italy	100%	ITL	1	89	138
Munters (Thailand) Co Ltd, Thailand	100%	THB	20,000	24	505
Total			2,201,025	70,313	187,726

For a complete list of Group companies, please see the annual report filed with the Swedish Patent and Registration Office.

NOTE 12 PARTICIPATING INTERESTS IN ASSOCIATED COMPANIES, SEK K

	Proportion of equity	No. of participating interests	Book value, SEK K
Polygon A/S, Norway	33,33%	11,500	7,710
Polygon A/S, Denmark ²	38,16%	120	1,357
Total			9,067
Added in the group			28,303
Total			37,370

² Including the share of Polygon A/S, Denmark owned by Polygon A/S, Norway (56.45%).

NOTE 13 DEFERRED TAX CLAIMS

	GROUP	
	2001	2000
Deferred tax liability attributable to:		
Untaxed reserves	-14,750	-13,092
Machinery and equipment	-15,490	-12,142
Inventory	-440	-421
Other	-581	-1,644
Offsets	15,598	6,264
Deferred tax liability	-15,663	-21,035
Deferred tax claims attributable to:		
Buildings	17,927	14,007
Machinery and equipment	3,122	3,361
Inventory	9,258	8,752
Accounts receivable	4,959	3,398
Provisions	9,751	12,479
Accrued expenses and deferred income	16,569	16,278
Other	2,904	661
Loss deductions	14,924	12,385
Valuation reserves	-11,155	-9,758
Offsets	-15,598	-6,264
Deferred tax claims	52,661	55,299
Net deferred tax claims/tax liability	36,998	34,264

NOTE 14 PREPAID EXPENSES AND ACCRUED INCOME, SEK K

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Prepaid rent, leasing charges	10,894	8,637	920	840
Accrued interest income	236	370	86	-
Accrued insurance premiums and license fees	4,735	1,807	-	59
Other items	26,599	19,654	466	3,539
Total	42,464	30,468	1,472	4,438

NOTE 15 EQUITY, SEK K

GROUP	Capital stock	Restricted reserves	Non-restricted reserves	Total
Equity as of Jan. 1, 2001 according to adopted balance sheet	125,000	205,406	464,644	795,050
Effect of changed accounting principle:				
Attributable to beginning of 2000			25,147	25,147
Effects on earnings in 2000			629	629
Translation differences as of Jan. 1, 2001	125,000	205,406	495,659	826,065
Equity as of Jan. 1, 2001			-57,040	-57,040
Dividend				
Buy-back of stock/options programs		2,327	-40,888 ¹	-38,561
Transfers between restricted and non-restricted equity		-212	212	-
Translation difference		6,627	35,878	42,505
Net earnings			239,258	239,258
Equity as of Dec. 31, 2001	125,000	214,148	673,079	1,012,227
PARENT COMPANY	Capital stock	Restricted reserves	Non-restricted reserves	Total
Amount at beginning of year	125,000	69,269	314,835	509,104
Dividend			-57,040	-57,040
Group contribution			14,386	14,386
Buy-back of stock/options programs		2,327	-40,888 ¹	-38,561
Net earnings			83,968	83,968
Amount at year-end	125,000	71,596	315,261	511,857

¹ Refers to buy-back of 247,500 shares of company stock. The company owns 447,500 shares of its own stock.

NOTE 16 ALLOCATIONS FOR PENSIONS AND SIMILAR COMMITMENTS, SEK K

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Allocations for FPG/PRI pensions	73,741	72,421	32,286	31,791
Other pensions and similar obligations	13,178	11,817	-	-
Total	86,919	84,238	32,286	31,791

NOTE 17 OTHER ALLOCATIONS, SEK K

	GROUP	
	2001	2000
Warranty reserve	57,471	30,365
Allocation for restructuring costs	14,891	20,094
Allocation for rental obligations	19,120	19,120
Allocation for legal disputes	10,988	10,488
Allocation for other taxes	1,000	1,000
Total	103,470	81,067

NOTE 18 LIABILITIES TO CREDIT INSTITUTIONS, SEK K

	GROUP	
	2001	2000
Credit line granted	492,000	560,000
Unutilized portion	-155,819	-214,730
Bank guaranties	-61,706	-56,204
Other loans and leasing obligations	-690	59,600
Total	273,785	348,666

NOTE 19 ACCRUED EXPENSES AND DEFERRED INCOME, SEK K

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Vacation pay liability	41,942	34,061	2,571	2,118
Employer's contribution, social	65,340	54,984	1,882	1,540
Other expenses related to personnel	56,359	34,396	5,642	5,534
Forthcoming invoices	21,310	22,231	-	430
Accrued interest	890	893	505	396
Other items	44,130	61,697	2,390	2,356
Total	229,971	208,262	12,990	12,374

NOTE 20 PLEDGED ASSETS AND DEBT MATURITY PERIODS, SEK K

GROUP	Liability 31 dec 2001	Within one year	One to five years	Later than five years	Collateral	Liability 31 dec 2000
Liabilities to credit institutions	273,785	266,606	7,179	-	¹	348,666
COLLATERAL FOR OWN DEBTS AND ALLOCATIONS						
					2001	2000
¹ Liens on assets					5,003	4,740
Total pledged assets					5,003	4,740

NOTE 21 CONTINGENT LIABILITIES, SEK K

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Guaranty obligations FPG	1,475	1,393	42,929	39,253
Discounted bills	-	23,856	-	-
Bank guaranties	3,500	7,605	29,387	27,722
Other contingent liabilities	976	7,345	-	-
Total contingent liabilities	5,951	40,199	72,316	66,975

NOTE 22 ACQUIRED ASSETS AND LIABILITIES, SEK K

	GROUP	
	2001	2000
Fixed assets	13,829	-
Current assets	11,894	-
Cash and cash equivalents	2,749	-
Total assets	28,472	-
Provisions	631	-
Loans and interest liability	10,663	-
Total liabilities	11,294	-
Purchase money	17,178	-
Seller carry-back	-3,588	-
Purchase money paid	13,590	-
Less:		
Acquired cash and cash equivalents	-2,748	-
Effect on cash and cash equivalents	10,842	-

NOTE 23 EXCHANGE RATES

The following exchange rates were applied in the translation of the financial statements of foreign subsidiaries.

	Income statement (Average rate)		Balance sheet (Closing rate)	
	2001	2000	2001	2000
USD	10.3260	9.1608	10.6675	9.5350
DEM	473.03	431.85	481.55	452.85
GBP	14.8691	13.8578	15.4750	14.2200
FRF	141.04	128.76	143.59	135.02
JPY	8.509	8.503	8.125	8.315
AUD	534.27	531.53	542.50	528.25
SGD	576.43	531.04	576.00	550.50
FIM	155.60	142.06	158.42	148.96
CAD	667.06	616.54	669.0	635.50
DKK	124.15	113.32	126.65	118.70

Stockholm, February 22, 2002

Berthold Lindqvist
Chairman

Bo Ingemarson

Anders Jagraeus

Sören Mellstig

Sven Ohlsson

Lars Spongberg

Håkan Vangbo

Lennart Evrell
President and CEO

Auditors' Report

To the Annual General Meeting of Shareholders in Munters AB
Corporate Registration Number 556041-0606

We have audited the annual report, consolidated accounts, accounting records, and the management of Munters AB by the board of directors and president for fiscal year 2001. The board of directors and the president are responsible for the accounts and management of the company. Our responsibility is to state an opinion on the annual report, consolidated accounts, and management of the company based on our audit.

The audit was conducted in accordance with generally accepted auditing principles in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report and consolidated accounts do not contain material misstatement. An audit also includes examination of accounting principles and their application by the board of directors and the president, as well as an assessment of the overall presentation of information in the financial statements. We examined significant decisions, actions, and conditions within the company in order to determine whether any liability towards the company exists on the part of any director or the president, and to determine whether they have otherwise acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the company's Articles of Incorporation. We believe that our audit provides reasonable grounds for the opinion stated below.

The annual report and consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act and thus provide a true and fair picture of the company's and the group's results and financial position in accordance with generally accepted accounting standards in Sweden.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the parent company and the group, distribute earnings in the parent company as proposed in the management report, and discharge the directors and the president from liability for the fiscal year.

Stockholm, March 7, 2002

Gunnar Widhagen

Authorized Public Accountant

Carl-Gustaf Gutberg

Authorized Public Accountant

Board of Directors



BERTHOLD LINDQVIST

Date of birth 1938
Chairman since 1997.
Director of Pharmacia Corp,
Securitas AB, Trelleborg AB,
JM AB, Novotek AB, Probi AB,
et al.
Shares held: 1,000

LENNART EVRELL

Date of birth 1954
Director since 1995.
President and Chief Executive
Officer of Munters.
Director of Sapa AB.
Employed since 1995.
Shares held: 29,043 including
15,000 through companies
Options: 50,000

BO INGEMARSON

Date of birth 1950
Director since 1997.
Director of IVA – Näringslivsrådet.
Vice Acting Chairman of Uppsala
University.
Shares held: 2,000

ANDERS JAGRAEUS

Date of birth 1945
Director since 1997.
President of MacGREGOR
Group.
Director of MacGREGOR-
Kayaba Ltd.
Shares held: 1,100



SÖREN MELLSTIG

Date of birth 1951
Director since 1997.
President of Gambro AB,
Director of MacGREGOR
International AB and
X-Counter AB.
Shares held: 1,800
including 400 through companies

SVEN OHLSSON

Date of birth 1944
Director since 1997.
Chairman of Esselte AB, Audiodev
AB, Hardford & Schtoff AB,
MBD Investab, and IVT AB.
Director of Hexagon AB and
Schneiderföretagen AB,
Scancoin AB.
Shares held: 2,000

LARS SPONGBERG

Date of birth 1945
Director since 1998.
Director of Allgon AB,
Skyways Holding AB, Addtech
AB, Provexa AB, Gyros AB,
Aerocrine AB, and portfolio com-
panies of Nordic Capital.
Partner in Nordic Capital.
Shares held: 400



INGELA HÅLLKVIST

Date of birth 1970
Alternate Director,
Employee representative nomi-
nated by the Swedish Trade
Union Confederation since 2001.

INGE NODFORS

Date of birth 1940
Alternate Director since 1997.
Employee representative nominated
by the Swedish Union of Clerical
and Technical Employees in Industry.
Shares held: 200

DOUGLAS PETTERSSON

Date of birth 1951
Director, Employee representative
nominated by the Swedish Trade
Union Confederation since 2001.

HÅKAN VANGBO

Date of birth 1940
Director since 1997.
Employee representative nomi-
nated by the Swedish Union of
Clerical and Technical Employees
in Industry.
Shares held: 200

Executive Management



LENNART EVRELL

Date of birth 1954
President, Chief Executive Officer.
Employed since 1995.
Shares held: 29,043, including
15,000 through companies.
Options: 50,000

BERNT INGMAN

Date of birth 1954
Executive Vice President,
Chief Financial Officer, CFO.
Employed since 1997.
Shares held: 9,552
Options: 41,000

MIKE MCDONALD

Date of birth 1947
Senior Vice President,
Regional President Americas.
Employed since 1995.
Shares held: 2,000
Options: 30,000

ERIK WILLIAMSSON

Date of birth 1950
Senior Vice President,
Regional President Asia.
Employed since 1984.
Shares held: 1,181
Options: 30,000

SÖREN SJÖSTRÖM

Date of birth 1945
Vice President Human Resources
and Corporate Communication.
Employed since 2000.
Shares held: 1,000
Options: 15,000

INDEPENDENT AUDITORS

GUNNAR WIDHAGEN

Date of birth 1938, Auditor.
Employed by Ernst & Young.
Company auditor since 1997.

CARL-GUSTAF GUTBERG

Date of birth 1946, Auditor.
Employed by Ernst & Young.
Company auditor since 1997.

MAGNUS RÖCKLINGER

Date of birth 1962, Alternate.
Employed by Ernst & Young.
Company auditor since 1997.

FINANCIAL INFORMATION

Annual General Meeting and Interim Report January-March, April 25

Interim Report January-June, August 13

Interim Report January-September, October 28

Earnings Report, February 2003

Annual Report 2002, April 2003



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For information about the office nearest you, please see
www.munters.com



Al Watania Poultry, the world's largest poultry farm. Al Watania Poultry in Saudi Arabia has 1,500 poultry houses in the desert about 400 km north of the capital city of Riyadh. Temperatures above 50° C are not unusual, and Al Watania Poultry must have complete control over the climate inside the poultry houses. Evaporative cooling

with CELdek® panels and exhaust air fans from Munters lower temperatures in the poultry houses to the right level for raising poultry.

David Börjesson, president of Hawa-Munters and in charge of countries in the Middle East and Northern Africa: "Al Watania Poultry is one of the companies in the poultry industry that we

work with. We strive to work closely with our customers and tailor-make climate systems based on the customer's needs. The systems yield the right temperatures and wind speed in the poultry houses depending on the age and climate requirements of the birds."



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