

Annual Report 2002





Our standard of living is increasing, and the equipment and fittings in kitchens and wet rooms are more luxurious than ever. More bathrooms and a greater number of water connections increase the risk of leakage. Water damage accounts for a significant share of costs for insurance companies. Munters' method – drying instead of tearing down and rebuilding – results in substantial savings and less waste of building materials. Munters' method has developed into a standard in the insurance industry.

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Munters – The Humidity Expert

Munters is the world leader in humidity control, with products and services for water and fire damage restoration and dehumidification, humidification and air cooling. Munters' mission is to be a global service and applications-oriented niche company in air treatment from a base in dehumidification and humidification. The major portion of sales takes place in the insurance, food and AgHort industries.

IMPORTANT EVENTS DURING THE YEAR

Financial trends

- Net sales increased by 20 percent to SEK 4,666 M.
- EBIT increased by 16 percent to SEK 465 M.
- Service, meaning MCS and after market, accounted for 49 percent of consolidated sales.
- Net operating cash flow increased by SEK 101 M to SEK 431 M.
- Earnings per share increased by 12 percent to SEK 10.83.
- A dividend is proposed of SEK 3.50 per share, an increase of 17 percent.

Acquisitions

- Polygon, the leading Norwegian company for fire and water damage restoration, and two franchising companies.
- Fire damage restoration operations in the German company Svt, System- und Verfahrenstechnik.
- The US company Glacier-Cor, one of the largest manufacturers of components for evaporative cooling.
- Aerotech, a leading US manufacturer of cooling systems for the AgHort industry (Agriculture & Horticulture).

Increased capacity

- The number of service depots increased from 265 to 301 through acquisitions and new establishments.
- A new plant for the manufacture of CELdek®, dehumidifiers and cooling systems for the AgHort industry was completed in China.
- Italian operations were expanded to meet the demand for cooling systems for the AgHort industry.
- Existing production facilities in Australia, Thailand and South Africa were expanded.

Some major orders

- Floods in Europe resulted in major orders for Munters during the second half of the year, particularly in Germany, Austria and the Czech Republic.
- Al Watania in Saudi Arabia, the world's largest poultry breeder, placed a major order for CELdek® in November.
- In December, Britain's United Utilities placed a major order for Munters' BIOdek® media for water purification.
- Sandvik Coromant ordered three of Munters' economical and environmentally friendly DesiCool™ climate systems in December.
- The Danish shipping company DFDS A/S and the Norwegian shipping company Havila Supply ASA placed orders in November for Munters' SCR catalytic system for exhaust emission control.

New products and services

- Services in fire damage restoration were expanded, primarily through strategic acquisitions.
- A new dehumidification program was introduced that combines functions for dehumidification and cooling. Low energy consumption allows the products to be powered by electricity, rather than gas as in previous product generations.
- MDry 150, a portable dehumidifier for water damage restoration, was introduced on the market.

Communications

- An upgraded website, www.munters.com, was launched.
- A survey of companies listed on Stockholmsbörsen (Stockholm Exchange) resulted in an award and media publicity for Munters' work with investor relations and its openness toward the capital markets and media.

Financial review

During recent years, organic growth has been supplemented by company acquisitions. The acquired companies complement Munters' operations and strengthen the Group's position. Despite these acquisitions, Munters' financial strength was maintained through continued improvements in cash flow.

Net sales

Over the past ten years, Munters' net sales increased from SEK 1,548 M to SEK 4,666 M, corresponding to annual growth of 13 percent. Over the past five years, sales increased by an average of 19 percent. During the same period, companies with total sales of SEK 970 M were acquired. During 2002, sales increased by 20 percent. Adjusted for currency effects and the current company structure (with pro forma figures for acquired units), growth during the year amounted to 5 percent.

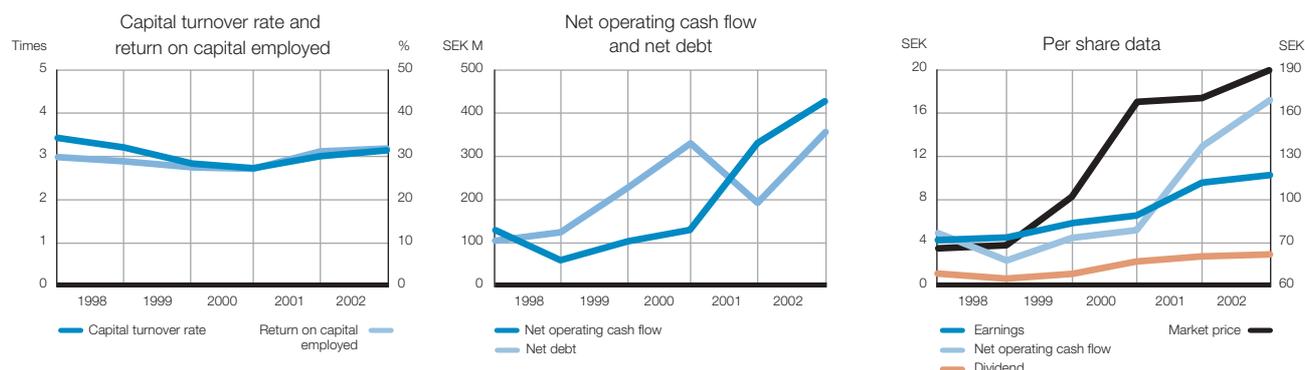
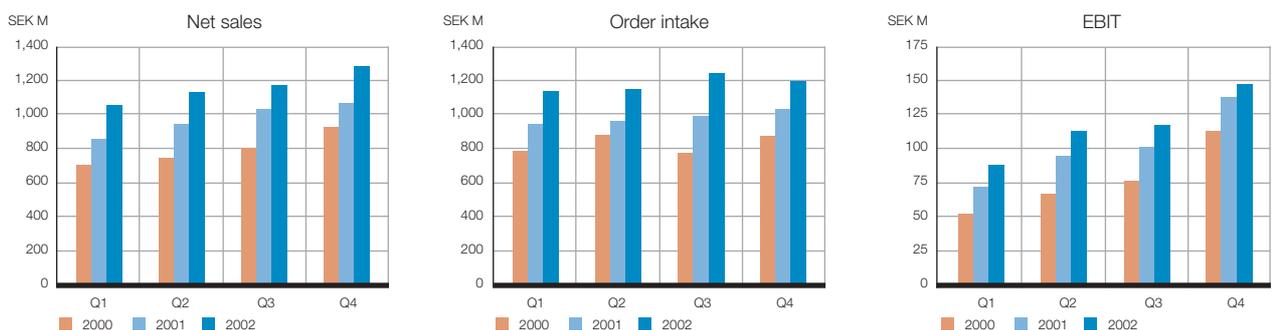
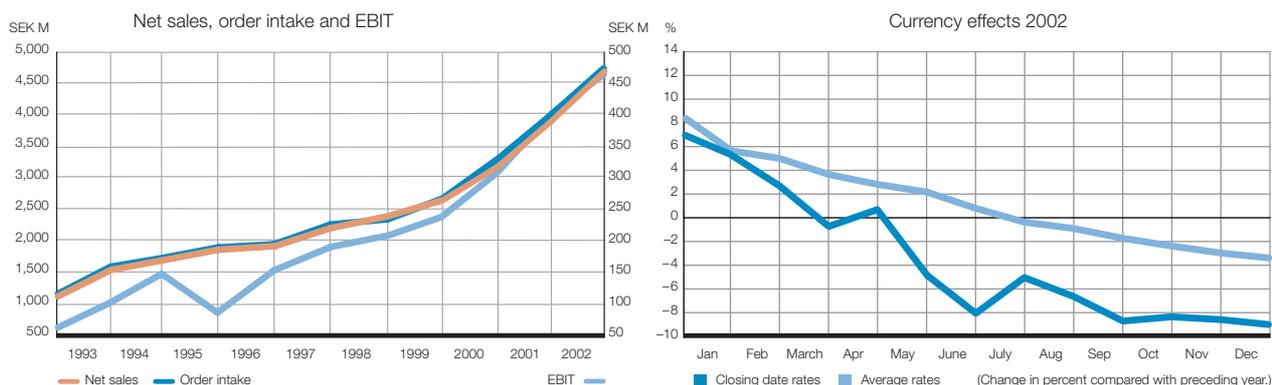
Order intake

Order intake over the past ten years increased from SEK 1,556 M to SEK 4,727 M, corresponding to annual growth of

13 percent. Over the past five years, order intake increased by an average of 19 percent, with order intake increasing in 2002 by 20 percent. Adjusted for currency effects and the company's current structure, growth in order intake amounted to 5 percent.

Operating earnings

Over the past ten years, EBIT increased from SEK 105 M to SEK 465 M, corresponding to annual growth of 19 percent. Over the past five years, EBIT increased by an average of 24 percent per year. EBIT thus improved at a faster rate than net sales. The EBIT margin increased over the past ten years from 6.8 percent to 10.0 percent, corresponding to an annual improvement of 0.4 percentage points. For 2002, the EBIT margin amounted to 10.0 percent. Excluding the year's acquisitions, the EBIT margin for comparable units amounted to 10.7 percent.



Capital turnover, cash flow and financial position

Munters' capital turnover rate over the past five years has been maintained at about 2.8 to 3.2 times, while return on capital employed increased from 28 percent to 32 percent, primarily as a result of increased turnover of operating capital and despite increased goodwill arising from acquisitions. Net operating cash flow has improved constantly during recent years as a result of the increased turnover rate for operating capital. This in turn meant that consolidated net debt at year-end amounted to only SEK 365 M, despite the acquisitions implemented during the year for which payment was made in cash, and loans totaling SEK 313 M were assumed.

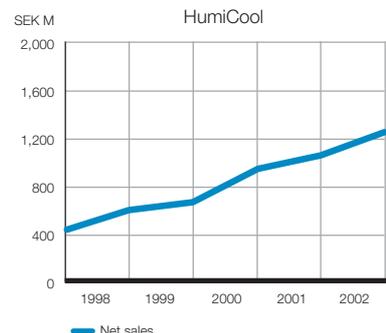
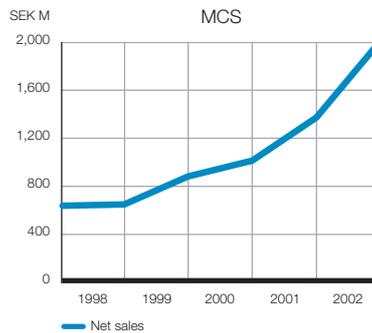
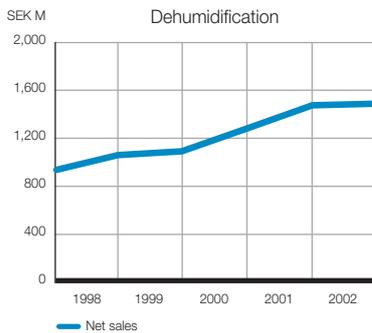
Net sales and operating earnings by region

During the past five years, net sales increased by an average of 19 percent in Region Europe, by 18 percent in Region Americas and by 17 percent in Region Asia. Operating earnings increased more than net sales in Region Europe and Region Americas, while the rate of increase in Region Asia was lower.

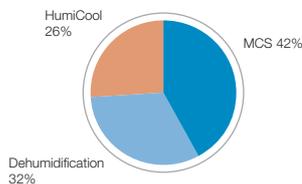
During 2002, the operating margin amounted to 10.1 percent in Region Europe, 13.0 percent in Region Americas and 10.8 percent in Region Asia.

Net sales by product area

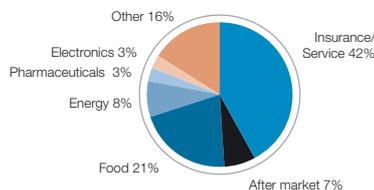
During the past five years, the MCS product area experienced the highest growth, with an average annual growth of 29 percent, followed by HumiCool with average annual growth of 19 percent, while dehumidification showed average annual growth of 10 percent. Acquisitions increased growth in MCS and HumiCool. Growth, excluding acquisitions, was again highest in MCS during 2002, followed by HumiCool. During 2002, MCS became the largest product area within Munters, with sales accounting for 42 percent of total sales.



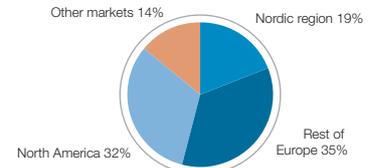
Sales by product area



Sales by customers segment



Sales by geographic market



The Munters share

The Munters share has been traded on the O List of Stockholmsbörsen (Stockholm Exchange) since October 21, 1997 and on the Attract 40 list since January 1, 2003. As of December 31, 2002, Munters' market capitalization amounted to SEK 4.7 billion. The number of shares was 25,000,000, each with a par value of SEK 5.00. Each share carries one vote. All shares carry equal rights to the Company's assets and earnings.

Shareholders

As of year-end, Munters had 5,492 shareholders, compared with 4,288 the preceding year. The ten largest shareholders control approximately 43 percent of capital and votes. About 50 percent of the shares are owned by Swedish institutional investors, while foreign investors hold some 40 percent of the capital.

Owner	No. of shares	Share of capital and votes, %
Robur fonder	2,058,691	8.2
Third National Swedish Pension Fund	1,749,749	7.0
AMF Pension	1,387,500	5.6
SEB fonder	1,380,395	5.5
Nordea fonder	1,192,825	4.8
Fidelity fonder	824,625	3.3
Fourth National Swedish Pension Fund	611,380	2.5
AFA Försäkring	583,230	2.3
Skandia	572,200	2.3
SHB/SPP fonder	429,462	1.7
Total, ten principal shareholders	10,790,057	43.2
Other	13,647,743	54.6
Shares held by Munters	562,200	2.2
Total	25,000,000	100.0

Distribution of shares as of December 31, 2002

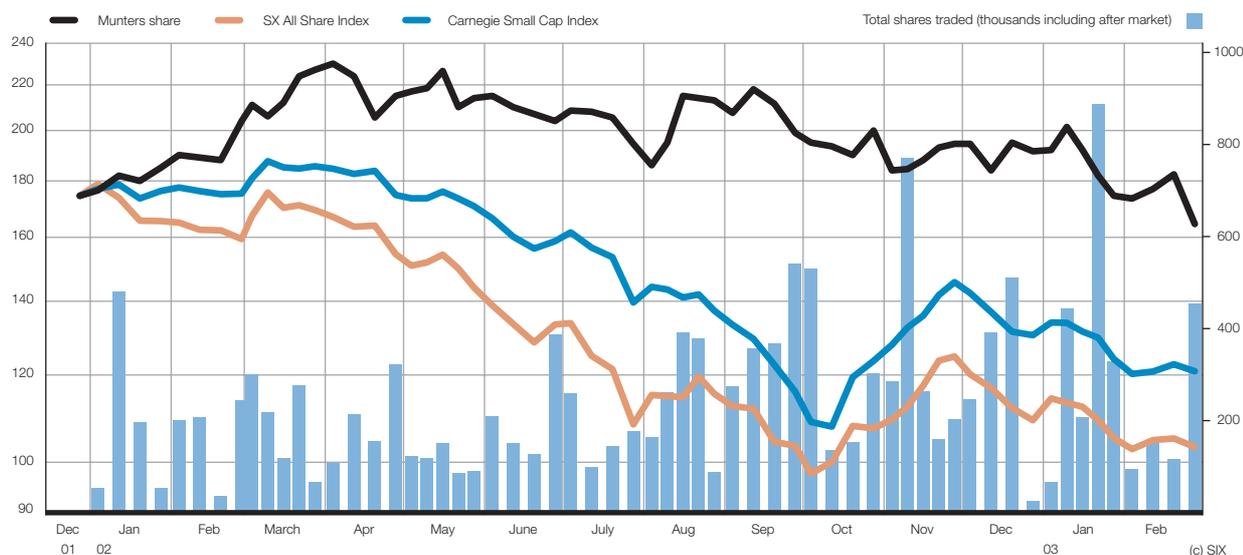
Shareholding	No. of owners	No. of shares	Share in %
1–500	4,343	928,591	3.7
501–5,000	916	1,323,987	5.3
5,001–50,000	138	2,527,416	10.1
50,001–	95	20,220,006	80.9
Total	5,492	25,000,000	100.0

Total return

At year-end, the Munters share traded at SEK 193.00, which was an increase of 141 percent since the exchange listing in October 1997. The annual total return¹ during the period from 1998 to 2002 amounted to 25 percent. The average change for the SIX Return Index expressed as a percentage for the same period was negative 1 percent. An investment in Munters shares thus gave a return that was 26 percentage points better per year, compared with an average investment on Stockholmsbörsen. Munters' earnings per share increased from SEK 4.18 on December 31, 1997 to SEK 10.83, corresponding to annual growth of 21 percent.

¹ Increase in share value including reinvestment of dividends.

Share price trend



Price trend and trading volume

During fiscal 2002, 12.2 million Munters shares were traded with a total value of SEK 2,443 M. This means that 50 percent of the total shares changed owners. The highest price paid during the period was SEK 260.00 on April 4,

2002, while the lowest price paid was SEK 173.00 on November 4, 2002. During the year, the share price rose from SEK 174.50 to SEK 193.00, an increase of 11 percent.

Dividend policy

The Board of Directors' intent is to apply a dividend policy that results in the dividend level being adjusted to the level of earnings, the Company's financial position and other factors that the Board considers relevant. The annual dividend should correspond to approximately one third of net earnings over a period of several years.

Dividend

For the 2002 fiscal year, the Board is proposing a dividend of SEK 3.50 (3.00) per share to the Annual General Meeting. This is an increase of 17 percent and corresponds to 32 percent of net earnings.

Incentive programs and repurchase of shares

In May 2002, senior managers received an offer to acquire options in Munters AB valued at market price. The exercise period extends from September 1, 2005 up until March 31, 2006 with an exercise price of SEK 315 per share. A total of 37 employees subscribed for 114,000 options, corresponding to 0.5 percent of the share capital. To cover the commitments for all

outstanding options programs, the corresponding number of Munters shares were repurchased at an average price of SEK 116 per share. The total number of outstanding options is 562,200, corresponding to 2.2 percent of the share capital.

Outstanding options held by senior managers

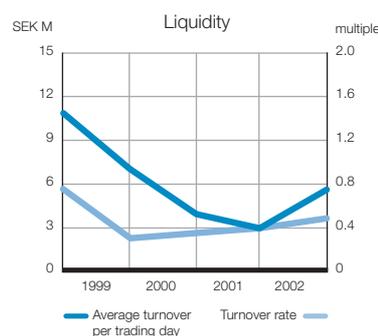
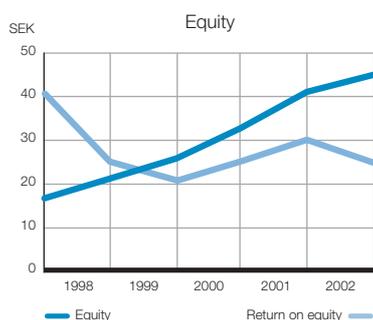
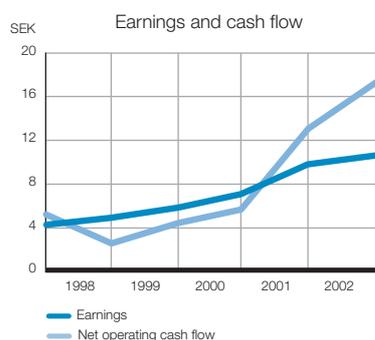
No. of options	Premium, SEK	Exercise price, SEK	Exercise period
202,700	25.20	145	Jan 3—March 31, 2005
245,500	9.30	263	May 1—Oct 29, 2004
114,000	25.60	315	Sep 1, 2005—March 31 2006

Analysts who continually monitor Munters

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Key per share data	2002	2001	2000	1999	1998
Earnings (EPS), SEK	10.83	9.69	7.40	5.78	4.95
EPS after dilution, SEK	10.80	9.67	7.40	5.78	4.95
Average no. of shares, millions	24.5	24.7	24.9	25.0	25.0
No. of shares on closing date, millions	24.4	24.6	24.8	25.0	25.0
Holdings of own shares, thousands	562	448	200	—	—
Net operating cash flow, SEK	17.57	13.33	5.22	4.21	2.61
Equity, SEK	45.59	41.23	33.10	26.20	21.85
Dividend, SEK	3.50 ¹	3.00	2.30	1.80	1.50
Share price on closing date, SEK	193.00	174.50	171.00	102.00	69.00
Market capitalization on closing date, SEK M	4,716	4,284	4,241	2,550	1,725
P/E ratio	17.8	18.0	23.1	17.6	13.9
Return on equity, %	25.0	26.1	25.0	24.1	25.2

¹ According to the Board of Directors' proposal.



Lennart Evrell on 2002, business strategy and the future

Munters continued to grow during 2002, despite declines in several of the Group's market areas. Growth was in large part the result of a consistent strategy focused on expanding the service business and transforming the company from a component to a systems supplier. During 2002, earnings per share increased by 12 percent. Since the IPO in 1997, earnings per share have increased by 21 percent per year.

Lennart Evrell, what are the main points in Munters strategy?

We made an important strategic choice when the decision was taken to gradually increase the value in Munters' offering through what we call forward integration. For many years, Munters has had a world-leading position in humidity control and as a manufacturer of the key components on which Munters' service and products are based. By placing greater emphasis on expanding the service business and by building systems based on these key components, Munters can achieve higher growth, while shortening the distribution chain. We have been pursuing this strategy for several years. An important step was taken when Munters ceased to be a component supplier and began delivering complete cooling systems to the AgHort industry.

To achieve our strategic objectives more rapidly, organic growth was supplemented by acquisitions. In just a few years, these acquisitions have made Munters the world's leading supplier of cooling systems for the AgHort industry. AgHort is a short term for the Agriculture and Horticulture industries, meaning breeding of animals and cultivation of grain, flowers, fruit and vegetables. This strategy has been very successful, and we see substantial opportunities for breaking into other sectors.

The greatest change during 2002 was the completion of a similar development in Moisture Control Services (MCS). We are expanding our service offering from water damage restoration to also include fire damage restoration. This change has been in progress for several years, and this year's company acquisitions, together with continued organic growth, strengthened our market position.

Offering	Components	Products	Systems	Services
Business logic	Technology			Customers
Year	1970	1980	1990	2000

Munters' strategic development

What has forward integration accomplished this year?

Munters is currently growing most rapidly in the service business, meaning MCS. Through the acquisition of the Norwegian

company Polygon, where Munters was previously a part-owner, we are able to better meet the requirements of the Nordic insurance industry. Polygon is the leading supplier of water and fire damage restoration services in Norway. For Munters, this constitutes an expansion of the service offering from water damage restoration to include fire damage, as well.

Similar steps were taken in Germany, where the acquisition of Svt, System- und Verfahrenstechnik GmbH, was completed in July. This expands Munters offering in Germany and makes the company a more attractive partner for the insurance industry.

Investments in the AgHort industry also produced excellent results during 2002. Munters has long been seeking alternative solutions for increasing its market shares in the US, and in July we acquired Aerotech Inc., one of the leading suppliers of cooling systems for the AgHort industry. With this acquisition, Munters is now the world's largest supplier of such cooling systems.

What is currently driving Munters' growth?

As I mentioned earlier, the service business is currently experiencing the strongest growth. MCS has shown strong growth, both organically and through acquisitions. In Europe, the business volume for MCS nearly doubled in 2002 and now accounts for 59 percent of total European sales. Our method of drying instead of tearing down and rebuilding after water and fire damage contributes to saving substantial amounts for insurance companies. In many countries, the Munters method has become somewhat of an industry standard.

HumiCool previously reported strong growth.

What are the prospects for the future?

In many segments, HumiCool showed strong growth in 2002, as well. At the same time, there was a dramatic decline in deliveries of pre-coolers for gas turbines. The market more or less collapsed as a result of the recession, deregulation of the US energy market and the Enron scandal. Nonetheless, I am optimistic about HumiCool's future. Evaporative cooling is a great technology where Munters has a very strong market position. Cooling air by adding water is environmentally friendly, inexpensive and uses little energy. The AgHort industry will

continue to be extremely important for Munters. However, other segments will also become attractive, such as cooling systems for industrial premises.

How do you view the future for Dehumidification?

There is significant potential for Dehumidification in such sectors as food industry. I am confident that Munters will become a supplier of solutions for improved hygiene, productivity and quality in an increasingly global food industry. We have developed a new generation of dehumidifiers that combine functions for dehumidification and cooling. The new products consume significantly less energy than previously, meaning that it is possible to use electricity, rather than gas, as a source of energy. This means that we can now target customers who lack gas supplies, which significantly increases the market potential.

How has the general economy affected Munters?

The economy has had a negative impact on the products that Munters sells to the electronics industry. We must also accept that in most segments, even those that are relatively insensitive to business cycles, demand has been somewhat weaker under the prevailing conditions. The year 2001 was extraordinary for Munters and characterized in large part by disaster relief following hurricane Allison in the US and the events surrounding the terrorist attacks of September 11. These events coincided with large deliveries to the semiconductor industry and to manufacturers of gas turbines. Demand in these segments was significantly lower during 2002, and currency trends were also unfavorable. Currency effects had a negative impact of 4 percent on sales during the year.

Can you sum up the positive and the negative?

Munters during 2002 can be viewed in two ways. Either you can be disappointed by the low organic growth, which for the most part reflects comparisons with a very strong year in 2001 with several unusual events that were positive for Munters' sales. However, you can also turn that reasoning around. Aided by key strategic acquisitions, strong growth in several segments

and a favorable margin trend, Munters was able to deliver excellent results in comparison with the preceding year, despite set-backs with respect to the economy and currency trends.

What demands will business development make on the organization?

Strong growth places great demands on the organization. We place great emphasis on sharing and learning from successful examples throughout the entire organization. Continuous improvement work is very much a question of increasing productivity in the service depots and improving the performance and quality of our products, but becoming more skilled in meeting customer requirements in every situation is equally important. Munters' strategy is based on creating growth. This work is therefore given high priority in the form of leadership training, new routines and organizational development.

We have a strong organization, and I am very grateful for all the excellent individual efforts that have contributed to our progress in recent years.



Stockholm, March 2003

Lennart Evrell

CEO

Business focus

Munters is the world leader in humidity control. The company offers services for water and fire damage restoration and products for dehumidification, humidification, and air cooling. Munters focuses on market segments in which strong global positions can be achieved. Growth is created in large part through working closely with customers on new applications and by increasing the share of systems and service sales. By gradually expanding the offering and pursuing the strategy of forward integration, Munters controls a greater share of the value chain within its chosen niches while increasing the market potential.

Given its current segmentation of the global market, Munters is active in a market that totals about SEK 25 billion annually. This market is dominated by Munters and a few American, European and Japanese companies. Munters' sales have increased continuously since 1994, and its global market share is 50 percent or more in several segments.

Munters currently has its own companies in 27 countries. Through forward integration, expansion of the service offering and sales of products with more functions that increase customer value, Munters is able to continuously increase its market potential. Aided by this strategy, Munters can redefine or expand a selected niche, thus creating opportunities for new business in adjacent segments and providing scope for continued growth. Some 75 percent of Munters customers are active in industries that are relatively insensitive to business cycles. The most important customer segments are the insurance, food and pharmaceutical industries.

Business concept

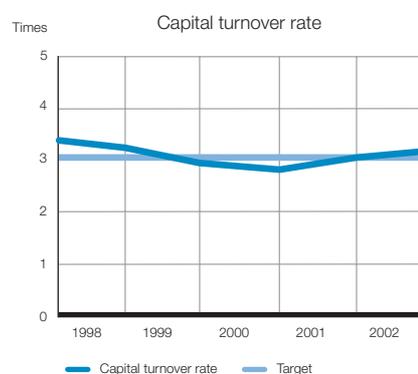
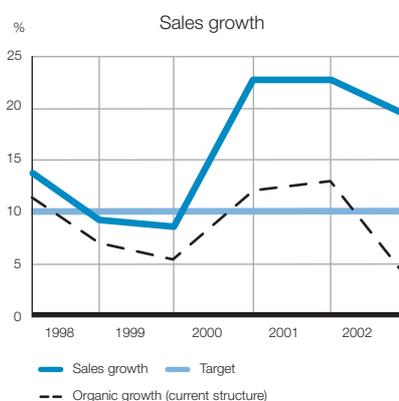
Munters' business concept is to be a global service and applications-oriented niche company within the air treatment market from a base in dehumidification and humidification.

Financial targets

Munters' financial targets over a business cycle are:

- Sales growth exceeding 10 percent per year
- EBIT margin exceeding 10 percent
- Capital turnover rate exceeding 3.

Each region, division and business unit has individual targets for these key figures that are adjusted to their own prerequisites.



Munters net sales increased by 20 percent during 2002. The target is sales growth exceeding 10 percent per year. This target has been achieved during each of the past three years. Growth for the current organizational structure was 5 percent during 2002. The target for the EBIT margin is 10 percent. This target was achieved in 2001 and 2002. During 2002, the EBIT margin

was negatively affected by acquisitions, since the acquired units had lower EBIT margins than the Group as a whole. Munters' third financial target is that the capital turnover rate should exceed 3. This target was achieved during three of the past five years. During 2002, the capital turnover rate amounted to 3.1.

Operative objectives

In business operations, management is focused on achieving the following medium-term objectives:

- Munters products and services must be based largely on global product platforms
- More than half of sales should derive from end customers
- Services – MCS and after market – should account for 50 percent of sales
- Integrated IT systems that facilitate rapid communication and information exchange, efficient management and short lead times
- Munters must offer global training programs that foster motivated and skilled employees and strengthen the perception of Munters as an attractive employer.

Strategy

Munters' strategy for achieving these objectives can be summarized as follows:

- Focus on customers with underlying growth in non-cyclical industries
- Increase value added and distribution to end customers – forward integration
- Repeat successful installations
- Expand service sales
- Open new geographic markets.

Niche selection

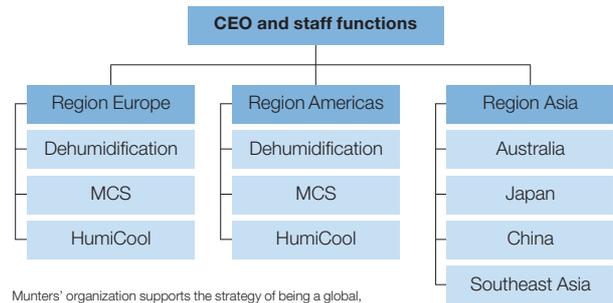
Munters' growth strategy is based on focusing on well-chosen niche markets meeting the following criteria:

- Market potential of at least SEK 500 M per year
- Underlying growth
- Insensitive to business cycles
- Global customers
- Potential for favorable margins
- Low requirements for tied-up capital
- Contributing to service sales.

Opportunities

In large part, Munters creates its own growth. About 50 percent of Munters' annual growth is generated by new products, applications and services.

The insurance industry, which accounts for 42 percent of consolidated sales, saves substantial sums by employing Munters technology. The potential market is vast. By expanding into fire damage restoration, Munters further increases its market potential. Munters can play an important role in the food industry by creating controlled climatic conditions in production and distribution, thus increasing product life, quality and productivity, while reducing bacteria growth. Evaporative cooling is both energy-efficient and environmen-



Munters' organization supports the strategy of being a global, customer-focused and highly specialized company. Outside the most important markets, Munters works with strategic partners in sales and marketing.

tally friendly. There are many segments in which this technology is not currently used that have development potential.

Risks

Munters' expansion in MCS increases the exposure to the insurance industry. Changes in insurance products and financial difficulties in the insurance sectors could constitute a threat for Munters. Furthermore, advances for alternative technologies may constitute a risk.

Companies currently active in air treatment may begin competing with Munters to a greater extent.

Strengths and weaknesses

Munters' greatest strength is its unique application and service expertise in humidity control in a global organization with a strong entrepreneurial spirit. Its weakness is that small-scale operations result in high indirect costs. Munters' strengths and weaknesses with respect to competitors are discussed below in the descriptions of each product area.

Corporate structure

Munters' operations are divided into three regions: Europe, the Americas and Asia. Within each region, the business is divided into three divisions, Dehumidification, MCS and HumiCool. Work is often project-oriented and involves cooperation between regions and divisions in sales, production and product development. Each part of the organization can take advantage of experience and expertise in other units.

Product Area Dehumidification

Within the dehumidification product area, Munters offers products and solutions for controlling humidity and the indoor climate. Manufacturing and storage processes become more effective, and product life, quality and hygiene are improved. The products are adapted for different climatic conditions and used for many purposes in manufacturing and distribution. Munters' dehumidifiers and dehumidification systems reduce the risk for the customer for problems with rust, mold, frost and poor hygiene.

Dehumidification works in a market with a potential corresponding to SEK 3 billion per year. Prioritized market segments

within Dehumidification are the food and pharmaceutical industries. The products are also used for storage, in the electronics and semiconductor industries, in industrial surface finishing and in defense systems. Munters is a strong global brand, and most of the world's leading companies in these segments are Munters customers. Examples of customers are Wal Mart, Pfizer, Nestlé and Fujifilm. Competitors are often local companies.

Munters is the leading manufacturer of sorption rotors and has a broad product portfolio in dehumidification. A strong brand, longstanding market presence and a global marketing organization with leading expertise in applications and service are other strengths.

High indirect costs for creating market growth, an unstructured product portfolio and many small organizational units may be regarded as the product area's weaknesses.

Product development in Dehumidification is focused on adapting products to prioritized applications, strengthening the ability to meet different customer requirements and increasing product performance and quality.

Product Area Moisture Control Services (MCS)

MCS offers services for water and fire damage restoration and for temporary climate control. The MCS service concept is based on drying instead of rebuilding following water or fire damage, a method that increasingly has become an industry standard in this area. MCS has more than 300 service depots in 20 countries available around the clock, 365 days a year. MCS works in a market with a potential corresponding to about SEK 18 billion per year. Prioritized market segments within MCS are water and fire damage restoration. MCS also offers methods for shortening and improving construction processes.

The goal for MCS is to be the Preferred Service Provider among its key customers, primarily insurance companies. Examples of customers include Norwich Union, If, Zurich and FM Global. Some of Munters' global competitors in this segment are Belfor and ISS Damage Control.

MCS is a leader in quality and technology with a strong brand and a complete service offering. A broad local presence in geographically dispersed markets provides strength. The product area's weaknesses are volatile revenues with a relatively fixed cost structure, as well as low barriers to entry for competitors.

The business concept is based on local presence through

service depots that work with delegated profit responsibility and entrepreneurial methods within an established framework. Proximity to customers and minimizing response times are decisive in limiting damage. Business development within MCS is focused on expansion and increasing the flexibility of Munters' product and service offering to meet varied customer requirements.

Product Area HumiCool

HumiCool offers products and systems that create a controlled indoor climate. In warm climates, cooling is in demand, while in cooler and drier climates, humidification is required. The technology is environmentally friendly and based on evaporative cooling and humidification. HumiCool also offers products for mist elimination and water purification. HumiCool works in a market with a potential corresponding to about SEK 4 billion per year.

Prioritized market segments within HumiCool are the AgHort industry, the air conditioning industry and power plants. Some examples of customers are Big Dutchman, United Utilities, Adobe Air and General Electric. Competitors are local players with small-scale production.

Munters has high market shares in the prioritized segments. The product area is characterized by strong brands, technical leadership and broad application expertise.

Weaknesses are considered to consist of the many small organizational units and a dependency on a small number of OEM customers.

HumiCool sells both components and complete solutions. One of the key products is CELdek®, which is included in evaporative cooling systems. When warm and dry air passes through the CELdek® panel, water evaporates, and the air becomes cooler and more moist. DesiCool™ is the product name for complete and environmentally friendly climate control systems that through a combination of different Munters technologies provide cooling without freon.

Munters' mist eliminator purifies air, steam and gas by removing environmentally hazardous substances in various industrial processes. The largest application area is eliminating emissions from coal-fueled power plants. Flue gas is sprayed with water that contains chemicals to absorb the contaminants. Munters' mist eliminator then removes the water droplets in which the contaminants were captured. BIOdek® is a key component for biological purification of the waste water in water

1950s: Providing refrigeration using heat resulted in the DesiCool™ project comprising rotors for dehumidification and heat exchange and structures for humidification/cooling.

1920 – 1959

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.

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.

1960s: Munters established operations in Fort Myers in the US for products for evaporative cooling and signed a licensing agreement for the manufacture of dehumidifiers in Amesbury.

1960

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

1968: MCS was developed into a separate business.

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

1970

1973: The oil crisis brought sudden and significant demands for energy savings. Completely new market potential was opened to Munters.

1974: Incentive AB takes over Munters.

1976: A breakthrough order was shipped to Agfa for dehumidifiers for film production.

purification plants. Micro-organisms are formed on the BIOdek® medium that break down the contaminants.

Service operations

One of the overriding objectives toward which Munters has been working in recent years is that the service offering – MCS and after market – should account for at least half of consolidated net sales. The proportion of sales deriving from services increased over the last five years from 35 percent to account for 49 percent in 2002. There are several reasons for this strong growth. One reason is that Munters expanded its service offering to include fire damage restoration, which increased market potential.

Expansion of service operations means that the ability to fulfill customer requirements becomes increasingly important. Training of managers and other key employees, knowledge transfer of successful methods and IT systems are highly prioritized areas within Munters.

Production concepts and product development

- **Modular product platforms.** By working with modular product platforms that can be combined in complete solutions, Munters satisfies an increasing need among customers for customized solutions for various requirements, while taking advantage of economies of scale.
- **Local manufacturing.** Many of Munters' products are bulky and expensive to transport over long distances. For this reason, Munters has elected to conduct its own manufacturing in 13 countries, which provides both a competitive advantage and an excellent ability to adapt products to local prerequisites. Local manufacturing also means that costs and revenues are largely in the same currency, which provides stability when currencies fluctuate.
- **Less tied-up capital and flexible production.** A large proportion of production is handled by sub-suppliers. In addition to reducing tied-up capital, this results in greater production flexibility when sales volumes change.
- **Performance.** Manufacture of core components and final assembly takes place in Munters production facilities to ensure high quality and excellent performance of final products. Munters development work is focused on continuously improving performance and increasing the efficiency of IT systems in the product development, production and sales processes.

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

1987: Operations established 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 various 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.

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

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

1997: Munters was listed on the Stockholm Exchange.

1999: Munters acquired the Italian company Euroemme. Munters began offering complete cooling systems for the rapidly expanding AgHort industry.

Market trends and driving forces

- **Drying instead of rebuilding following water damage.** Water damage accounts for a significant share of costs for insurance companies. Munters' method entails drying instead of tearing out damaged walls and floors and building new ones. This method results in substantial cost savings and less waste of building materials. With its broad geographic presence, Munters is an ideal partner for the fewer and increasingly larger companies in today's insurance industry. Munters is the technology leader and offers high quality, high availability and fast service.
- **Productivity and quality.** Most industries are being affected by the prevailing trend towards globalization. To ensure high product quality, manufacturing must take place in production environments that are identical, despite plants being located in different climate zones. This provides Munters with opportunities to supply systems for creating the correct conditions for temperature and humidity for manufacturing in different parts of the world.
- **Demand for better indoor air.** Reducing energy consumption often results in poorer ventilation. This in turn leads to greater problems with mold, moisture damage and allergies. Munters reduces these problems in part through its MCS operations when the problems have already occurred and in part with fixed system installation to prevent them from arising.
- **Energy and the environment.** Munters strives to continuously reduce resource consumption in its applications. In most cases, employing Munters' solutions also results in lower energy consumption and reduces resource consumption, compared with alternative solutions. Several products are used for reducing emissions of hazardous substances. Rising energy prices and increasing environmental awareness lead to increasing demand for environmentally friendly and energy-efficient products and production processes.
- **Hygiene.** Hygiene is becoming an increasingly important competitive factor for many companies in the food industry. The correct moisture level limits growth of bacteria, reduces the risk of poisoning and extends the shelf life of food products. In addition, appearance, taste and consistency are controlled. Munters offers solutions for all phases of the food industry from production and transport to storage and retailing.

2000s: Increased investments in MCS with several major acquisitions. Forward integration – from component manufacturer to supplier of complete systems to end customers.

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

2001: Following the tragic events of September 11, Munters received major orders. The after-effects of hurricane Allison in the US result in one of the largest projects in the history of Munters MCS.

2002: The acquisition of Polygon in Norway and Svt in Germany expand the service offering within MCS to also include fire damage. Munters positions itself as the leading global supplier of evaporative cooling systems through the acquisition of Aerotech in the US.

Region Europe

Region Europe showed strong growth during 2002. Both order intake and net sales increased by 40 percent, while operating earnings rose by 51 percent. The MCS division reported very strong growth and completed several important acquisitions. The earnings trend within Dehumidification was favorable. On the whole, HumiCool showed a stable trend, despite relatively substantial variations between different areas.

The region in brief

Munters is the technology leader in the European market and has long had a well-established brand and a large customer base. The largest markets in the region are Germany, Norway, Sweden, Great Britain, Finland and France.

Within MCS, water damage restoration services account for the largest volumes, but acquisitions completed during the year significantly increased the share for fire damage restoration. A large portion of sales derives from the insurance industry for restoration following water or fire damage in private homes, commercial premises and industrial properties. A restructuring of this segment is in progress in Europe resulting in fewer and increasingly larger insurance companies that demand efficient water damage restoration from large, international service providers with broad market coverage. This trend favours Munters.

Munters' systems, which are found in the manufacturing and distribution sectors in such industries as food and pharmaceuticals, continued to show strong growth. Other important areas are dehumidification for controlled storage environments for archives and museums and for the storage of military equipment.

Within HumiCool, the emphasis is on products and systems for cooling in the AgHort industry and products and systems that create optimal climatic conditions for office premises. Munters also offers components for purification of waste water and mist elimination that remove environmentally hazardous substances from air, steam or gas in the power industry.

Investments in recent years in the transformation from a component supplier to a supplier of cooling systems for the AgHort industry have been successful. Munters Euroemme, which was acquired in 1999, has gradually expanded to meet the strong market demand. Region Europe, which consists of Europe, the Middle East and Africa, has 2,156 employees. Sales are conducted through subsidiaries in 15 countries. There are 260 service depots in the region. Manufacturing takes place in Great Britain, Germany, Sweden, Italy and South Africa.

Developments during the year

Growth in Region Europe was strong during 2002, particularly in Northern Europe. The primary reason was a shift in strategy and an expansion of the MCS product offering through important acquisitions in Norway and Germany. These acquisitions strengthened Munters' positions in water and fire damage restoration in Europe.

In January, the partly owned Norwegian company Polygon AS with MCS operations in Norway and Denmark was acquired. Polygon is the leading provider of water and fire damage restoration services to the Norwegian insurance industry with a large network of franchises, two of which were acquired by Munters later in the year. Alfa Service Senter was acquired in May, and Polygon Kristianstad AS was acquired in September. The number of employees in these three companies on the acquisition dates totaled 327 persons, while annual sales amounted to SEK 485 M.

In July, Munters acquired the fire damage restoration operations of the German business group Svt (System- und Verfahrenstechnik GmbH). These operations had net sales of SEK 180 M and 65 employees. The acquisition quickly resulted in synergy effects. Svt's experience in project management and Munters expertise and equipment created a compelling customer offering in conjunction with the major floods that occurred in Europe.

A new portable dehumidifier for fire damage restoration was launched during the year.

Al Watania in Saudia Arabia, which is the world's largest poultry breeder, has transformed unusable desert areas into important areas for the food supply using Munters' technology. Al Watania, which is one of Munters' repeat customers, uses evaporative cooling systems in many of its some 1,400 breeding houses and placed additional equipment orders with Munters during the year.

During the year, Munters received major orders for products for emission control systems for ships. Customers were the Danish shipping company DFDS A/S and the Norwegian shipping company Havila Supply ASA. Munters received an



Extinguishing a fire often leads to water damage that is greater than the damage caused by the fire itself. Munters is available around the clock and able to respond immediately when water or fire damage occurs. The first hours are critical in minimizing damage from corrosion and mold.

important BIOdek® order from United Utilities for purifying waste water in northwestern England. Sandvik ordered DesiCool® climate control systems.

Dehumidification achieved improvements in productivity and quality during the year as a result of internal improvement efforts that were initiated several years ago. Demand in the food and pharmaceutical industries, where Munters offers solutions for manufacturing, distribution and storage, remained favorable. Other areas showed weak growth and growth for the division was unsatisfactory.

MCS reported favorable growth during the year. Demand increased during the autumn as a result of the after-effects of flooding in Europe, which resulted in sales of SEK 78 M. Great emphasis was placed on introducing standards for the organization, its work methods and IT support. At the same time, MCS produced a Division Manager Handbook describing a

uniform method to be employed by all service depots in handling water and fire damage. In conjunction with the release of this handbook, extensive training was conducted.

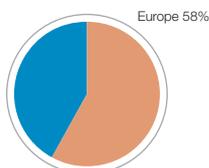
HumiCool expanded production capacity in Italy and continues to increase sales of cooling systems to the AgHort industry. Mist elimination and components for air conditioning systems showed strong growth during the year, while growth was weak for DesiCool®, pre-coolers for gas turbines and water operations. Previously implemented acquisitions continued to show favorable results during the year.

Region Europe will focus on continued expansion of MCS operations. In addition, high priority will be given to creating growth in dehumidification, which did not show satisfactory growth during the year. Apart from cooling systems for the AgHort industry, there is considerable potential within HumiCool in cooling systems for industrial premises, for example. Region Europe will continue to place great emphasis on extensive training programs and the implementation of joint information and IT systems.

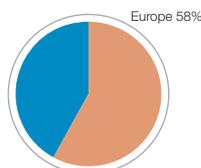
The region's three largest segments

Segment	Product/service
Insurance/water	Water damage restoration
Insurance/fire	Fire damage restoration
Food/AgHort	Evaporative cooling systems, dehumidification

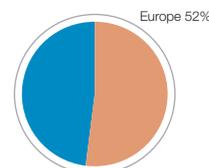
Share of order intake



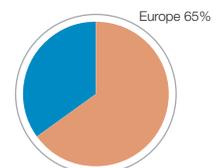
Share of consolidated sales



Share of consolidated earnings



Share of Group employees



Region Americas

Despite a weak economy and comparison figures from the preceding year that were difficult to match, the Region had a favorable development during the year. Order intake, as measured in SEK, declined by 1 percent, and net sales by 1 percent while operating profit increased by 4 percent. Business development in the Dehumidification division was positive and included the launch of a new product program with large potential. MCS did not achieve last year's sales levels, which included very large contracts in conjunction with hurricane Allison and the terror attacks of September 11 against the World Trade Center and the Pentagon. HumiCool showed positive growth, and two strategic acquisitions of Aerotech and Glacier-Cor were completed.

The region in brief

Munters' customers are relatively insensitive to economic fluctuations, although the sharp declines recently in the semiconductor and energy industries resulted in significant negative effects. Strong growth in many other segments plus completed acquisitions more than outweighed these negative trends, and Region Americas reported a good year considering the weak economy.

In Region Americas, demand was favorable for large dehumidification systems in which Munters dehumidifiers are combined with functions for cooling, heating and filtration. DryCool products, which combine dehumidification and air conditioning, are primarily sold to supermarkets and schools. New products and improvements in the marketing organization contributed to the development that included initial contracts with several new customers with considerable potential. The Zeol products are principally identical to dehumidification systems but solvents instead of moisture are separated from the air. This technology is primarily used in the semiconductor industry where demand was extremely weak.

MCS Americas has a large portion of the business for rental of dehumidifiers for industrial applications and services for water damage restoration after floods. Water and fire damage restoration for commercial and private properties is increasing in volume. Weather-dependent demand was the lowest in many years and can be compared with the preceding year during which one of the largest increases ever was noted following hurricane Allison.

In Region Americas, the HumiCool products are primarily focused on evaporative cooling where application areas include cooling within the AgHort industry and cooling of intake air in gas turbines for electricity generation. Two strategic acquisitions were made during the year. Munters also offers products for mist elimination in which environmentally hazardous substances are removed from air, steam or gas in various industrial processes. This business showed strong growth during the year. There are 701 employees in North and South America. Manufacturing is conducted in the US, Mexico and Brazil. The US is the dominant market with more than 90 percent of sales. There are 33 service depots in the region.

Developments during the year

Business in Region Americas developed favourably, despite a weak economy and comparison figures from the preceding year that were difficult to match. The falling USD also negatively affected the results in SEK. The effect of currency on the region's sales was minus 6 percent. During the year, Munters worked with a broad campaign to reduce accounts receivable that contributed significantly to improving cash flow.

In the beginning of the year, Munters acquired its competitor Glacier-Cor, one of the three largest manufacturers of evaporative cooling equipment with sales in 2001 of about SEK 45 M. At mid-year, Munters acquired Aerotech Inc., which is the leading supplier of ventilation and cooling systems, primarily for the AgHort industry in the US. Aerotech has some 80 employees and reported sales of SEK 180 M in 2001. With these acquisitions, Munters is the leading supplier of evaporative cooling in the region.

Since the acquisition of Euroemme in Italy in 1999, Munters has had different strategies for the AgHort industry in the US and the rest of the world. In the US, the focus was on components for cooling systems, while operations outside the US were oriented toward sales of complete systems based on these components. Since the acquisition of Euroemme, the goal has been to acquire one of the leading suppliers of such cooling systems in the US and to establish a position as the world's leading supplier of cooling systems. This was achieved with the acquisition of Aerotech. However, this strategy provided an opening for increased competition in components. The acquisition of Glacier-Cor, which for many years was Munters' main competitor in components, resulted in a second brand that will be sold exclusively to other suppliers of cooling systems. Following the acquisition, production and technology were integrated with Munters' existing operations, while distribution channels will be kept separate. During 2002, Region Americas developed a new generation of dehumidifiers with significant potential. The new products have functions for dehumidification and cooling and consume considerably less energy than previous generations. The products are powered



Problems with condensation and icing are constant problems in freezer and cooler rooms. Munters' dehumidification technology eliminates moisture and frost, thus increasing the storage life of products, while reducing energy consumption and improving the working environment.

by electricity, while the previous products required natural gas. The new products are designed to improve the indoor climate in supermarkets, schools and fast-food restaurants.

During the year, Munters received several important Zeol contracts from the aviation industry and expanded MCS operations.

Dehumidification reported favorable order intake, sales and operating earnings with the exception of Zeol products for the semiconductor industry where demand declined sharply during the year. Sales to the food and pharmaceutical industries developed favourably. Dehumidification equipment for department stores, schools and restaurants also showed a positive trend during the year.

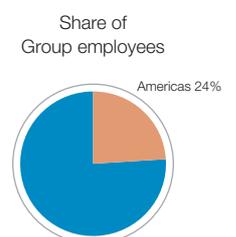
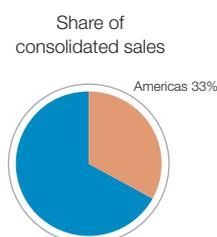
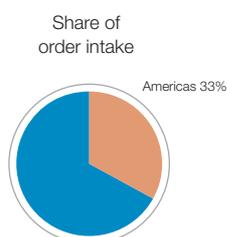
MCS experienced a substantial decline in order intake and sales due to the fact that 2001 was an unusually strong year with large orders in conjunction with hurricane Allison and the terror attacks on September 11. Normal operations, however, continued to increase and showed a favorable operating margin.

HumiCool reported a successful year with significantly improved order intake, sales and operating earnings. One exception to this positive trend was pre-coolers for gas turbines, which experienced sharply declining demand. Munters' investments in cooling systems for the AgHort industry through the acquisitions of Aerotech and Glacier-Cor contributed substantially to the positive trend. In addition, sales of components for mist elimination that are included in flue-gas filter systems for coal power plants showed significant growth.

With the launch of new, highly efficient products in Dehumidification, the expansion of the MCS concept and its establishment in Canada and important acquisitions in HumiCool, Munters has laid the foundation for continued strong growth in the region.

The region's three largest segments

Segment	Product/service
Food	DryCool
Food/AgHort	Evaporative cooling systems
MCS	Temporary dehumidification



Region Asia

In Asia, Munters is the market leader in several segments. During 2002, order intake in SEK increased by 5 percent. Net sales increased by 5 percent, while operating earnings declined by 11 percent. Dehumidification showed a negative trend, primarily as a result of delays in the start of production in a new manufacturing plant in China. MCS operations showed positive growth, although the earnings level is unsatisfactory. HumiCool showed strong growth with strengthened manufacturing capacity and continued strong growth in the AgHort industry.

The region in brief

Region Asia accounts for a relatively small share of consolidated sales, but Munters considers that the Asian market has substantial potential. Munters is the market leader in several segments in which the company is active. The largest markets are Australia, Japan and Thailand. There are major climate variations in the region, resulting in considerable variation in the products required.

The generally high humidity and temperatures mean that many customers in the region require large dehumidification systems that are based on a combination of cooling and rotor technology. A major portion of sales are attributable to the food and electronics industries. Munters has MCS operations in Australia, Japan and Singapore, but the business is relatively undeveloped. Buildings in Asia are generally of lower quality than in Europe and the US and have poorer insurance protection against water damage. Australia is an exception, however, and Munters is establishing MCS operations in that country that are similar to those in Europe.

Within HumiCool, operations are largely based on evaporative cooling, which has shown strong growth in the AgHort industry in recent years. In Japan, HumiCool technology is used primarily for improving the indoor climate.

Region Asia, which consists of Asia and Australia, has 316 employees with manufacturing in Australia, Japan, China, Thailand and Vietnam. There are 8 service depots in the region.

Developments during the year

The economy remained strong in China and to a certain extent in Australia as well, while Southeast Asia showed relatively weak economic growth. The general business climate in Japan remained weak. The trend for Munters' business operations was positive for the region as a whole. Growth was strong in Thailand and Australia. During the year, Munters completed a new plant in China for the manufacture of dehumidifiers, CELdek® and cooling systems for the AgHort industry. New sales offices were opened in Wuhan and Harbin in China. In addition, Munters introduced solutions in several countries for cooling the indoor climate in industrial premises.

The rapid growth in the AgHort industry in recent years continued during 2002. A contributing factor in this development is Munters' local market presence with manufacturing in Thailand, China and Australia where components from Munters Euroemme are assembled into complete systems.

Dehumidification sales showed satisfactory growth in Australia during the year. The Americas Cup sailing race was held in New Zealand during the year. All ten projects with a total of 20 boats were equipped with dehumidifiers from Munters that were used to keep the boats, sails and other equipment dry and light. The operating time for the electronic equipment and computers aboard the boats was also increased due to lower humidity.



Munters is the world's largest supplier of evaporative cooling systems. Some of the largest customers are poultry breeders. The air in the poultry houses can be cooled using environmentally friendly technology that creates an indoor climate which improves quality, productivity and hygiene in breeding.

Dehumidification reported lower order intake, sales and operating earnings, primarily as a result of delays in starting production in the new plant in China. Production in the plant began in March and includes both product development and manufacturing. The recession in Japan led to continued weak demand. A new series of dehumidifiers was introduced in the Chinese market during the autumn. These products are primarily intended to meet demands in the pharmaceutical and electronics industries.

The first installations of the new dehumidification product program series were completed in Asia. The combination of cooling and dehumidification in this product series is ideal for the climate in the region. Application areas include food processing, where they can be used to hasten drying processes.

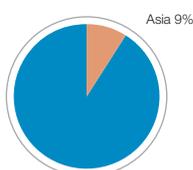
MCS showed continued growth in sales and order intake. Toward the end of the year, operating earnings also improved. During the year, Munters opened a new branch office in Sapporo, Japan.

HumiCool continued to increase order intake, sales and operating earnings, particularly in Thailand and Australia. Production plants in both Thailand and Australia were expanded to meet the demand for CELdek®, fans and cooling systems. Production of fans was also started in China to be able to offer complete cooling systems for the AgHort industry.

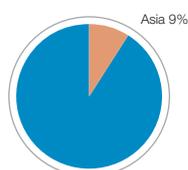
The region's three largest segments

Segment	Product/service
Food/AgHort	Evaporative cooling systems
Electronics	Dehumidification
Insurance	Water and fire damage restoration

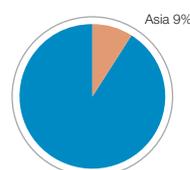
Share of order intake



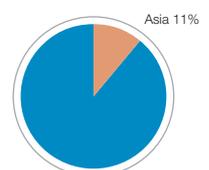
Share of consolidated sales



Share of consolidated earnings



Share of Group employees



Human resources

Munters is a global company with delegated leadership. Great emphasis is placed on sharing positive experience, training employees and management and creating clear guidelines for operations. Collaboration between regions and division is extensive with respect to product development, manufacturing sales and after market.

Munters three geographic regions – Europe, the Americas and Asia – all conduct business in the Dehumidification, MCS and HumiCool divisions. Each region is organized according to its climatic prerequisites and industrial structure. The company is divided into more than 80 business units that operate as independent profit centers. At year-end, Munters had 3,192 employees.

Company culture

Munters' company culture is open and dynamic. Growth with high profitability requires an ability to adapt to changes and a balance between freedom and corporate guidelines. Delegating leadership allows an entrepreneurial spirit to be maintained. Munters believes that most people have a desire and a greater ability to contribute to the company's success, if they are given the proper prerequisites. In order that individuals are able to develop in pace with the company's growth, Munters invests substantial sums in training and management development.

Delegated leadership

Each manager has responsibility and considerable freedom within well-defined frameworks that are described in the Munters Strategic Plan, Munters Budget, Munters Management Manual, Munters Financial Manual and Munters Visual Guidelines.

Skills enhancement

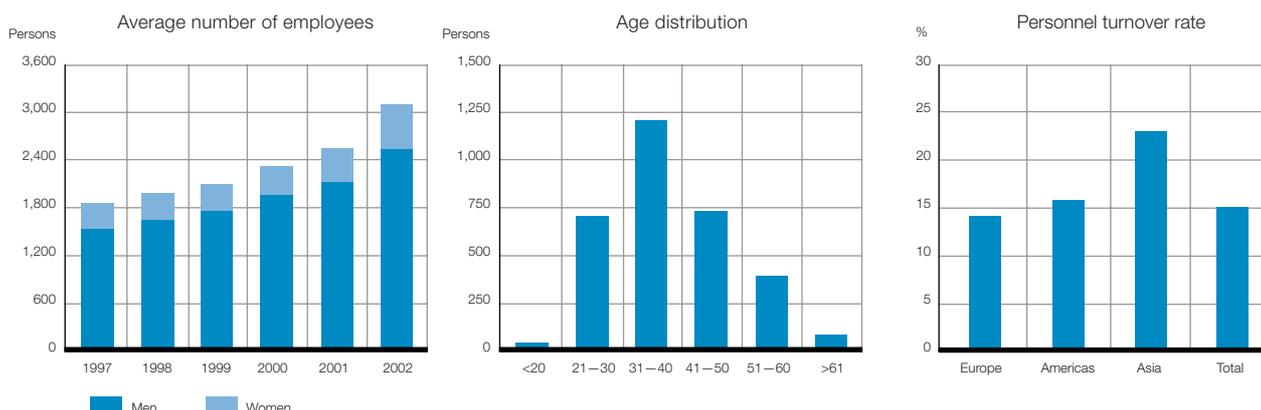
Munters conducts extensive training programs to enhance employee skills. Customized training programs are developed for different professional roles. Within MCS, for example, technical and administrative work methods are documented in manuals, and training programs are conducted.

Munters Growth Academy is the name of the company's internal leadership program that through seminars and courses addresses issues relating to strategy, leadership, marketing, technology and personal development. Approximately 100 key employees participate annually in these internal programs which reflect current market conditions and business development.

Munters also organizes conferences regularly in which leading executives have an opportunity to meet and share experience. A standing item on the agenda is Application sharing, under which new growth areas are described.

Incentive programs

Munters incentive programs are intended to stimulate personal performance and contribute to the company's growth. The principle for compensation to employees is to offer a relatively high variable percentage that is a reward for personal performance. All senior managers and key employees are also included



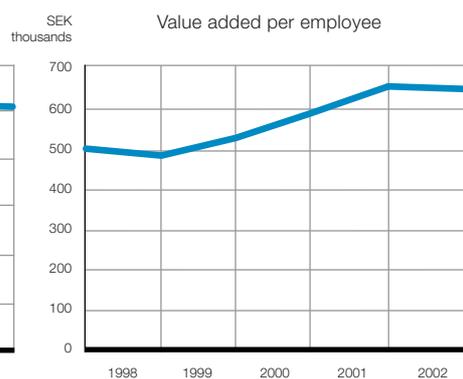
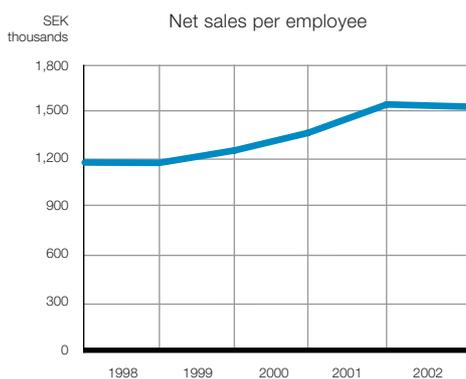
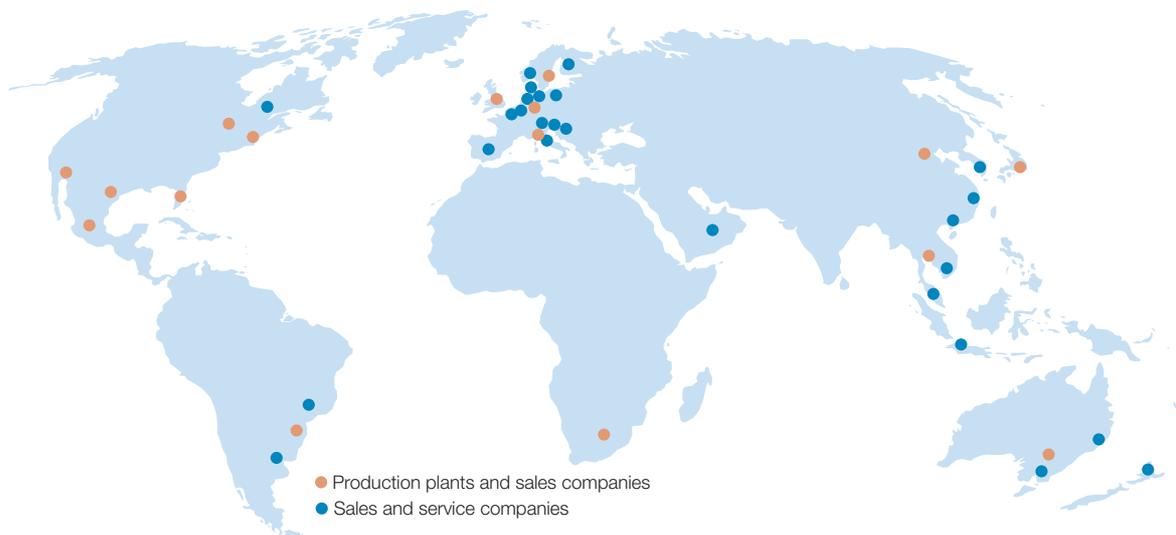


Munters is an open and dynamic company focused on customers. Substantial resources are devoted to training and leadership development to give individuals an opportunity to grow with the company.

in a bonus program that rewards work results within the individual's area of responsibility. This program is designed to encourage improvements in relation to the preceding year's results in terms of net sales, operating earnings, capital turnover rate and the fulfilment of personal commitments. To foster cooperation throughout the organization, Munters also regularly issues options that are offered to some 100 senior employees. This program offers an opportunity to invest in options on market terms.

The future

Organizational and human resource issues that will be in focus in the future are promoting internal mobility by prioritizing internal recruitment, skills enhancement, identifying and training new leaders, enhancing incentives programs, continuously capturing employees' view of Munters' leadership and developing IT-based programs to support delegated leadership.



The average number of employees increased by 22 percent during the year to 3,100 (2,541). The average age is 37, and the age group 31 to 40 accounts for 38 percent of Munters' employees. The personnel turnover rate increased to 15 percent (12) during the year. By its nature, MCS has a higher personnel turnover rate, and the increased share for MCS in consolidated sales thus results in a somewhat higher personnel turnover rate. Furthermore, the personnel reductions that were implemented in Asia increased personnel turnover in that region. The value added per employee is also lower within MCS, meaning that the increased share for MCS lowers the total value.

Quality

Customer requirements on performance and quality are the primary driving forces for Munters' quality work. The entire organization is involved in a continuous improvement effort from product development and production processes, to customer-oriented activities for sales, service and after market.

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 agreed requirements 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 Munters 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 training.
- The organisation and the distribution of responsibilities and authorities related to all activities, which affect quality, shall be documented.
- Customer focus, cost efficiency and the requirements in ISO 9001/2000 or the equivalent shall be the basis for all activities.
- Research and development of products, systems and services shall be based on customer needs.
- Routines, processes and methods that secure requested quality shall be documented and followed.
- 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 satisfied.
- 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.

Munters' products and services should be characterized by high quality. Great emphasis is placed on these issues, from development work and production, to sales and after market. Munters' quality work is conducted within the framework of established policies and guidelines. During the year, Munters worked to refine this framework, as well as to improve training and information activities. Many units within Munters are certified in accordance with ISO 9000.

Examples of quality work

Within Region Europe, Munters began work to establish process-oriented operations, and organizational changes were implemented in line with these efforts. Work in describing processes according to the requirements of the new ISO 9001:2000 quality standard was initiated. The goal is to establish an integrated system for operational management with a focus on quality, the environment and the working environment that is optimal for Munters' business. As part of this improvement work, a project was started during the year for measuring customer satisfaction.

In the production plant in Tobo, a new test program for final testing of equipment was introduced. This has contributed to increased product quality and, as a consequence, costs for claims declined during the year.

In addition, during the year Munters focused on improved quality in production. Through increased standardization of products, increased information flow and improved production processes, costs for customer claims within the Dehumidification Division of Region Americas were reduced by about one fourth, compared with the preceding year. With the objective of further increasing quality within the division, work was also initiated to document all claims at an early stage in a database. By analyzing this material, errors can be corrected quickly and eliminated over time.

Environment

Munters often helps its customers to reduce resource consumption, decrease energy usage and eliminate emissions. In addition, Munters strives to reduce resource consumption and negative environmental effects of its own production of goods and services.

Munters' environment policy

Ambition Munters ambition is to develop all businesses in order to obtain sustainable solutions with regard to both financial and environmental benefits.

When Munters products and services are being used they shall contribute to a better environment. For example through energy savings in Dehumidification and HumiCool and reduced waste of material 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 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.
- The environmental benefits of using Munters' products and services should be emphasized in marketing.
- Not export environmental problems from countries with strict legislation to countries with less strict legislation.
- Munters shall have an open attitude regarding environmental issues.

Munters strives to reduce energy consumption and reduce negative environmental consequences for its customers and in its own operations.

Munters contributes to reducing negative environmental effects primarily through lower energy consumption and reduced emissions of environmentally hazardous substances. Munters offers cooling systems for air that consume less energy than competing products and do not use CFCs. MCS operations are based on drying, instead of rebuilding, following water and fire damage. Products for mist elimination are included in systems that clean emissions from coal-fueled power plants. Storage facilities can be dehumidified instead of heated, resulting in lower energy consumption.

Environmental work at Munters' largest plant

Munters' largest production plant is located in Tobo, Sweden. Environmental work in Tobo is intended to reduce the negative environmental effects of the manufacturing process. The plant is certified according to ISO 14001. This certification includes working systematically and over the long term with environmental improvements. With respect to environmental impact, Munters has established targets for reducing the consumption of energy in the form of bottled gas, oil and electricity. A long-term effort is in progress to reduce the level of emissions to water and to continuously reduce waste disposal. During 2002, emissions of COD (organic substances), zinc and suspended substances were reduced significantly, compared with the preceding year.

Munters conducts many activities within the framework of its environment policy. Examples include environment training for employees, continuous reduction of resource consumption through improved recycling and evaluation of suppliers from an environment standpoint.

Financial overview

Annual overview

During the period from 1993 to 2002, the average growth in Munters' sales was 13 percent, while the earnings before interest and tax increased by 19 percent.

	Pro forma ¹									
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Order intake, SEK M	4,727	3,945	3,322	2,608	2,384	2,265	1,943	1,853	1,698	1,566
Net sales, SEK M	4,666	3,894	3,179	2,594	2,401	2,197	1,927	1,799	1,681	1,548
Growth, %	19.8	22.5	22.5	8.0	9.3	14.0	7.1	7.0	8.6	35.6
EBIT, SEK M	465	401	306 ²	237	205	184	155	81	149	105
EBIT margin, %	10.0	10.3	9.6 ²	9.1	8.5	8.4	8.1	4.5	8.8	6.8
Earnings before tax, SEK M	436	389	289 ²	231	198	178	146	66	132	82
Equity, SEK M	1,114	1,012	821	655	545	437	303	242	241	199
Return on equity, %	25.0	26.1	25.0	24.1	25.2	28.2	33.2	17.0	37.2	29.8
Capital employed, SEK M	1,617	1,360	1,242	1,006	763	717	594	601	663	623
Return on capital employed, %	31.5	31.8	28.1 ²	28.3	29.3	30.0	28.1	15.1	25.8	19.7
Capital turnover rate	3.1	3.0	2.8	2.9	3.2	3.4	3.2	2.8	2.6	2.6
Total assets, SEK M	2,732	2,228	1,993	1,689	1,252	1,199	1,027	976	975	962
Equity ratio, %	41.0	45.4	41.2	38.8	43.6	36.5	29.8	24.8	24.7	20.7
Net debt, SEK M	365	196	333	230	135	104	215	300	357	332
Net debt/equity ratio	0.33	0.19	0.41	0.35	0.25	0.24	0.71	1.24	1.48	1.67
Interest coverage ratio	14.2	16.3	11.7 ²	13.1	11.6	10.5	7.6	3.2	5.0	3.2
Net operating cash flow, SEK M	431	330	129	105	65	127	100	31	116	-3
Investments in tangible assets, SEK M	183	140	148	114	109	84	72	88	71	53
Average number of employees	3,100	2,541	2,311	2,086	2,011	1,842	1,779	1,714	1,559	1,538

¹ Pro forma figures refer to the Group structure that was created in conjunction with Munters' exchange listing in October 1997.

² Excluding items affecting comparability totaling SEK 15 M and related to surplus funds from pension administration in Alecta.

DEFINITIONS

Capital employed

Total assets minus non-interest-bearing provisions minus non-interest-bearing liabilities.

Capital turnover rate

Net sales divided by average capital employed calculated on the opening and closing balances.

Earnings per share

Net earnings divided by the weighted averaged number of shares.

EBIT margin

EBIT divided by net sales.

Equity per share

Equity divided by the number of shares on the closing date.

Equity ratio

Equity including minority interests divided by total assets.

Interest coverage ratio

Earnings after financial items plus financial expenses (or EBIT plus financial income) divided by financial expenses.

Liquid funds

Cash and bank balances, including bank deposits.

Net debt

Interest-bearing provisions plus interest-bearing liabilities minus liquid funds.

Net debt/equity ratio

Net debt divided by equity.

Net operating cash flow

Earnings after financial items minus earnings from participations in associated companies plus depreciation plus changes in operating working capital minus capital expenditures in tangible assets.

Operating earnings

EBIT plus goodwill amortization plus depreciation of surplus values plus internal royalty expenses.

Operating margin

Operating earnings divided by net sales.

Operating working capital

Accounts receivable plus inventory minus accounts payable minus advances from customers.

P/E (price/earnings) ratio

Share price on closing date divided by earnings per share.

Return on capital employed

Earnings after financial items plus financial expenses (or EBIT plus financial income) divided by average capital employed.

Return on equity

Net earnings divided by average equity.

Value added per employee

EBIT plus salary costs plus payroll overhead divided by the average number of employees.

Quarterly review

Munter's business shows a clear seasonal variation. Net sales and EBIT are typically lowest in the first quarter and highest in the fourth quarter.

GROUP	2000				2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Order intake, SEK M	791	884	784	863	960	974	982	1,029	1,144	1,159	1,228	1,196
Net sales, SEK M	707	741	799	932	851	960	1,020	1,063	1,052	1,149	1,179	1,286
Growth, %	23.1	13.7	25.4	27.4	20.4	29.5	27.6	14.1	23.7	19.6	15.6	20.9
EBIT, SEK M	51	65	76 ¹	114	72	92	100	137	86	114	118	147
EBIT margin, %	7.3	8.7	9.6 ¹	12.2	8.5	9.6	9.8	12.8	8.2	9.9	10.0	11.5
Net earnings for the period, SEK M	29	37	52	66	41	55	59	85	49	65	67	85

Other key data

Investments in tangible assets, SEK M	33	33	33	49	31	33	27	49	40	53	42	48
Net operating cash flow, SEK M	30	44	1	54	16	73	45	196	72	129	52	178
Net debt, SEK M	258	351	349	333	316	337	322	196	345	381	525	365
Net debt/equity ratio	0.38	0.54	0.48	0.41	0.37	0.38	0.36	0.19	0.33	0.38	0.51	0.33
Interest coverage ratio	10.7	8.6	12.0 ¹	16.6	9.6	27.5	18.8	16.3	14.1	13.6	19.6	11.9
Number of employees	2,249	2,326	2,346	2,374	2,419	2,488	2,563	2,579	2,916	3,043	3,216	3,192

Key data per share

Earnings per share, SEK	1.17	1.45	2.10	2.68	1.63	2.23	2.38	3.45	2.00	2.66	2.71	3.46
Earnings per share after dilution, SEK	1.17	1.45	2.10	2.68	1.63	2.23	2.38	3.43	2.00	2.65	2.70	3.45
Average number of shares, millions	25.0	24.9	24.8	24.8	24.8	24.8	24.7	24.6	24.6	24.6	24.5	24.4
Number of shares on closing date, millions	25.0	24.8	24.8	24.8	24.8	24.8	24.6	24.6	24.6	24.6	24.4	24.4
Equity per share, SEK	27.03	26.06	29.56	33.10	34.84	35.38	36.97	41.23	41.91	40.38	42.44	45.59
Share price on closing date, SEK	107	107	112	171	150	173	140	175	227	204	190	193
Market capitalization on closing date, SEK M	2,675	2,675	2,778	4,241	3,720	4,290	3,437	4,284	5,574	5,009	4,643	4,716

¹ Excluding items affecting comparability totaling SEK 15 M and related to surplus funds from pension administration in Alecta.

Region Europe	2000				2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Order intake, SEK M	419	439	397	447	485	475	481	538	529	761	720	762
Net sales, SEK M	392	383	406	493	435	477	476	562	605	630	682	814
Growth, %	21.9	9.4	20.2	25.0	11.0	24.7	17.1	13.9	39.1	32.0	43.3	45.1
Operating earnings, SEK M	29	21	33	71	34	42	33	73	47	51	66	111
Operating margin, %	7.3	5.4	8.2	14.4	7.7	8.9	7.0	13.1	7.7	8.1	9.7	13.7
Number of employees	1,405	1,447	1,464	1,470	1,500	1,550	1,644	1,662	1,972	2,081	2,181	2,156

Region Americas

Order intake, SEK M	309	367	324	325	377	416	424	394	400	413	425	353
Net sales, SEK M	261	300	312	358	331	400	449	412	364	419	407	387
Growth, %	25.7	16.6	30.1	34.9	26.8	33.3	44.2	15.0	10.0	4.7	-9.3	-6.1
Operating earnings, SEK M	26	40	33	46	34	52	62	50	40	58	56	51
Operating margin, %	10.1	13.4	10.7	12.9	10.4	12.9	13.8	12.1	11.0	14.0	13.6	13.0
Number of employees	607	625	623	647	645	636	640	621	643	638	694	701

Region Asia

Order intake, SEK M	82	94	79	102	115	94	92	109	121	116	97	94
Net sales, SEK M	67	77	95	96	100	95	109	104	96	125	104	103
Growth, %	8.0	39.0	23.8	13.7	50.4	23.3	14.8	7.8	-4.1	31.7	-4.8	-1.3
Operating earnings, SEK M	7	10	16	11	13	10	13	15	9	14	14	9
Operating margin, %	10.7	13.2	16.7	11.2	12.9	11.1	12.5	14.4	9.7	11.1	13.1	9.3
Number of employees	226	242	247	245	262	292	269	284	289	310	321	316

Board of Directors' report

The Board of Directors and the President of Munters AB (publ), corporate registration no. 556041-0606, hereby submit the annual report for the 2002 fiscal year. Results of the year's operations for the Parent Company and the Group are presented in the following income statement and balance sheet and notes to the financial statements.

Ownership structure

The Munters share has been listed on the O List of Stockholmsbörsen (Stockholm Exchange) since October 21, 1997 and on the Attract 40 list since January 1, 2003. Munter's ten largest shareholders together own 43 percent of the capital and the voting rights in the Company.

Group operations

Munters AB is the Parent Company of a group that is a world leader in humidity control with services for water and fire damage restoration and products for dehumidification, humidification and cooling of air.

Munters' business concept is to be a global service and applications-oriented niche company within the air treatment market from a base in dehumidification and humidification.

Operations are organized in three geographic regions, Europe, the Americas and Asia. Within each region, operations are divided into the Dehumidification, Moisture Control Services (MCS) and HumiCool divisions. Munters' business is often project-oriented, with extensive collaboration between the regions and divisions with respect to sales, production and product development. Manufacturing and sales are conducted through own subsidiaries in 27 countries. At year-end, the Group had 3,192 employees.

Consolidated order intake, net sales and EBIT

Order intake increased during the year by 20 percent to SEK 4,727 M (3,945). Adjusted for currency fluctuations, growth for comparable units was 3 percent. The order backlog increased by SEK 29 M and totaled SEK 622 M (593) at year-end. Adjusted for currency fluctuations, the order backlog for comparable units increased by 6 percent.

Consolidated net sales increased by 20 percent to SEK 4,666 M (3,894). Adjusted for currency fluctuations, the increase was 4 percent for comparable units. Net sales increased through acquisitions, higher delivery volumes, particularly within MCS, and higher added value in deliveries. At the same time, sales were negatively affected by unfavorable currency effects in translation to SEK and low delivery volumes for Zeol products and for products for cooling of intake air to gas turbines. The improvement in earnings was due to acquisitions made during the year, higher net sales, primarily within MCS, and improved margins in Dehumidification and HumiCool.

Distributed by regions, net sales increased by 40 percent in Europe, declined by 1 percent in the Americas and increased by 5 percent in Asia. Adjusted for currency fluctuations, net

sales for comparable units increased in Europe and Asia and declined somewhat in the Americas.

Consolidated EBIT after amortization of goodwill and surplus values of SEK 33 M (14) amounted to SEK 465 M (401), an improvement of 16 percent. Currency fluctuations had a negative effect of SEK 17 M on EBIT. The EBIT margin during the year amounted to 10.0 percent (10.3). For comparable units, the EBIT margin was 10.7 percent (10.3).

Region Europe

Order intake in Europe increased by 40 percent during the year to SEK 2,773 M (1,979), while net sales increased by 40 percent to SEK 2,731 M (1,950). Adjusted for currency fluctuations, the increase was 9 percent for comparable units. Operating earnings before amortization of goodwill and surplus values increased by 51 percent and amounted to SEK 275 M (182). Increased sales and margin improvements in all divisions and acquisitions within MCS had a positive effect on earnings. Adjusted for currency fluctuations, operating earnings increased by 22 percent for comparable units.

The Dehumidification division reported lower order intake than the preceding year as a result of weak demand during the fourth quarter and negative currency effects. Sales increased slightly following a weakening in demand toward the end of the year. Growth was primarily driven by demand in the food and pharmaceutical industries, while growth in other segments was flat. Operating earnings were improved through cost-saving measures.

The MCS division showed increasing growth. Order intake, sales and operating earnings improved significantly, compared with the preceding year. The operating margin was also improved as a result of the increased sales. In conjunction with the flooding that occurred in Europe during the third quarter, Munters received a large number of orders for water damage restoration. Sales relating to these floods amounted to SEK 78 M during the year. Four companies with combined sales of SEK 665 M were acquired during the year following a decision to expand the service offering and strengthen local market positions.

The HumiCool division reported increased order intake and sales, as well as improved operating earnings. Growth remained strong for cooling systems for the AgHort industry and for mist elimination. Products for cooling of intake air to gas turbines showed a significant decline. Water treatment remained weak throughout the year, although a positive trend was noted toward the end of the year when a major order was received from United Utilities in the UK.

Region Americas

Order intake in the Americas declined by 1 percent during the year to SEK 1,592 M (1,611), while sales declined by 1 percent to SEK 1,577 M (1,592). Adjusted for currency fluctuations, sales declined by 3 percent for comparable units. Operating earnings amounted to SEK 205 M (198) during the year. Adjusted for

currency effects, operating earnings for comparable units increased by 10 percent. Lower materials costs and the effects of the rationalization program implemented during the year had a positive effect on operating earnings.

The Dehumidification division continued to report strong order intake and operating earnings with the exception of Zeol products, which are primarily sold to the semiconductor industry where investment levels are currently very low. Zeol order intake during the year were SEK 70 M lower than in the preceding year, while sales were SEK 60 M lower. Order intake and sales for dehumidification equipment for industrial applications and greenhouses continued to show strong growth. A new dehumidification program was introduced during the year. The newly developed dehumidifiers combine functions for dehumidification and cooling. Low energy consumption allows these products to be powered by electricity instead of gas, resulting in increased market potential.

The MCS division experienced a significant decline in order intake, sales and operating earnings, compared with the preceding year. During 2001, MCS reported sales of some SEK 100 M in conjunction with water damage restoration work following the hurricane in Allison, Texas and clean-up efforts following the terror attacks against the World Trade Center and the Pentagon on September 11. During the year 2002, it was not possible to compensate these exceptional sales through other service orders. In other respects, the MCS business showed continued good growth and the division's operating margin remained satisfactory.

The HumiCool division reported positive results for the year, with significant improvements in order intake, sales and operating earnings. Products for cooling of intake air to gas turbines, however, were an exception, showing a sharp decline during the year and cancellation of a number of orders received during the preceding year. Munters' investments in cooling systems for the AgHort industry were further intensified through the acquisition of Aerotech Inc. and Glacier-Cor during the year. Sales of components for mist elimination included in emission control systems for coal power plants showed very strong growth.

Region Asia

Munters' operations in Asia showed favorable growth with respect to order intake and sales, while operating earnings were somewhat lower due to weak demand in China and Japan and negative currency effects. Order intake increased by 5 percent during the year to SEK 428 M (410). Sales increased by 5 percent to SEK 428 M (408). Adjusted for currency fluctuations, the increase was 10 percent. Operating earnings amounted to SEK 46 M (52) during the year. Adjusted for currency fluctuations, operating earnings for comparable units increased by 2 percent.

On the whole, Munters experienced a relatively weak year in the region as a result of the recession in Japan and problems in conjunction with the start-up of a new production plant in China. Market trends were strong in Thailand and Australia.

During the year, Australia emerged as Munters' largest market in Region Asia.

The Dehumidification division reported a decrease in order intake and sales and lower operating earnings. This was due to low demand in Japan, delays in the start-up of the new production plant in China during the first months of the year and negative currency effects.

The MCS division, which is relatively small in Asia, reported a slight increase in sales and operating earnings on par with the preceding year.

The HumiCool division continued to increase order intake, sales and operating earnings. Operations in Thailand, Australia and China showed strong growth, primarily in sales of evaporative cooling systems to the AgHort industry, which compensated the decline in Japan.

Gross earnings

Munters develops and designs its own products, while a large proportion of components are manufactured by sub-suppliers. Sub-suppliers are also often employed for major service assignments within MCS. Core components, such as dehumidifier rotors, cooling panels and mist eliminators, are produced in Munters' own production plants. Munters develops its own production equipment for manufacturing these components. Munters' strategy in employing sub-contractors results in flexibility and an ability to adapt production volumes to changes in sales volumes. The strategy of increasing added value in deliveries results in higher sales but somewhat lower gross margins. The increased share of MCS sales, as well as the lower gross margins in acquired units, also had a negative effect on the consolidated gross margin. Consolidated gross earnings increased during the year by SEK 136 M to SEK 1,596 M (1,460), while the gross margin declined by 3.3 percentage points.

EBIT

EBIT amounted to SEK 465 M (401) for 2002, corresponding to an EBIT margin of 10.0 percent (10.3). The EBIT margin for units acquired during the year was lower than the EBIT margin in Munters' previous operations, which had a negative effect on the consolidated EBIT margin. The increase in consolidated sales, however, meant that EBIT improved, since indirect costs increased more slowly than sales. Adjusted for unit acquired during the preceding year, the EBIT margin increased to 10.7 percent.

Sales costs increased by SEK 26 M to SEK 692 M (666) and amounted to 14.8 percent (17.1) of consolidated net sales. Administration costs amounted to SEK 369 M (333), corresponding to 7.9 percent (8.5) of net sales, while research and development costs amounted to SEK 43 M (46), corresponding to 0.9 percent (1.2) of net sales. Development costs related to customer projects and all development costs within MCS units are not reported as development costs, but rather as a cost for current operations. Other operating income and expenses,

consisting mostly of amortization of goodwill, amounted to SEK 28 M (15). The increase in goodwill amortization was due to acquisitions completed during the year.

EBIT increased by SEK 64 M during the year to SEK 465 M (401).

Earnings before tax

Consolidated earnings before tax improved by 12 percent to SEK 436 M (389), despite higher financial expenses of SEK 7 M from SEK 29 M due to increased indebtedness resulting from company acquisitions made during the year. With the acquisition of the previously partly owned company Polygon AS in Norway, earnings from associated companies, which amounted to SEK 9 M in 2002, are not reported for 2002.

Tax

Tax expenses for the year amounted to SEK 169 M (149), corresponding to an effective tax rate of 38.8 percent (38.4), which was higher than the standard tax rate of 28 percent in Sweden. This was primarily due to the fact that a significant share of the Group's earnings were generated in foreign subsidiaries with higher tax rates and due to amortization of goodwill not deductible for tax purposes. Adjusted for amortization of goodwill and surplus values that was not deductible for tax purposes, the tax rate was slightly more than 36 percent.

Net earnings for the year

Net earnings improved by 11 percent to SEK 266 M (239) after tax charges of slightly less than 39 percent (38). Earnings per share increased to SEK 10.83 (9.69).

Financial position

The equity ratio declined during the year as a result of increased indebtedness following the acquisitions made during the year and amounted to 41.0 percent (45.5) at year-end. Liquid funds at year-end amounted to SEK 133 M (152), while interest-bearing liabilities (including PRI pensions) amounted to SEK 498 M (348). Net debt increased by SEK 169 M to SEK 365 M during the year, of which financing of acquisitions (including refinancing of loans) accounted to SEK 313 M, while 114,500 shares repurchased amounted to SEK 25 M. The Group had unutilized credit facilities amounting to SEK 173 M.

Investments and depreciation

The Group's total investments in tangible assets amounted to SEK 183 M (140) during the year, of which the major share related to investments in MCS, production and IT equipment. Depreciation amounted to SEK 161 M (125), of which amortization of goodwill and depreciation of surplus values accounted for SEK 33 M (14).

Purchase prices for units acquired during the year amounted to SEK 448 M, of which SEK 138 M corresponded to anticipated supplemental purchase amounts.

During the year, a new production plant including production equipment was completed in China. The total investment of SEK 24 M had been completed by year-end.

Acquired units

As of January 1, the Norwegian company Polygon AS with operations in Norway and Denmark was acquired. Polygon is the leading provider of water and fire damage restoration services to the Norwegian insurance industry. Since 1986, Munters has owned one third of the company. Polygon's net sales during 2001 amounted to SEK 450 M, and the number of employees was 230. In addition to its own organization, Polygon has built up a network of franchises in the Norwegian market. These franchisees have an additional 180 employees. The acquisition was intended to make Munters the leading company in the Nordic region in water and fire damage restoration. The acquisition was based on a valuation of NOK 230 M for Polygon. Munters acquired the remaining two thirds of the shares. Payment of these shares was effected in two steps. A payment of NOK 107.3 M, corresponding to 70 percent of the purchase price, was made when the contract was signed, while the remaining 30 percent will be based on Polygon's earnings trend during the period from 2002 to 2004. The acquisition resulted in goodwill and surplus values in buildings and machinery amounting to SEK 105 M.

As of January 15, the assets and liabilities and the operations of Munters' US competitor Glacier-Cor were acquired. The company was one of the three largest manufacturers of components for evaporative cooling with net sales during 2001 amounting to some SEK 50 M. The acquisition price of USD 1.9 M did not result in any goodwill. Munters was previously the world's largest company in this area, and the acquisition was intended to further strengthening Munters' HumiCool operations in the US market with an additional brand.

As of May 1, Munters through its subsidiary Polygon AS in Norway acquired all shares in Alfa Service Senter AS in Norway. This company, which was previously a franchisee to Polygon, has its head offices in Stavanger and two service depots with a total of 90 employees and annual sales of SEK 598 M. The acquisition was intended to strengthen Munters' position in water and fire damage restoration in the Norwegian market.

In July, Munters acquired the fire damage restoration operations of the German business group Svt (System- und Verfahrenstechnik GmbH). These operations had net sales of about SEK 180 M and 65 employees. The acquisition was intended to further strengthen Munters' position in water and fire damage restoration services in the German market. The acquisition was effected through a combination of a share exchange and a purchase of assets and liabilities. The total purchase price included a fixed payment of SEK 90 M and a variable portion based on the company's earnings during 2002 and 2003 and amounting to at most SEK 45 M. The acquisition was consolidated in Munters' accounts as of July 1, 2002 and resulted in goodwill of SEK 125 M.

In July, Munters acquired all shares in Aerotech Inc., a leading supplier of evaporative cooling and ventilation systems primarily to the AgHort industry in the US. The company has 80 employees and reported net sales of about SEK 180 M in 2001. The acquisition positions Munters as the leading global supplier of cooling systems to the AgHort industry. A maximum amount of SEK 107 M was established as the purchase price, with a fixed payment and a variable amount based on Aerotech's earnings during 2002 and 2003. On the acquisition date, Aerotech had interest-bearing liabilities of about SEK 20 M. The acquisition was consolidated as of July 1, 2002 and resulted in goodwill of about SEK 75 M.

On September 1, Munters through its subsidiary Polygon AS in Norway acquired all shares in Polygon Kristianstad AS in Norway. This company, which was previously a franchisee of Polygon, has 7 employees. The acquisition was intended to strengthen Polygon's position in water and fire damage restoration in the Norwegian market.

All of the acquisition described above already had a positive effect on Munters' earnings per share during 2002.

Product development

Munters conducts continuous product development intended to improve existing products, develop new products and identify new application areas. A basic principle is that development should take place in close contact with the market and in partnership with customers and end users.

Costs for research and development, which amounted to SEK 43 M (46), are expensed as they are incurred and reported in the income statement under the item Research and development costs. The consolidated balance sheet does not currently include any capitalized costs for development.

Human resources

The number of employees at year-end was 3,192, which was an increase of 613 persons over the preceding year. Acquired units accounted for an increase of 470 persons. Personnel increased by 501 persons in Region Europe, by 81 in Region Americas, and by 29 in Region Asia.

MCS is the product area that accounted for the greatest increase in personnel, 488 persons, of whom 400 worked in acquired units.

Option programs and buy-back of shares

During the year, 37 senior managers subscribed for options in Munters AB valued at market prices. In conjunction with pre-

vious option programs, Munters AB bought back a total of 562,200 of its own shares at an average price of SEK 161 to cover the Company's commitments according to the option programs.

Parent Company operations

Munters AB's operations consist of corporate functions. The Parent Company conducts no external business operations.

Working procedures for the Board of Directors

Munters' Board of Directors consists of seven members elected by the Annual General Meeting and no deputies, as well as two members appointed and two deputies by employee organizations. The President is a member of the Board. Other employees participate in Board meetings in a reporting capacity.

According to the working procedures for the Board of Directors, one statutory meeting and five regular meetings must be held each year. During 2002, the Board of Directors held 8 meetings, of which one was outside Sweden and two were per capsulam. The Company's auditor participates in the Board meeting at which the year-end report is considered. The auditors report their observations from the reviews that they have conducted and their assessment of internal corporate controls.

The work of the Board of Directors is focused on strategic issues, such as business focus, finance and reporting, control and efficiency. The Chairman leads the work of the Board of Directors and follows business development. Within the framework established by the Board of Directors, the President manages business operations and continuously informs the Chairman of significant business events.

The Board of Directors approves the salary and bonus for the President based on proposals from the Compensation Committee, which consists of Berthold Lindqvist (Chairman of the Board) and Board members Sören Mellstig and Sven Ohlsson. Salary and bonus for other members of executive management are approved by the Chairman of the Board according to proposals by the President.

Nomination Committee

In accordance with the principle previously applied, a Nomination Committee was appointed consisting of representatives for the Company's largest shareholders as of December 31, 2002. The Chairman of the Board of Directors is the convener. The Nomination Committee's task is to present a proposal prior to the Annual General Meeting for election to the Board of Directors and, as appropriate, Auditors and fees. The Nomination Committee that was appointed prior to the 2003 Annual

Companies acquired in 2002

Company	Country	Product area	Acquisition date	Annual sales
Glacier-Cor	USA	HumiCool	January 1	SEK 50 M
Polygon	Norway/Denmark	MCS	January 1	SEK 450 M
Alfa Service Senter	Norway	MCS	May 1	SEK 58 M
Svt	Germany	MCS	July 1	SEK 180 M
Aerotech	USA	HumiCool	July 1	SEK 180 M
Polygon Kristiansand	Norway	MCS	September 1	SEK 5 M

General Meeting consisted of Berthold Lindqvist (Chairman of the Board of Directors), Marianne Nilsson (Robur Funds), Tomas Nicolin (Third AP Fund), Mats Guldbrand (AMF Pension), Mats Gustafsson (SEB Funds) and Peter Rudman (Nordea Funds).

Option program

The Board of Directors intends to propose that the Annual General Meeting grant authorization to issue an option program for allocation to senior managers within Munters. The scope and terms of the program are currently being evaluated and will be presented well in advance of the Annual General Meeting on May 7, 2003.

Authorization to buy-back shares

The Board of Directors intends to propose that the Annual General Meeting renew the authorization granted to the Board to buy-back Munters shares. Such authorization should imply that the Board of Directors is permitted up until the next Annual General Meeting to approve decisions to buy-back shares, if it deems this appropriate. Buy-backs may take place on the exchange or through an offer to the shareholders. The authorization to the Board of Directors is also intended to include the possibility to transfer repurchased shares in other manners than through the Stockholm Stock Exchange, in conjunction with acquisitions of companies or operations. A full proposal will be presented well in advance of the Annual General Meeting on May 7, 2003.

Environmental impact

In Sweden, Munters conducts operations subject to permit according to the Swedish Environmental Code in its Swedish subsidiary Munters Europe AB. The operations for which Munters Europe has permit and reporting obligations impact the external environment at the production plant in Tobo through emissions to air and water. Corresponding restrictions also apply to other production plants elsewhere in the world.

Currency exposure

A significant portion of Munters revenues and costs are generated in foreign currencies. This means that Munters' revenues and costs are affected by strengthening or weakening of SEK in relation to other currencies. Exchange-rate fluctuations affect Munters' sales, costs, operating earnings, equity and other balance-sheet items.

The geographic dispersion of Munters' production facilities results in a significant matching of net sales and costs in local currencies, thus limiting currency exposure. Munters' net sales and operating expenses in major currencies are listed below.

Currency	Share of net sales during 2002 %	Share of costs during 2002 %
USD	32.3	30.4
EUR	32.6	30.2
SEK	7.0	12.7
GBP	5.8	5.5
JPY	3.0	3.0
AUD	3.0	1.8
NOK	8.7	9.1

As the table shows, there is a good match between net sales and costs in each currency. Munters' policy is to hedge about 70 percent of all contracted net flows and forecast flows over the coming 9 months.

The table below shows the sensitivity of Munters' EBIT to variations in certain currencies. The analysis is based on 2002 EBIT and assumes that all other factors that may affect EBIT are unchanged.

Change in:	Estimated effect on 2002 EBIT SEK M	%
SEK in relation to:		
EUR +1 %	-3.2	-0.7
USD +1 %	-2.4	-0.6
AUD +1 %	-0.7	-0.2
GBP +1 %	-0.6	-0.1
NOK +1 %	-0.4	-0.1
CAD +1 %	-0.4	-0.1

Translation exposure, shareholders' equity

Exposure to currency fluctuations arises in translating the balance sheets of foreign subsidiaries to SEK. (See note I.) The translation of the financial accounts of foreign subsidiaries to SEK had a negative impact of SEK 68.0 M on consolidated shareholders' equity during 2002.

Interest exposure

Munters' earnings are affected by interest-rate fluctuations. The estimated effect on earnings after financial items of a change in interest levels of one percentage point amounted to about SEK 3.9 M during 2002.

Proposed distribution of earnings

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

Retained earnings	222,104,464
Earnings for the year	129,544,669
Total	351,649,133

The Board of Directors and the President propose that earnings be distributed as follows:

Distributed to shareholders SEK 3.50 per share	85,532,300
Retained	266,116,833
Total	351,649,133

According to the consolidated balance sheet, non-restricted equity amounts to SEK 801 M.

No transfers to restricted reserves are required.

Income statement

Amounts in SEK thousand	Note	GROUP		PARENT COMPANY	
		2002	2001	2002	2001
Net sales	2,3	4,665,577	3,893,531	28,738	23,573
Cost of goods sold		-3,069,229	-2,433,249	-483	-
Gross earnings		1,596,348	1,460,282	28,255	23,573
Selling expenses		-692,203	-665,737	-581	-6,913
Administrative expenses		-368,801	-332,836	-48,450	-33,789
Research and development costs		-42,937	-45,912	-	-
Other operating income and operating expenses		-27,502	-14,658	-	-
Earnings before interest and tax	2,4, 9-12	464,905	401,139	-20,776	-17,129
Earnings from participations in group companies	5	-	-	141,007	101,180
Earnings from participations in associated companies		-	9,493	-	-
Interest income and similar earnings items	6	7,061	3,446	19,193	21,099
Interest expenses and similar earnings items	7	-35,785	-25,386	-17,254	-13,386
Earnings after financial items		436,181	388,692	122,170	91,764
Appropriations		-	-	2,673	-2,673
Earnings before tax		436,181	388,692	124,843	89,091
Tax	8	-169,422	-149,334	4,702	-5,123
Minority share		-1,137	-	-	-
Net earnings		265,622	239,358	129,545	83,968
Earnings per share, SEK		10.83	9.69	-	-
Earnings per share after dilution, SEK		10.80	9.67	-	-
Average number of shares, million		24.5	24.7	-	-

Balance sheet

Amounts in SEK thousand on December 31	Note	GROUP		PARENT COMPANY	
		2002	2001	2002	2001
ASSETS					
FIXED ASSETS					
Intangible assets	14				
Patents, licenses and similar rights		23,269	13,289	550	550
Goodwill		445,866	175,544	–	–
		469,135	188,833	550	550
Tangible assets	15,16				
Buildings and land		224,917	171,106	–	–
Plant and machinery		200,498	218,495	–	–
Equipment, tools, fixtures and fittings		208,075	155,420	2,675	1,890
Construction in progress		33,553	17,695	–	–
		667,043	562,716	2,675	1,890
Financial assets					
Participations in group companies	17	–	–	191,007	187,726
Participations in associated companies		–	37,996	–	–
Long-term receivables from group companies		–	–	23,058	8,508
Deferred tax asset	18	69,476	52,661	2,526	–
Other long-term receivables		22,581	14,305	3,719	3,648
		92,057	104,962	220,310	199,882
Total fixed assets		1,228,235	856,511	223,535	202,322
CURRENT ASSETS					
Inventory etc.					
Raw materials and consumables		153,790	139,946	–	–
Products in progress		41,889	41,350	–	–
Finished products and goods for resale		68,561	65,376	–	–
Work in progress		56,267	9,576	–	–
Advance payments to suppliers		8,030	7,714	–	–
		328,537	263,962	–	–
Current receivables					
Accounts receivable – trade		947,834	860,898	–	1,113
Receivables from group companies		–	–	677,379	593,314
Income tax receivables		9,908	10,240	693	1,474
Other receivables		41,129	42,371	8,141	7,587
Prepaid expenses and accrued income	19	43,762	42,464	1,362	1,472
		1,042,633	955,973	687,575	604,960
Liquid funds		132,927	151,842	4,815	40,789
Total current assets		1,504,097	1,371,777	692,390	645,749
TOTAL ASSETS		2,732,332	2,228,288	915,925	848,071
Pledged assets	20	27,398	5,003	None	None
Contingent assets		None	None	None	None

Balance sheet

Amounts in SEK thousand on December 31	Note	GROUP		PARENT COMPANY	
		2002	2001	2002	2001
EQUITY AND LIABILITIES					
Equity	21				
Restricted equity					
Capital stock		125,000	125,000	125,000	125,000
Restricted reserves		187,811	214,148	74,514	71,596
		312,811	339,148	199,514	196,596
Non-restricted equity					
Non-restricted reserves		535,575	433,721	222,105	231,293
Net earnings		265,622	239,358	129,545	83,968
		801,197	673,079	351,650	315,261
Total equity		1,114,008	1,012,227	551,164	511,857
Minority interest		5,343	-	-	-
Untaxed reserves		-	-	-	2,673
Provisions					
Provisions for pensions and similar commitments	22	109,646	99,428	33,969	32,286
Deferred tax liability	18	33,962	15,663	-	-
Other provisions	23	78,197	90,961	-	-
		221,805	206,052	33,969	32,286
Long-term liabilities					
Liabilities to credit institutions	24	155,548	7,179	-	-
Other liabilities		128,882	5,517	-	-
		284,430	12,696	-	-
Current liabilities					
Liabilities to credit institutions	24	260,327	266,606	201,214	180,062
Advance payments from customers		49,358	77,313	-	-
Accounts payable – trade		332,009	282,662	3,991	5,550
Liabilities to group companies		-	-	113,371	99,820
Income tax liability		87,030	94,175	-	2,245
Other liabilities		126,843	46,586	2,257	588
Accrued expenses and deferred income	25	251,179	229,971	9,959	12,990
		1,106,746	997,313	330,792	301,255
TOTAL EQUITY AND LIABILITIES		2,732,332	2,228,288	915,925	848,071
Contingent liabilities	26	24,508	21,658	64,146	88,023

Cash flow statement

Amounts in SEK thousand	Note	GROUP		PARENT COMPANY	
		2002	2001	2002	2001
CURRENT OPERATIONS					
Earnings after financial items		436,181	388,692	122,170	91,764
Reversal of items not affecting cash flow					
Earnings from participations in associated companies		–	–9,493	–	–
Depreciation	4	161,127	124,640	777	960
Unrealized exchange rate differences		10,368	–5,867	–	–
Earnings from sales and discards of capital assets		–883	7,481	–94,270	104
Provisions for pensions		10,218	2,681	1,683	–
Other provisions		–17,745	9,185	–	495
Other earnings items not affecting cash flow		2,210	–1,107	–252	23
		165,295	127,520	–92,062	1,582
Tax paid		–198,223	–129,950	–1,464	–6,103
Cash flow from current operations before changes in working capital		403,253	386,262	28,644	87,243
Cash flow from changes in working capital					
Changes in inventory		27,580	–10,132	–	–
Changes in accounts receivable – trade		41,917	–63,629	1,113	174
Changes in other receivables		28,287	–8,630	16,050	–16,739
Changes in accounts payable – trade		–18,109	19,046	–1,559	1,149
Changes in other liabilities		–67,032	50,098	16,448	53,743
		12,643	–13,247	32,052	38,327
Cash flow from current operations		415,896	373,015	60,696	125,570
INVESTING ACTIVITIES					
Acquisitions of subsidiaries	13	–289,494	–10,842	–3,281	–5,320
Investments in intangible assets	14	–4,648	–6,522	–	–550
Investments in tangible assets	15	–183,417	–140,462	–1,562	–1,554
Sale of tangible assets		1,396	5,122	–	–
Change in other financial assets		1,149	5,053	–17,147	38,946
Cash flow from investing activities		–475,014	–147,651	–21,990	31,522
FINANCING ACTIVITIES					
Group contribution		–	–	–	14,386
Payment received for issued stock options	21	2,918	2,327	2,918	2,327
Changes in loans		139,671	–71,861	21,152	–45,126
Dividends paid	21	–73,658	–57,040	–73,658	–57,040
Buy-back of stock	21	–25,092	–40,888	–25,092	–40,888
Cash flow from financing activities		43,839	–167,462	–74,680	–126,341
Cash flow for the year		–15,279	57,902	–35,974	30,751
Liquid funds at the beginning of the year		151,842	88,073	40,789	10,038
Exchange rate differences in liquid funds		–3,636	5,867	–	–
Liquid funds at the end of the year		132,927	151,842	4,815	40,789
NET DEBT STRUCTURE					
Short-term loans		260,327	266,606	201,214	180,062
Long-term loans		155,548	7,179	–	–
Provision for pensions		82,237	73,741	33,969	32,286
Liquid funds		–132,927	–151,842	–4,815	–40,789
Net debt		365,185	195,684	230,368	171,559

Accounting principles and notes

NOTE 1 Accounting and valuation principles

Amounts in SEK thousand unless otherwise specified.

Accounting principles

The consolidated accounts were prepared in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Board. The accounting principles and calculation methods applied were unchanged compared with the preceding year with the addition of the recommendations of the Swedish Financial Accounting Standards Board that took effect on January 1, 2002: RR 1:00 Consolidated accounting, RR 15 Intangible assets, RR 19 Units under liquidation, RR 21 Borrowing costs and RR 23 Information on insiders. The application of these recommendations did not have any material effect on the Company's earnings or financial position. The alternative for restating goodwill in accordance with the provisional regulations in recommendation RR 1:00 was not applied, since such a restatement would not result in any significant change.

Consolidated accounts

The consolidated accounts include the Parent Company, all subsidiaries and associated companies. Subsidiaries are those companies in which the Parent Company directly or indirectly holds more than half of the voting rights or in other respects has a controlling interest. Associated companies refer to companies related to the Group's operations in which the Parent Company directly or indirectly has a long-term investment corresponding to at least 20 percent and at most 50 percent of the voting rights or in some other manner exercises significant influence.

All acquisitions of subsidiaries are reported in accordance with the purchase method. This means that the assets and liabilities of subsidiaries are reported at market value in the consolidated balance sheet in accordance with an acquisition analysis. If the acquisition price of shares in a subsidiary exceeds the estimated market value of the acquired company's net assets in the acquisition analysis, the difference is reported as Group goodwill. Goodwill is established in local currency. Companies acquired during the year are included in the consolidated income statement as of the acquisition date.

Associated companies are reported according to the equity method. This means that the consolidated balance sheet includes the acquisition cost of the shares plus the Group's share of the associated company's earnings following the acquisition less a reduction for dividends received. The consolidated income statement includes the share of the associated company's pre-tax earnings less goodwill and excess depreciation as applicable. The share of the associated company's tax is reported separately and included in the Group's tax expenses.

Internal gains are eliminated in conjunction with the preparation of the consolidated accounts. Tax effects of Group eliminations are taken into consideration when calculating tax expenses for the year.

Translation of the accounts of foreign subsidiaries

Munters' foreign subsidiaries are classed as independent foreign entities. The current method is therefore applied for translation of their accounts. This means that all assets and liabilities are translated at the closing-date rate, while the income statement is translated at the average rate. The translation difference thus arising is booked directly against consolidated equity.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are translated at the closing-date rate. In cases where an investment is effectively protected against exchange-rate fluctuations by a corresponding liability in foreign currency, the book values are not adjusted.

Exchange rates

The following exchange rates were used for translation.

Currency	Amount	Country	Average rate		Closing date rate	
			2002	2001	2002	2001
AUD	1	Australia	5.28	5.34	4.98	5.43
CAD	1	Canada	6.19	6.67	5.63	6.69
CNY	1	China	1.17	1.25	1.07	1.29
DEM	100	Germany	–	473.03	–	481.55
DKK	100	Denmark	123.31	124.15	123.75	126.65
EUR	1	Euro	9.16	9.25	9.19	9.42
FIM	100	Finland	–	155.60	–	158.42
FRF	100	France	–	141.04	–	143.59
GBP	1	Great Britain	14.58	14.87	14.15	15.48
JPY	100	Japan	7.77	8.51	7.40	8.13
NOK	100	Norway	122.02	114.97	125.95	118.35
SGD	1	Singapore	5.43	5.76	5.09	5.76
THB	1	Thailand	0.23	0.23	0.21	0.24
USD	1	USA	9.72	10.33	8.83	10.67
ZAR	1	South Africa	0.92	1.22	1.01	0.89

Net sales recognition

Net sales from the sale of goods are reported upon delivery when all the main risks and rights are transferred to the buyer. Net sales from service and consulting assignments are reported in proportion to the degree of completion on the closing date, assuming that a reliable calculation of the profit can be made.

Inventory

Inventory is valued at the lower of cost or market value according to the first-in, first-out principle and actual 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.

Receivables

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

Liquid funds in cash flow statements

Liquid funds are classified as cash and bank balances, including bank deposits.

Depreciation

Depreciation according to plan is based on the original acquisition value of fixed assets and their estimated utilization period.

The following economic lifetimes are applied for depreciation according to plan.

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

Group goodwill is normally amortized over five to ten years. Group goodwill that is amortized at a rate of less than 10 percent per year is attributable to strategic acquisitions that are considered to motivate a longer amortization

period for market or technical reasons. Goodwill values are reexamined regularly to determine if write-downs are required. This takes place by calculating the discounted future cash flows of each entity. Amortization of goodwill is reported among other operating expenses.

Leasing

Leasing is classified either as finance or operating lease. Reporting of finance leasing entails booking a fixed asset as an asset item in the balance sheet and reporting a corresponding liability. The asset is depreciated according to plan over its economic lifetime, while the leasing payments are reported as interest and amortization of the liability. For operating leasing, the leasing payments are expensed in the income statement over the leasing period.

Provisions

Provisions are defined as obligations that are attributable to the current or previous fiscal year and which on the closing date are certain or probable liabilities that are uncertain with respect to the amount or the date on which they will become due. Reported in the balance sheet as provisions are pensions, deferred tax liabilities, restructuring reserves and similar items. Provisions for pensions are calculated in accordance with the local laws and regulations in each country.

Guarantee costs

Guarantee costs are booked as costs for goods sold. Provisions for guarantee costs are made at a standard rate in an amount that corresponds to average guarantee costs in relation to sales over the most recent 24-month period with an adjustment for known guarantee claims exceeding the standard provision.

Research and development costs

The Group's expenses for research and development do not meet the established requirements for reporting as assets and were thus, as in previous years, expensed as they were incurred during the year.

Options program

During the years 2000, 2001 and 2002, Munters implemented options programs directed to senior executives. A premium was paid on market terms for these options and reported as an increase of consolidated restricted equity. To cover the Company's own commitments according to the options program, own shares were purchased, with the purchase price being report-

ed as a reduction of consolidated non-restricted equity. When the options are redeemed in the future, the subscription price received will be reported as an increase of consolidated equity. For the 2001 and 2002 options programs, the premium will be subsidized by 30 percent and 40 percent, respectively, to be paid as a cash bonus subject to the condition that the holder is still employed during the subscription period for the options. The subsidy and associated social costs will be charged against earnings.

Taxes

Income taxes in the consolidated accounts consist of current and deferred tax. Current taxes are based on each company's tax return and include an adjustment for current tax attributable to previous periods. Deferred tax is calculated on temporary differences between book values in the balance sheet and residual values for tax purposes. Deferred tax on loss-carry forwards is reported as an asset in cases where it is probable that it will result in lower tax payments in the future. The amounts are calculated using the tax rates that were in effect or announced on the closing date.

In the Parent Company, untaxed reserves include deferred tax liabilities. In the consolidated accounts, on the other hand, untaxed reserves are divided into deferred tax liability and equity.

Related party disclosures

There are no significant contractual relations or transactions between Munters AB and its related parties. Compensation and terms of employment contracts for senior executives and individual Board members are described in Note 11. Munters AB has not issued any guarantees or guarantee commitments for or on behalf of any member of the Board of Directors or senior executive. None of the members of the Board of Directors has or had had during the current fiscal year or previous fiscal years any direct or indirect involvement in business transactions with the Company that in any respect remain unresolved or incomplete.

New recommendations for the year 2003

As of January 1, 2003, Munters will apply the following new recommendations issued by the Swedish Financial Accounting Standards Council: RR 2:02 Inventory, RR 22 Preparation of financial reports, RR 25 Reporting by segment, RR 26 Events after the closing date, RR 27 Financial instruments and RR 28 State subsidies. These recommendations will mean increased information requirements for Munters' financial reporting. Recommendation RR 24 Properties under management also takes effect during 2003 but addresses issues peripheral to Munters' business.

NOTE 2 Distribution of net sales and EBIT

Net sales and earnings before interest and tax distributed by Region.

Group	Net sales		EBIT	
	2002	2001	2002	2001
Region Europe	2,731,402	1,949,761	275,824	179,243
Region Americas	1,577,262	1,592,321	204,524	190,297
Region Asia	426,962	408,227	46,377	47,537
Group overhead and eliminations	-70,049	-56,778	-61,820	-15,938
	4,665,577	3,893,531	464,905	401,139

Net sales distributed by geographical market.

Net sales	Group		Parent Company	
	2002	2001	2002	2001
The Nordic countries	898,800	412,131	5,226	8,450
Europe excl. the Nordic countries	1,610,617	1,358,910	14,461	10,763
North America	1,501,733	1,454,289	2,002	1,050
Other markets	654,427	668,201	7,049	3,310
	4,665,577	3,893,531	28,738	23,573

NOTE 3 Inter-company transaction

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

NOTE 4 Depreciation

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

	Group		Parent Company	
	2002	2001	2002	2001
Cost of goods sold	100,018	82,855	–	–
Selling expenses	10,719	12,886	13	66
Administrative expenses	19,871	14,051	764	894
Research and development costs	266	190	–	–
Other operating expenses	30,253	14,658	–	–
	161,127	124,640	777	960

NOTE 5 Earnings from participations in Group companies

	Parent Company	
	2002	2001
Dividend	46,737	101,284
Write-down	–	–104
Capital gain	94,270	–
	141,007	101,180

Capital gain in 2002 refers to a Group internal sale of subsidiary.

NOTE 6 Interest income and similar earnings items

	Group		Parent Company	
	2002	2001	2002	2001
Interest income Group companies	–	–	18,776	19,927
Interest income others	4,433	3,446	417	1,172
Other financial income	2,628	–	–	–
	7,061	3,446	19,193	21,099

NOTE 7 Interest expenses and similar earnings items

	Group		Parent Company	
	2002	2001	2002	2001
Interest expenses				
Group companies	–	–	–2,744	–1,495
Interest expenses others	–27,382	–22,641	–16,026	–12,148
Exchange rate differences	–6,729	179	1,516	548
Other financial expenses	–1,674	–2,924	–	–291
	–35,785	–25,386	–17,254	–13,386

NOTE 8 Tax

	Group		Parent Company	
	2002	2001	2002	2001
Current tax expense	174,014	161,496	–2,176	2,245
Tax relating to previous years/dividend tax	3,585	–9,426	–	8,471
Deferred tax relating to temporary differences and loss carry-forwards	–8,652	–4,170	–2,526	–5,593
Deferred tax relating to changes in valuation reserves	464	1,054	–	–
Deferred tax relating to changes in tax rates	11	380	–	–
Tax expense	169,422	149,334	–4,702	5,123
Reconciliation of effective tax rate				
Earnings before tax	436,181	388,692	124,843	89,091
Tax according to prevailing tax rate for the Parent Company	122,131	108,834	34,956	24,945
Difference attributable to foreign tax rates/dividend tax	35,988	33,267	–	8,471
Non-deductible expenses	17,257	13,287	672	162
Non-taxable income	–15,810	–6,665	–39,479	–28,455
Change in valuation reserves	6,252	1,054	–851	–
Tax relating to previous years	3,585	–188	–	–
Changes in tax rates	19	–255	–	–
Tax expense	169,422	149,334	–4,702	5,123

NOTE 9 Average number of employees

Group	2002		2001			2002		2001	
	Number	Whereof men	Number	Whereof men		Number	Whereof men	Number	Whereof men
Australia	108	81%	82	82%	Mexico	21	86%	26	88%
Austria	65	85%	60	87%	Netherlands	45	87%	42	86%
Belgium	27	80%	21	76%	Norway	235	78%	–	–
Brazil	24	88%	27	89%	Poland	12	75%	11	82%
Canada	13	85%	12	83%	Singapore	19	74%	21	71%
China	100	80%	84	77%	Switzerland	23	91%	22	86%
Denmark	67	70%	4	50%	Spain	12	58%	12	58%
Finland	206	89%	155	88%	South Africa	23	78%	23	83%
France	120	78%	110	77%	Sweden	459	84%	449	84%
Germany	504	86%	425	87%	Thailand	27	89%	21	86%
Great Britain	182	60%	156	78%	USA	603	82%	592	83%
Italy	150	82%	128	80%		3,100	82%	2,541	83%
Japan	49	84%	58	88%	Whereof Parent				
Korea	6	67%	–	–	Company (Sweden)	19	68%	15	60%

NOTE 10 Wages, salaries and other remuneration and social security expenses

	2002		2001	
	Wages, salaries and other remuneration	Social security expenses	Wages, salaries and other remuneration	Social security expenses
Parent Company	14,751	10,960	12,164	9,709
whereof pension expenses		4,907		5,934
Subsidiaries	1,197,992	305,392	970,643	284,428
whereof pension expenses		56,933		40,841
Group	1,212,743	316,352	982,807	294,137
whereof pension expenses		61,840		46,775

Group	2002			2001		
	President and Board	Whereof bonus	Other personnel	President and Board	Whereof bonus	Other personnel
Australia	1,172	343	23,807	4,397	796	13,405
Austria	1,603	458	24,849	1,547	465	18,277
Belgium	431	–	8,805	532	110	7,009
Brazil	486	–	3,773	413	–	2,674
Canada	39	–	8,344	–	–	6,360
China	1,080	–	4,724	1,825	609	3,854
Denmark	1,010	–	25,759	–	–	2,693
Finland	1,026	–	52,530	996	–	46,629
France	–	–	34,223	4,098	401	27,183
Germany	3,070	513	197,455	7,502	1,395	160,532
Great Britain	3,966	919	65,842	4,654	134	51,224
Italy	1,842	284	44,310	1,634	33	28,563
Japan	6,057	–	27,957	4,008	–	33,456
Korea	358	–	1,104	–	–	–
Mexico	1,604	311	6,418	1,735	258	3,077
Netherlands	1,667	293	13,909	1,801	500	14,203
Norway	3,951	287	98,868	–	–	–
Poland	527	62	1,251	438	10	829
Singapore	1,102	185	3,273	1,360	432	4,456
South Africa	597	–	3,224	607	–	3,812
Spain	–	–	5,232	991	235	2,766
Sweden	6,325	1,285	147,743	4,531	795	144,224
Switzerland	1,318	250	11,778	1,078	159	10,367
Thailand	994	309	1,850	1,225	287	1,120
USA	3,374	603	352,116	3,438	960	347,284
	43,599	6,102	1,169,144	48,810	7,579	933,997
Whereof Parent Company (Sweden)	4,385	987	10,366	3,672	669	8,492

NOTE 11 Compensation to senior executives

	Basic salary/ Board fees	Variable bonus	Other benefits	Pension costs	Total
Chairman of the Board	350	–	–	–	350
Other Board members	800	–	–	–	800
President	2,350	774	86	1,472	4,682
Other senior executives (4 persons)	6,865	1,279	511	3,082	11,737
	10,365	2,053	597	4,554	17,569

Directors' fees are those approved by the 2002 Annual General Meeting. The variable bonus refers to the expensed bonus for the 2002 fiscal year, which is paid during 2003. Other benefits relate to company cars and housing benefits.

Principles

The members of the Board of Directors receive a board fee in accordance with the Annual General Meeting's decision. Members employed by Munters do not receive board fees.

Compensation to the President and other senior executives consists of basic salary, a variable bonus, car and housing benefits and a pension. Other senior executives are those persons who together with the President comprise Group management.

The distribution between basic salary and variable bonus should stand in proportion to the executive's responsibility and authority.

For the President, the variable bonus is a maximum of 55 percent of the fixed salary. The bonus is based on the Group's earnings after financial items.

For other senior executives, variable bonus is maximized at 30 to 70 percent of the basic salary. The variable bonus is based on improvements compared with the preceding year for each executive's responsibilities with respect to net sales, earnings after financial items and capital turnover rate, as well as the outcome of individual action plans.

Bonus

The bonus for the President corresponded to 33 percent of the basic salary.

For other senior executives, the bonus amount corresponded to 8 to 30 percent of the basic salary.

Pension

The pension age for the President and other senior executives is from 60 to 65 years. Executives with a salary with pension entitlement in Sweden are covered by a pension program providing a pension corresponding to 70 percent of the pensionable income, which is the sum of the fixed salary and

the average bonus during the last three years of employment. The survivor's pension amounts to 30 to 50 percent of the retirement pension. Executives domiciled in the US are covered by the general pension program 401(k), as well as a special premium-based pension plan. Pension commitments are fully insured with insurance companies. Funds are allocated each month for insurance corresponding to the Company's commitments on each occasion.

Severance pay

There is a mutual termination period of six months between the Company and the President and other senior executives. If employment is terminated by the Company, senior executives are entitled to severance pay totaling 12 months' salary (18 months for the President). If employment is terminated by the President or other senior executives, no severance pay is received.

Options program

The President and other senior executives have participated in the options program that was approved by the 2002 Annual General Meeting. Options were acquired at market prices. Subject to the condition that employment has not been terminated when the option is exercised, a subsidy amounting to 40 percent of the option premium will be received from the Company to be paid in the form of an extra bonus when the option is exercised.

Proposal and decision process

The Board of Directors has appointed a Compensation Committee among the Board members that held five meetings during the year. Compensation to the President and senior executives was approved by the Board based on the recommendations of the Compensation Committee.

NOTE 12 Fees to auditors

	Group		Parent Company	
	2002	2001	2002	2001
Ernst & Young				
Audit	5,487	4,715	215	215
Other assignments	2,144	2,263	486	124
KPMG				
Audit	207	96	–	–
Other assignments	256	102	–	–
Others				
Audit	503	83	–	–
Other assignments	637	81	–	–
	9,234	7,340	701	339

Audit refers to inspection of annual report and books together with the board's and president's administration, other duties which rest on the company's auditor to perform and also guidance or other assistance which is caused by observations from such inspection or performance of such other duties. Other assignments refer mainly to tax consultations and due diligence in connection with company acquisitions.

The increase in audit fees to Ernst & Young is explained by acquired companies in the year.

NOTE 13 Acquired assets and liabilities

	Group	
	2002	2001
Fixed assets	445,758	13,829
Current assets	249,680	11,894
Liquid funds	19,866	2,749
Total assets	715,304	28,472
Provisions	11,946	631
Loans and interest-bearing liabilities	134,422	10,663
Short-term liabilities	121,245	–
Total liabilities	267,613	11,294
Purchase price	447,691	17,178
Additional purchase price entered as liability	–138,331	–3,588
Purchase price paid	309,360	13,590
Less acquired liquid funds	–19,866	–2,748
Effect on liquid funds	289,494	10,842

NOTE 14 Intangible assets

Group	Patents, licenses and similar rights	Goodwill 5 years	Goodwill 10 years	Goodwill 15 years	Goodwill 20 years	Total goodwill	Total intangible assets
Aquisition value							
Amount at beginning of the year	18,117	21,284	47,631	–	171,223	240,138	258,255
The year's capital expenditures	4,648	6,265	138,850	79,623	75,467	300,205	304,853
Acquired operations	–	17,767	–	–	–	17,767	17,767
Reclassifications	9,276	–	–	–	–	–	9,276
The year's translation difference	–2,582	–781	–308	–7,369	–1,674	–10,132	–12,714
Amount at end of the year	29,459	44,535	186,173	72,254	245,016	547,978	577,437
Accumulated depreciation							
Amount at beginning of the year	4,828	3,785	43,621	–	17,188	64,594	69,422
Acquired operations	–	8,817	–	–	–	8,817	8,817
Reclassifications	92	–	–	–	–	–	92
The year's depreciation	1,498	6,832	8,834	2,655	11,932	30,253	31,751
The year's translation difference	–228	–192	–839	–251	–270	–1,552	–1,780
Amount at end of the year	6,190	19,242	51,616	2,404	28,850	102,112	108,302
Book value	23,269	25,293	134,557	69,850	216,166	445,866	469,135
Parent Company							
Aquisition value							
Amount at beginning of the year	550						
Amount at end of the year	550						
Book value	550						

NOTE 15 Tangible assets

Group	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total tangible assets
Aquisition value					
Amount at beginning of the year	314,221	617,053	444,328	17,695	1,393,297
The year's capital expenditures	8,091	38,688	88,954	47,684	183,417
Sales and discards	–1,257	–28,638	–13,561	–106	–43,562
Acquired operations	80,727	20,864	69,884	15,637	187,112
Reclassifications	–12,124	23,391	18,155	–39,606	–10,184
The year's translation difference	–27,670	–69,768	–25,126	–7,751	–130,315
Amount at end of the year	361,988	601,590	582,634	33,553	1,579,765
Accumulated depreciation					
Amount at beginning of the year	143,115	398,558	288,908	–	830,581
Sales and discards	–241	–19,860	–9,510	–	–29,611
Acquired operations	13,854	15,322	35,754	–	64,930
Reclassifications	–17,645	265	16,065	–	–1,315
The year's depreciation	11,886	55,594	61,898	–	129,378
The year's translation difference	–13,898	–48,787	–18,556	–	–81,241
Amount at end of the year	137,071	401,092	374,559	–	912,722
Book value	224,917	200,498	208,075	33,553	667,043
Parent Company					
Aquisition value					
Amount at beginning of the year	5,409				
The year's capital expenditures	1,561				
Amount at end of the year	6,970				
Accumulated depreciation					
Amount at beginning of the year	3,518				
The year's depreciation	777				
Amount at end of the year	4,295				
Book value	2,675				

The tax assessment value of buildings in Sweden amount to 10,263 (10,180). The tax assessment values of land in Sweden amount to 1,311 (1,311). Previously received localization grants amount to 6,613 (6,613) for the Group. Localization grants have reduced the acquisition value of buildings. Other localization grants in the Group have reduced 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 10 years. Localization grants not recognized in income amounted to 180 (360).

NOTE 16 Leasing**Finance lease**

Finance lease contracts are included in the closing balance for the asset type "Plant and machinery" in the amount of 5,944 (3,002). The acquisition value of these assets amount to 10,389 (3,628) and accumulated depreciation amount to 4,445 (626). Depreciation charged to the year's income statement amounts to 2,383 (306).

Operating lease

The minimum lease expense for operating lease contracts in 2002 amount to 154,432 (133,227).

Future payments for non-avoidable operating lease contracts are distributed as follows.

	Rental properties	Cars and other
2003	63,547	73,521
2004 – 2007	143,175	74,734
2008 and later	54,921	229
	261,643	148,484

NOTE 17 Participations in Group companies

Direct participations, Co. Reg. No.	Country	Holding	Book value
AB Carl Munters, 556035-1198	Sweden	100%	169,301
Munters Beteiligungs GmbH	Germany	100%	3,452
Munters BV	Netherlands	100%	41
Munters Corporation	USA	100%	2,393
Munters France SA	France	100%	3,056
Munters Group Ltd	Great Britain	100%	4,323
Munters Holding Italy Srl	Italy	100%	138
Munters Holding Norway AS	Norway	100%	126
Munters (Thailand) Co Ltd	Thailand	100%	505
Polygon A/S	Denmark	19%	1,357
Sundsvalls Totalsanering AB, 556467-1336	Sweden	100%	6,315
			191,007

Indirect participation in major operating Group companies, Co. Reg. No.	Country	Holding
Munters AG	Switzerland	100%
Munters Air Treatment Equipment (Beijing) Co Ltd	China	100%
Munters A/S	Denmark	100%
Munters Brasilia Industria e Comercio Ltda	Brazil	100%
Munters de Mexico SA de CV	Mexico	100%
Munters Euroemme SpA	Italy	100%
Munters Euroform GmbH	Germany	100%
Munters Europe AB, 556380-3039	Sweden	100%
Munters GmbH	Germany	100%
Munters Inc	Canada	100%
Munters KK	Japan	100%
Munters Korea Co Ltd	Korea	100%
Munters Ltd	Great Britain	100%
Munters NV	Belgium	100%
Munters Oy	Finland	100%
Munters Poland Sp z oo	Poland	100%
Munters Pte Ltd	Singapore	100%
Munters (Pty) Ltd	South Africa	100%
Munters Pty Ltd	Australia	100%
Munters Spain SA	Spain	100%
Munters Srl	Italy	100%
Munters Torkteknik AB, 556034-6164	Sweden	100%
Munters Trocknungs-Service GesmbH	Austria	100%
Munters Trocknungs-Service GmbH	Germany	100%
Polygon AS	Norway	100%
Polygon A/S	Denmark	56%
Svt Munters Brandsaniering GmbH	Germany	100%

NOTE 18 Deferred tax assets and tax liability

Deferred tax assets relating to:	Group	
	2002	2001
Buildings	18,224	17,927
Machinery and equipment	10,690	3,122
Inventory	13,891	9,258
Accounts receivable – trade	5,893	4,959
Provisions	14,156	9,751
Accrued expenses and deferred income	15,919	16,569
Other	3,116	2,904
Loss carry-forward	6,370	14,924
Valuation reserves	-300	-11,155
Offsets	-18,483	-15,598
	69,476	52,661
Deferred tax liabilities relating to:		
Untaxed reserves	-18,043	-14,750
Machinery and equipment	-27,046	-15,490
Inventory	-529	-440
Other	-6,827	-581
Offsets	18,483	15,598
	-33,962	-15,663
Net deferred tax asset/liability	35,514	36,998

Loss carry-forwards amount to totally SEK 41 million in nominal amount. After reduction for a valuation reserve of SEK 21 million, the net amount SEK 20 million is basis for deferred tax asset.

NOTE 19 Prepaid expenses and accrued income

	Group		Parent Company	
	2002	2001	2002	2001
Prepaid rents and lease charges	9,444	10,894	942	920
Accrued interest income	64	236	-	86
Accrued insurance premiums and license fees	7,651	4,735	270	-
Other items	26,603	26,599	150	466
	43,762	42,464	1,362	1,472

NOTE 20 Pledged assets

Pledged assets for liabilities to credit institutions	Group	
	2002	2001
Chattel mortgage	13,766	5,003
Receivables	13,632	-
	27,398	5,003

Pledged assets of 22,756 are enclosed from acquired companies in the year.

NOTE 21 Equity

Group	Capital stock	Restricted reserves	Non-restricted reserves	Total
Amount at beginning of the year	125,000	214,148	673,079	1,012,227
Dividend			-73,658	-73,658
Buy-back of stock/options program		2,918	-25,092 ¹	-22,174
Transfers between restricted and non-restricted reserves		-27,477	27,477	-
Translation difference		-1,778	-66,231	-68,009
Net earnings			265,622	265,622
Amount at end of the year	125,000	187,811	801,197	1,114,008
Parent Company	Capital stock	Restricted reserves	Non-restricted reserves	Total
Amount at beginning of the year	125,000	71,596	315,261	511,857
Dividend			-73,658	-73,658
Buy-back of stock/options program		2,918	-25,092 ¹	-22,174
Group contribution			5,594	5,594
Net earnings			129,545	129,545
Amount at end of the year	125,000	74,514	351,650	551,164

Capital stock consists of 25,000,000 shares with nominal amount SEK 5.

¹ Refers to buy-back of 114,700 shares of company stock. The company owns 562,200 shares of its own stock.

NOTE 22 Provisions for pensions and similar commitments

	Group		Parent Company	
	2002	2001	2002	2001
Provision for FPG/PRI pensions	82,237	73,741	33,969	32,286
Other pensions and similar commitments	27,409	25,687	-	-
	109,646	99,428	33,969	32,286

NOTE 23 Other provisions

	Group	
	2002	2001
Provisions for warranties	38,552	57,471
Provisions for restructuring costs	–	2,382
Provisions for rental obligations	19,120	19,120
Provisions for legal disputes	18,488	10,988
Other provisions	2,037	1,000
	78,197	90,961

During the year, an additional reserves of SEK 7.5 M were allocated to cover potential claims related to accrued interest and other costs for a legal dispute from 1991.

NOTE 24 Liabilities to credit institutions

	Group	
	2002	2001
Credit line granted	634,669	492,000
Unutilized portion	–173,087	–155,819
Bank guarantees	–44,588	–61,706
Other loans and lease obligations	–1,119	–690
	415,875	273,785

The maturity of the liabilities are distributed as follows.

2003	260,327
2004–2007	155,548
	415,875

NOTE 25 Accrued expenses and deferred income

	Group		Parent Company	
	2002	2001	2002	2001
Vacation pay liability	65,519	41,942	1,939	2,571
Social security expenses	48,282	65,340	3,086	1,882
Other expenses related to personnel	71,260	56,359	1,776	5,642
Goods received but not invoiced	7,457	21,310	–	–
Accrued interest	2,926	890	167	505
Other items	55,735	44,130	2,991	2,390
	251,179	229,971	9,959	12,990

NOTE 26 Contingent liabilities

	Group		Parent Company	
	2002	2001	2002	2001
Guarantee obligations FPG	1,644	1,475	48,948	42,929
Bank guarantees	1,467	3,500	380	29,387
Parent Company guarantees	14,818	15,707	14,818	15,707
Other contingent liabilities	6,579	976	–	–
	24,508	21,658	64,146	88,023

Guarantee obligations FPG refer to provision for pensions. Remaining contingent liabilities are normal business related guarantees, for example advance payment and performance guarantees. Bank guarantees which are included in granted credit line with credit institutions are disclosed in note 24.

Stockholm, March 12, 2003

Berthold Lindqvist
Chairman

Bo Ingemarson

Anders Jagraeus

Sören Mellstig

Sven Ohlsson

Lars Spongberg

Inge Nodfors

Gunnar Ståhlberg

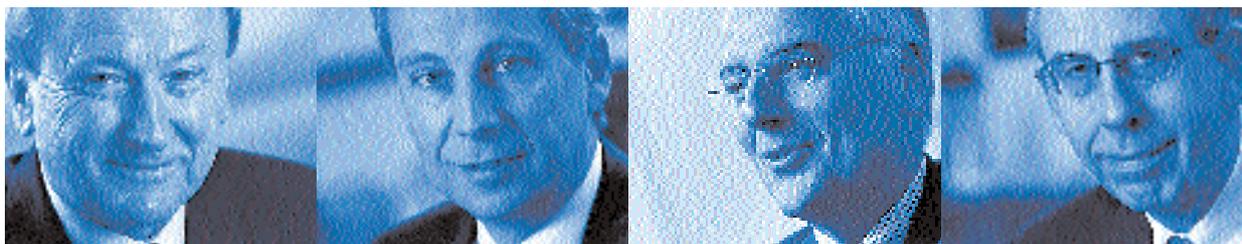
Lennart Evrell
President and CEO

Our Audit Report was submitted on March 12, 2003.

Björn Fernström
Authorized Public Accountant

Gunnar Widhagen
Authorized Public Accountant

Board of Directors



Berthold Lindqvist

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

Lennart Evrell

Date of birth 1954
Director since 1997.
President and Chief Executive
Officer of Munters.
Director of Sapa AB.
Employed since 1995.
Shares held: 29,043 including
15,000 through companies.
Options: 65,000

Bo Ingemarsson

Date of birth 1950
Director since 1997.
Chairman of Intrum Justitia AB
and Ostror AB. Vice Chairman of
Uppsala Universitet. Director of
IVA – Näringslivsrådet.
Shares held: 2,000

Anders Jagraeus

Date of birth 1945
Director since 1997.
Chairman of Kontura
International Sverige KB.
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 Audiodev AB and
Hardford AB.
Director of Scancoin AB and
Schneiderföretagen 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,
Biora AB, Intervalor AB, Aerocrine AB
and portfolio companies of Nordic
Capital.
Shares held: 400



Inge Nodfors

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

Gunnar Ståhlberg

Date of birth 1951
Director since 2002.
Employee representative nominated
by the Swedish Trade Union Con-
federation.

Ingela Hållkvist

Date of birth 1970
Alternate director since 2001.
Employee representative nominated
by the Swedish Trade Union Con-
federation.

Thord Pettersson

Date of birth 1947
Alternate director since 2002.
Employee representative nominated
by the Swedish Union of Clerical and
Technical Employees in Industry.

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: 65,000

Bernt Ingman

Date of birth 1954
Executive Vice President and
Chief Financial Officer.
Employed since 1997.
Shares held: 9,552
Options: 51,000

Mike McDonald

Date of birth 1947
Senior Vice President,
Regional President Americas
and President of Munters
Corporation.
Employed since 1995.
Shares held: 2,300
Options: 40,000



Sören Sjöström

Date of birth 1945
Vice President Human Resources
and Corporate Communication.
Employed since 2000.
Shares held: 500
Options: 20,000

Erik Williamsson

Date of birth 1950
Senior Vice President and
Regional President Asia.
Employed since 1984.
Shares held: 1,181
Options: 32,000

Independent auditors

Björn Fernström

Date of birth 1950.
Employed by Ernst & Young.
Company auditor since 2002.

Gunnar Widhagen

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

Magnus Röcklinger

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

Peter Frygner

Date of birth 1966.
Employed by Ernst & Young.
Company alternate auditor since 2002.

Auditors' Report

To the Annual General Meeting of Shareholders in Munters AB (Publ.)
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 2002. 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 12, 2003

Björn Fernström
Authorized Public Accountant

Gunnar Widhagen
Authorized Public Accountant



Food is one of life's essentials. Munters' technology is used throughout the entire chain of food processing, from breeding and production, to storage, preparation and serving. Munters' evaporative cooling systems create ideal climatic conditions for animal breeding and greenhouse cultivation, thus increasing productivity and quality. Dehumidification equipment from Munters controls the humidity level during food production, thus ensuring that consistency and appearance are maintained, while improving hygiene. By combining dehumidification and cooling, Munters creates a comfortable indoor climate in both kitchens and dining rooms for employees and guests. Enjoy!

Financial information

Interim Report January–March, April 25

Annual General Meeting, May 7

Interim Report January–June, August 18

Interim Report January–September, October 27

Earnings report, February 2004

Annual Report 2003, April 2004



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