Munters

INDOOR CLIMATE BY MUNTERS

ANNUAL REPORT 2009

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Munters' annual report in Swedish and English is sent only to shareholders and other stakeholders who explicitly request it.

Cover photo
Even in extreme climates, people must provide for their families. Buildings for schools, hospitals, food stores and sports and recreation facilities are also needed in these locations. Munters is a leading supplier of energy-efficient air treatment solutions that create an optimal indoor climate in buildings and industrial processes, regardless of the outdoor climate.

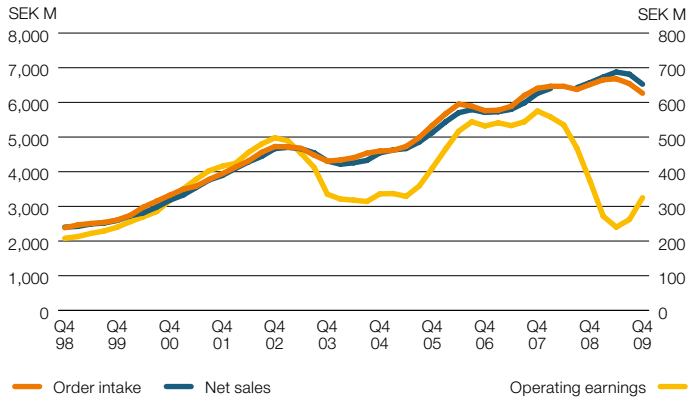
Every care has been taken in the translation of this annual report. In the event of discrepancies, however, the Swedish original will supersede the English translation.

2009 in figures

- Order intake totaled SEK 6,263 M (6,515), a decrease of 14 percent, adjusted[1]
- Net sales amounted to SEK 6,524 M (6,570), down 11 percent, adjusted[1]
- EBIT, before nonrecurring items, totaled SEK 341 M (516), a decrease of 39 percent, adjusted[1]
- MCS Italy was divested during the year
- Nonrecurring items amounted to an expense of SEK 30 M (expense: 154)
- Operating cash flow for the full year totaled SEK 461 M (177)
- Net earnings after tax were SEK 135 M (165)
- Earnings per share amounted to SEK 1.81 (2.21)
- The Board of Directors proposes that the payment of dividends be resumed. The proposed dividend is SEK 1.00 (0.00)

[1] Pro forma, adjusted for exchange-rate changes, acquisitions and divestments.

Earnings trend (rolling four-quarter figures)



Key data	2009	2008	Change %	Adjusted change[1], %
Order intake, SEK M	6,263	6,515	–4	–14
Net sales, SEK M	6,524	6,570	–1	–11
EBIT, SEK M	311	362	–14	
EBIT margin, %	4.8	5.5		
Earnings after financial items, SEK M	246	285	–14	
Net earnings, SEK M	135	165	–18	
Net margin, %	2.1	2.5		
Earnings per share, SEK	1.81	2.21	–18	
Operating cash flow, SEK M	461	177	160	
Return on equity, %	6.0	13.8		
Return on capital employed, %	10.4	13.6		
Return on operating capital, %	16.9	18.5		
Capital turnover rate, multiple	2.2	2.4		
Net debt, SEK M	849	1,390	–39	
Equity ratio, %	35	28		
Number of permanent employees at year-end	3,822	4,132	–8	

[1] Pro forma, adjusted for exchange-rate changes, acquisitions and divestments.

Munters in brief

Munters creates optimized indoor climate solutions for customers in segments like pharmaceuticals, food, electronics, agriculture and for offices and other commercial premises. Munters' solutions raise customer productivity, quality and comfort based on efficient energy utilization.

Munters also has a leading position in damage restoration and temporary humidity control. The largest customer segments are the insurance and property sectors, as well as manufacturing industries and the public sector.

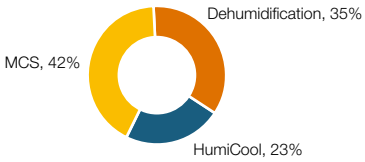
The Group has almost 4,000 employees in more than 30 countries. Operations are organized on the basis of two product divisions and a service division. The Munters share is listed on Nasdaq OMX Stockholm, in the Mid-Cap segment.

Only major units. Service depots and small sales offices are not shown.

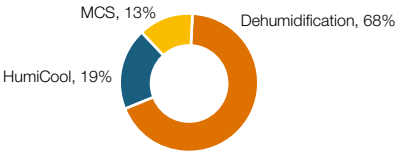
MUNTERS' THREE DIVISIONS

Operations are organized in two product divisions – Dehumidification and HumiCool and a service division – MCS (Moisture Control Services).

Net sales by division



Share of operating earnings by division



Dehumidification division

The division offers a broad range of energy-efficient air treatment solutions for industrial processes and comfort climate applications.

HumiCool division

The division offers energy-efficient solutions for optimizing indoor climate for plant cultivation and livestock breeding, Spot Climate Control – mobile systems for commercial buildings and industry – and mist elimination for industrial applications.

MCS division

Munters' service division offers services for water and fire damage restoration and temporary humidity control.

Focusing on profitability in a challenging market

We are global leaders in energy-efficient air treatment and damage restoration. Our products and services are well positioned related to the long-term trends in the market. During the past year, Munters – like many other companies – consolidated and focused on profitability and cash flow. The continuing programs to adjust the organization and processes are creating new conditions for profitable growth in the longer term.

The deep recession in the global economy dominated the entire year. In some of Munters' business segments, the downturn continued into early 2010, while other segments are showing signs of stabilization and higher order intake. Market trends further ahead remain difficult to assess.

We decided early to take forceful measures to strengthen cash flow and profitability. Restructuring actions were taken in both the first and second quarter, at the same time as we increased our focus on the Group's purchasing activities. These actions had a clear impact during the second half of the year. The trend of pressure on the margin was reversed, despite invoiced sales falling 11 percent for the full year. We also prepared additional measures for implementation whenever required; and since the market remained weak, additional adjustments were initiated in the fourth quarter. Active measures to reduce working capital were also implemented, resulting in robust cash flow in all divisions, which totaled SEK 461 M.

In tough times, one of the key leadership challenges is to promptly adjust corporate costs, while simultaneously focusing on improving the company's long-term capacity for profitable growth.

Positive effects were noted from the restructuring programs conducted in 2008 within the framework of the second phase of the Munters Efficiency Program, MEP^2. The research and development program launched in 2008 continued through 2009 despite turbulent market conditions. We allocated resources and improved procedures for the development of executive management and key personnel. We adapted the organizational structure in the divisions, improved processes and raised productivity. These initiatives will continue in 2010 and – in addition to their short-term results – we also see definite potential for favorable profitability from future growth.

Dehumidification division: Late cyclical, with a strong cash flow and favorable gross margin

In the Dehumidification product division, we are seeing an ever-increasing response to the new generation's product lines, with their superior energy efficiency. Our application expertise makes us an attractive partner for large-scale projects involving advanced facilities in such areas as the pharmaceuticals industry, office complexes and shopping malls. Moreover, Munters' leadership strengthened in demanding applications for moisture control – such as in the rapidly growing lithium battery industry.

The division's market generally follows a late cyclical pattern. During 2009, order intake declined steadily, with distinct geographic differences. In the first six months, the European market came under pressure, while the downturn in the US became most distinct during the second six months. The Asian market remained relatively stable throughout the year.

Extensive cost reductions were conducted in the division's production units during the year. Purchasing activities curtailed the cost of input goods, while the division defended its prices. The investments completed in 2008 within the framework of the MEP2 program also had the planned positive effects on profitability. Integration of the acquired company Toussaint Nyssenne was completed on schedule, laying the foundation for future growth in the commercial segment in Europe.

Our product development process is leading to improvements in product quality, performance and energy-efficiency, parallelled with the continuous rationalization of production. The conditions are favorable for further strengthening our status as the market leader when the market recovers.

HumiCool division: Adaptation to the market downturn

The HumiCool product division consists of three business areas: AgHort, HVAC and Mist Elimination. The AgHort business area supplies a broad portfolio of products to the livestock breeding and plant cultivation segment. The long-term market trend is driven by population growth, industrialization of livestock breeding and plant cultivation, and more rigorous demands in terms of controlled environments to ensure quality and animal welfare. The HVAC business area mainly supplies products for temporary cooling and heating requirements, as well as components and systems for energy-efficient cooling via evaporation.

For AgHort and HVAC, the financial crisis and resulting recession slowed the pace of investment among end customers, and the liquidity crisis in early 2009 resulted in highly

turbulent market conditions. A number of actions were launched in these business areas to adjust operational costs to match the reduced volumes. Demand remained sluggish during the year, although first signs of a recovery were noted during the final quarter.

The Mist Elimination business area is a world leader in applications involving emissions treatment in the power industry. The core technology in this area is mist elimination and it is also used in the process industry and in large air intakes in marine applications. Munters has a strong market position, but the pace of investment has been very low over the past two years. Although the business area defended its profitability relatively well in 2009, low volumes contributed to an overall decline in earnings.

HumiCool has a solid market position in Asia, where the trend was stable despite market conditions. To meet demand in China, the division established a new production unit in Southern China at year-end.

A number of projects are in progress to streamline production and the production structure in a bid to prepare the division for future growth.

MCS division: Efficiency improvements and restructuring to enhance market position

MCS, our service division, supplies services for damage restoration and temporary humidity control. With nationwide operations in a large number of countries, the division has a competitive edge when tendering for major contracts. In the largest segment, damage restoration, the slight decline in sales was due to the non-occurrence of major weather events, in contrast to 2008 when hurricanes Ike and Gustav resulted in substantial invoicing. The segment for temporary humidity control has a large share of sales in the construction sector, an industry that suffered from an adverse trend during the year. A number of MCS units performed very well in 2009, but in individual problem markets, specific actions were taken to reverse the negative trend.

MCS's operations were built up by a series of acquisitions over an extended period. Historically, the companies have operated locally with limited interaction. However, since 2007, a program has been in progress to capitalize on the leverage from MCS's global market presence. Several improvement programs were implemented during the year. A coordinated, more efficient approach to organizing operations permitted the closure of 41 depots in 2009. Markets have been merged or phased out. Operations in Italy were divested. The new mobile IT system, Field.Link, has now been launched on ten markets, including five during 2009. Centralized administration and resource planning, combined with harmonized processes, permit additional rationalization, while maintaining superior customer service and availability.

The operational model that is steadily being introduced into the division does not only provide improvements in day-to-day operations but also offers the conditions for being a leading player in the long-term consolidation of the industry.

Continuing favorable development potential

As we see it, the turbulent market situation during 2009 primarily entailed a general decline in volume. We have

only seen individual cases of consolidation of suppliers or customers in our markets. Thus, the long-term market conditions have not changed markedly. We are, of course, monitoring developments in an effort to defend and develop our market position and we see long-term potential for organic growth and strategic acquisitions.

We have endured a year of deep recession, with profitability and healthy cash flow. A number of improvement initiatives in the company have been accelerated and employees have worked hard and determinedly during challenging times. The year ahead will include continuing improvement programs and cost restraints. Overall, the prospects for profitable growth will be very favorable when market conditions improve.

Stockholm, March 2010

Lars Engström,
President and CEO

Business concept, strategy and goals

Business concept
Munters offers energy-efficient products and solutions that help customers to optimize their indoor climate and thus raise productivity, quality and comfort. Munters also offers advanced services in damage restoration.

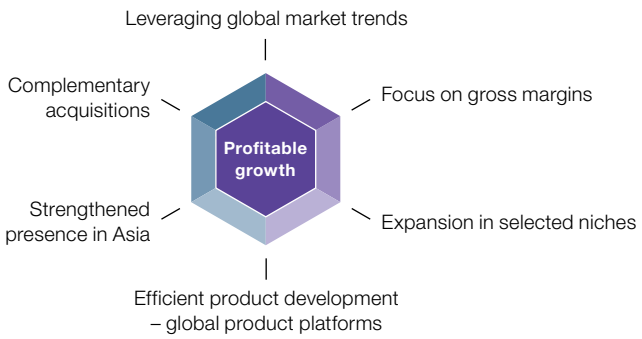
Vision
Munters' vision is to be a globally leading supplier of energy-efficient solutions for air treatment and damage restoration based on its expertise in technologies for humidity and climate control technologies.

Corporate development
Munters has developed from being a pioneer in humidity control technology to become a global supplier of complete solutions for the optimization of its customers' indoor climate. Today, Munters offers customized, high quality energy-efficient solutions worldwide. Munters is a world leader in energy efficiency.

Since the company was founded, Munters has developed through its consistent improvement programs designed to steadily raise productivity and attain efficient resource utilization. The Group-wide objective is to create an efficient organization with short lead times and integrated IT systems.

Munters has a customer-oriented performance culture with a high degree of employee satisfaction and career opportunities.

STRATEGY



FINANCIAL OBJECTIVES

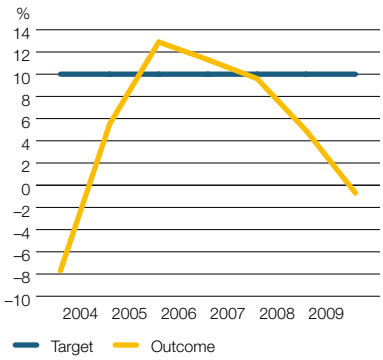
Munters builds shareholder value by developing business and creating value for customers. A favorable trend for shareholders shall be attained through a combination of growth, profitability and a high capital turnover rate. The Board of Directors has transformed this into the following concrete financial objectives:

- Sales growth of 10 percent annually over a series of years
- Operating margin of 10 percent
- Capital turnover rate equivalent to a multiple of 3

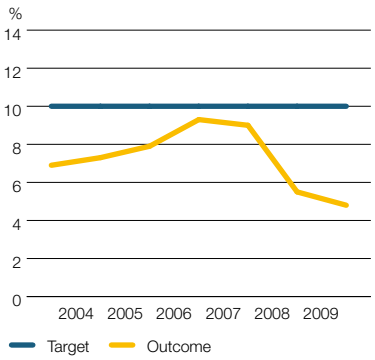
Each division and business unit has individual targets for these key figures that are adapted to their particular conditions.

FINANCIAL OBJECTIVES AND OUTCOME

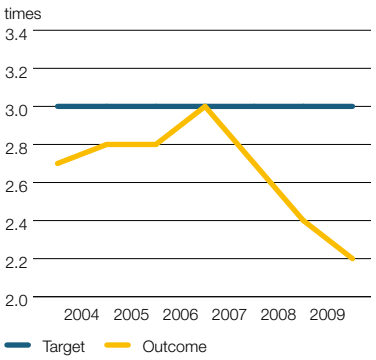
Sales growth



EBIT margin



Capital turnover rate



Operational goals and outcome in 2009

The global financial crisis, which began in mid-2008 and led to the subsequent recession, prompted a switch from a focus on growth to a focus on the improvement of profitability and cash flow. However, the Group's long-term strategies remain in place.

TARGET	OUTCOME
DEHUMIDIFICATION	
Higher profitability.	The division continued to cut its costs and add to the efficiency of production, administration and purchasing, and thus raised its margins.
Geographic expansion in energy-efficient comfort air treatment.	Integration of the Belgian company Toussaint Nyssenne, which complements and strengthens the offering in Europe and cross-fertilizes the product portfolio in Europe and the US.
Global modular product development and cross-fertilization with acquired technology.	A number of products were launched: MCD, MCD System-configuration, Comdry and DryCool™ SPC.
Selected strengthened presence in Asia.	Production capacity in China focused on the growing local market and the sales organization was strengthened.
HUMICOOL	
Focus on profitability initiatives. Cost structure adapted to market conditions. Rationalized and relocated logistics and production.	Higher productivity and reduced costs through additional concentration of production to China, Mexico and Italy. Local units in, for example, Thailand and Denmark have been restructured to support the division's global logistics solution.
Geographic growth, both organic and through new acquisitions.	Strengthened resources in India and Brazil, along with the maintenance of sales and technical resources in Asia, despite a tough market situation.
Product and systems development for the global market. A higher share of solutions in the customer offering.	In the AgHort business area, holistic solutions in the poultry and pig farm segment were developed and launched in the global market with positive results in South Korea, Turkey and other markets.
Strengthened position in the value chain through the supplementation of the product portfolio, application expertise and logistics.	Several new products were developed through partnership with other companies. Examples include control equipment for various AgHort applications and evaporative coolers for industrial and commercial applications.
MCS	
Four selected customer segments: insurance companies, property management, public properties and industry.	New solutions and services were developed for each of the selected segments, leading to a number of major framework agreements. A stricter selection process was introduced with higher return requirements. Meanwhile, 100 executives were trained in value-based pricing.
Flexible, performance-oriented organization.	Management was strengthened, as was organizational efficiency, with a focus on results. Administration and logistics were centralized. A Rapid Response Team was established to handle emergency international actions.
Increase in delivery capacity with fewer physical depots.	41 of 301 depots were closed with no negative impact on MCS's high availability and service. A new central booking unit with a new concept for coordinated booking and outgoing deliveries was established in Germany.
Merger or disposal of operations that do not reach critical mass.	Operations in Ireland and New Zealand were phased out. The Italian business was sold. Operations in Austria and Switzerland were merged, as were those in France and Belgium.
Focus on capital turnover and cash flow.	Systems for benchmarking and best practice were introduced, as was a strict credit policy. Structural measures resulted in a sharp rise in cash flow.

Munters' offering

Munters partners with customers in several segments and industries. Irrespective of whether Munters supplies products, services or tailor made solutions, customer relations are marked by an understanding of the customer's challenges. Munters' expertise contributes to concrete results in customer operations. The Group's portfolio of technologies includes dehumidification, humidification, evaporative cooling, mist elimination and advanced heat-exchanger technology. An overview of the divisions' market segments is presented below.

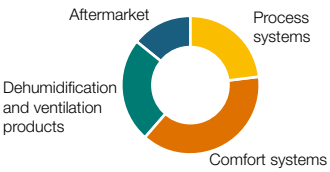
A DryCool system creating a pleasant indoor climate with low operating costs for a Japanese customer. DryCool uses heat recovery and condensation heat, making it the most efficient outdoor air dehumidifier in the market.

Two installed ESAC high-performance coolers creating ideal temperature and air humidity. The model is based on the natural principle of using water to control the temperature and provide fresh air throughout the premises, resulting in very low installation, maintenance and operating costs.

Munters' humidity engineers identify potential damage areas in a property. Damage is promptly and effectively identified by engineers using technology such as acoustic leak detection, fiber optics, electro-acoustic pipe localizing and detection gas.

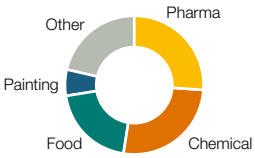
DEHUMIDIFICATION DIVISION

Sales per segment



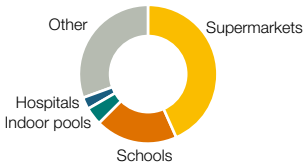
The Dehumidification division offers a broad range of energy-efficient air treatment solutions for industrial processes and comfort climate applications.

Process systems



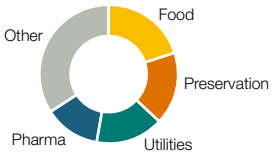
Munters offers engineered systems for energy-efficient air treatment and humidity management for a broad range of industrial processes which demand a high level of control. These deliver precisely conditions air at the appropriate volume, thus ensuring the highest safety, quality and efficiency in the manufacture of pharmaceuticals, food, chemical products and a long list of other process-critical applications. The technology has been adapted to also remove solvents from emissions resulting from production processes. The systems provide air flows of between 10,000 and 150,000 m^3 per hour. They are manufactured in the US and Germany.

Comfort systems



Munters offers energy-efficient systems that create a comfortable indoor climate by controlling both humidity and temperature in commercial and public premises. They prevent mold formation and thus minimize the risk of allergies and building issues. The systems are energy-efficient and have low operating costs in that they use a patented heat-exchange technology. The comfort systems can provide substantial air flows of up to 100,000 m^3 per hour. Manufacturing primarily occurs in the US and Belgium.

Dehumidification and ventilation products

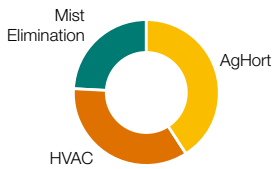


Dehumidification and ventilation products are primarily deployed for quality assurance in a number of areas. The products are sold as system solutions for protection against condensation, corrosion and rust in industrial applications and to prevent taste and odor contamination in the production of food. This product area also comprises standard products for dehumidification of air and ventilation of premises.

* All diagrams display share of net sales 2009.

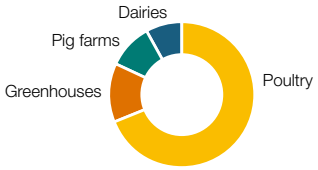
HUMICOOL DIVISION

Sales per segment



The HumiCool division offers products and systems for the optimization of indoor climate for plant cultivation and livestock breeding, Spot Climate Control – mobile systems for comfort and industry – as well as mist elimination for industrial applications.

AgHort products

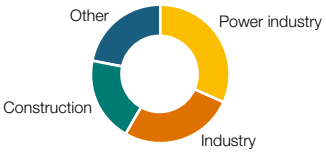


AgHort offers energy-efficient methods for creating the ideal indoor climate for livestock and plants.

Indoor climate has a major impact on livestock welfare, which in turn affects the feed/growth ratio. By this means, productivity is affected, which has a major financial significance for animal breeders. A similar relationship applies to the greenhouse industry.

Munters' product portfolio includes fans, cooling pads, air intakes, heaters and control equipment. Combined, they offer the potential to create complete systems to control the climate in facilities for livestock breeding and greenhouse cultivation. The two basic technologies are evaporative cooling methods and specially adapted heaters. Munters' manufacturing is conducted primarily in Italy, the US and China.

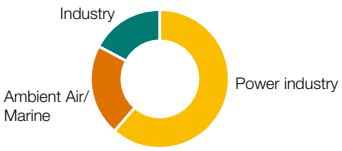
HVAC: Spot Climate Control products and systems



Spot Climate Control is Munters' solution for climate control subject to seasonal or space limitations. For these applications, Munters has optimized our HVAC product portfolio to include heaters, evaporative coolers, dehumidifiers and humidifiers which control climates within small spaces for specific seasons of the year. Manufacturing is conducted primarily in Italy, Mexico and China.

Another application area for Munters' GLASdek and CELdek cooling pads are pre-coolers that increase the performance of large systems. GTEC is a Munters solution that pre-cools intake air to gas turbines to raise gas turbine capacity. These systems are developed and sold from the division's units in Germany and the US.

Mist Elimination systems

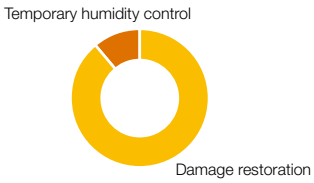


Mist Elimination is based on Munters' proprietary technology for droplet separation, that is, when liquid and gas are separated mechanically. The products are manufactured in Germany, the US and China.

A key business segment is emission control systems, for which the major application is Flue Gas Desulfurization (FGD), which involves the separation of sulfur from flue gases in coal-fired power stations. Other significant segments are Air intake, in which marine applications are common, as well as the Process industry in which Munters' products are used in chemical process equipment for the separation and cleaning of gas and liquids.

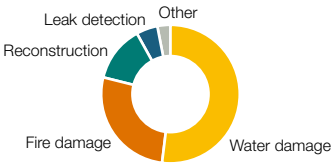
MCS DIVISION

Sales per segment



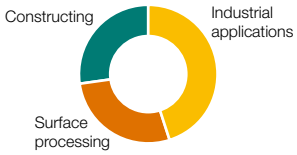
The MCS division offers a broad portfolio of services in damage restoration and temporary humidity control. The division focuses on insurance companies, property management companies, public properties and industry.

Damage restoration



Munters offers cost-effective and environment-friendly restoration of damage of highly varying types. High availability, short input periods, modern technology and efficient processes are value-adding competitive advantages that Munters can offer customers through its size and accumulated experience in the area. Damage restoration is conducted in all conceivable environments, from the restoration of individual buildings to large-scale commercial damage and restoration following major individual events. The division also offers preventive services such as the Code Blue™ program.

Temporary humidity control



Munters also offers services that involve temporary humidity control at sites in which air humidity is a problem. The technology is applied to eliminate corrosion during surface treatment and to limit or prevent disruptions in production processes in connection with construction and maintenance work. Productivity during construction is increased thanks to faster drying and the ability to continue working regardless of weather conditions.

The solution is cost effective in that installation is temporary and energy-effective products are used.

CODE BLUE™

Code Blue™ prevents damage

Code Blue™ is Munters preventive operational security program that identifies and handles risks in companies. The purpose of Code Blue™ is to prevent and create preparedness for the most business-critical risks in operations. With assistance from Munters specialists, a plan is drawn up for stable operation and for actions that limit damage in the event of an emergency or disaster.

Impress B.V., a Dutch company and customer of Munters, is working with Munters to create a Code Blue™ plan. Mr. Koch, site manager at Impress, comments:

"After suffering through an operational disruption last year, Munters' input was very effective and made a strong contribution to ensuring that production resumed. Since then we have contracted Munters for a preventive assignment within the framework of the Code Blue™ concept. Munters' experience with restoration and damage limitation is also highly valuable for preventive programs."

Customer case studies

Coastal hospital saves energy with Munters DryCool™

CAIRNS BASE HOSPITAL

Cairns Base Hospital is one of Australia's largest and most modern hospitals. Some 35,000 patients are treated here each year. The hospital's operations include general healthcare, surgery, medicine, women's health, pediatrics and psychiatric care. Due to the hospital's location on the coast in a warm and humid climate, it is necessary to regulate the temperature and the humidity in the buildings. The challenges lies in achieving a sterile, healthy and comfortable indoor climate while optimizing energy consumption.

An analysis was performed to evaluate the original air conditioning in the hospital's eight operating rooms. The analysis showed that the hospital's conventional air conditioning system was not primarily designed to remove moisture. Instead, a complementary system with cooling and reheating was installed for this purpose, which consumed considerable energy. Neither was the system's performance optimal.

Munters' solution was to replace the complicated and energy-consuming systems with a number of DryCool™ units, which were integrated with the hospital's existing ventilation system. Munters' system not only meets meticulous demands concerning regulation of temperature and humidity: it also reuses waste heat, a key factor in efforts to reduce energy consumption.

Employees and patients at the hospital have gained a more pleasant indoor climate since the installation of DryCool.

An evaluation showed that the new system resulted in sharply reduced energy consumption.

In financial terms, it is estimated that the investment will be recovered through reduced energy costs in just 2.5 years. The energy savings thus easily repay the investment. Meanwhile, the lower energy consumption reduces the impact on the environment.

Better work environment enhances productivity

ALLEGRI

The Italian company Allegri produces hoses and components for customers active in the chemical and process industries. The family-owned company has 50 employees who annually produce and supply a million hoses and 4.5 million components to customers in Europe, China and Australia. Annual sales total about EUR 7 M.

The workshop is the hottest and dustiest site in Allegri's 3,000 m^2 large factory. Manufacturing here is conducted using machinery that generates hot air. During the summer six months, daytime temperatures move up to +41°C in the workshop section, compelling employees to take frequent breaks.

Since Allegri installed Munters ESAC FCX 35T system for evaporative cooling, the company has managed to reduce the temperature dramatically, while also eliminating unpleasant odors. This has markedly improved the work environment and employee motivation, thereby boosting productivity. Moreover, the solution is energy efficient, and uses 75 percent less energy than conventional air conditioning.

The company's CEO, Claudio Allegri explains: "The cost was lower than conventional air conditioning systems but we also opted for it for environmental reasons. We use much less electricity with this system, which is good for the environment and our carbon footprint."

Installation of a Munters ESAC system at a customer site.

Higher demand for lithium batteries generates new business

TCL/XIAN QINGHUA

Worldwide demand for lithium batteries is increasing. These batteries are used in such products as mobile phones, portable music players and laptop computers. Interest in electric vehicles is a future growth area that is undergoing a dramatic shift in technology with new materials for insulators and batteries. Global sales of lithium batteries in 2009 were estimated at USD 8.6 billion. China is a growing market that is soon expected to surpass the US, which is currently the world's largest market. High growth is also expected in Western Europe and Japan.

The manufacture of lithium batteries is conducted in units that range from small glove box laboratories to spacious insulated rooms. The manufacturing process is very sensitive to exterior influences. The batteries must be produced in environments with less than one percent humidity, since lithium reacts with water vapor to produce lithium hydroxide, hydrogen and heat. Water vapor acts as a catalyst, so lithium metal exposed to moisture levels exceeding one percent has an adverse impact on battery quality, performance and shelf life. At higher humidity levels, the material could even self-ignite, which not only makes production impossible but also constitutes a safety risk.

One example of a customer's positive experience with Munters' dehumidification systems is China's TCL/Xian Qinghua battery plant. The company uses Munters' sustainable, high-efficiency solutions for dry rooms in both their R&D and production units.

The production of lithium batteries requires dry air, otherwise the material may spontaneously ignite.

As a market-leading player, Munters has supplied dehumification systems to several plants for the production of lithium batteries across the globe. Munters' turnkey solutions generate considerable amounts of dry air at a low dew point, which ensures customer productivity and quality in a cost-effective manner.

Munters works close to the customer and offers solutions that take all relevant design parameters into account. The humidity level is set and controlled by a high-precision control system. Recently, the energy efficiency in these systems was increased by 30 percent. Munters will shortly introduce its Green Purge concept, which is designed to strengthen Munters leading position in this technology.

Munters' building driers on the 13th floor

DURA VERMEERS – ROTTERDAM CENTRAL POST

Providing temporary humidity control for buildings under construction is a common application for Munters' equipment. Due to the size and weight of the equipment, it is in most cases placed on the ground floor or outside the building.

Recently, an extensive renovation and extension project was completed when Rotterdam's landmark central post office was transformed into an office and shopping center. Since 2009, a 70-meter high building complex – Central Post – has risen above Rotterdam, complete with offices, stores and restaurants.

The challenge for Munters in this case was that drying was required on the six new floors that have been added to the top of the building. It was of major financial significance for the construction company, Dura Vermeer, to get the building finished on time. Consequently, it was also important to keep the building site warm and dry so that work could continue uninterrupted through the wet and cold autumn/winter season.

To solve this problem within a limited space and avoid heat loss as a result of lengthy duct work, the equipment was hoisted up and onto the particular floors. This solution also permitted the recycling of waste heat and eliminated the need to lay obstructive duct work throughout the building site.

In addition to optimizing the production time, the solution also resulted in unusually low energy consumption.

"We were able to forget our concerns about the heating and concentrate solely on construction. The installation was well arranged, with no unnecessary awkward duct work. Whenever operational disruptions occurred, Munters arrived without delay," comments Dura Vermeer's site manager, Danny Blankespoor.

The building site at a 70-meter height was kept dry and warm throughout the rainy and cold season.

Market and business environment

A number of trends are driving the long-term increase in demand for Munters' services. By gradually broadening the customer offering, Munters has developed into a leading global supplier of energy-efficient and environment-friendly solutions for air treatment and damage restoration. Today, customers are active in a series of segments, of which the largest are the insurance, food, pharmaceuticals and electronics industries. Several of Munters' products and services contribute to sustainable development.

By consistently developing new energy-efficient and environment-friendly solutions tailored to customer needs, Munters is now well positioned to capitalize on a number of global trends.

Rising energy prices

The rising long-term price trend for energy is bolstering demand for solutions that add to energy efficiency. Conventional air conditioning is one of the world's principal energy consumers. Compared with alternative solutions, Munters technology frequently leads to lower energy consumption and less resource waste.

Environmental requirements and environmental impact

Worldwide, corporate investments are increasingly influenced by environmental considerations. The climate debate and public opinion regarding the emission of greenhouse gases are particularly influential factors. Across the globe, companies are making major efforts to report and limit their environmental impact, partly as a result of stricter emissions legislation, but also because of financial and idealistic reasons.

Munters' engineers are responding to the growing demand for environment-friendly products and production processes. In addition, a number of the Group's products are used to reduce emissions of hazardous substances, such as sulfur dioxide, which contribute to the greenhouse effect. Munters' damage restoration operations contribute to avoiding demolition and rebuilding anew, and instead facilitate renovation and the recycling of damaged materials.

Increased demands on indoor climate

Increasingly tougher demands are being imposed on the indoor climate of commercial and industrial facilities. A controlled indoor climate can be of decisive significance for industries with sensitive production processes, such as food, pharmaceuticals and electronics. Munters' energy-efficient solutions for climate control offer customers the potential to cut their resource utilization and environmental impact.

Customer efforts to save energy by sealing and insulation unfortunately often create problems of mold, dampness and allergies. Munters can reduce these problems in two ways: with a fixed installed unit that provides energy-efficient ventilation which prohibits the problems from arising; or via the MCS service division, which intervenes in already affected environments.

Economic growth in Asia

Rapid economic growth in Asia – notably China and India – has created a large population with rising living standards. This entails greater demand for both comfort cooling and products that require a controlled indoor climate during the manufacturing process. These regions continue to enjoy cost advantages, making it more beneficial to locate production there. Thus, Munters' strategy includes a long-term focus on growth in Asia, for both its expanding market and its production advantages.

Industrialization of the food sector

Several factors in the global economy have led to a rising price trend for food. This imposes pressure on food producers and, in turn, is driving global consolidation and regulation of the agricultural and food industries. This trend has resulted in increased investments in productivity- and hygiene-enhancing equipment. Controlling humidity levels in food production and distribution facilities inhibits the growth of bacteria and mold, while also improving shelf-life and quality. To ensure high product quality, the production environments must also be identical irrespective of the climate zone.

Munters has a strong position in the market for solutions for all stages in the food industry – production, manufacturing, transport, storage and store sales. Munters' climate control systems for livestock breeding boost productivity and reduce the risk of illness.

Consolidation in the insurance industry

The insurance industry has been undergoing consolidation over a number of years. Insurers are growing and their processes are being industrialized and made ever-more efficient. Many insurance companies wish to reduce their costs for claims adjustments and restoration by working with fewer, nationwide or international suppliers. Frequently, partners who can assume responsibility for the administration of claims settlement are required. Munters' MCS service division has a strong position thanks to its geographic spread, long-term national or regional cooperation agreements at fixed prices, and its ability to assume greater responsibility even for claims settlement and IT-based documentation.

Competition and position

The deep recession in the global economy dominated the year. Global demand fell in all of Munters' product segments. Munters is of the opinion that the Group performed well in defending its market position and that sales primarily tracked the general downturn. Thus, Munters' market shares are deemed to have remained essentially unchanged. The market assessment presented below is based on the market segments in which Munters has been active over a protracted period. The amounts have not been adjusted to the sharp downturn in 2009.

Dehumidification division

Customers and markets

The global market for Munters' products and systems for air treatment is estimated at about SEK 20 billion. Munters' total market share is approximately 12 percent in the defined markets. In rotor-based dehumidification, market share is about 50 percent.

The food and pharmaceuticals industries represent the largest customer segments. Humidity or incorrect or uneven temperature give rise to major adverse effects on the quality of food and pharmaceuticals during production, handling and storage. Global food producers, such as Nestlé, seek productivity in production and consistent quality, taste, odor and product appearance, irrespective of the climate zone in which food products are produced. The challenge is even greater in respect of chilled and frozen goods. Munters' dehumidification systems offer customers the potential to control air humidity and, thus, control frost and ice formation during production and storage.

In electronics and the semiconductor industries, a humidity-controlled environment is decisive for the end product. One example of a demanding customer application is lithium battery manufacture, where air humidity must not exceed one percent.

The division's customers include global companies such as Wal-Mart, Texas Instruments, General Electric, Siemens, Pfizer and Nestlé.

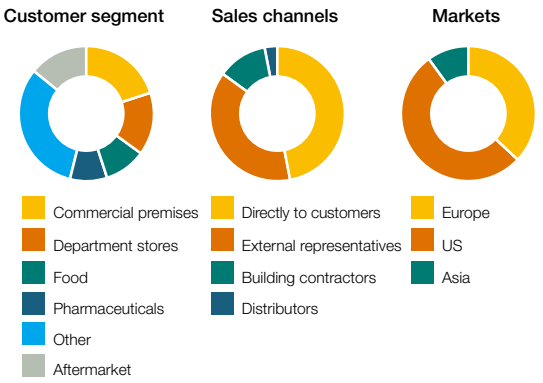
International competition

Major internationally active customers in the food and pharmaceuticals industries are seeking global partners in an effort to gain effective procurement and standardized solutions. Munters is one of the few global players with its own manufacturing, sales and service in North and South America, Europe and Asia, amid an otherwise fragmented market.

Competition is represented primarily by regional companies active in their local markets or in specific segments. Munters' market share is about 20 percent of an estimated total market for customers in the industrial segment worth more than SEK 8 billion.

A key segment for the Dehumidification division is the control of air humidity and temperature in commercial premises used by many people, such as department stores, schools, cinemas, restaurants and hospitals. These customer segments account for more than one third of the division's sales. In department stores, for example, Munters' systems create a pleasant indoor climate for customers and personnel, while the dry air prevents ice formation in frozen goods units.

One customer segment that is showing strong growth is schools, where high humidity frequently gives rise to mold



and other problems associated with indoor air, thus leading to pupils developing allergies. Operating rooms, swimming pools and ice rinks are other examples of demanding applications with rigorous demands in terms of humidity and climate control.

Energy-efficient solutions – Munters' niche

Although the most common technology for controlling indoor climate in commercial buildings is conventional air conditioning, such systems are designed to cool down the inlet air and are less suitable for controlling air humidity. This results in a risk of the indoor climate becoming humid, with the resulting threat of mold and bacterial growth. The supplementary solution traditionally used to control air humidity is considerably more energy-intensive than Munters' solutions.

Munters is a small player in the market for commercial air conditioning. By means of a niche strategy based on technology leadership, and energy-efficient products for the treatment of ventilation air, a strong market position has been built up in the premium segment. Thanks to product transfers from the US to Europe and Asia, plus focused product development and acquisitions, the available market has expanded and is expected to continue growing. Munters is currently a leader in products that control both temperature and air humidity. Munters' market share in the commercial segment amounts to about 6 percent of a total market estimated at SEK 12 billion.

Emissions cleaning

A small share of the division's operations manufactures the Zeol system, which separates solvents from emissions in production processes. This is a small but demanding application. The largest customer group consists of the semiconductor industry, but also includes customers in industry and vehicle painting.

HumiCool division

Customers and market

In a normal market situation, it is estimated that the relevant market for HumiCool is worth SEK 18 billion annually. Munters' market share totals some 10 percent. In the product areas of cooling pads and fans from AgHort, and mist elimination for flue gas cleaning, the shares are substantially higher. During 2009, the market was affected adversely by the financial crisis and the recession. Many distributors found difficulty in financing inventory holdings of AgHort and HVAC products.

Productivity-enhancing systems for livestock breeding and greenhouses

The AgHort business area accounts for some 41 percent of sales in HumiCool. The global market is estimated at approximately SEK 6.5 billion. The business area is the world leader in energy-efficient climate control for livestock breeding facilities.

Cost-effectiveness and productivity are crucial for AgHort's customers. The indoor climate for livestock and plants has a decisive impact on productivity. Demand is controlled primarily by poultry and pork consumption trends but also by technological progress in livestock breeding, with developing countries moving increasingly towards advanced production. In the short term, demand may also be impacted by unfavorable animal feed prices vis-à-vis meat prices. In addition to livestock breeding systems, Aghort's systems are also used in greenhouses, with countries in Southern Europe as the key market.

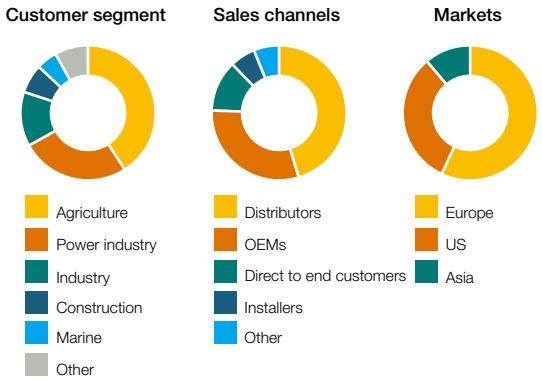
Munters supplies systems to distributors, manufacturers of livestock breeding and plant cultivation buildings, as well as directly to breeders and growers. Some components are also sold to other systems integrators. The largest markets are the US, Eastern Europe, Middle East and Italy. The major customers include companies such as Big Dutchman in Europe and Hog Slat in the US. Competitors are mainly local players with relatively small-scale production but also major players such as GSI and CTB in USA.

Temporary climate control for industry

The HVAC/GTEC business area accounts for 35 percent of the division's sales. Overall, the business area's world market amounts to about SEK 9 billion. In the HVAC segment, products in the Spot Climate Control concept account for the largest sales. The products are used when there is a need for temporary or limited cooling, dehumidification or humidification in industrial and commercial premises.

Components sold to manufacturers of evaporative cooling systems for home, commercial and industrial premises in hot and dry climates, such Australia and the US Southwest, comprise another major portion of sales.

A small but growing application is systems for cooling air-cooled condensers. HumiCool is market leader and competitors are frequently local or specialist manufacturers. Mobile heaters are sold primarily in the European market, where the principal customers are distributors such as



Clarke International in the UK, Kroll GmbH in Germany and Vneshtechkontrakt in Russia. Competitors include BM2 and DESA.

Notable customers for industrial pre-cooling are Climate Technologies in Australia and Coiltech in Sweden. The GTEC application offers cooling systems for intake air for gas turbines, referred to as pre-coolers, which provide higher efficiency in the turbine and, thus, more energy per cubic meter of natural gas.

Although traditional technology continues to dominate the market, demand for Munters' cooling systems is expected to grow long term in pace with rising energy prices and increased use of gas as an energy source. Customers consist primarily of suppliers of gas turbines, such as General Electric and Siemens. Competitors include Mee Industries in the US.

Emissions cleaning for the power industry

The Mist Elimination business area accounted for about 24 percent of HumiCool's sales in 2009. The defined global market is estimated to be worth SEK 2.5 billion. Mist Elimination is the global market leader in energy-efficient mechanical separation of liquids and gases. The dominant customer segment consists of coal-fired power stations, in which Munters' mist eliminator is used for cleaning emissions. In the power industry, rising long-term prices for natural gas and oil are likely to increase demand for energy from coal-fired power plants.

Meanwhile, more stringent environmental requirements in China mean that the rapidly expanding coal-fired power industry is seeking effective solutions to reduce hazardous emissions. Also, in the US, demand is expected to rise long term due to more stringent environmental requirements and the aim of reducing the dependence on imported oil.

However, the political uncertainty and introduction of new legislation relating to emission rights in the US has temporarily stopped the building of new FGD plants. Customers are primarily systems suppliers of cleaning facilities for coal-fired plants.

Another small but growing customer segment is the process industry in which Munters' products are used in many industrial processes in the chemical industry and in the oil and gas industries. Competitors include Koch and Peerless.

MCS division

Customers and markets

The global market for damage restoration after water and fire damage (excluding reconstruction) is estimated to be about SEK 35 billion. MCS's market share in this segment is estimated at some 7 percent. The total market for temporary humidity and temperature control is estimated at more than SEK 5 billion, with MCS's market being about 7 percent.

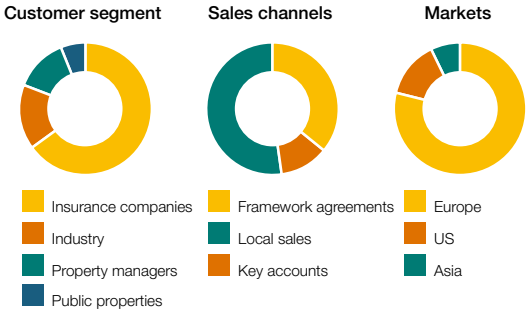
Underlying growth is stable and has historically been relatively unaffected by changes in economic trends. However, demand is heavily affected from year to year by major inputs in connection with various natural disasters. The division's customers are primarily insurance companies, but government agencies and private organizations are other key customer groups.

Fragmented industry

Both the insurance industry and the damage restoration industry have traditionally been highly fragmented. More than half of assignments have gone to small local players. Water and fire damage restoration is still largely a local business.

The consolidation under way in the insurance industry has, however, meant that the major insurers are endeavoring to add to their efficiency and simplify the procurement process and handling of claims. They are seeking a comprehensive range of services, which small local damage restoration companies cannot offer.

This has led to an increasing share of operations being based on national, and in certain cases, international framework agreements in accordance with centrally negotiated terms and prices. These contracts permit more efficient operations and lower cost. This move towards framework agreements has made most progress in the UK and Scandinavia and has been introduced in more markets in recent years. This trend favors Munters, since MCS is one of the few damage restoration companies operating with global organizational structures and value-creating solutions.



Munters estimates that framework agreements will eventually account for about 45 percent of sales in MCS, compared with 40 percent in 2009. During the year, several new framework agreements were signed. MCS has a large share of its operations based in Europe, where the Nordic market accounts for a substantial portion. The division currently has major growth potential in the US market and is well set to raise its presence in the region. MCS's aim is to expand in the US by means of a broader service offering, and expansion will primarily be organic and, possibly include some form of selective acquisitions in the longer term.

Economies of scale for major players

MCS has numerous assignments, although the individual value is usually relatively small. This offers the potential for increased large-scale operations and rationalization. One area that could offer economies of scale to major players is communication internally between damage engineers and administrators and externally with customers in insurance matters. Well-functioning communication offers the possibility to organize operations efficiently and minimize administration and the number of necessary visits to damage sites. Follow-up and quality assurance are facilitated by clearer documentation. Examples of competitors are Belfor and ISS Damage Control.

Left: Munters' engineers can be in place just a few hours following fire damage. Rapid reaction is decisive in minimizing claims after fires have been extinguished.
Center: Application know-how makes Munters an attractive partner in connection with major projects involving complex facilities such as large swimming pools and sports arenas
Right: With Munters' climate control system in greenhouses, growers attain stable growth, while mold and root infections are reduced.

Personnel

A career with Munters offers opportunities to work worldwide. The culture promotes personal initiative and development.

Munters is a global company with ambitions to grow organically and through acquisitions. The corporate culture focuses on customer requirements and demands. The commitment of employees to meet these requirements form the basis for Munters' continuing growth and development.

Career opportunities and incentive programs
Munters offers employees considerable opportunities to broaden their work assignments and develop in their professional roles. They are encouraged in various ways to take on new challenges and make a career in the organization.

Meanwhile, Munters seeks to recruit internally when new positions are to be filled. Vacancies are advertised so that employees can seek positions in various companies within the Group. To facilitate employees who are considering switching jobs, there is the potential for dealing confidentially with the application.

In addition to the development opportunities for high-performance individuals a Munters, a structured program of incentives and variable pay exists at different levels in the company. These programs are aimed at clarifying goals and priorities, putting a premium on performance and keeping part of the company's payroll costs variable. In the case of executives, variable pay is based on sales and profit trends, capital turnover rate and other strategic goals.

Increased coordination and competence sharing offer more development opportunities
Munters' operations and organization are in transition. A number of initiatives are under way to enhance processes and systems support, create shared tools and strengthen cooperation across company boundaries. The change offers a series of new opportunities to develop as part of a fast-growing global community. During the year, global initiatives were implemented in purchasing and product development departments in which employees from various parts of Munters' operations cooperated and jointly achieved excellent results.

Munters Continuity Planning work tool permits the matching of the company's requirements for various skills with employee ambitions in terms of career and personal development.

Employee surveys are undertaken continually in Munters' operations as part of the improvement and development programs regarding HR issues. Every second year, a global Group-wide employee survey is conducted from which the results are compared with other companies.

Group-wide HR work

A central task for Group-wide HR work is to analyze the conditions and take actions to ensure short- and long-term competences in various parts of Munters' operations. The management group for global HR issues plays a pivotal role in this work.

During 2009, additional steps were taken in the program involving competence supply for executives and other key personnel. A major issue involves how Munters can optimize its ability to utilize and prepare employees for key positions in other parts of the Group.

During 2009, a project was initiated to create a uniform framework for all of Munters' training programs. More coordinated training activities would improve cost effectiveness and contribute to strengthening the shared corporate culture.

Munters offers leadership program that is adapted to suit participants' needs and level of experience. This is achieved primarily in consortium form in cooperation with other industrial companies with international experience. The course offers participants the potential for a significant exchange of experience.

The development of Group-wide processes to facilitate employee mobility in terms of work assignments in various countries continued.

International meetings involving executives and key personnel are conducted regularly. The purpose is to capture new ideas that could lead to more and better business and increase competitiveness in the numerous local markets in which Munters is active.

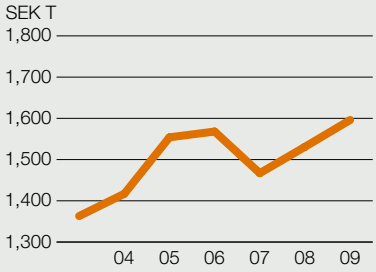
Workforce reductions in 2009

Munters' workforce, including temporary employees, decreased in 2009. The average number of employees was 4,087, compared with 4,291 in 2008. At the beginning of the year, the workforce totaled 4,135 and it numbered 3,822 at year-end. Two factors underlie the change: The lesser factor is a reduction in personnel requirements as a result of productivity increases, which lead to changes in the workforce at the MCS division. Most of the change in workforce was due to adjustments to match a decline in demand due to the economic crisis. The HumiCool division responded to the very rapid and sharp decline in the market's demand with proportional workforce alignment. Considerable attention was devoted to making workforce reductions in line with the agreements and legislation that apply to personnel redundancies in the particular countries. Special importance was also attached to ensuring that key personnel were retained.

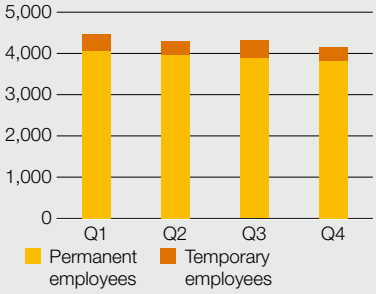
Despite the extraordinary circumstances during 2009, personnel turnover was 17 percent, or equal to that of the previous year.

Munters continues to be a company with many young employees. A full 50 percent of the workforce is younger than 40. Women accounted for 17 percent, down from 19 percent in 2008.

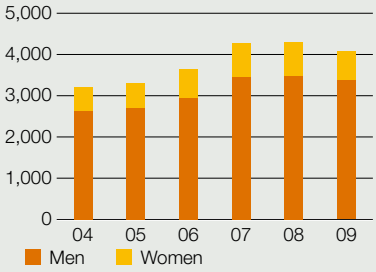
Net sales per employee



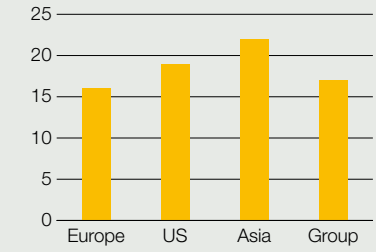
Permanent and temporary employees



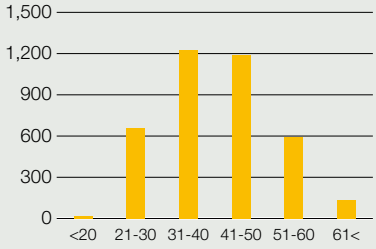
Average number of employees



Personnel turnover
based on the average number of employees,%



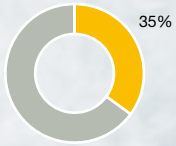
Distribution by age



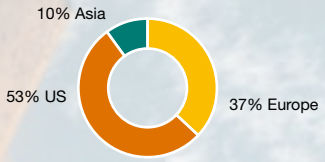
Dehumidification
DIVISION

THE DIVISION IN BRIEF

Share of consolidated net sales

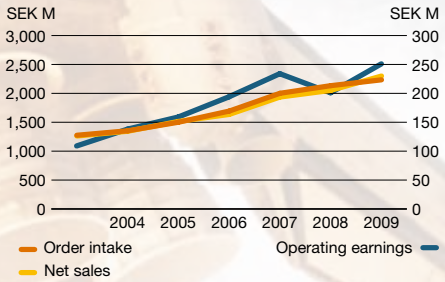


Net sales by geographic region



Key data	2009	2008
Order intake, SEK M	2,234	2,133
Net sales, SEK M	2,300	2,051
Operating earnings (EBITA), SEK M	251	201
Operating margin, %	10.9	9.8
Return on operating capital, %	44.7	38.7
Capital turnover rate, multiple	4.1	3.9
No. of employees, Dec 31	1,198	1,301

Sales and earnings trends



Munters dehumidifies parts of NASA's Cape Canaveral facility. Each unit is designed to meet NASA's stringent requirements, one of the most important being to protect the facility from the high air humidity on the Florida coast.

Cost control yielding results in declining market

Munters' Dehumidification division offers a broad range of energy-efficient air-treatment solutions for industrial processes and comfort climate applications. The division took early measures in anticipation of the coming recession. Profitability was well defended during the year and the division is positioned for strong performance when economic recovery occurs.

Munters' world-leading brand and strong customer focus, advanced technological expertise and global presence provide the division with a commanding position in the market. Western Europe and the US are the largest geographical markets. Manufacturing takes place at plants in Sweden, the US, Brazil, Japan and China.

The Dehumidification division is active in two business segments:

- Industrial process control
- Commercial comfort climate

In both cases, Munters offers products and solutions that improve air quality based on the most energy-efficient technology. The principal technology is based on Munters' dehumidification rotor, which is engineered to absorb humidity.

Development during the year

The division's sales experienced an unfavorable trend throughout the year due to the global financial crisis and recession. Customers reduced their investment pace, largely due to challenges in securing financing. The more profitable Industrial business area experienced a decline of about 12 percent, while the less profitable Commercial business area's sales increased by 3 percent, largely as a result of Toussaint Nyssenne, which was acquired in late 2008.

The decline in sales was primarily attributable to US operations, which were down 12 percent, with a slight recovery at year-end. European operations reported a decline of 4 percent during the year in comparable units. Asian operations noted an increase of 6 percent.

Despite the overall decline in volume and a disadvantageous mix between Commercial and Industrial, the division successfully maintained its gross margins and operating earnings. A number of structural actions resulted in cost reductions, primarily for material and overhead. Restructuring costs of SEK 16 M were incurred in the first six months to adjust to declining demand, primarily in Europe. The investments that were made in the MEP2 energy-efficiency program in 2008 also achieved their intended effect, primarily at the plant in Tobo.

Mike McDonald
Division President

The acquisition of the Belgian company, Toussaint Nyssennes, was successfully integrated with Munters' core technologies with the aim of increasing market share and gross margins. Quality issues which arose in 2008, primarily in the US, from sub-supplier materials were resolved in 2009. Implemented actions resulted in complaint costs returning to normal low levels. Also in 2009, a settlement was reached with the sub-supplier. Cash flow was mainly attributable to a substantial decline of outstanding accounts receivable and inventory reductions.

Outlook

The division is continuing its efforts to improve margins by means of additional strategic improvements in purchasing activities and the efficiency-enhancement and rationalization of production processes and products. These programs also include the continuing efficiency upgrades of administration.

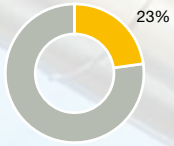
A priority market program involves the establishment of Munters' patented comfort system in Western Europe and Asia.

The division's overall goal for the year is to position operations for aggressive growth when market conditions improve.

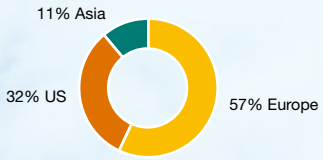
HumiCool
DIVISION

THE DIVISION IN BRIEF

Share of consolidated net sales

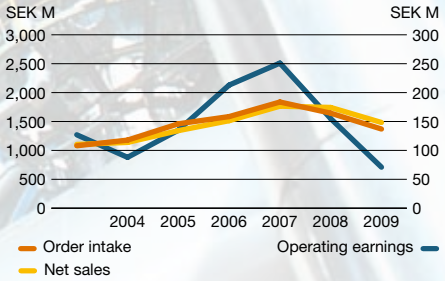


Net sales by geographic region



Key data	2009	2008
Order intake, SEK M	1,370	1,644
Net sales, SEK M	1,483	1,743
Operating earnings (EBITA), SEK M	71	155
Operating margin, %	4.8	8.9
Return on operating capital, %	13.4	27.5
Capital turnover rate, multiple	2.8	3.1
No. of employees, Dec 31	797	866

Sales and earnings trends



Mist elimination plays a pivotal role in product recycling in many industrial processes. Examples include paper pulp and sugar refining. Effective mist elimination tailored to meet each requirement is a money saver, since it permits the recovery of product that would otherwise be wasted. Another advantage is the efficient removal of droplets that would otherwise lead to corrosion, machinery damage or excessive wear.

Forceful actions to offset deep volume decline

HumiCool offers energy-efficient solutions for the optimization of the indoor climate for plant cultivation and livestock breeding, Spot Climate Control – systems for comfort and industry – and mist elimination for separation and cleaning in industrial processes. The technology solutions are based primarily on evaporative cooling. The long-term market potential is deemed very favorable, but the recession impacted the division's sales significantly. The business' position and profitability were defended by a number of structural measures.

Munters' solutions are energy-efficient and environment-friendly, which make them attractive for customers. The HumiCool division has a lead in the market thanks to its many years as a pioneer in evaporative cooling. A steadily broadened product range, special expertise in many applications and a global presence are some of the competitive advantages offered by HumiCool.

The division comprises three business areas:

- AgHort (Agriculture & Horticulture)
- HVAC (Heating Ventilation and Air Conditioning)
- Mist Elimination

The HumiCool division's sales fell sharply early in 2009, and subsequently remained low. Order intake had already declined in all three business areas during 2008. In Aghort's case because meat prices were very low in relation to animal feed prices; while in the case of Mist Elimination, political decisions in the US regarding emission rights had an adverse impact on the propensity to invest. Both of these basic factors were compounded by the financial crisis, which occurred simultaneously.

In HVAC, which is highly dependent on distributors, the trend was also impacted by the financial crisis. Distributors were unwilling to build up inventories ahead of the winter season. However, cold weather at the end of the year boosted demand slightly.

The division's profitability came under pressure from low volumes, resulting in cost-cutting measures. Restructuring costs of SEK 19 million were charged to earnings for the year. HumiCool was quite successful in reducing materials costs and fixed costs, with distinct improvements in gross margin and operating margin during the latter half of the year. Actions taken in 2008 as part of the MEP² efficiency-enhancement program also had a slightly positive impact on profitability.

Per Segerström
Division President

Outlook

Efforts to restructure HumiCool's global production, which have been in progress since 2008, accelerated during 2009 and will continue in 2010. These involve relocating production to China and Mexico, while European production is concentrated to Italy. These moves, combined with the development of the logistics structure, are expected to reduce the division's costs, while also enhancing the ability to offer superior customer service.

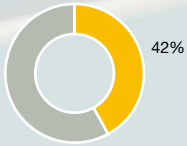
The focus is on product development. The division pursues long-term research and product development, in addition to short-term development projects in a bid to reduce costs for selected products.

The market strategies designed to achieve growth remain in place, although a certain degree of caution will be observed in the current market conditions. Growth programs are in progress in a number of selected emerging economies. This also applies to the program to facilitate Mist Elimination's growth in the process industry.

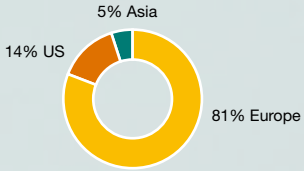
MCS
DIVISION

THE DIVISION IN BRIEF

Share of consolidated net sales

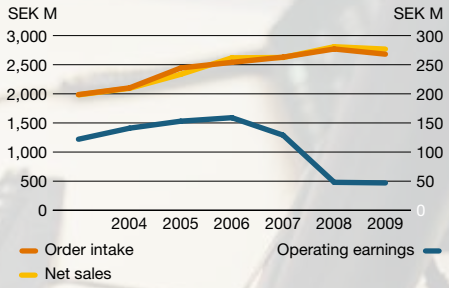


Net sales by geographic region



Key data	2009	2008
Order intake, SEK M	2,681	2,770
Net sales, SEK M	2,768	2,809
Operating earnings (EBITA), SEK M	47	48
Operating margin, %	1.7	1.7
Return on operating capital, %	6.2	5.5
Capital turnover rate, multiple	3.6	3.2
No. of employees, Dec 31	1,805	1,944
No. of service depots	260	301

Sales and earnings trends



MCS has several call centers worldwide, ready to serve Munters' customers around the clock, every day of the week. One example is the German call center, which receives 1,200 calls daily from insurance companies, construction companies and individuals requiring Munters' restoration services.

Restructuring refines market position

Munters' MCS division offers services in damage restoration after water and fire damage, primarily for insurance companies – in addition to humidity and temperature control for the construction industry and others. During the year, a new business model was introduced throughout major areas of operations to raise operational efficiency and profitability.

Operations are conducted on a global scale, with a strong local presence in 260 service depots. MCS has rapid response times and efficient and environment-friendly technology.

MCS creates value by minimizing costs in terms of the extent of damage and its management, as well as by managing the damage professionally and securely with the insurance policyholder. In the area of temporary humidity and temperature control, value is created primarily by means of high-quality services and by cutting the time required for the customer's project.


Morten Andreasen
Division President

Trends in 2009

Demand for the MCS division declined for the first time in many years. A key factor was the reduced occurrence of hurricanes compared with 2008 and thus, damage restoration after such major events declined. A decrease in order intake and sales was also noted as a result of the explicit strategic decision to abandon low-margin business.

The decline in the division's earnings was due to continuing pressure on prices and a fall in earnings in markets that are about to be phased out. Pressure on prices has been in progress for some time, but strengthened and accelerated during the year.

The level of activity was low in the construction sector in the US and European markets, which meant that the profitable rental operations declined in scope.

The strategy of refraining from low-margin business, which commenced during the latter half of the year, is reflected in higher margins and lower volume. Business in Australia underwent a sharp reduction in sales and profitability, leading to the restructuring costs at the end of the year for measures designed to adapt the operations.

Efforts were made throughout the year to introduce the mobile IT platform, Field.Link, which was launched in 2008. The business model is based on centralized administration and planning of visits, which adds substantially to operational efficiency. The new working method permits operations to be concentrated to fewer units. Implementation progressed as planned and resulted in the closure of 41 service depots.

In 2009, MCS completed the divestment of operations in Italy to Saccomandi S.r.l. The business units in France and Belgium were merged, as were those in Austria and Switzerland. Operations in New Zealand and Ireland were phased out because it was determined that they could not reach the requisite critical mass for sustained profitability.

Overall, impairment losses and restructuring costs totaling SEK 27 M were expenced for measures implemented for the purpose of enhancing capacity utilization and raising profitability.

Cash flow was strong, due to a decline in outstanding trade receivables.

Outlook

MCS is continuing its efforts to change the business mix and focus on developing solutions, services and results for specific customers, in line with the strategy set for the division.

Despite the forceful restructuring actions taken in 2009, continuing structural changes are expected to be required in certain countries. Thus, additional phase-outs or corporate disposals are not precluded.

However, a sound business platform has been established for most subsidiaries, and the initiatives taken in 2009 to attain operational improvements are expected to yield results in 2010. Examples of such initiatives include a new system for remote reading of water damage, central depots and other initiatives to raise productivity among Munters' technical personnel, and thus also profitability.

A new organization was launched during the spring. It is more compact, more efficient and specially designed to implement MCS's strategic initiatives.

Cash flow and liquidity continue to have high priority, and programs to reduce trade receivables and raise the capital turnover rate are continuing.

Responsible enterprise

Sustainability permeates all aspects of Munters' operations. The company's products and solutions reduce the environmental impact of its customers' operations. The values that hallmark Munters' corporate culture entail deep respect for human rights and a strict policy to comply with legislation and rules applied in countries served by Munters.

A Corporate Social Responsibility (CSR) policy regulates Munters sustainability programs. By means of the delegated decision-making practiced at Munters, the responsibility for implementation lies with each manager in the three global divisions.

Environmental programs

Throughout its history, Munters has worked with products and solutions that contribute to a better environment. Efforts to develop the Group are currently distinguished by attempts to attain sustainable solutions that offer both environmental and economic benefits, viewed from a customer and social perspective.

Munters' products consume less energy than comparable alternatives. For example, Munters DryCool™ systems provide energy savings of up to 45 percent compared with air conditioning based on conventional technology. Products for climate control through evaporative cooling (evaporation) entail energy savings of up to 80 percent compared with plants using conventional technology. In certain applications, energy savings are even greater. The PowerPurge™ system, which entails recycling through heat exchangers, offers energy savings of between 40 and 45 percent.

Munters also works continuously to minimize the environmental impact on customer production processes. This reduces CO_2 emissions and is, thus, a key contribution to the customers' efforts to reduce their carbon footprint. Examples include the cleaning of air and water in the manufacture of the rotor blades used in various applications, and the fact that manufacturing units in the US and Sweden apply a high degree of recycling of materials used in production.

Various initiatives aimed at reducing the environmental impact of operations have been implemented. The Dehumidification division's plant in Tobo, Sweden, has contracts for environmentally labeled power generated, resulting in low CO_2 emissions. The goal of the Group-wide car policy is that all service vehicles are to run on diesel or use hybrid technology.

A number of Group-wide sustainability projects that began to be implemented in 2008 gained their full impact in 2009, including a travel policy designed to provide better control while also facilitating the inclusion of environmental considerations in the choice of transport and in the assessment of the need to travel. Parallel with this, Munters has developed its videoconferencing system. In 2009, a total of 29 sites worldwide offered facilities for videoconferencing facilities.

At year-end, Munters had 19 production plants worldwide. In Sweden, operations subject to permit and reporting obligations are conducted at the plant in Tobo, which is environmentally certified according to 14001. No environmental debts or current disputes are in progress at any of Munters' plants.

Quality programs

Munters' aims to offer products, systems and service with uniformly high quality. This requires appropriately developed quality programs which in turn, demands that work processes are coordinated and well planned throughout the Group. Quality programs are a prerequisite for Munters fulfillment of its customer offering. At the same time, this contributes to the attainment of various goals in sustainability programs due to the products and solutions corresponding to the set requirements.

A key feature of quality programs is ISO certification. During 2009, manufacturing activities at Dison, in Belgium, were certified according to ISO 9001:2008. This was also the case in Texas and Massachusetts in the US. Operations in Beijing, China, are certified in line with ISO 9001:2000 and the plan is attain the same certification level in 2010 as the units in Belgium and the US.

Attaining high quality requires that sub-suppliers comply with the agreed requirements. These apply to the content of the goods and services supplied and the conditions under which they are produced. Munters uses two instruments to confirm that business partners comply with quality requirements and with Munters CSR policy:

- "A Supplier Self-Assessment Form", which means that the supplier states how programs involving quality and CSR issues are pursued.
- "General Purchase Agreement" – a standard supplier agreement with penalty clauses. Fines are donated directly to charities in the locality in which breaches of the agreement occurred.

CSR policy

Munters CSR policy states that a very high ethical level should mark all aspects of the Group's operations. The corporate culture entails that the company, through the behavior of each employee in all contexts, must meet high social and ethical standards. The policy stipulates the requirement of deep respect for human rights, good working conditions and sound behavior in business practices.

The CSR policy also states the guidelines for environmental programs and relationships with Munters' suppliers.

All policy documents noted in the text above are available on Munters website: www.munters.com.

Risks and risk management

Risks in the Group are identified, valued and ranked on the basis of their potential impact on the Group's values and the probability of them occurring. Some risks are beyond Munters' direct control, while others can be controlled by the Group. Most of the risks are of a strategic character, which highlights the need to work consistently with a clear approach to risk. Efforts to develop risk definitions and action plans are in progress continuously throughout the Group.

Operational risks

Munters is an entrepreneurial company with many small organizational units. Since dependence on key persons is relatively substantial, employee resignations could pose a threat. This applies particularly to MCS and product development within the Dehumidification and HumiCool divisions. Components, products and equipment that are used in complex customer processes account for some of Munters' sales. Quality and contract obligations can result in warranty claims. Munters' MCS division has high exposure to the insurance industry. Changes in insurance products, new supplier relationships and financial problems in the insurance industry could pose a threat to Munters. Alternative technologies could constitute a risk. Companies currently active in air conditioning could establish operations in Munters' niches.

Dehumidification division

Munters' combination of cooling and dehumidification, and its potential for energy recycling, is considered to have substantial future potential. A strong brand, longstanding market presence and a global marketing organization with leading application expertise are other strengths.

High indirect costs for creating market growth, a somewhat unstructured product portfolio and many small organizational units are the division's weaknesses. Competition consists primarily of smaller local companies.

HumiCool division

Munters has high market shares in selected segments. The division is characterized by strong brands, technical leadership and broad application expertise. The many small organizational units and dependence on a few OEM customers could be considered weaknesses.

In recent years, the division has improved its cost structure by concentrating production. In the event of a rapid recovery in demand, lead times and logistics could prove to be a risk. Competitors are local companies with small-scale production.

MCS division

MCS is a quality and technology leader with a strong brand and a complete service offering. Broad local presence in geographically diverse markets is a strength. The division's weaknesses consist of volatile revenues and a relatively fixed cost structure, combined with low barriers to entry for competitors. Excessively high dependence on fixed contracts with the insurance industry could also constitute a risk. Competition is from global players such as Belfor and ISS Damage Control as well as from local contractors.

Financial risk management

Munters is exposed to a number of financial risks: market risk (primarily currency and interest risk), credit risk and liquidity risk. Munters' management and control of financial risks are regulated by a policy established by the Board of Directors. Refer to Note 3 for additional information.

Insurable risks

Insurance protection is regulated by central guidelines. Several insurance policies are managed at Group level to enable coordination gains. This insurance covers several different areas, such as general liability, product liability, property, interruptions, transport, wealth crime, directors and officers' liability and employment practice liability. Several of the insurance policies are managed Group-wide.

Legal processes

Munters is involved in a small number of commercial disputes. None of these disputes is deemed to have any negative effect on the company's financial position or earnings.

The most significant legal processes are attributable to Munters' subsidiary in the US, Munters Corporation. As of December 31, 2009, the company was named co-respondent in 55 (52) asbestos-related cases. To date, none of the plaintiffs have claimed to have been exposed to any specific Munters product. In the past few years, Munters Corporation has won four cases through summary judgments, meaning that these cases are now closed. Munters Corporation is of the firm opinion that the remaining claims are unfounded, and it will strongly dispute every claim. Munters Corporation has protection for the asbestos-related claims by having taken out several insurance policies. Subject to certain reservations, the insurance companies have confirmed that, until further notice, they will pay a significant portion of the defense expenses.

During the year, the Group reached a settlement in a legal process in the US. The process was initiated in 2008 due to a faulty component supplied by a third party, which resulted in costs for Munters in the form of warranties. The settlement resulted in a positive contribution to earnings in the amount of SEK 32 M.

The share and shareholders

The Munters share has been listed since October 21, 1997 on the Nasdaq OMX Nordic Exchange Stockholm. Market capitalization amounted to SEK 3.5 billion on December 31, 2009.

Share capital and number of shares

On December 31, 2009, Munters' share capital amounted to SEK 131,250,000 M distributed among 75,000,000 shares, each with a par value of SEK 1.75. The company has one class of stock. Each share carries one vote without restrictions at the Annual General Meeting. All shares carry equal rights to the company's assets and earnings. There are no restrictions on the transfer of shares according to law or the company's Articles of Association.

In 2007, a 4-for-1 share split was implemented with automatic redemption of every fourth share, combined with an increase in the share capital through a non-cash issue.

Ownership structure

As of year-end, Munters had 5,405 shareholders (5,160). The ten largest shareholders control 68 percent (66) of the voting rights. The proportion of shares owned by Swedish institutional investors corresponded to 56 percent (46) of the share capital, while foreign investors held 21 percent (26).

Shareholders on December 31

	No. of shares	Capital, %	Votes, %
Investment AB Latour	10,950,000	14.6	14.6
Industrivärden AB	10,950,000	14.6	14.6
Swedbank Robur funds	5,859,658	7.8	7.8
AFA Försäkring	5,560,034	7.4	7.4
KAS Depository Trust Company	4,216,077	5.6	5.6
State of New Jersey Pension Fund	3,600,000	4.8	4.8
SEB Investment Management	2,738,170	3.7	3.7
Livförsäkrings AB Skandia	2,306,926	3.1	3.1
Fourth AP fund	2,081,481	2.8	2.8
Svenska Handelsbanken	1,870,950	2.5	2.5
Total, ten largest shareholders	**56,133,296**	**66.8**	**67.8**
Other shareholders	24,866,704	33.2	33.2
Outstanding shares	**73,933,050**	**98.5**	**100.0**
Treasury stock	1,066,950	1.4	–
Total	**75,000,000**	**100.0**	**–**

Distribution of shares on December 31, 2009

Shareholding	No. of shareholders	No. of shares	Percentage
1–500	2,447	506,622	45.3
501–5,000	2,632	3,546,141	48.7
5,001–50,000	234	3,302,740	4.3
50,001–	92	67,644,497	1.7
Total	**5,405**	**75,000,000**	**100.0**

Trading volume

During 2009, 24.8 million Munters shares (36.2) were traded with a total value of SEK 1,045 M (2,058). The average share price during the year was SEK 42.22 (56.05). The highest price paid during the year was SEK 57.00 on October 15. The lowest price paid was SEK 22.80 on March 31. The beta value is a relative measure of the risk in the share measured as its correlation with the market index over the past 48 months. On December 31, 2009, the Munters share had a beta value of 1.30 (0.63), meaning that it had moved 130 percent (63) relative to the index. On December 30, 2009, the final paid share price was SEK 46.60 (38.40), corresponding to an increase of 21 percent (50) during the year. During the same period, the OMX Stockholm index rose by 46.7 percent (decline: 42).

Dividend policy

The Board of Directors' intention is to apply a dividend policy according to which the dividend level is adjusted to Munters' earnings level, financial position and other factors that the Board of Directors considers relevant. The annual dividend shall correspond to approximately half of the Group's average net profit measured over a period of several years. The dividends over the years 2006 to 2008 and the proposed regular dividend for 2009 correspond to 44 percent of the average earnings for these four years.

Dividend

For the 2009 fiscal year, the Board of Directors proposes a dividend payment of SEK 1 per share (no dividend was paid for 2008).

Treasury shares

No repurchases or sales of treasury stock took place during the year. See also Note 19.

Incentive programs

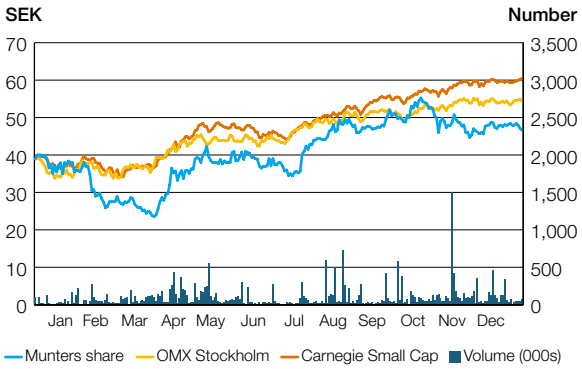
Outstanding incentives programs are presented in Note 29.

Analysts who continuously monitor Munters

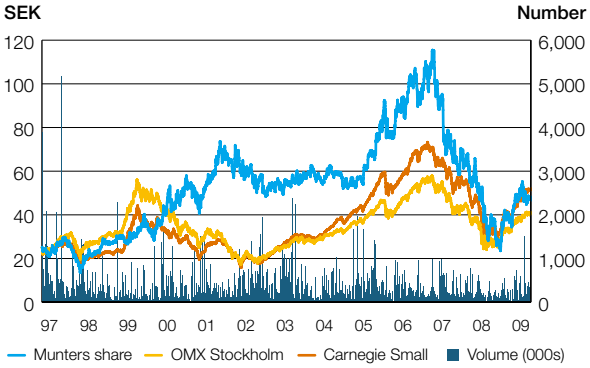
The market analysts listed below monitor Munters continuously. It should be noted that the opinions and forecasts regarding Munters that they express are their own and thus not Munters' own or the opinions and forecasts of its management.

Company	Analyst	Telephone
Carnegie	Agnieszka Vileda	+46 8 676 85 86
Enskilda Securities	Anders Eriksson	+46 8 522 296 39
Handelsbanken	Jon Hyltner	+46 8 701 12 75
Swedbank Markets	Peter Näslund	+46 8 585 918 00
Ålandsbanken	Carl-Johan Blomqvist	+46 8 791 48 55
Öhman	David Jacobsson	+46 8 402 52 72

Trend in 2009



Trend since listing in 1997



Key figures per share[1]

	2009	2008	2007	2006	2005
Earnings per share, SEK	1.81	2.21	4.49	4.40	3.39
Earnings per share after dilution, SEK	1.81	2.21	4.49	4.40	3.39
Average no. of shares outstanding, 000s	73,933	73,933	73,898	73,749	73,614
No. of shares outstanding on closing date, 000s	73,933	73,933	73,933	73,785	73,743
Treasury stock, 000s	1,067	1,067	1,067	1,215	1,257
Cash flow from operations per share, SEK	7.54	4.44	5.34	7.19	4.16
Operating cash flow per share, SEK	6.24	2.39	2.56	5.08	2.46
Equity per share, SEK[4]	18.94	17.28	16.16	20.33	19.42
Equity per share after dilution, SEK	18.94	17.28	16.16	20.33	19.45
Dividend per share, SEK	1.00 [2]	0.00	2.50	2.25	1.83
Share price on closing date, SEK	46.60	38.40	76.75	105.67	73.00
Market capitalization on closing date, SEK M[3]	3,495	2,880	5,756	7,925	5,475
P/E ratio, multiple	25.7	17.4	17.1	24.0	21.5
Return on equity, %[4]	6.0	13.8	25.7	22.5	19.3

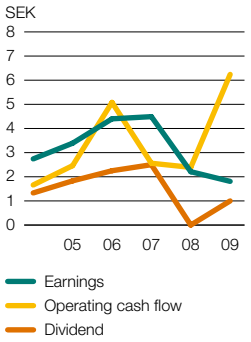
[1] Historical figures for the share were adjusted for the share split, redemption and non-cash issue implemented in 2007.

[2] According to the Board of Directors' motion.

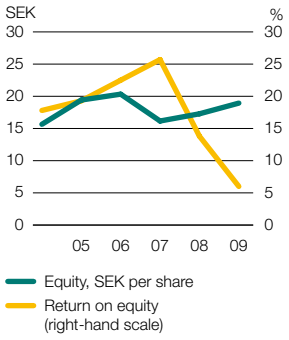
[3] The market capitalization is based on all shares, including treasury stock.

[4] Effective January 1, 2006, Munters accounting is in accordance with the changes implemented in IAS 19. Key figures were recalculated according to those changes.

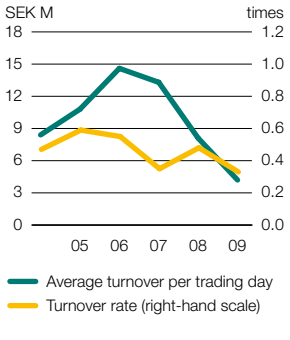
Per share data



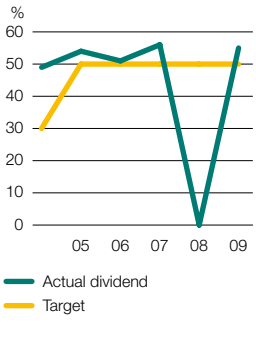
Equity per share



Liquidity



Dividend per share



Corporate governance report

Munters AB (publ) applies the applicable rules contained in the Swedish Code of Corporate Governance ("the Code"). In accordance therewith, the Company has prepared this corporate governance report.

Munters AB (publ) ("Munters" or "the Company") applies the applicable rules pursuant to in the Swedish Code of Corporate Governance ("the Code"). In accordance therewith, the Company has prepared this corporate governance report.

Division of responsibility

Responsibility for management and control of the Group is divided among the shareholders at the Annual General Meeting, the Board of Directors and its appointed committees and the President, in accordance with the Swedish Companies Act, other legislation and regulations, prevailing rules for exchange listed companies (including "the Code"), the company's Articles of Association and the Board of Directors' internal control instruments.

Shareholders

On December 31, 2009, the Company had 5,405 shareholders. The proportion of the share capital owned by Swedish institutions amounted to 56 percent. Foreign investors owned about 21 percent of the share capital. The ten largest shareholders jointly had holdings corresponding to 68 percent of the share capital. For further information on ownership on December 31, 2009, see page 26 of the Annual Report.

Annual General Meeting 2009

The Annual General Meeting is the Group's highest governing body. The Annual General Meeting is normally held in April in Stockholm. The 2009 Annual General Meeting was held on April 15, 2009. Anders Ilstam was elected Chairman of the Meeting. The following resolutions were passed:

- The Annual General Meeting adopted the Parent Company income statement and balance sheet, the consolidated income statement and balance sheet, decided not to pay a dividend or for 2008 fiscal year, and discharged the Board of Directors and the President from liability.
- The Annual General Meeting approved decisions in accordance with the Nomination Committee's proposal:
  - that the number of members of the Board of Directors elected by the Annual General Meeting be eight and that no deputy members be elected;
  - that fees to the Board of Directors be paid in a total amount of SEK 2,275,000 of which (i) SEK 500,000 to the Chairman, (ii) SEK 250,000 to each of the Board members elected by the Annual General Meeting who is not an employee of the company, (iii) SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to each of the other members and (iv) that SEK 50,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members; (thus the fees remained unchanged from the previous year);
  - that fees be paid to the company's auditors on account;
  - that Anders Ilstam, Kenneth Eriksson, Bengt Kjell, Eva-Lotta Kraft, Sören Mellstig, Jan Svensson and Lars Engström were to be reelected, and to appoint Anders Ilstam as Chairman of the Board and Bengt Kjell as the Deputy Chairman.
- It was noted that Björn Fernström, in conjunction with the meeting, stepped down from his assignment as auditor in charge in accordance with prevailing recommendations for a maximum assignment period of seven years; and that Björn Grundvall would take over as auditor in charge.
- The Annual General Meeting approved the Board of Directors' motion to establish guidelines for remuneration of senior executives
- The Annual General Meeting unanimously approved the Board of Directors' motion to amend the Articles of Association (§10) entailing that the Annual General Meting be held in Stockholm. Also it was resolved that the manner of notification to the meeting (Article 12) be amended. The resolution was conditional on the coming into effect of a change in legislation, thus making the proposed formulation compatible with the Swedish Companies Act.

Nomination Committee

In accordance with a resolution passed by the Annual General Meeting, the Nomination Committee is to be elected annually through the Chairman of the Board contacting the company's four largest shareholders, in terms of voting rights, based on the owner information in Euroclear Sweden AB's share register on the last banking day in August each year. Each of these shareholders is then entitled to appoint a representative to, jointly with the Chairman, comprise the Nomination Committee for the period until a new Nomination Committee has been elected. If a member resigns from the Nomination Committee before completion of his/her duties, if applicable, a replacement shall be elected by the same shareholder who elected the resigning member or, if that shareholder is no longer one of the four largest shareholders, by the newest shareholder joining the group of largest shareholders. If the ownership structure in the company changes before the Nomination Committee has completed its work, the Committee has the right to change its composition in the manner it deems appropriate. One of the owner representatives on the Nomination Committee shall be its Chairman.

The Nomination Committee's assignment is to prepare and present proposals for the election of the Chairman and other members of the Board of Directors, Chairman of the Annual General Meeting, fees and associated matters and, as appropriate, election of auditors. Information about the Nomination Committee's composition shall be published not less than six months prior to the Annual General Meeting. The members of the Nomination Committee may not receive fees, but any costs in conjunction with their work will be paid by the company after approval by the Nomination Com-

mittee. Since October 2009, the Nomination Committee includes the following persons: Anders Mörck (Investment AB Latour), Carl-Olof By (Industrivärden), Anders Algotsson (AFA Försäkring), and Jan Andersson (Swedbank Robur Funds). In addition to the above, Anders Ilstam, Chairman of the Board of Munters is also a member. The Nomination Committee will prepare a proposal for the 2010 Annual General Meeting regarding the Chairman of the Annual General Meeting, composition of the Board of Directors and Board fees, as well as election of auditors and their fees. The Nomination Committee held three meetings during 2009, for which minutes were kept. No remuneration was paid to the Nomination Committee.

Board of Directors and its work

General – According to the company's Articles of Association, the Board of Directors shall consist of four to eight members elected each year by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association permit the election of deputies, but no deputies were elected by the Annual General Meeting.

By law, the employees appoint two members and two deputy members to the Board of Directors. In 2008, Pia Nordquist and Kjell Wiberg were appointed as employee representatives on the Board, with Ulf Wallén as a deputy. In June 2009, Robert Wahlgren was appointed as a deputy. In August Kjell Wiberg was replaced by Ulf Wallén and Gunnar Stålberg was appointed a deputy. The Group's CFO participates in Board meetings as does the Board's secretary, who is a lawyer and independent of the company. Other employees participate in Board meetings as presenters of special issues or when otherwise deemed appropriate. The members of the Board of Directors are presented on page 32-33 of the Annual Report. The Board of Directors establishes a written Working Procedure each year that regulates the Board's work and the internal distribution of responsibility, including its committees, decision-making procedures within the Board, the order of meetings and the Chairmen's duties. The Board of Directors has also issued instructions for the President and instructions for financial reporting to the Board. Furthermore, the Board of Directors has adopted a number of other policies, which are described below under the heading "Policy documents".

The Board of Directors is responsible for the company's organization and the administration of its business and in so doing, must ensure that the organization is appropriate and dimensioned in such a manner that accounting, capital management and other financial matters are managed and monitored in a satisfactory manner. Furthermore, the Board of Directors is responsible for ensuring that the company has adequate internal controls and for continuously reviewing the internal control systems. The Board of Directors is also responsible for developing and following up the company's strategies in the form of plans and goals. The Board of Directors continuously monitors the work of the President and operational management. The members of the Board of Directors elected by the Annual General Meeting include persons with ties to the company's major shareholders – Industrivärden and Latour – and persons who are independent of these parties. All eight of the Board members elected by the Annual General Meeting, excluding the President Lars Engström, are independent of the company. Of these, five are independent of the company's major shareholders and meet all established requirements for experience.

Chairman – At the Annual General Meeting on April 15, 2009, Anders Ilstam was elected Chairman until the end of the next Annual General Meeting. The Chairman organizes and directs the Board of Directors work so that it is conducted in accordance with the Swedish Companies Act, other laws and regulations, prevailing rules for exchange-listed companies (including the Code) and the Board's internal control instruments. The Chairman monitors business development through regular contact with the President and is responsible for ensuring that Board members receive sufficient information and supporting materials for decisions. The Chairman is responsible for ensuring that the Board of Directors continuously updates and increases its knowledge of the Company and in other respects receives the training required to be able to conduct Board work effectively. In addition, the Chairman ensures that an annual evaluation is conducted of the Board of Directors' work and that this information is provided to the Nomination Committee. The Chairman represents the Company in ownership matters.

Work procedures – According to the Work Procedures currently in effect, the Board of Directors shall meet not less than five times annually and for one statutory meeting per year. It shall also be convened at other times when the situation so demands. During 2009, the Board of Directors held seven scheduled meetings, one statutory meeting and two meetings by correspondence. Board work during the year was focused on strategic, financial and accounting issues. All decisions were taken unanimously. At each Board meeting, the President reports on the Group's development.

As evident in the table below, attendance at the year's meetings was excellent.

Attendance in 2009	Board meetings	Audit Committee	Compensation Committee
Anders Ilstam	7/7		2/2
Lars Engström	7/7		
Kenneth Eriksson	7/7		
Bengt Kjell	6/7		1/2
Eva-Lotta Kraft	7/7	3/3	
Sören Mellstig	7/7	3/3	
Jan Svensson	7/7	3/3	
Kjell Åkesson	6/7		
Pia Nordqvist	7/7		
Gunnar Ståhlberg[1]	3/3		
Ulf Wallén	7/7		
Robert Wahlgren[2]	4/4		
Kjell Wiberg[3]	4/4		
Total number of meetings	7	3	2

[1] Appointed in August 2009

[2] Appointed in June 2009

[3] Resigned in August 2009

Audit Committee – At the statutory meeting of the Board of Directors on April 15, 2009, the Board decided to appoint Jan Svensson (Chairman), Eva-Lotta Kraft and Sören Mellstig as members of the Audit Committee for the period until the next statutory Board meeting.

The Audit Committee is charged with preparing issues regarding the procurement of Auditing services and audit

fees, following up the auditors' work and the company's internal control systems, monitoring the current risk situation and the company's financial reporting and handling other issues assigned by the Board of Directors. The Audit Committee's work is regulated by special instructions adopted by the Board of Directors as part of its Work Procedures. During 2009, the Audit Committee held three meetings. At two of these meetings, the Audit Committee met with and reviewed reports from the company's external auditors. During 2009, the Board of Directors met with and received reports from the company's external auditors. The auditors' proposals for various improvements in routines and internal controls were accepted but did not require any special measures from the Board.

Remuneration Committee – At the statutory meeting of the Board of Directors on April 15, 2009, the Board decided to appoint Anders Ilstam (convener) and Bengt Kjell as members of the Remuneration Committee for the period until the next statutory meeting. The Remuneration Committee is charged with considering and preparing proposals regarding salaries, bonuses, pensions, severance pay, options and warrants for the President and other senior managers who report directly to the President and for such other similar issues assigned by the Board of Directors. On assignment from the Board, the Remuneration Committee will present proposals on principles for remuneration and other remuneration terms for company management to be approved by the Annual General Meeting.

The Remuneration Committee's work is regulated by special instructions adopted by the Board of Directors as part of its Working Procedures. During 2009, the Compensation Committee held two meetings at which all members were in attendance and had regular contact within the Committee in conjunction with employment and other remuneration issues.

Remuneration – Fees to the members of the Board of Directors elected by the Annual General Meeting are decided by the Annual General Meeting based on the proposal by the Nomination Committee. For the period from the 2008 Annual General Meeting through the 2009 Annual General Meeting, the fee paid to the Chairman was SEK 500,000. Other members elected by the Annual General Meeting, who are not employees of the company, were paid fees of SEK 250,000. Furthermore, a fee of SEK 100,000 was paid to the Chairman of the Audit Committee and SEK 50,000 to each of the other members of the Audit Committee, and fees of SEK 50,000 to the convener of the Remuneration Committee and SEK 25,000 to the other member were paid. No further remuneration was paid to any Board member. The fees were unchanged from the preceding year.

Reporting and control

The Board of Directors and the Audit Committee supervise the quality of financial reporting and the company's internal control systems and monitor the company's risk profile. This takes place in part through instructions to the President and the establishment of requirements on the contents of the reports on financial circumstances that are regularly submitted to the Board of Directors, as well as through reviews with management and the auditors. The Board of Directors and the Audit Committee review and verify the quality of financial reporting, including the year-end report and the annual report and have delegated responsibility to Company management to verify the contents of press releases containing financial information and presentation material used in conjunction with meetings with the media, shareholders and financial institutions.

Company management

General – The President directs operations in accordance with the Swedish Companies Act and within the framework established by the Board of Directors. In consultation with the Chairman of the Board, the President prepares the information and supporting material for decisions required for Board meetings, presents matters for consideration by the Board and motivates proposals for decision. The President directs Group management's work and takes decisions in consultation with others in management. Group management currently consists of six persons. Company management conducts regular business reviews under the leadership of the President 12 times each year, often in conjunction with visits to various Group units. The President and other members of Group management are presented on page 34 of the Annual Report.

Remuneration – At the 2009 Annual General Meeting, the Chairman of the Board informed the shareholders about the principles for remuneration of senior executives. Proposed guidelines are presented on page 39, and the current remuneration levels are presented in Note 28 of the Annual Report. The proposal for guidelines for the determination of salaries and other remuneration paid to senior executives will be submitted to the 2010 Annual General Meeting for approval. An employee stock option program was approved for the years 2007–2008. No allotment took place, since the targets were not achieved.

Internal audit

The company has a straightforward legal and operational structure with established management and internal control systems. The Board of Directors and the Audit Committee monitor the company's assessment of internal controls, in part through contact with the company's auditors. For these reasons, the Board of Directors has elected not to have a dedicated internal audit function.

Auditors

The auditing firm Ernst & Young is the company's auditor for the period up until the 2012 Annual General Meeting, with Björn Grundvall as auditor in charge. The auditors are presented on page 33 of the Annual Report. The auditors work in accordance with an audit plan, in which opinions from the Audit Committee and the Board of Directors are included, and report its observations to the Audit Committee and the Board of Directors, in part during the audit itself and in part in conjunction with adoption of the 2009 year-end report on February 10, 2010. The auditors also participate in the Annual General Meeting at which they report on their work and observations. During the year, the auditors had consultancy assignments in addition to auditing, primarily relating to taxes.

Internal controls

Internal controls are organized as follows:

Control environment – Effective working procedures on the part of the Board of Directors are the basis for satisfactory internal controls. Munters' Board of Directors has an established Working Procedure for its work and instructions

for the Board's committees. One aspect of the Board's work consists of formulating and approving the policies that govern the company's work on internal controls. Another aspect is creating the conditions necessary for an organizational structure with clear roles and responsibilities that encourage effective management of business risks. Senior management is responsible for implementing the guidelines to maintain satisfactory internal controls.

Risk assessment and control activities – Munters' management annually presents its view of significant risks to the Board of Directors' Audit Committee. The company's principal risks relating to accounting and reporting are revenue recognition, valuation of accounts receivable and guarantee commitments, plus the Group's many small subsidiaries, which lack critical mass with respect to accounting personnel. To effectively manage significant risks, Munters has established control structures that in part consist of an organization, which, from an international perspective, permits appropriate delegation of responsibility from the standpoint of control activities in the work performed on compiling the financial reports. During 2006, the company reviewed its internal control policy and introduced a formalized process whereby all Group business units implement a self-assessment of their compliance with the rules stipulated in the internal control policy. This process was reviewed in 2009 and during 2010 it will be integrated into organizational follow-up procedures for each unit, instead of being a separate process as it is currently.

Information and communication – Munters' policies for internal control are primarily communicated through the Munters Management Manual and the Munters Financial Manual. These manuals are updated continuously and are easily accessible to all concerned personnel via the internal Lotus Notes databases. The Munters Management Manual includes Munters' Information Policy, which provides guidelines for how external communication shall take place. The objective of the policy is to ensure that all information obligations are fulfilled in a correct and comprehensive manner.

Follow-up – The Board of Directors evaluates business performance and results each month using an appropriately structured reporting package containing outcomes, forecasts and analyses of important key parameters. The Board of Directors receives regular reports from the meetings held between the Audit Committee and senior management and the auditors.

The Audit Committee's work also includes regularly following up the effectiveness of internal controls. The Committee's work also includes evaluation and discussion of key technical issues relating to accounting and reporting techniques. Furthermore, the Audit Committee has initiated an annual process to ensure that appropriate actions are taken to address and implement recommended measures in regard to deficiencies that arise in part from internal follow-ups as described above and in part through the external auditors' examinations.

Articles of Association

The company's Articles of Association regulate such matters as the objective of the company's operations, the number of Board members and auditors, how notification of the Annual General Meeting shall take place, matters to be addressed by the Annual General meeting and where the meeting shall be held. The Articles of Association currently in effect and adopted on April 15, 2009 are available on the company's website at www.munters.com, under investor relations/corporate governance.

Policy documents

In addition to the budget and strategic plan, which are required and approved by the Board of Directors, Munters has two primary control systems that specify authority and responsibilities for the managers of Munters' many business units.

Firstly, Munters Management Manual, which, in addition to a number of general policies for the Group's business and its employees, contains detailed descriptions of authorization and responsibility in business management. The following policies are included in Munters Management Manual.

- *Code of Conduct* – The Group's Code of Conduct was formulated with the objective of documenting the Group's basic view on ethical issues both within the organization and externally towards customers and suppliers.
- *Information Policy* – The Group's information policy is a document that describes the Group's general principles for the dissemination of information.
- *Insider Policy* – The Group's insider policy regulates the handling of insider issues and responsibility for these issues and contains instructions for insiders and others within the organization regarding how to act in insider-related matters.
- *Visual Guidelines* – The Group's Visual Guidelines describe the manner in which Munters shall be visible in its marketing and business operations.
- *Environment Policy* – The Group's environment policy provides guidelines for environmental work in the Group.
- *Quality Policy* – The Group's quality policy provides guidelines for quality work in the Group.
- *Corporate Social Responsibility* – The Group's CSR policy summarizes the company's views on ethical, environmental and social responsibility.
- *Health and Safety Policy* – The Group's health and safety policy describes the Group's views on health and safety issues.

Secondly, there is Munters Financial Manual. The Financial Manual describes the rules and guidelines that apply to decisions on financial matters, how financial reporting is organized and what is reported. The accounting instructions in Munters Financial Manual comply with IFRS standards. In addition to accounting instructions, the manual contains the following policies.

- *Financial Policy* – The Group's Finance function works according to the instructions established by the Board of Directors, which provide a framework for how the Group's operations shall be financed and how, for example, currency and interest risks are to be managed.
- *Internal Control Policy* – The internal control policy provides instructions for maintaining order and control in the business units. General policies are reviewed and approved by the Board of Directors.

The company's application of the Code

The Code is based on the "comply or explain" principle. This means that companies applying the Code may deviate from individual rules but must provide explanations and reasons for each reported deviation. Munters has not deviated from the rules of the Code.

Review

The company's auditors have not reviewed this Corporate Governance Report.

Board of Directors

ANDERS ILSTAM
Chairman since 2008
Born 1941. Member since 2005
Shares held: 5,000

Background: Commercial engineer, Vice President Sandvik AB, President Sandvik Mining and Construction, CTT Tools, SKF Tools and several companies within Beijerinvest AB. Chairman of Seco Tools AB, Beijer Electronics AB, Air Liquide AB and Grimaldi Industri AB.

LARS ENGSTRÖM
President and CEO
Born 1963. Member since 2006.
Employed since 2006
Shares held: 43,000
Options held: 25,000

Background: M.Sc. Linköping Technical University. Various positions within Atlas Copco in Sweden and Australia, most recently as President of Atlas Copco Underground Rock Excavation Division. Board member of Studsvik AB.

KENNETH ERIKSSON
Chief Operating Officer of SCA
Born 1944. Member since 2008
Shares held: 2,000

Background: B.Sc. Engineering, President of SCA Forest Products and various positions within SCA. Board member of Fastighetsbolaget Norrporten, SSVAB, SCA Forest Products and subsidiaries.

BENGT KJELL
Deputy Chairman
Born 1954. Member since 2003
Shares held: 0

Background: BSc from Stockholm School of Economics. Authorized Public Accountant. Head of Corporate Finance Securum, Senior Partner Navet AB and Executive Vice President of AB Industrivärden. Chairman of Indutrade AB. Board member of Skanska AB, Höganäs AB, Pandox AB, and Helsingborgs Dagblad AB.

EVA-LOTTA KRAFT
Born 1951. Member since 2004
Shares held: 4,500

Background: MSc Chem Eng, MBA. Employed earlier by AGA and Alfa Laval, Division Manager and Executive Vice President at Siemens-Elema AB, Department Manager FOI (The Swedish Defense Research Agency). Board member of ÅF AB, Samhall AB, Svolder AB and Siemens AB.

SÖREN MELLSTIG
Born 1951. Member since 1997
Shares held: 20,400

Background: MSc Econ. CFO and Executive Vice President of Incentive, Business Area Manager Gambro Renal Products and Executive Vice President Gambro, CEO and President of Gambro AB. Chairman of Aleris AB, Ferrosan A/S and Textilia AB. Board member of Trelleborg AB (publ.) and Dako A/S.

JAN SVENSSON
President of Investment AB Latour
Born 1956. Member since 2004
Shares held: 5,000

Background: BSc Econ, the Stockholm School of Economics, BSc Mech Eng. President of AB Sigfrid Stenberg. Chairman of OEM International AB, Fagerhult AB and Nederman Holding AB. Board member of Loomis AB and Oxeon AB.

KJELL ÅKESSON
Born 1949. Member since 2008
Shares held: 4,600

Background: B.Sc. Econ. Uppsala University. Electrical engineer. President of Lindab International AB and Bilia AB, also, among others, Vice President of Svedala AB and various positions within ASEA/ABB. Chairman of Gullbergs AB. Board member of Inwido AB and Ballingslöv AB.

PIA NORDQVIST
Born 1973. Member since 2004
Shares held: 0

Background: Order/ production planning, IT Support for business systems. Employee representative appointed by Unionen.

GUNNAR STÅHLBERG
Born 1951. Member since 2009
Shares held: 0

Background: Materials Supplier. Employee representative appointed by the Swedish Trade Union Confederation.

ROBERT WAHLGREN
Born 1969. Member since 2009
Shares held: 0

Background: Global Customized Solutions. Employee representative appointed by Unionen.

ULF WALLÉN
Born 1963. Member since 2007
Shares held: 0

Background: Installer. Employee representative appointed by the Swedish Trade Union Confederation.

Board secretary
Peter Idsäter, Attorney, born 1960. Partner Mannheimer Swartling Advokatbyrå AB.

Auditor
Auditing firm Ernst & Young AB. Auditor in charge since 2009: Björn Grundvall. Authorized Public Accountant. Born 1955.

Management

LARS ENGSTRÖM
President and CEO
Born 1963. Employed since 2006
Shares held: 43,000
Options: 25,000

Background: M.Sc. Mech Eng., Linköping Technical University. Various positions within Atlas Copco in Sweden and Australia, most recently as President of Atlas Copco Underground Rock Excavation Division. Board member of Studsvik AB.

MARTIN LINDQVIST
Group Vice President and
Chief Financial Officer
Born 1970. Appointed in March 2009
Shares held: 10,000

Background: M.Sc. Business Administration Mid Sweden University. Various positions within Tetra Pak in Sweden and Italy, Trelleborg in Mexico and most recently Group Controller, Mercuri Urval Group.

ANDREAS OLOFSSON
Group Vice President Human Resources
and Corporate Communications
Born 1970. Employed since 2007
Shares held: 15,000

Background: M.Sc. Econ., Uppsala University. Management consultant at Connecta, Manager International Assignments at Sandvik and most recently Director of Human Resources and Organization at Bahco Group (Snap-on Inc.).

MIKE MCDONALD
President Dehumidification division,
Group Vice President
Born 1947. Employed since 1995
Shares held: 38,400
Options: 5,000

Background: BSc Business Administration and Economics, Drury College, Senior Executive Development Program, Northwestern University. President of Reda Pump Company.

PER SEGERSTRÖM
President HumiCool division,
Group Vice President
Born 1956. Employed since 2003
Shares held: 9,000

Background: MSc Mech Eng., Royal Institute of Technology, Stockholm. Various positions within ABB in Sweden, Australia and Spain, most recently as Senior Vice President within the Substations business area.

MORTEN ANDREASEN
President MCS division,
Group Vice President
Born 1958. Employed since 2008
Shares held: 30,000

Background: B.S. Econ., Copenhagen University, Director of SAS Service Partner, President of Top Flight Catering AB, Senior Vice President Lufthansa Sky Chefs. Board member of Kosan Crisplant A/S.

Page reference

Board of Directors' report

The Board of Directors and the President of Munters AB (publ), corp. reg. no. 556041-0606, hereby submit the annual report and the consolidated accounts for the fiscal year 2009.

Information about operations

Munters is a globally leading supplier of energy-efficient solutions for air conditioning and damage control based on its expertise in technologies for humidity and climate control. Customers are found in a various sectors, of which the largest are the insurance, food and pharmaceutical industries. Its business is organized in two product divisions focused on industrial-process air treatment, comfort-oriented climate control and climate control for the AgHort industry, supported by a global service organization with a world-leading position in damage restoration and temporary climate control. Manufacturing, sales and service are conducted by nearly 4,000 employees in proprietary companies in more than 30 countries. The Munters share is listed in the Mid Cap section of the NASDAQ OMX Stockholm exchange.

Significant events during the fiscal year and future development

Group

Munters' performance during 2009 was characterized by the economic recession and financial crisis, resulting in a decline in order intake and sales in all divisions. Comprehensive structural actions were taken during the first and second quarters, at the same time as increased focus was concentrated on the Group's purchasing activities. These measures reduced the level of Group costs for full year 2009. Additional structural measures were undertaken during the fourth quarter, although these are more focused on individual markets.

MEP², the action program launched during 2008 to increase operating efficiency, generated favorable effects in 2009.

Awareness of the need for energy savings and environmental conservation is growing. Meanwhile, knowledge of the importance of the indoor climate for health and production processes, quality and productivity, is also increasing. These trends favor Munters, which has a service and product portfolio that meets these needs. Due to prevailing market conditions, the divisions are continuing to adapt their respective resources to current business volumes through efficiency-enhancing measures and workforce reductions. In recent years, Munters has focused strongly on profit-enhancing measures, which are expected to have a positive effect on gross margins when the economy starts to recover. Although the market outlook for the immediate future is characterized by considerable uncertainty, Munters expects to emerge strongly as a result of the structural changes and operational improvements implemented by the Group.

Dehumidification division

The Dehumidification division conducts operations primarily in the two business segments comprising industrial process air and commercial comfort air. The division, whose markets follow a late-cyclical pattern, also offers specialized technologies for the treatment of emissions from production processes.

The order intake declined gradually during 2009, with clearly discernible geographical differences. During the first half of the year, the European market was under pressure, while the downturn in the US was more noticeable during the second half. The Asian market was relatively stable over the year.

Actions taken during the year were comprised of cost reductions particularly in production plants, and improved purchasing practices. Also, pricing levels were generally maintained. Costs of SEK 16 M were charged against earnings for structural measures.

The investments made during 2008 within the framework of the MEP² program also generated favorable effects on profitability. Integration of the Belgian company Toussaint Nyssenne has strengthened the division's product range and increased its market penetration.

HumiCool division

The HumiCool division conducts operations in three business areas – AgHort, HVAC and Mist Elimination. Sales declined sharply in early 2009, followed by stabilization at the lower level during the second half of the year. The order situation improved toward year-end for AgHort and HVAC, but remained weak in Mist Elimination.

In HumiCool too, actions were taken to reduce costs. Costs totaling SEK 19 M were charged against earnings for structural measures. The review of the division's plant structure will continue.

Although the division was to some extent affected favorably by the results of the MEP² program, the full impact was not felt because of low volumes, which put pressure on gross margins. As a result of cost savings, however, the division was able to maintain a relatively unchanged level of profitability compared with the previous year.

MCS division

The MCS division offers services for water and fire damage restoration and temporary humidity control.

The order intake was lower compared with 2008. The lack of any major weather-related events during 2009 was the single most important reason for the decline. MCS Australia reported weak sales and was forced to impair its order backlog. The profitability problems experienced by this unit will have an adverse impact on the division's results during 2010. A restructuring program has been launched.

Comprehensive structural changes were implemented, and the division reduced its fixed costs in accordance with plans. Earnings during the year were charged with costs for restructuring measures and goodwill impairments totaling SEK 27 M. The operations in Ireland were discontinued, operations in Italy were sold and the division's operations

in Austria and Switzerland were merged, as were those in France and Belgium.

A new business model is now being introduced, which features a new structure, efficiency enhancements and improved service and customer value. Development of the new model proceeded according to plan, and 41 depots were closed during the year. The new Field.Link system has now been implemented in 10 markets, of which five were added in 2009. The new business model and operational structure will provide potential for sharply improved profitability.

Significant events after the end of the fiscal year

The company is of the opinion that no significant events have occurred after the balance-sheet date.

Earnings and financial position

The following sections contain comments on the Group's development. Comments on the divisions' development are presented on pages 18-23.

Order intake and net sales

The Group's order intake declined during the year by 4 percent (down 14 percent after adjustments for currency effects, acquisitions and disposal of operations) to SEK 6,263 M (6,515). The HumiCool and MCS divisions both reported a decline in order intake, while the Dehumidification division showed an increase on a non-adjusted basis. The order backlog declined 20 percent to SEK 1,066 M (1,330) at year-end.

Net sales decreased 1 percent (–11 percent adjusted) to SEK 6,524 M (6,570). The HumiCool and MCS divisions both reported reduced sales, while net sales on a non-adjusted basis of the Dehumidification division increased.

Gross earnings

Gross earnings declined marginally to SEK 1,694 M (1,716). The gross margin was largely unchanged at 26.0 percent (26.1).

Indirect costs

Sales and administration costs increased by 1 percent to SEK 1,294 M (1,277), corresponding to 19.8 percent (19.4) of net sales. The main reason for the increase was the weaker SEK. Adjusted for currency fluctuations, acquisitions and divestments of operations and nonrecurring items, sales and administration costs decreased 3 percent.

Earnings (EBIT)

EBIT declined 14 percent to SEK 311 M (362). The decline was due mainly to the HumiCool division, which reported earnings of SEK 71 M (155). Dehumidification increased its operating earnings to SEK 251 M (201) and the earnings of MCS were largely unchanged at SEK 47 M (48). The operating margin declined to 4.8 percent (5.5).

Full-year earnings were impacted by nonrecurring items resulting in expenses of SEK 30 M, comprising restructuring costs of SEK 68 M, recovery of accounts receivable in Italy totaling SEK 6 M and compensation regarding supply of faulty components, which had a positive impact of SEK 32 M on consolidated profit.

Before nonrecurring items, operating earnings amounted to SEK 341 M (516).

Financial items

Net financial items improved compared with the preceding year to an expense of SEK 65 M (expense: 77) as a result of reduced debt combined with lower interest rates.

Earnings trend

Taxes

Tax expenses for the year amounted to SEK 111 M (120), corresponding to an effective tax rate of 45 percent (42). The continued high tax burden, as in the preceding year, was due mainly to a large percentage of the Group's earnings being generated in countries with high nominal tax rates, while losses arise in countries with low nominal tax rates. A significant portion of the high tax expense was due to operations in Italy, where the tax system is structured so that a portion of tax charges is based on factors other than earnings before tax. As a result, although the company operates at a loss, it is charged with tax expenses. Furthermore, no deductions are allowed for interest expenses if an EBITDA loss is incurred. The high effective tax rate is also due in part to the fact that uncertain tax-loss carryforwards have not been capitalized. A review of the Group's tax situation has been initiated.

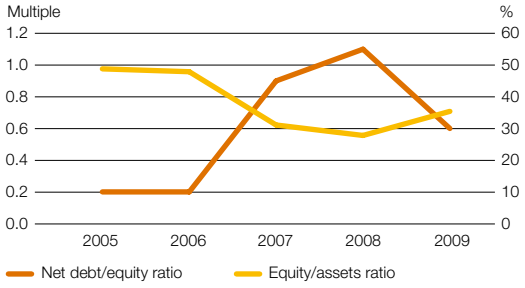
Investments

Group investments in tangible fixed assets during the year amounted to SEK 97 M (145), of which a large portion, SEK 36 M (49), pertained to investments in MCS equipment. The lower level of investments was an effect of the Group's strategy to improve its cash flow. Investments in intangible assets, excluding goodwill and other acquisition-related intangible assets, totaled SEK 7 M (12). Depreciation and impairments amounted to SEK 188 M (167).

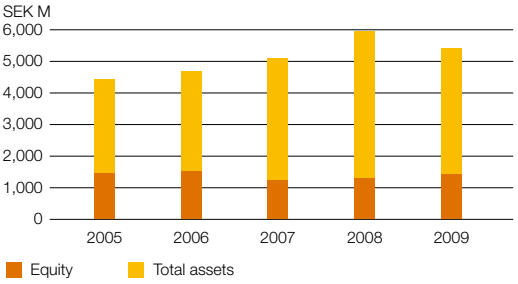
Financial position

The equity ratio at year-end rose to 35 percent (28 at the beginning of the year). Interest-bearing assets totaled SEK 460 M (490 at the start of the year) and interest-bearing provisions and liabilities amounted to SEK 1,309 M (1,880 at the beginning of the year). Net debt was reduced during the year by SEK 541 M to SEK 849 M. The Group has a credit facility approved on general terms amounting to SEK 2,240 M (2,190), of which the largest portion, SEK 2,000 M, is a syndicated credit facility extending until 2012. The Group has unutilized loan facilities of SEK 1,133 M (545).

Net debt/equity ratio and equity/assets ratio



Total assets and equity



Parent Company

Munter AB's operations comprise Group-wide functions, as well as certain functions for the MCS division. The Parent Company's earnings after financial items during 2009 amounted to a loss of SEK 42 M (earnings: 225). Dividends received from subsidiaries were included in an amount of SEK 16 M (250). There were no external net sales. Cash and cash equivalents at year-end amounted to SEK 148 M (227) and net debt totaled SEK 981 M (1,449). Investments totaled SEK 5 M (11). The number of employees during the year was 29 (30).

Financial instruments

The use of financial instruments apart from those arising in ongoing operations in the Munters Group is relatively limited. In addition to the options specified in Note 29, they consist primarily of currency hedges and interest-bearing borrowing from banks. Further information on the Group's financial instruments is presented in Notes 3 and 18.

Research and development

Munters' starting point in developing new or refining existing technologies is that all new models must be more energy-efficient than the old ones. As in the preceding year, investments in research and development accounted for 6 percent of operating expenses.

Several major development projects in the Dehumidification division were transferred to production during the year. Two global product platforms have been launched, including one with areas of utilization involving industrial applications and one with applications in water damage restoration and related utilization areas. The platforms will be expanded during 2010 to include additional products. A new product development group has been established in China, which will focus more sharply on the development of products adapted specifically for the Chinese market in future. Effective July 1, 2009, greater focus has been concentrated on product care and activities that reduce risks and increase margins. This shift in focus will continue during 2010. Substantial resources were allocated during 2009 to ensure that all products meet the demands of the new EU machinery directive, which became effective at the end of 2009.

Efforts to increase control efficiency through a more structured product development process continued and a new production strategy was introduced during 2009. The HumiCool division's research and development team continued to support business activities during 2009 by providing applications and technical support to the sales organizations of all three business areas. More resources were also devoted to research and fundamental development of evaporative media as part of efforts to improve performance and create opportunities for more product launches during the years immediately ahead.

A new product family of mobile heaters that can be operated with diesel oil and gas, and which offer a significant improvement in thermal efficiency, was introduced during the year. Because of its modular design, only marginal changes and various accessories are required for the product to be adapted for various applications in both AgHort and HVAC. Further efforts in all business areas have been focused on rationalizing the product portfolios and improving development processes and tools throughout the entire development cycle, from research via product development to production.

Information regarding environmental impact in accordance with Swedish legislation

Munters' operations affect the external environment through emissions to air and water, handling of chemicals and transport of component parts and finished products to and from manufacturing plants. The Group conducts operations requiring a type B permit according to the Swedish Environmental Code at its Swedish subsidiary Munters Europe AB. The permit includes all production operations in Tobo, Sweden and is valid until further notice. The Group's operations with permit and reporting obligations impact the external environment at Munters Europe's plant in Tobo through emissions to air and water. There are also noise restrictions. There are no injunctions in these areas. Production operations are environmentally certified in accordance with ISO 14000. The products are continuously adapted to the EU's various environmental directives. Chemicals and other hazardous waste are collected and submitted to an external processor of hazardous waste. In developing new products, Munters' goal is to reduce the impact on the environment.

Personnel

At the end of the year, the number of permanent employees was 3,822, a decrease of 313 (7.6%) since year-end 2008, adjusted for acquisitions. The decrease was due to workforce cutbacks and sale of operations. In many of Munters' operations, temporary employees had also been used and these were laid off in addition to the downsizing of the permanent workforce. The average number of employees during the year, including temporary employees, was 4,087, a decline of 4.8 percent, compared with the previous year. The proportion of women was 17 percent (19). Personnel turnover remained at the same level as in the previous year at 17 percent for the Group as a whole. This continued relatively high level is due to several factors. Restructuring measures conducted during the year accounted for a considerable portion. Europe has a high proportion of MCS personnel, which is traditionally a highly mobile personnel category. Asia consists of several young companies with a large share of production where

personnel mobility is still relatively high. Munters is in large part a young company. A full 50 percent of the workforce is under 40. The average age is 40 years (40).

Significant risks and uncertainties

Munters' exposure to risk can be divided primarily into two categories: operational risks and financial risks. Operational risks comprise weather dependence and dependence on key personnel and key customers, as well as geographically dispersed operations involving small operational units. Financial risks consist mainly of currency, interest and financing risks.

Demand for the company's products is affected by general economic trends. The weakened economic conditions resulted in lower sales, which also reduced capacity utilization in manufacturing over the short term. The continuing trend in the global economy, including interest rate and currency risks, is an uncertainty factor for the earnings trend. The previous acquisition frequency in Munters could result in integration-related risks.

A more detailed description of the business's operational and financial risks and how they are controlled and managed is presented in the section Risks and risk management on page 25 and in Note 3.

The Munters share and ownership structure

The Munters share is listed on the NASDAQ OMX Stockholm exchange. On December 31, 2009, Munters' share capital was distributed among 75,000,000 shares. The company has one class of stock. Each share carries one vote without restrictions at the Annual General Meeting. All shares carry equal rights to the company's assets and earnings. There are no restrictions on transfer of shares according to law or the company's Articles of Association. As far as Group management and the Board of Directors are aware, there are no agreements between shareholders that may entail restrictions on the right to transfer shares.

In order to meet obligations under the outstanding options program, the company holds 1,066,950 treasury shares with a quotient value corresponding to 1,867,163 shares. These shares were acquired for a combined purchase price of SEK 56,983,367. Holdings of treasury shares comprise 1.4 percent of the total share capital.

As per December 31, 2009, the ten largest owners in Munters controlled 68 percent (66) of the voting rights. The two largest owners are Latour and Industrivärden, which each control 14.6 percent of the voting rights. No other shareholder controls directly or indirectly more than 10 percent of the voting rights.

Members and deputy members of the Board of Directors are elected at the Annual General Meeting for the period until the end of the first general meeting held after the year the member was elected. Amendments to the Articles of Association are resolved by the Annual General Meeting.

The Board of Directors' proposal for approval of guidelines for compensation to senior executives

The Board of Directors of Munters AB proposes that the Annual General Meeting on April 22, 2010 approve guidelines for compensation to senior executives in the company according to the following. The guidelines are unchanged in relation to the preceding year.

Salaries for senior executives shall be competitive and on market terms and have other terms of employment that correspond to the manager's responsibility, authority, expertise and experience. Reconciliation of total compensation against market statistics and other information shall be performed regularly.

In addition to a fixed annual salary, senior executives may also receive a variable salary, which for the President will be based on the Group's earnings per share, cash flow, strategic performance or other parameters and for other managers on improvements in the particular manager's area of responsibility with respect to sales, operating earnings and capital turnover rate, as well as on the outcome of individual activity plans or other parameters. The variable salary component shall correspond to at most 50 percent of the fixed annual salary for the President and at most between 30 and 70 percent for other senior executives. The Board of Directors is also entitled to decide on programs concerning long-term variable pay on condition that the annual outcome of such a program corresponds to a maximum of 50 percent of fixed annual salary.

The company may subsidize or compensate interest expenses when a senior executive acquires shares in a transaction in which the executive assumes all risk.

The notice period between senior executives and the company shall not be longer than six months, and severance pay shall not amount to more than 18 months (base salary) for the President and 12 months (base salary) for other senior executives.

Pension entitlement shall apply from the age of 62 at the earliest. The President is covered by a premium-based pension plan according to which the premium may not exceed 35 percent of the base salary. Other senior executives residing in Sweden are covered by a premium-based plan coordinated with the ITP plan, where the agreed premium provision may not exceed 35 percent of base salary. Senior executives not residing in Sweden may be offered pension plans that are competitive in the countries where they reside.

Each year, the Board of Directors shall consider whether or not share-related incentive programs shall be proposed to the Annual General Meeting. Share-related incentive programs that are not approved by the Annual General meeting are not allowed.

Fees for Board members are established by the Annual General Meeting. If a Board member is employed by the company, compensation shall be paid to the Board member according to these guidelines, whereby special compensation for the assignment as a Board member shall not be paid. If a Board member performs assignments for the company that are not Board assignments, compensation shall be paid on market terms with consideration taken to the nature of the assignment and the work involved.

These guidelines shall apply to those persons who during the period in which the guidelines apply are members of Group management, other managers in senior positions who report directly to the President and Board members of the company. The guidelines apply for contracts entered after the closing of the Annual General Meeting and in cases in which changes are made in existing contracts after that date. The Board of Directors shall have the right to deviate from these guidelines if there are special reasons in an individual case, subject to the condition that this decision is reported and motivated at a later date.

The most recently approved guidelines are presented in Note 28.

10-year review

GROUP				IFRS[1]			Prior accounting principles[1]			
Order intake, sales and profit	**2009**	2008	2007	2006	2005	2004	2003	2002	2001	2000
Order intake, SEK M	6,263	6,515	6,407	5,761	5,340	4,598	4,305	4,727	3,945	3,322
Net sales, SEK M	6,524	6,570	6,262	5,712	5,130	4,543	4,308	4,666	3,894	3,179
Growth, %	–0.7	4.9	9.6	11.3	12.9	5.5	–7.7	19.8	22.5	22.5
EBIT, SEK M	311	362	566	529	405	334	298	465	401	306[2]
EBIT-margin, %	4.8	5.5	9.0	9.3	7.9	7.3	6.9	10.0	10.3	9.6[2]
Earnings after financial items, SEK M	246	285	526	514	391	318	280	436	389	289[2]
Net earnings, SEK M	135	165	336	328	252	200	172	266	239	184
Return figures and financial position[3]										
Equity, SEK M	1,407	1,285	1,202	1,506	1,437	1,148	1,086	1,114	1,012	821
Return on Equity, %	6.0	13.8	25.7	22.5	19.3	17.8	15.8	25.6	26.7	26.0
Capital employed, SEK M	2,921	2,726	2,340	1,915	1,802	1,606	1,553	1,617	1,360	1,242
Return on capital employed, %	10.4	13.6	24.8	28.0	22.8	21.0	19.1	30.8	31.8	28.3[2]
Return on operating capital, %	16.9	18.5	31.8	32.7	26.2	23.1	22.2	33.7	29.3	26.0
Capital turnover rate, multiple	2.2	2.4	2.7	3.0	2.8	2.8	2.7	3.1	3.0	2.8
Total assets, SEK M	3,969	4,614	3,862	3,144	2,946	2,440	2,365	2,732	2,228	1,993
Equity/assets ratio, %	35.4	27.8	31.1	47.9	48.8	47.0	46.1	41.0	45.4	41.2
Net debt, SEK M	849	1,390	1,068	257	315	351	338	365	196	333
Net debt/equity ratio, multiple	0.60	1.08	0.89	0.17	0.22	0.31	0.31	0.33	0.19	0.41
Interest-coverage ratio, multiple	5.3	4.4	10.7	25.0	20.2	17.7	11.3	14.2	16.3	11.7[2]
Key figures per share, SEK[4]										
Equity per share	18.94	17.28	16.16	20.33	19.42	15.65	14.84	15.20	13.74	11.03
Earnings per share	1.81	2.21	4.49	4.40	3.39	2.74	2.35	3.61	3.23	2.47
Cash flow from operating activities per share	7.54	4.44	5.34	7.19	4.16	2.86	1.70	3.13	3.19	–0.41
Dividend per share	1.00[5]	0.00	2.50	2.25	1.83	1.33	1.17	1.17	1.00	0.77
Other key figures										
Investments in tangible fixed assets, SEK M	97	145	185	153	126	108	130	183	140	148
Operating cash flow, SEK M	461	177	189	375	181	121	125	230	236	–31
Average number of employees	4,087	4,291	4,268	3,644	3,303	3,207	3,162	3,100	2,541	2,311

[1] Financial statements from 2004 have been prepared in accordance with IFRS. The main difference compared with prior accounting principles is that goodwill is no longer amortized according to plan.

[2] Excluding items affecting comparability in an amount of SEK 15 M relating to surplus funds from pension management in Alecta.

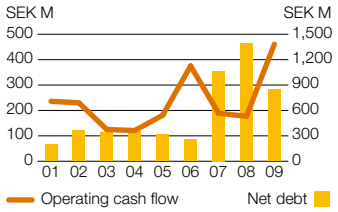
[3] From January 1, 2006, Munters has changed its accounting in accordance with the changes in IAS 19 so that actuarial gains and losses are now recognized in equity. Key figures for 2005 are restated to comply with the changes.

[4] Historical share data has been adjusted for the share split, redemption and bonus issue implemented in 2007.

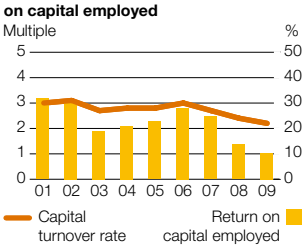
[5] According to the Board of Directors' motion.

Definitions are presented on page 73.

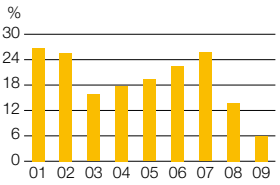
Operating cash flow and net debt



Capital turnover rate and return on capital employed



Return on equity



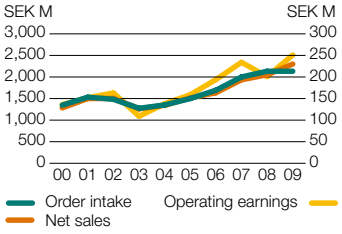
DIVISIONS

Dehumidification division	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Order intake, SEK M	2,234	2,133	2,001	1,693	1,500	1,352	1,275	1,482	1,532	1,346
Net sales, SEK M	2,300	2,051	1,936	1,635	1,514	1,344	1,262	1,503	1,501	1,284
Growth, %	12.2	5.9	18.4	8.0	12.6	6.5	–16.0	0.2	16.9	17.4
Operating earnings, SEK M	251	201	234	194	159	138	109	163	152	136
Operating margin, %	10.9	9.8	12.1	11.9	10.5	10.3	8.7	10.8	10.1	10.6
Operating capital, SEK M	503	590	481	383	422	362	369	380	438	426
Return on operating capital, %	44.7	38.7	52.0	50.4	40.9	39.2	29.3	40.6	34.2	35.0
Number of employees at year-end	1,198	1,301	1,180	900	853	781	771	816	798	802
HumiCool division										
Order intake, SEK M	1,370	1,644	1,837	1,585	1,460	1,178	1,080	1,258	1,108	993
Net sales, SEK M	1,483	1,743	1,765	1,514	1,343	1,138	1,103	1,215	1,079	966
Growth, %	–15.0	–1.2	16.5	12.8	18.0	3.2	–9.2	12.6	11.8	40.2
Operating earnings, SEK M	71	155	251	213	135	88	127	164	139	139
Operating margin, %	4.8	8.9	14.2	14.1	10.1	7.8	11.5	13.5	12.9	14.4
Operating capital, SEK M	426	581	497	391	440	432	474	513	470	476
Return on operating capital, %	13.4	27.5	52.3	51.1	29.2	18.2	24.6	31.6	28.6	31.5
Number of employees at year-end	797	866	924	789	668	649	661	737	634	623
MCS division										
Order intake, SEK M	2,681	2,770	2,630	2,541	2,444	2,102	1,987	2,041	1,331	1,008
Net sales, SEK M	2,768	2,809	2,624	2,618	2,335	2,095	1,982	2,004	1,338	961
Growth, %	–1.5	7.1	0.2	12.1	11.5	5.7	–1.1	49.7	39.3	15.4
Operating earnings, SEK M	47	48	129	159	153	141	122	192	153	83
Operating margin, %	1.7	1.7	4.9	6.1	6.5	6.7	6.2	9.6	11.4	8.6
Operating capital, SEK M	622	854	895	811	862	683	580	682	450	377
Return on operating capital, %	6.2	5.5	15.5	19.7	21.8	23.0	19.6	33.4	36.3	25.4
Number of employees at year-end	1,805	1,944	1,918	1,845	1,706	1,615	1,618	1,620	1,135	940

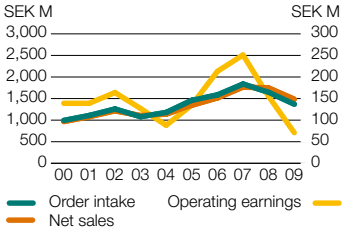
GEOGRAPHIC REGIONS

Europe	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Net sales, SEK M	4,028	4,055	3,838	3,412	3,056	2,705	2,658	2,731	1,949	1,674
Growth, %	–0.7	5.7	12.5	11.6	13.0	1.8	–2.7	40.2	16.4	19.3
Americas										
Net sales, SEK M	2,162	2,145	2,041	1,872	1,683	1,501	1,347	1,577	1,592	1,231
Growth, %	0.8	5.1	9.1	11.2	12.1	11.4	–14.6	–0.9	29.4	26.9
Asia										
Net sales, SEK M	573	562	510	529	484	419	372	427	408	335
Growth, %	1.8	10.3	–3.6	9.3	15.6	12.7	–12.9	4.7	21.8	20.1

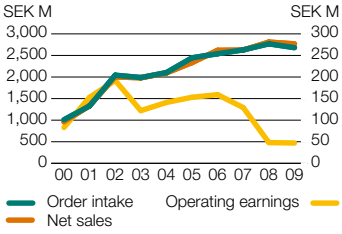
Division Dehumidification



Division HumiCool



Division MCS



Statement of comprehensive income

GROUP

Amounts in SEK M	Note	**2009**	2008
Net sales	5	6,524	6,570
Cost of goods sold		–4,830	–4,854
Gross earnings		**1,694**	**1,716**
Other operating income	6	2	11
Selling costs		–711	–764
Administrative costs		–583	–513
Research and development costs		–83	–85
Other operating expenses	6	–8	–3
EBIT – Earnings before interest and tax	7,8	**311**	**362**
Financial income	9	4	8
Financial expenses	9	–69	–85
Earnings after financial items		**246**	**285**
Tax	10	–111	–120
Net earnings		**135**	**165**
Other comprehensive income			
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax			
Cash-flow hedges		1	–1
Exchange-rate differences on translation of foreign operations		–23	137
Tax attributable to components of other comprehensive income	10	–4	13
Other comprehensive income for the year, net after tax		**–12**	**105**
Comprehensive income for the year		**123**	**270**
Net earnings			
Attributable to shareholders of the Parent Company		134	163
Attributable to minority interests		1	2
		135	**165**
Comprehensive income during the year			
Attributable to shareholders of the Parent Company		122	268
Attributable to minority interests		1	2
		123	**270**
Earnings per share [1]			
– before dilution, SEK	11	1.81	2.21
– after dilution, SEK	11	1.81	2.21

[1] Earnings per share, before and after dilution, were calculated on the basis of net earnings attributable to shareholders in the Parent Company.

Statement of cash flows

GROUP

Amounts in SEK M	Note	2009	2008
OPERATING ACTIVITIES			
Earnings after financial items		**246**	**285**
Reversal of items not affecting liquidity			
Depreciation and impairments	7	188	167
Earnings from divestment and disposals of fixed assets		8	1
Provisions for pensions and similar commitments		11	38
Other provisions		–6	–18
Other profit/loss items not affecting liquidity		–12	–5
Total items not affecting liquidity		**189**	**183**
Taxes paid		–181	–181
Cash flow from operating activities before changes in working capital		**254**	**287**
Cash flow from changes in working capital			
Changes in inventory		151	43
Changes in accounts receivable		274	127
Changes in other receivables		3	–17
Changes in accounts payable		–42	–59
Changes in other liabilities		–83	–53
		303	**41**
Cash flow from operating activities		**557**	**328**
INVESTING ACTIVITIES			
Business acqusisions	4, 14	–2	–87
Sale of business segments	6	–	3
Investments in tangible assets	12	–97	–145
Investments in intangible assets	13	–7	–12
Sales of tangible assets		7	5
Changes in other financial assets		1	1
Cash flow from investing activities		**–98**	**–235**
FINANCING ACTIVITIES			
Loans raised		0	409
Amortization of loans		–486	–133
Dividend paid		–1	–189
Cash flow from financing activities		**–487**	**87**
Cash flow for the year		**–28**	**180**
Cash and cash equivalents at the beginning of the year		490	276
Exchange-rate differences in cash and cash equivalents		–4	34
Cash and cash equivalents at end of year		**458**	**490**
Interest received amounts to 4 (7)			
Interest paid amounts to 46 (73)			
OPERATING CASH FLOW			
Operating cash flow		**461**	**177**
NET DEBT			
Short-term interest-bearing liabilities		31	41
Long-term interest-bearing liabilities		1,100	1,653
Defined-benefit pension plans		178	186
Interest-bearing assets		–460	–490
Net debt		**849**	**1,390**

Statement of financial position

GROUP

Amounts in SEK M at December 31	Note	**2009**	2008
ASSETS			
Fixed assets			
Buildings and land	12	197	209
Plant and machinery	12	116	149
Equipment, tools, fixtures and fittings	8,12	241	294
Construction in progress	12	15	12
Patents, licenses, brands and similar rights	13	127	143
Goodwill	14	926	978
Participation in associated companies	16	0	2
Other financial assets		28	20
Deferred tax assets	10	148	126
Total fixed assets		**1,798**	**1,933**
CURRENT ASSETS			
Raw materials and consumables		167	221
Products in process		75	86
Finished products and goods for resale		147	178
Work in progress on behalf of another party		32	97
Advances to suppliers		6	7
Accounts receivable	3	1,051	1,354
Prepaid expenses and accrued income	17	97	117
Derivative instruments	18	–	1
Current income taxes		80	59
Other financial assets		58	71
Cash and cash equivalents		458	490
Total current assets		**2,171**	**2,681**
TOTAL ASSETS		**3,969**	**4,614**

Statement of financial position

GROUP

Amounts in SEK M at December 31	Note	**2009**	2008
EQUITY AND LIABILITIES			
EQUITY			
Attributable to shareholders in the Parent Company	19		
Share capital		131	131
Other capital contributions		2	2
Reserves		77	99
Profit brought forward		1,190	1,046
		1,400	**1,278**
Minority interest	19	7	7
Total equity		**1,407**	**1,285**
LONG-TERM LIABILITIES			
Interest-bearing liabilities	20	1,100	1,653
Provisions for pensions and similar commitments	21	204	208
Other provisions	22	1	2
Other liabilities		1	11
Deferred tax liabilities	10	81	87
Total long-term liabilities		**1,387**	**1,961**
CURRENT LIABILITIES			
Interest-bearing liabilities	20	31	41
Advances from customers		66	107
Accounts payable		479	537
Accrued expenses and deferred income	23	357	430
Derivative instruments	18	1	2
Current income taxes		27	40
Other liabilities		133	143
Provisions for pensions and similar commitments	21	11	9
Other provisions	22	70	59
Total current liabilities		**1,175**	**1,368**
TOTAL EQUITY AND LIABILITIES		**3,969**	**4,614**
Pledged assets	24	1	1
Contingent liabilities	24	2	2

Statement of the changes in equity

GROUP Amounts in SEK M	Attributable to shareholders of the Parent Company							
	Share capital	Other capital contribution	Translation reserve	Provision for cash-flow hedges	Profit brought forward	Total	Minority interests	Total equity
Opening balance, January 1, 2008	**131**	**2**	**-38**	**1**	**1,099**	**1,195**	**7**	**1,202**
Changes in equity, 2008								
Dividend to shareholders of the Parent Company	–	–	–	–	–185	–185	–	–185
Dividend from subsidiaries	–	–	–	–	–	–	–2	–2
Net earnings	–	–	–	–	163	163	2	165
Other comprehensive income for the year, net after tax	–	–	137	–1	–31	105	0	105
Comprehensive income for the year	**–**	**–**	**137**	**–1**	**132**	**268**	**2**	**270**
Closing balance, December 31, 2008	**131**	**2**	**99**	**0**	**1,046**	**1,278**	**7**	**1,285**
Opening balance, January 1, 2009	**131**	**2**	**99**	**0**	**1,046**	**1,278**	**7**	**1,285**
Changes in equity, 2009								
Dividend to shareholders of the Parent Company	–	–	–	–	–	–	–	–
Dividend from subsidiaries	–	–	–	–	–	–	–1	–1
Net earnings	–	–	–	–	134	134	1	135
Other comprehensive income for the year, net after tax	–	–	–23	1	10	–12	0	–12
Comprehensive income for the year	**–**	**–**	**–23**	**1**	**144**	**122**	**1**	**123**
Closing balance, December 31, 2009	**131**	**2**	**76**	**1**	**1,190**	**1,400**	**7**	**1,407**

Income statement

PARENT COMPANY

Amounts in SEK M	Note	2009	2008
Net sales		62	51
Gross earnings		**62**	**51**
Selling costs		0	0
Administrative costs		–133	–99
Other operating income	6	2	2
Other operating expenses	6	1	1
EBIT – Earnings before interest and tax	7	**–68**	**–45**
Income from participations in Group companies	9, 15	16	270
Financial income	9	50	71
Financial expenses	9	–40	–71
Earnings after financial items		**–42**	**225**
Change in tax allocation reserve		–3	–4
Tax	10	13	14
Net earnings		**–32**	**235**

Statement of comprehensive income

Amounts in SEK M	2009	2008
Net earnings	–32	235
Other comprehensive income		
Group contributions	68	60
Tax attributable to Group companies	–18	–16
Other comprehensive income during the year, net after tax	**50**	**44**
Comprehensive income during the year	**18**	**279**

Balance Sheet

PARENT COMPANY

Amounts in SEK M at December 31	Note	2009	2008
ASSETS			
Fixed assets			
Equipment, tools, fixtures and fittings		6	24
Patents, licenses, brands and similar rights		18	18
Participation in subsidiaries	15	904	791
Receivables from subsidiaries		1,245	1,783
Other financial assets		2	2
Total fixed assets		**2,175**	**2,618**
Current assets			
Prepaid expenses and accrued income	17	8	12
Receivables from subsidiaries		57	36
Current income taxes		19	7
Other financial assets		7	37
Cash and cash equivalents		148	227
Total current assets		**239**	**319**
TOTAL ASSETS		**2,414**	**2,937**
EQUITY AND LIABILITIES			
Equity			
Share capital		131	131
Statutory reserve		76	76
Restricted equity		**207**	**207**
Premium reserve		2	2
Profit brought forward		847	562
Profit for the year		–32	235
Unrestricted equity		**817**	**799**
Total equity		**1,024**	**1,006**
Untaxed reserves		**22**	**19**
Long-term liabilities			
Interest-bearing liabilities	20	1,091	1,637
Provisions for pensions and similar commitments	21	39	39
Total long-term liabilities		**1,130**	**1,676**
Current liabilities			
Accounts payable		2	5
Accrued expenses and deferred income	23	15	15
Liabilities to subsidiaries		213	197
Current income taxes		5	17
Other liabilities		3	2
Total current liabilities		**238**	**236**
TOTAL EQUITY AND LIABILITIES		**2,414**	**2,937**
Pledged assets	24	–	–
Contingent liabilities	24	112	126

Cash-flow statement

PARENT COMPANY

Amounts in SEK M	Note	2009	2008
OPERATING ACTIVITIES			
Earnings after financial items		**–42**	**225**
Reversal of items not affecting liquidity			
Depreciation and impairments	7	6	6
Earnings from divestment and disposals of fixed assets		–	1
Provisions for pensions and similar commitments		0	2
Other profit/loss items not affecting liquidity		–28	195
Total items not affecting liquidity		**–22**	**204**
Taxes paid		–11	10
Cash flow from operating activities before changes in working capital		**–75**	**439**
Cash flow from changes in working capital			
Changes in accounts receivable		0	0
Changes in other receivables		555	–309
Changes in accounts payable		–3	1
Changes in other liabilities		12	51
		564	**–257**
Cash flow from operating activities		**489**	**182**

Amounts in SEK M	Note	2009	2008
INVESTING ACTIVITIES			
Business Acquisitions	4	–2	–79
Investments in tangible assets	12	–1	–8
Sale of tangible assets	13	–4	–4
Investments in intangible assets		17	–
Changes in other financial assets		–110	–57
Cash flow from investing activities		**–100**	**–148**
FINANCING ACTIVITIES			
Loans raised		–	409
Amortization of loans		–468	–106
Dividend paid		–	–185
Cash flow from financing activities		**–468**	**118**
Cash flow for the year		**–79**	**152**
Cash and cash equivalents at the beginning of the year			
Exchange-rate differences in cash and cash equivalents		227	75
Cash and cash equivalents at the end of the year		**–**	**–**
		148	**227**
Interest received		36	(71)
Interest paid		39	(69)
NET DEBT			
Long-term interest-bearing liabilities		1,091	1,637
Defined-benefit pension plans		39	39
Interest-bearing assets		–148	–227
Net debt		**982**	**1,449**

Statement of the changes in equity

PARENT COMPANY

Amounts in SEK M	Share capital	Statutory Reserve	Premium Reserve	Profit brought forward	Total equity
Opening balance, January 1, 2008	**131**	**76**	**2**	**703**	**912**
Changes in equity, 2008					
Dividend to shareholders of the Parent Company	–	–	–	–185	–185
Net earnings	–	–	–	235	235
Other comprehensive income for the year, net after tax	–	–	–	44	44
Comprehensive income for the year	**–**	**–**	**–**	**279**	**279**
Closing balance, December 31, 2008	**131**	**76**	**2**	**797**	**1,006**
Opening balance, January 1, 2009	**131**	**76**	**2**	**797**	**1,006**
Changes in equity, 2009					
Dividend to shareholders of the Parent Company	–	–	–	–	–
Net earnings	–	–	–	–32	–32
Other comprehensive income for the year, net after tax	–	–	–	50	50
Comprehensive income for the year	**–**	**–**	**–**	**18**	**18**
Closing balance, December 31, 2009	**131**	**76**	**2**	**815**	**1,024**

NOTE 1 ACCOUNTING PRINCIPLES

1.1 Regulations applied

The consolidated accounts have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's Recommendation RFR 1.2 (Supplementary Accounting Rules for Groups), International Financial Reporting Standards (IFRS) IFRIC interpretations as adopted by the EU.

The Parent Company's annual report has been prepared in accordance with the Annual Accounts Act and through application of the Swedish Financial Reporting Board's Recommendation RFR 2.2 (Accounting for Legal Entities). This implies that the IFRS valuation and disclosure rules are applied, with the exception of the deviations indicated in the section entitled "Parent Company's accounting principles."

Both Recommendations RFR 1.2 and 2.2 are to be applied to the presentation of the financial statements that pertain to fiscal years beginning January 1, 2009 or later, with earlier application encouraged. Munters applied these recommendations as early as in the 2008 Annual Report.

1.2 Basis on which the accounts have been prepared

The consolidated accounts are based on historical acquisition values, with the exception of derivative financial instruments.

1.3 Basis of consolidation

The consolidated accounts encompass the Parent Company and its subsidiaries. The financial statements for the Parent Company and its subsidiaries that are included in the consolidated accounts refer to the same period and have been prepared in accordance with the accounting principles that apply to the Group.

All intra-Group transactions, revenues, costs, profits or losses that arise in transactions between companies included in the consolidated accounts have been entirely eliminated.

Subsidiaries

The term subsidiaries refers to a company in which the Parent Company directly or indirectly holds more than half of the voting rights or otherwise has a controlling influence.

A subsidiary is included in the consolidated accounts as of the time of its acquisition, which is the day when the Parent Company acquires a controlling influence, and is included in the consolidated accounts until the day on which the controlling influence ceases.

Subsidiaries are recognized in accordance with the purchase method, entailing that identifiable assets and liabilities in the acquired company are reported at the fair values determined by the purchaser on the acquisition date.

Minority interest

The minority interest is the portion of earnings and of net assets of non-wholly owned subsidiaries that accrues to owners other than the Parent Company's owners. The minority share in the company's net earnings is included in the earnings recognized in the consolidated statement of comprehensive income and the share in its net assets is included in the equity recognized in the consolidated statement of financial position.

Associated companies

Associated companies refers to companies in which the Parent Company directly or indirectly has a long-term holding corresponding to not less than 20 percent and not more than 50 percent of the voting rights or otherwise holds a significant influence.

Associated companies are reported in accordance with the equity method. This means that the consolidated statement of financial position includes the acquisition cost of the shares, plus the Group's share in the earnings of associated companies after acquisition and after deduction of dividends received. The consolidated statement of comprehensive income includes the participation in the earnings of the associated companies after tax, with deduction, where applicable, of impairments of goodwill and amortization of surplus values.

Translation of the accounts of foreign subsidiaries

The subsidiaries' items in the balance sheet are valued in the relevant functional currency, which would normally be identical to the local currency in the particular country. The consolidated financial statements are presented in Swedish kronor, which is the Parent Company's functional currency. The income statement and balance sheets for the foreign subsidiaries are translated into Swedish kronor. The balance sheets are translated at the closing rates of exchange. The income statements are translated at the average exchange rate during the period. Exchange-rate differences do not affect earnings, but are recognized in other statement of comprehensive income in the consolidated financial statements. The following currency rates have been used in currency translations.

		Average rate		Closing rate	
Currency	Country	**2009**	2008	**2009**	2008
AUD	Australia	6.01	5.53	6.43	5.36
CAD	Canada	6.70	6.17	6.89	6.30
CNY	China	1.12	0.95	1.06	1.13
DKK	Denmark	1.43	1.29	1.39	1.47
EUR	Euro	10.62	9.61	10.35	10.94
GBP	United Kingdom	11.93	12.09	11.49	11.25
JPY	Japan	0.082	0.064	0.078	0.086
NOK	Norway	1.22	1.17	1.24	1.10
SGD	Singapore	5.25	4.64	5.14	5.38
THB	Thailand	0.22	0.20	0.22	0.22
USD	USA	7.65	6.58	7.21	7.75
ZAR	South Africa	0.91	0.80	0.97	0.82

1.4 Changed accounting principles for the Group

The applied accounting principles are the same as the principles applied in the preceding year with the exceptions described below. During the year, Munters introduced the following new and amended standards from IASB and statements from IFRIC as of January 1, 2009. Other new and amended standards and statements were not deemed relevant for Munters.

IFRS 7 Financial instruments: Disclosures

Additional disclosures must be provided concerning financial instruments reported at fair value in the consolidated statement of financial position. The amendment particularly requires disclosures concerning measurement at fair value per tier in a measurement hierarchy. In addition, the requirements concerning disclosures about liquidity risk have been expanded. The amendment to IFRS 7 has entailed the need to disclose additional information about measurement of derivative financial instruments, as well as expanded comments on liquidity planning.

IFRS 8 Operating segments

This standard contains disclosure requirements pertaining to the Group's operating segments and replaces the requirement to define primary and secondary segment based on lines of business and geographical areas in accordance with IAS 14. Instead, the new standard requires that segment information be presented on the basis of a management perspective, which entails that it must be presented in the manner applied for internal reporting. In addition, certain geographic information must be provided, as well as information about the existence of customers accounting for more than 10 percent of Group sales. In accordance with the manner in which the Group is controlled and followed up, the segment reporting is based on the three divisions Dehumidification, HumiCool and MCS. The new standard did not entail any change in identified operating segments. However, it did result in a certain change in the information disclosed.

Revised IAS 1 Presentation of Financial Statements

In the revised standard, there is greater clarification of items defined as owner transactions and non-owner transactions. The standard entails that owner transactions should only be recognized in a statement of changes in equity. Other transactions that

were formerly recognized in the equity statement are recognized as other comprehensive income in the statement of comprehensive income for the year.

The revised standard also entails that a third statement of financial position, pertaining to the start of the comparative year, must be presented when accounting policies are changed and this entailed a restatement of prior periods. The Group has not presented a third statement of financial position, since no change in the accounting policies have occurred.

Revised IAS 23 Borrowing Costs
The revised standard requires capitalization of borrowing costs that are directly attributable to the purchase, design or production of an asset that will necessarily take substantial time to complete and that is intended for use or sale. This revision affects Munters in the event of an establishment of new plants or of major additions to existing plants, when these are financed with loans. Since no such projects were started or were under way during the year, the revised standard had no impact on the Group's financial position or earnings.

IAS 27 Consolidated Financial Statements and Separate Financial Statements
The amendment to IAS 27 entails that all payments of dividends from subsidiaries, jointly controlled units or associated companies must be recognized in the Parent Company's income statement. Under special circumstances, such a dividend could constitute an indication that the value of the shares in the distributing company or unit has declined and that, accordingly, an impairment test should be conducted. The new requirements only affect the Parent Company's separate financial statements and have no impact on the consolidated financial statements. The Parent Company recognizes dividends from subsidiaries and associated companies in this manner. The Parent Company has no ownership interests in units that would entail joint control together with another party.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
This interpretation provides guidance on how hedging of a net investments in a foreign subsidiary should be recognized in respect of identification of currency risks that qualify for hedge accounting of net investments and the companies in a group that are entitled to hold the particular hedging instrument. In addition, it specifies how the company is to determine the currency gains or losses in relation to the net investment and the hedging instrument that has to be reversed in connection with the sale of the foreign operation. Munters hedges major net investments in foreign subsidiaries. The changes in value of these hedges are recognized continuously in other comprehensive income. No subsidiaries were sold during the year. The interpretation had no impact on the Group's financial position or earnings.

Improvements of IFRS standards
In May 2008, IASB issued its first collection of supplements to current standards, primarily in order to remove inconsistencies and to clarify formulations. Although there are separate transitional regulations for each supplement, these are normally to be applied starting on January 1, 2009. The improvements are not expected to have an impact on the Group's financial statements.

1.4.1 Introduction of new accounting principles
The new standards, interpretations and revisions that must be applied for the 2009 fiscal year or later are presented below. Munters does not intend to apply any of these in advance. Munters has elected only to comment on standards and interpretations that are deemed to be or may become relevant for the Group and its operations.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
The revised standards are to be applied for fiscal years starting July 1, 2009 or later. IFRS 3R introduces a number of amendments in the recognition of business combinations implemented after this date, which will affect the amount of recognized goodwill, recognized profit/loss during the period during which the business combination is implemented and future recognized profit/loss.

IAS 27R requires that changes in ownership participations in subsidiaries, in cases where the majority owner who does not lose a controlling interest, are to be recognized as an equity transaction. This entails that such transactions no longer give rise to goodwill, and do not result in any gains or losses. In addition, IAS 27R entails an amendment of the recognition of losses arising in subsidiaries and the recognition of when the controlling interest over a subsidiary ceases. The amendments to IFRS 3R and IAS 27R will impact the recognition of future business combinations and divestments, as well as transactions with minority interests.

IFRS 9 Financial Instruments: Recognition and Measurement
This standard, which has yet to be approved by the EU, represents the first phase of a comprehensive revision of the current standard IAS 39. The standard entails a decrease in the number of measurement categories for financial assets and introduces the main categories recognition at acquisition value (amortized cost) or fair value through items in profit and loss. For certain investments in equity instruments, there is an opportunity to recognize these at fair value in a statement of financial position, with the change in value recognized directly in other comprehensive income, whereby no transfer occurs to profit and loss on divestment.

This first phase of the standard will be supplemented with rules concerning impairment losses, hedge accounting and measurement of debt. IFRS 9 must be applied for fiscal years starting on January 1, 2013 or later. Pending completion of all aspects of the standard, the Group has not evaluated the impact of the new standard.

Minor supplements and clarifications of existing IFRSs
The Group has not started to implement the supplements listed below and they are not assessed to have any material impact on the financial statements.

– *IAS 24 Related Party Transactions*
  The definition of related party has been amended.
– *IAS 32 Financial Instruments: Classification*
  The definition of a debt has been amended, which entails, for example, that warrants issued by a company and for which and the subscription amount is determined in a currency other than the company's functional currency will be considered an equity instrument if the warrants are issued pro rata to existing shareholders.
– *IAS 39 Financial Instruments: Recognition and measurement*
  The amendment pertains to identification of a unilateral risk in a hedged item and identification of inflation as a hedged risk or part of a hedged risk in a specific situation. It clarifies that a company may identify a part of fair value changes or cash flow changes as a hedged item in a financial instrument.
– *IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
  The amendment entails, under certain conditions, an increased opportunity to recognize a pension asset in connection with payments to a pension foundation.

Improvements of IFRS standards
In April 2009, IASB issued its second collection of supplements to current standards, primarily in order to remove inconsistencies and to clarify formulations. Although there are separate transitional regulations for each supplement, these are normally to be applied starting on January 1, 2010. The improvements are not expected to have an impact on the Group's financial statements.

1.5 Accounting principles applied
Business Combinations
IFRS 3 (Business Combinations) is applied to acquisitions of operations carried out on or after January 1, 2004, which complies with IFRS 1 and is consequently an exception from the main rule on retroactive application of IFRS.

IFRS 3 implies that the fair value of the identifiable assets and liabilities of the acquired operations is established at the time of ac-

quisition. These fair values also include participations in the assets and liabilities attributable to any remaining minority owners of the acquired operations. Identifiable assets and liabilities also include assets, liabilities and provisions, including commitments and claims from external parties that are not recognized in the balance sheet of the acquired operations. Provisions are not made for expenses concerning projected restructuring measures resulting from the acquisition. The difference between the acquisition value of the acquisition and the acquired share in the fair value of the net assets of the acquired operations is classified as goodwill and recognized in the statement of financial position.

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

Fixed assets

Fixed assets are reported in the statement of financial position at acquisition value less accumulated depreciation according to plan and any applicable impairments. The assets of acquired companies are reported at fair value on the date of acquisition with deduction of accumulated depreciation.

The acquisition value of the asset is depreciated according to the straight-line method down to the estimated residual value over the expected useful life of the asset. Anticipated useful lives are specified in Note 7. The assets' remaining useful life is reviewed on every closing date and is adjusted if necessary.

Buildings, machinery and equipment

Land is not subject to depreciation since it is considered to have an indefinite useful life.

Normal maintenance and repair costs are expensed as they arise. More extensive renovation and upgrade costs are reported as an asset and depreciated over the remaining useful life of the object.

Goodwill

Goodwill is the value by which the acquisition price exceeds the fair value of the net assets acquired in conjunction with the acquisition of a company or an acquisition of assets and liabilities. Goodwill arising from the acquisition of associated companies is included in the carrying amount of the associated company.

Patents, licenses and similar intangible rights

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

Impairment testing

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

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

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

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

Any previously reported impairment is reversed if the recoverable amount is considered to exceed the carrying amount. No reversal occurs of an amount greater than what would cause the carrying amount to correspond to what it would have been if no impairment had been recognized in a prior period.

Goodwill is impairment tested using the following method. The goodwill value established on the date of acquisition is distributed among cash-generating units or groups of cash-generating units, which are expected to contribute advantages from synergistic effects resulting from the acquisition. Assets and liabilities already in the Group at the time of acquisition can be assigned to these cash-generating units. Each such cash flow to which goodwill is distributed corresponds to the lowest level of the Group at which goodwill is monitored in the management of the Company. This is a unit of the Group that is not larger than a segment – that is, a division according to the Group's segment reporting. Goodwill impairment is not reversed.

Inventories

Inventory is valued at the lower of acquisition cost or net sales value (fair value). Required impairments are made for obsolescence based on each item's age and inventory turnover rate. Acquisition value is determined by applying the first-in, first-out method or weighted average prices, if that method results in a good approximation of the first-in, first-out method. For internally manufactured products, the acquisition value consists of direct manufacturing costs plus a reasonable share of indirect manufacturing costs. Interest expenses are not included in inventories. Normal capacity utilization has been taken into account in valuations.

Work in progress on behalf of another party

Work in progress consists of committed expenses attributable to currently incomplete work.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and bank balances plus current investments with maturity periods not exceeding three months. Utilized overdraft facilities are reported under short-term loans.

Equity

Expenses for the purchase of treasury shares reduce equity in both the Parent Company and the Group. When these shares are sold, the proceeds of the sale are included in equity.

Provisions

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

A provision is made for restructuring measures when a detailed, formal plan of the measures exists and well-founded expectations have been created among those who will be affected by the measures.

Employee benefits

Within the Group, there are several defined-contribution plans and several defined-benefit plans and other long-term employee benefits, including some with management assets in special trusts or the equivalent. In defined-contribution plans, the company pays a pre-determined premium to a separate legal entity and does not have any legal or informal obligation to make additional payments, if the legal entity should prove to have insufficient assets when compensation to the employee is to be paid. All other plans for benefits when employment ends are defined-benefit plans. Pension plans are mainly funded through premiums paid by the various Group companies. Independent actuaries compute the amount of the commitments of the various plans and reassess pension plan commitments every year.

Regarding defined-benefit plans, pension costs are calculated using the Projected Unit Credit Method, so that the cost is distribut-

ed over the employee's working life. These commitments are valued at the present value of the anticipated future payments calculated using a discount rate that corresponds to the interest on high-quality commercial paper or government bonds with a remaining term that approximately corresponds to that of the commitments. For funded plans, the pension commitment is reported net after deduction of the plan assets. Actuarial gains and losses are reported in other comprehensive income in the period they occurred.

In Sweden, special employers' contributions pertaining to actuarial gains/losses are recognized in other comprehensive income.

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

Other long-term employee benefits include benefits in conjunction with anniversaries or other benefits to long-term employees. Recognition of these benefits differs from defined-benefit plans whereby actuarial gains and losses are recognized in the profit and loss and all expenses pertaining to employment during previous periods are recognized immediately.

Stock options program

Employees have paid a market premium for the stock options program that Munters has implemented (see Note 29). The stock option programs contain a subsidy implying that the employee receives the equivalent of 60 percent of the option premium in the form of a cash bonus, provided the option holder is employed during the period when the options may be exercised. This subsidy and the related social security payments are calculated and allocated as a personnel cost over the vesting period – that is, from the time of issuance of the options until the time that the vesting conditions have been fulfilled.

Warranty commitments

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

Leasing

Leases are classified either as financial or operating leases. Leases in which Munters adopts essentially the same legal position as in direct ownership of the asset are classified as financial leases. Reporting of financial leases entails recognizing a fixed asset as an asset item in the statement of financial position, at the lower of the market value of the asset and the estimated present value of the underlying lease payments, and initially reporting a corresponding liability. The asset is depreciated according to plan over its useful life, while the lease payments are reported as interest and amortization of the liability. For operating lease, the lease payments are expensed in profit and loss over the lease period.

Revenue

Net sales are reported at the sale value after deduction of discounts and value added tax and other taxes.

Income from the sale of goods is reported upon delivery, at which point essentially all risks and rights are transferred to the purchaser. This normally implies that sales are reported on delivery to the customer in accordance with the conditions of sale.

Income from major project assignments is recognized in relation to the degree of completion on the closing date, provided the profit can be reliably calculated. Degree of completion is determined mainly on the basis of committed project costs in relation to estimated project costs upon completion. Any expected losses are expensed directly.

In the MCS division, there are numerous small projects with short completion periods (the average being between two and 12 weeks). For practical reasons, income from such projects is reported on completion in connection with the issuing of a final invoice to the customer.

Key categories of revenue are defined in Note 5, whereby Dehumidification and HumiCool refer to the sale of goods and MCS refers to services rendered.

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

Research and development costs

The Group's expenses for research are expensed as they are incurred. Under certain circumstances, development costs can be capitalized, but this requires, among other things, that future economic benefits can be shown at the time when the costs arise. There is currently no such project, and development costs are therefore also expensed as they arise.

Borrowing costs

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

Government grants

Government grants are reported at fair value when it may be presumed with reasonable certainty that a grant will be received and that the Group will fulfill all the conditions attached thereto.

Government grants related to the acquisition of assets are recognized in the statement of financial position through the reduction by the grant of the carrying amount of the asset. Government grants attributable to costs are recognized as deferred income and as revenue as the costs that the grant is designed to offset arise. When a government grant is attributable neither to the acquisition of assets nor to remuneration of costs, it is reported as other income.

Transactions in foreign currency

Transactions in foreign currency are translated at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated at the closing rate of exchange and any resulting translation differences are in profit and loss items. Accordingly, both realized and unrealized exchange-rate differences are recognized in the income statement. Exchange-rate differences concerning operating receivables and liabilities are reported under operating earnings, while exchange-rate differences attributable to financial assets and liabilities are reported as a financial expense.

Financial instruments

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

Classification of financial instruments is in the following categories: (a) financial instruments valued at fair value through profit and loss, (b) loan or accounts receivables, (c) financial instruments held until maturity, (d) financial instruments available for sale and (e) other financial liabilities. Classification depends on the objective in acquiring the instrument. Management establishes the classification of the instruments when first reported and reassesses this decision on every reporting date. All financial instruments are recognized from the transaction date.

Classification of financial assets and liabilities

(a) Financial instruments valued at fair value through profit and loss

This category has two sub-groups: financial assets held for trade and such assets as are initially classified as valued at fair value through profit and loss. A financial asset is classed in this category if it was acquired primarily with the intention to sell it shortly or if this classification was determined by management. Derivative instruments are also classified as held for trade, if they are not identified as hedges. Assets in this category are classed as current assets either if they are held for trade or expected to be

realized within 12 months from the balance-sheet date. Munters has financial assets classified in this category.

(b) Loan and accounts receivable
Loan and accounts receivable are non-derivative financial assets with determined or determinable payments that are not listed on an active market. Characteristic for these assets is that they arise when the Group provides money, goods or services directly to a customer without the intention to trade the receivable thus arising. They are included in current assets with the exception of items with due dates more than 12 months after the balance-sheet date, which are classified as property, plant and equipment. Munters has cash and cash equivalents, accounts receivable, accrued income and certain other receivables in this category.

(c) Financial assets held to maturity
Financial assets that are held until maturity are non-derivative financial assets with determined or determinable payments and a fixed period that Group management intends and has the ability to hold until maturity. Munters has no financial instruments in this category.

(d) Financial assets available for sale
Financial assets not classified in any other category, such as shares and participations in both listed and unlisted companies. Munters has no financial instruments in this category.

(e) Other financial liabilities
Financial liabilities that are not held for trade. Munters' borrowing, accounts payable and certain accrued expenses are included in this category.

Recognition and valuation of financial instruments
Loan and accounts receivable are initially valued at fair value. In establishing fair value, information is used as applicable relating to recently completed arm's length transactions, other approximately equivalent instruments and an analysis of discounted cash flows. On subsequent occasions, the assets are valued at accrued acquisition value based on the effective-interest method and adjusted for any credit losses. A provision for credit losses is allocated when there are strong indications that the Group will not be able to receive the amounts specified according to the receivables' original terms.

Other financial liabilities are recognized at accrued acquisition value based on the effective-interest method. The acquisition value corresponds to the fair value on the acquisition date. For borrowing, this corresponds to the amount received reduced by any transaction costs.

Any gains and losses arising in conjunction with disposal of financial instruments or repurchase of loan obligations are recognized in profit and loss items.

Offsetting of financial instruments
Financial assets and liabilities may be offset against each other and recognized in net amounts in the consolidated accounts in cases where Munters has agreed with the counterparty that assets and liabilities will be settled in net amounts.

Financial derivative instruments
Financial derivatives are initially recognized at acquisition value in the statement of financial position and thereafter at current market value on subsequent balance-sheet dates. The method for recognition of gains and losses thus arising varies, depending on the character of the risk-hedged interest.

When a derivative contract is entered, it is classed as either (1) hedging of fair value of a recognized asset or liability (fair-value hedging), (2) hedging of a planned transaction or a definitive obligation (cash-flow hedging), (3) hedging of a net investment in a foreign subsidiary or (4) as a derivative that does not meet the requirements for hedge accounting.

Changes in the market value of such derivatives that are classified as, and meet the requirements for, fair-value hedging that can be determined objectively, are recognized in profit and loss items together with any changes in market value of the liability to which the hedge applies. Munters does not apply fair-value hedging.

Changes in fair value of such derivatives that are classified as, and meet the requirements for, cash-flow hedging that can be determined objectively, are recognized in other comprehensive income as a hedging reserve up until the date on which the hedged interest is recognized. When the hedged interest is recognized, income or expense arising from the associated derivative is also recognized under financial items in profit and loss. If a planned transaction or an assumed obligation is no longer expected to occur, any gain or loss thus far charged against equity is immediately transferred to profit and loss. Munters applies cash-flow hedging to a limited extent.

Certain derivative transactions do not meet the requirements for hedge accounting according to IAS 39 (Financial Instruments: Recognition and Valuation), although they are financially motivated according to the Group's risk management policy. Changes in market value for such non-qualified hedging transactions are immediately recognized in profit and loss items. This type of transaction does not occur in the Group.

Munters hedges major investments in foreign subsidiaries. Changes in value for hedges relating to net investments in foreign subsidiaries are recognized in other comprehensive income as they arise. Accumulated changes in value are retained in equity until the operation is divested, at which time the changes in value are recognized in profit and loss.

Accumulated translation differences
Translation differences relating to investments in foreign operations are recognized as a translation reserve in equity. In conjunction with the sale of foreign operations, accumulated translation differences must be reported as part of the consolidated gain/loss from the divestment. Munters has elected to set accumulated translation differences at zero as per January 1, 2004, in accordance with the transition rules in IFRS 1.

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

Current income taxes are based on each company's taxable income as reported in its tax return for the year. This includes an adjustment for current income tax attributable to previous periods.

Deferred income tax is calculated to correspond to the tax effect that arises when final tax is triggered. It is based on temporary differences between carrying amounts in the statement of financial position and residual values for tax purposes. The amounts are calculated using the tax rates that were effective or had been announced on the closing date. Temporary differences arise in conjunction with company acquisitions as the difference between the value of assets and liabilities in the consolidated statement of financial position and their value for tax purposes.

Deferred tax assets relating to loss carryforwards are reported to the extent that it is deemed likely that loss carryforwards will be used to offset future surpluses.

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

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

Information concerning related parties
Companies related to Munters include the Parent Company, subsidiaries and associated companies. "Related physical persons" are defined as Board members, senior management and close family members of such persons.

Information on transactions with related parties that entail a transfer of resources, services or obligations between related parties is disclosed, regardless of whether remuneration was paid or not. The disclosure contains information as to the character of the relationship and the effect of the relationship on the financial statements.

Events after balance sheet
If events arise that are significant, but that should not be taken into account when the amounts in profit and loss and in the statement of financial position are established, information will be provided in the Board of Directors' Report and notes as to the character of the event and, if possible, an estimate of its financial effect. The term "significant" implies that a disclosure of the information could influence financial decisions made by users of the financial statements.

Significant events that confirm the relationship that existed on the balance sheet date and that occur after the balance sheet date but prior to the signing of the Annual Report result in adjustments in the amounts in the Annual Report.

Accounting principles of the Parent Company
The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2.2 Accounting for Legal Entities. This means that IFRS is applied with the deviations and amendments presented below.

Pensions
The Parent Company's pension commitments are calculated and reported based on the law on safeguarding of pension commitments, which deviates from IAS 19. The principles from accounting based on this law are found in FAR SRS's accounting Recommendation No 4 Accounting of Pension Liabilities and Pension Costs, RedR 4. Application of the law on safeguarding of pension commitments is a prerequisite for the right to tax deductions. Actuarial gains and losses are recognized in the income statement.

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

Ownership of subsidiaries
Ownership shares in subsidiaries are recognized in the Parent Company according to the purchase method. All dividends are recognized in the Parent Company's income statement.

Group contributions and shareholders' contributions
The Parent Company reports Group contributions and shareholders' contributions in accordance with the Statement from the Swedish Financial Reporting Board (UFR), UFR2 Group contributions and shareholders' contributions. Shareholders' contributions are reported directly against the receiver's equity and capitalized in the shares and participations of the provider, to the extent that impairment is not required. Group contributions are reported according to financial significance. This means that Group contributions that are made to minimize the Group's total tax are recognized in other comprehensive income after deductions of current tax effects.

Untaxed reserves
The amounts for which provisions have been made to untaxed reserves comprise taxable temporary differences. Due to the connection between accounting and taxation, the deferred tax liabilities attributable to the untaxed reserves in the Parent Company are not reported separately in the legal entity.

NOTE 2 SIGNIFICANT ESTIMATES AND ASSESSMENTS

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

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

Doubtful accounts receivable
Accounts receivable are recognized in net amounts after reserves for possible loss risks. The net value reflects the amount that it is expected to be possible to recover, based on circumstances known on the balance-sheet date. Changes in circumstances, such as an increase in missed payments or a change in the financial position of a significant customer, may result in significant deviations in the valuation.

Valuation of goodwill
The Group assesses the need for an impairment of goodwill each year. This assessment requires an estimation of parameters that affect future cash flow and determination of a discount rate. Thereafter, the recovery value of each individual cash-generating unit is established by calculating the value in use. Note 14 presents the significant assumptions made in assessing goodwill and describes the effects of reasonable and possible changes in the assumptions on which the calculations were based.

Acquired intangible assets
In conjunction with business acquisitions, the acquired intangible assets are valued at fair value. In cases where there is an active market for the acquired assets, the fair value is determined on the basis of prices in that market. Because active markets are often lacking for these assets, valuation methods have been developed to estimate fair values. One example of a valuation model is discounted future cash flows.

Restructuring measures
Restructuring costs include the necessary impairment of assets, as well as estimated costs for dismissal of personnel. The cost calculation is based on detailed action plans that are expected to improve the Group's cost structure and productivity. To minimize uncertainty factors, historical outcomes from similar events are normally used as the basis for the calculation. Provisions for restructuring measures are allocated when a detailed, formal plan for the measures is established, and well-founded expectations have been created among those who will be affected by the measures.

Provisions for pensions
The pension liabilities recognized in the statement of financial position are actuarial calculations based on assumptions about the discount rate, inflation, future salary increases and demographic factors. These assumptions are updated each year, which affects the magnitude of the recognized pension liability and equity. Together with assumptions on anticipated returns on managed assets, these assumptions affect the pension costs recognized for the year. Additional information is presented in Note 21.

Legal disputes
Provisions for legal disputes are estimates of the future cash flow that will be required to settle the obligations. The disputes primarily relate to contracted obligations attributable to contracts with cus-

tomers and suppliers, although other types of disputes also arise in normal business operations. Management considers it improbable that any of the known disputes in which Munters is presently involved will have a significant effect on the Group's accounts.

Other provisions
Several of Munters' products are covered by guarantees that apply during a predetermined fixed period. Provisions for such product guarantees are based on historical data and expected costs for quality problems that are known and can be anticipated.

NOTE 3 FINANCIAL RISK MANAGEMENT

In its business, Munters is exposed to several different financial risks: market risk (primarily currency and interest risk), credit risk and liquidity risk.

The financial risks are controlled and managed based on a policy adopted by the Board of Directors that is intended to limit the financial risks to which Munters is exposed through preventative measures. The policy also regulates the division of responsibility between the Group's subsidiaries and the central finance function. Risk management and financing operations are mainly centralized to the Parent Company in Sweden. The policy has been unchanged since 2009.

Information about financial instruments is provided in Note 18.

Market risk
Currency risk
Munters conducts operations in countries all over the world. The Group is thus exposed to currency risks in both transactions in foreign currency and when translating income statements and balance sheets to SEK.

A significant share of Munters' sales and costs are generated in foreign currencies. The geographic distribution of Munters' production plants results in significant matching of revenues and costs in local currencies, which limits currency exposure. The shares of net sales and costs for the most significant currencies during the year are shown below.

2009

Currency	Proportion of sales, %	Proportion of costs,%
EUR	38.2	37.8
USD	31.0	28.4
NOK	7.6	7.7
GBP	4.7	4.4
SEK	4.0	8.4
Other currencies	14.5	13.3
Total	**100.0**	**100.0**

2008

Currency	Proportion of sales, %	Proportion of costs,%
EUR	36.4	36.3
USD	31.0	29.6
NOK	7.2	7.3
GBP	5.1	5.0
SEK	5.1	8.6
Other currencies	15.2	13.2
Total	**100.0**	**100.0**

Munters' sensitivity to variations in exchange rates is presented in the table below. The analysis includes both transaction and translation exposure and is based on operating earnings for 2009 and 2008, respectively. The assumption is that all other factors that can influence earnings are unchanged.

2009

	Estimated effect on operating earnings	
SEK +10%, compared with	SEK M	%
EUR	–14.4	–5.7
USD	–25.5	–10.0
ZAR	–2.9	–1.1
GBP	–3.4	–1.3
SGD	–2.5	–1.0
KRW	–2.4	–1.0
CAD	–2.8	–1.1
Other	–2.8	–1.1

2008

	Estimated effect on operating earnings	
SEK +10%, compared with	SEK M	%
EUR	–12.4	–4.0
USD	–18.9	–6.1
ZAR	–3.2	–1.0
GBP	–2.4	–0.8
SGD	–2.0	–0.7
KRW	–1.5	–0.5
CAD	–4.9	–1.6
Other	–6.9	–2.2

Transaction exposure
Munters hedges 100 percent of net contracted operative and financial flows in foreign currency. The contracted flows normally correspond to flows for two to three months ahead. Sales in foreign currencies take place primarily in internal Group sales companies, meaning that hedging can be concentrated to fewer companies within the Group. Hedging takes place primarily through the sale of currency in forward contracts and through external borrowing in foreign currency. The value of currency hedging at year-end amounted to slightly more than SEK 1 M, see Note 18. According to Munters' financial policy, hedging through currency options may only take place in exceptional cases. There were no currency options at the end of 2009.

Translation exposure
Munters' exposure to translation risk arises because a large number of its subsidiaries have a functional currency that is different than the Group's reporting currency. Munters hedges the currency risk attributable to the translation of income statements and balance sheets in EUR and USD.

The total effect of translating operating earnings in 2008 to 2009 exchange rates resulted in income of SEK 46.1 M (expense: 3.5), corresponding to 14.8 percent (1.0) of the year's operating earnings. The effect on other comprehensive income of translation of foreign subsidiaries' net assets to SEK amounted to an expense of SEK 23 M (income: 137) during the year.

Interest rate risk
Since the Group does not have any significant interest-bearing assets, the Group's income and cash flow from current operations is essentially independent of changes in interest rates. However, the Group is exposed to interest risk through interest-bearing borrowing, which is one of the Group's sources of financing in addition to equity and cash flow from current operations.

According to the guidelines specified in Munters' financial policy, the interest period for debt should normally be between 0 and 12 months. The average interest period at year-end 2009 was slightly more than three months. A specification of the Group's interest-bearing debt is provided under the heading Liquidity risk.

Interest exposure
The estimated effect on earnings after financial items of a change in interest levels of 1 percent amounts to slightly more than SEK 14 M (9), primarily as an effect of borrowing with variable interest.

Credit risk

For Munters, the dominant portion of credit risk relates to accounts receivable. Munters works actively to limit this risk. An approved credit rating is required in order for a counterparty to be approved. Advance payment is generally encouraged, and partial advance payment is a requirement when the order value is a significant amount and delivery extends over a long period. Accounts receivable are also spread over a large number of customers, primarily companies in different industries and with substantial geographic diversity, which limits concentration of the credit risk. During the year, the Group's five largest customers accounted for 9 percent of total revenues.

To ensure that the Group's accounts receivable are paid, Munters developed a new policy during 2009 in a joint Group improvement project. According to this policy, each business unit must have established and documented processes for handling unpaid receivables. The documented processes include specifications for time limits for taking various actions, including legal actions, as well as for who is responsible at various stages of the process. Documentation of actions taken ensures that follow-ups will be possible. The measures are matched to amounts and to different groups of customers and business areas in a manner that will result in efficient handling of overdue accounts receivable.

Time analysis of accounts receivable, fallen due for payment but not written down	**2009**	2008
< 30 days	240	254
30-90 days	109	150
91-180 days	38	49
> 180 days	6	4
Amount at year-end	**393**	**457**

Collateral in the amount of SEK 86 M has been provided for total receivables, of which SEK 84 comprises bank guarantees.

Provisions for bad debts correspond to 8.3 percent (8.0) of total receivables and changed according to the following.

Provisions for bad debts	**2009**	2008
Provisions at January 1	115	75
Acquisitions of subsidiaries (Note 4)	40	77
Provisions for anticipated losses	–18	–38
Reversals of unutilized provisions	–45	–13
Exchange-rate differences	–4	14
Amount on December 31	**88**	**115**

The credit risk for other financial assets, such as cash and cash equivalents, amounted to the carrying value of these assets.

Liquidity risk

Munters' borrowing from banks consists in part of a syndicated credit facility and in part of individually approved bank loans to subsidiaries, often in conjunction with acquisitions of operations. The syndicated credit facility amounts to SEK 2,000 M and extends until 2012. The facility may be utilized in several currencies.

Interest-bearing debt amounted to SEK 1,131 M at year end (1,694) and was distributed as follows. Information is also provided in Note 20.

Interest-bearing debt	**2009**	2008
Bank loans – approved general credit framework	2,241	2,190
Bank loans – unutilized portion	–1,133	–545
Bank loans – in addition to general credit framework	15	34
Leasing commitments	8	15
	1,131	**1,694**

Borrowing is distributed among local currencies with average weighted interest rates as follows:

Currency	Nominal amount, millions	Average interest rate, %
SEK	100	0.83
EUR	79	1.17
USD	24	0.60
CNY	25	4.14

Calculation of net debt is recognized in the cash-flow statement.

Munters' syndicated credit facility means that the Group is subject to external capital requirements that stipulate limits for net debt through profit before interest expenses, tax and impairments and the interest-coverage ratio. The Group has complied with the external capital requirements. Munters has established routines for managing external borrowing and following up the limits in the capital requirements. In this manner, the Group ensures that it fulfills its commitments to external lenders and minimizes the liquidity risk. Management continuously monitors forecasts of the Group's cash flows and liquidity reserve to ensure that the Group has sufficient funds for covering the needs of its operating activities. The forecasts are combined with a business intelligence analysis and with various simulations and are addressed at meetings of both the Board of Directors and the Audit Committee. If necessary, requisite actions are taken. External borrowing is managed centrally by the Parent Company in Sweden. The financial policy adopted by the Board of Directors regulates levels with respect to cash and cash equivalents and credit facilities in relation to sales. When surplus liquidity arises in the Group, it is primarily used to amortize external loans.

The tables below show the remaining contract periods until maturity. The amounts specified in the table are the contracted, non-discounted cash flows. The difference in relation to the recognized amounts in the statement of financial position relate to leasing commitments, which in this presentation are recognized in gross amounts before deduction of interest and fees.

December 31, 2009	< 1 year	1-5 years	> 5 years	**Total**
Interest-bearing liabilities	31	1,100	–	1,131
Other liabilities	509	9	1	519
Accounts payable	479	–	–	479
	1,019	**1,109**	**1**	**2,129**

December 31, 2008	< 1 year	1-5 years	> 5 years	**Total**
Interest-bearing liabilities	39	1,653	–	1,692
Other liabilities	619	6	1	626
Accounts payable	537	–	–	537
	1,195	**1,659**	**1**	**2,855**

Capital management

The Group's management of capital is regulated by a policy adopted by the Board of Directors that entails minimizing surpluses in cash and cash equivalents through amortization of external loans. Surplus liquidity is invested in government bonds with low risk or placed in bank accounts. Surplus liquidity in subsidiaries shall be placed with the Parent Company.

Munters is subject to external capital requirements in the syndicated credit agreement that was entered in 2007. The general implications of these capital requirements are presented under the heading Liquidity risk.

Munters' managed assets consist of equity amounting to SEK 1,407 M (1,285). Munters' intention is to apply a dividend policy that the dividend level is matched to the Group's earnings level, financial position and other factors that the Board of Directors considers relevant against the background of the Group's strategy and in consideration of the prevailing market and business conditions. The annual dividend shall correspond to approximately half of the Group's average net profit over a period of several years. The dividends for the years 2006 and 2008 and the proposed dividend for 2009 correspond to 44 percent of average earnings for these four years.

NOTE 4 BUSINESS COMBINATIONS

Toussaint Nyssenne

Effective October 30, 2008, Munters AB acquired 100 percent of the Belgian company Ateliers Toussaint Nyssenne SA, including its French subsidiary Toussaint Nyssenne International (T.N.I.) SA. Toussaint Nyssenne manufactures high-quality customized air conditioning systems for offices, public buildings and industrial applications. Its systems are very flexible and modular and provide air conditioning for a broad selection of demanding applications. The company was consolidated as of October 1, 2008, which was when the controlling influence was acquired. The acquired operations contributed revenues of SEK 54 M and operating earnings of SEK 3.5 M for the period from October 1, 2008 until December 31, 2008. If the acquisition had taken place on January 1, 2009, the company would have contributed revenues of SEK 193 M with operating earnings of nearly SEK 7 M.

Preliminary information about the acquired net assets and goodwill on the acquisition date is provided below.

Purchase price	
– cash purchase price paid	75
– fees directly attributable to the acquisition	5
Total acquisition cost	**80**
Supplementary purchase price – estimated	4
Total purchase price	**84**
Fair value of acquired net assets	–49
Goodwill (Note 14)	**35**

Goodwill is attributable to anticipated future synergies and expansion opportunities within product integration, technology and distribution in the European market. During 2009, the goodwill item increased by SEK 2 M due to an adjustment of the purchase price (expenditure directly attributable to the acquisition and the supplementary purchase price), in an amount of SEK 3 M, and an adjustment of net assets on the acquisition date.

The acquired company's preliminary net assets on the acquisition date:

	Carrying value	Fair value adjustment	Fair value
Property, plant and equipment	7	0	7
Intangible assets – customer relations and brand, Note 13	0	23	23
Current assets	25	0	25
Non-interest-bearing receivables	67	0	67
Cash and cash equivalents	14	0	14
Interest-bearing liabilities	–13	0	–13
Non-interest bearing liabilities (incl. deferred tax liabilities)	–66	–8	–74
Net identifiable assets and liabilities	**34**	**15**	**49**

During 2009, the value of the acquired company's net assets on the date of acquisition was adjusted as follows: carrying amounts for current assets och interest-free liabilities were increased by SEK 1 M and SEK 3 M, respectively. Adjustment of fair value pertaining to intangible assets and interest-free liabilities resulted in increases of SEK 5 M and SEK 2 M, respectively.

Cash purchase price paid plus fees directly attributable to the acquisition	80
Cash and cash equivalents in the acquired company	–14
Change in the Group's cash and cash equivalents on acquisition	**66**

Munters Form

As of April 30, 2008, 80 percent of the Turkish company Munters-Form Endüstri Systemleri Sanayi ve Ticaret A.S. was acquired. Munters Form is primarily active in the areas of dehumidification, ventilation products for the agricultural sector and pre-coolers for gas turbines. The company was consolidated as of May 1, 2008, The acquired operations contributed revenues of SEK 37 M and operating earnings of SEK 5 M for the period from May 1, 2008 to December 31, 2008. If the acquisition had taken place on January 1, 2008, the company would have contributed revenues of SEK 46 M with operating earnings of SEK 6 M.

Information about the acquired net assets and goodwill on the acquisition date is provided below.

Purchase price	
– cash purchase price paid	21
– fees directly attributable to the acquisition	2
Total acquisition cost	**23**
Supplementary purchase price – estimated	1
Total purchase price	**24**
Fair value of acquired net assets	–6
Minority share	1
Goodwill (Note 14)	**19**

Goodwill is attributable to anticipated future synergies and expansion opportunities primarily within distribution in the region and neighboring countries. During 2009, goodwill declined by SEK 6 M, due to an adjustment of the previously calculated supplementary purchase price.

The acquired company's net assets on the acquisition date:

	Carrying value	Fair value adjustment	Fair value
Intangible assets – customer relations, Note 13	0	5	5
Current assets	5	0	5
Non-interest-bearing receivables	4	0	4
Cash and cash equivalents	2	0	2
Non-interest bearing liabilities (incl. deferred tax liabilities)	–9	–1	–10
Net identifiable assets and liabilities	**2**	**4**	**6**
Cash-paid purchase price plus expenditure directly attributable to the acquisition			23
Cash and cash equivalents in acquired company			–2
Change in the Group's cash and cash equivalents on acquisition			**21**

NOTE 5 OPERATING SEGMENTS

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

Reportable operating segments

The Group's reportable operating segments have been identified on the basis of a management perspective. This entails that the reported segment information is based on the internal reporting to the chief operating decision-maker, which at Munters has been equated with Group Management.

The Group's operations are managed and reported per division as described below.

The Dehumidification division manufactures and markets products and complete solutions for controlling humidity and improving the indoor climate. The customers' manufacturing processes and warehousing are becoming more efficient, and product quality, shelf life and hygiene are being improved.

The HumiCool division manufactures and markets products and systems for evaporative cooling, heating and humidification, such as climate control systems for animal breeding and fertilization for the AgHort industry, as well as technology for mist elimination, in part for cleaning of flue gas.

The MCS division provides service for water and fire damage restoration, as well as for temporary humidity and climate control. Comprehensive service offering directed at the insurance industry result in lower costs through dehumidification and restoration instead of rebuilding.

Munters' reportable operating segments are the same as in the preceding year. Division consolidation is performed according to the same principles as for the Group as a whole. Transactions between divisions are conducted on market terms. Key control and reporting terms are order intake, net sales, operating earnings, and operating capital. No profit and loss items or operating earnings are allocated to the divisions.

No individual customer accounts for 10 percent of more of Munters' sales.

	Dehumidification		HumiCool		MCS		Eliminations, etc.		Other[1]		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Net sales from external customers	2,281	2,025	1,478	1,738	2,765	2,807	–	–	–	–	6,524	6,570
Transactions between business segments	19	26	5	5	3	2	–42	–49	15[2]	16[2]	–	–
Net sales	**2,300**	**2,051**	**1,483**	**1,743**	**2,768**	**2,809**	**–42**	**–49**	**15**	**16**	**6,524**	**6,570**
Operating earnings	**251**	**201**	**71**	**155**	**47**	**48**	**4**	**5**	–	–	**373**	**409**
Amortization of surplus values and impairment of goodwill	–8	–5	–5	–4	–1	–1	–	–	–	–	–14	–10
Undistributed costs	–	–	–	–	–	–	–	–	–48[2]	–37[2]	–48	–37
EBIT	**243**	**196**	**66**	**151**	**46**	**47**	**4**	**5**	**–48**	**–37**	**311**	**362**
Net financial items									–65	–77	–65	–77
Taxes									–111	–120	–111	–120
Net earnings											**135**	**165**
Operating assets	716	855	606	787	775	1,028	28	21	49	58	2,174	2,749
Goodwill	218	233	520	556	188	189	–	–	–	–	926	978
Participations in associated companies	–	–	0	2	–	–	–	–	–	–	0	2
Other assets	–	–	–	–	–	–	–	–	869[3]	885[3]	869	885
Total assets	**934**	**1,088**	**1,126**	**1,345**	**963**	**1,217**	**28**	**21**	**918**	**943**	**3,969**	**4,614**
Operating liabilities	214	265	180	206	153	174	–5	–10	3[2]	10[2]	545	645
Other liabilities	–	–	–	–	–	–	–	–	2,017[4]	2,684[4]	2,017	2,684
Total liabilities	**214**	**265**	**180**	**206**	**153**	**174**	**–5**	**–10**	**2,020**	**2,694**	**2,562**	**3,329**
Other data												
Investments	19	37	22	35	55	88	–	–	1[2]	7[2]	97	167
Depreciation and impairments	37	25	46	43	107	93	–5	–	3[2]	6[2]	188	167
Number of permanent employees at year-end	1,198	1,301	797	866	1,805	1,944	–	–	22[2]	21[2]	3,822	4,132

[1] Pertains to items managed at Group level and which thus are not allocated to the operating segments.
[2] Pertains to certain Group functions.
[3] Other financial assets, deferred tax assets, prepaid expenses and accrued income, derivative instruments, current income taxes and cash and cash equivalents.
[4] Only advances from customers and accounts payable are allocated to the operating segments. Other liabilities are managed at Group level.

Geographic information

External net sales	2009	2008
Sweden	277	274
US	1,836	1,804
Germany	899	833
Other countries	3,512	3,659
Total revenues from external customers	**6,524**	**6,570**

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

Fixed assets	2009	2008
Sweden	84	114
US	418	481
Italy	456	500
Germany	156	175
Other countries	508	517
Total fixed assets	**1,622**	**1,787**

Fixed assets comprises buildings and land, plant and machinery, equipment, tools and installations, construction in progress, patents, licenses, trademarks and similar rights, goodwill and participations in associated companies.

NOTE 6 OTHER OPERATING INCOME AND OPERATING EXPENSES

	Group		Parent Company	
	2009	2008	2009	2008
Other operating income				
Divestment of operations	–	3	–	–
Reversal of provisions	1	7	–	–
Other	1	1	–	–
Royalty from subsidiaries	–	–	2	2
	2	**11**	**2**	**2**
Other operating expenses				
Impairment of participations in associated companies	–2	–	–	–
Goodwill impairment	–5	–	–	–
Loss on divestment of fixed assets	–	–1	–	–
Reversal of provisions		–2	–	–
Other	–1	–	–	–
Exchange-rate differences	–	–	1	1
	–8	**–3**	**1**	**1**

Divestment of operations pertains to the Swedish business unit Fire and Restoration Operations, which was divested in 2008.

NOTE 7 DEPRECIATION/AMORTIZATION AND IMPAIRMENT

Amortization and depreciation of intangible and tangible assets are based on the historical acquisition cost and the estimated useful lives of various types of assets. For assets acquired during the year, depreciation or amortization is calculated from the acquisition date. Depreciation and amortization are deducted primarily straight-line over the following useful lives.

Improvement measures in leased premises	3–7 years
Research and development work	5 years
Equipment within MCS operations	6 years
Patents, licenses and brands	3–10 years
Machinery and equipment	3–10 years
Buildings	20–33 years
Land lease	50 years

The useful life of acquired brands is based on the number of years that the brand is estimated to contribute revenues to the Group in its current form. The remaining useful lives for the brands are four years and six months, six years and 11 months, seven years and three months, and eight years and nine months.

Goodwill impairment is reported among other operating expenses. See also Note 14.

Depreciation, amortization and impairments for the year were charged against the profit and loss as shown below.

	Group		Parent Company	
	2009	2008	2009	2008
Cost of goods sold	135	127	–	–
Selling costs	20	17	–	–
Administrative costs	25	22	6	6
Research and development costs	1	1	–	–
Other operating expenses	7	–	–	–
	188	**167**	**6**	**6**

Amortization of acquisition-related intangible assets totaled 13 (10) and is included in the item Selling costs.

Impairment of inventories

Impairment of inventories totaled 18 (12) and is included in the item Cost of goods sold. There were no reversals of previous impairments.

NOTE 8 LEASING

Operating leases

The year's costs for operating leases of assets, such as leased premises, machinery and major computer and office equipment are reported among operating costs and amounted to SEK 215 M (206).

Minimum future costs for non-revocable operating lease contracts have the following maturity.

Most of the vehicles used in service operations are currently classified as operating leases.

2010	171
2011–2014	212
2015 and later	7
	390

Financial leases

Assets held through financial lease contracts are reported as equipment. The year's total payments relating to the assets amounted to SEK 7 M (6). Depreciation during the year amounted to SEK 8 M (6).

Assets held under a finance lease refer primarily to vehicles. The minimum lease fee comprises a capital portion and an interest portion. The interest portion is variable and follows market interest rates prevailing in each country.

Assets held under a financial lease are reported as equipment in the following amounts:

	2009	2008
Acquisition cost – capitalized financial leases	37	38
Accumulated depreciation	–26	–21
Carrying amount	**11**	**17**

Liabilities pertaining to financial leases – minimum lease fees	2009	2008
Within one year	5	7
Between one and five years	3	10
	8	**17**
Future financial costs for financial leases	0	–2
Present value of future minimum lease fees	**8**	**15**

Present value of financial lease liabilities		
Within one year	5	6
Between one and five years	3	9
	8	**15**

NOTE 9 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2009	2008	**2009**	2008
Financial income				
Dividends from subsidiaries	–	–	16	250
Income from liquidation	–	–	–	20
Interest income, subsidiaries	–	–	35	70
Interest income, other	4	7	–	1
Exchange-rate differences	–	1	15	–
	4	**8**	**66**	**341**
Financial expenses				
Interest expenses, subsidiaries	–	–	–	–1
Interest expenses, other	–46	–73	–38	–68
Exchange-rate differences	–12	–	–	–
Other financial expenses	–11	–12	–2	–2
	–69	**–85**	**–40**	**–71**
Total financial income and expenses	**–65**	**–77**	**26**	**270**

NOTE 10 INCOME TAXES

	Group		Parent Company	
	2009	2008	**2009**	2008
Current tax expense	142	134	–15	–14
Tax relating to prior years /withholding tax	2	4	2	–
Deferred tax related to temporary differences and loss carryforwards	–35	–22	0	0
Non-income-related taxes	2	4	–	–
Tax expenses recognized in profit and loss	**111**	**120**	**–13**	**–14**

	Group		Parent Company	
Reconciliation of effective tax	**2009**	2008	**2009**	2008
Earnings before tax	246	285	–42	225
Tax according to prevailing tax rate for the Parent Company	64	79	–11	62
Difference attributable to foreign tax rates	26	25	–	–
Non-deductible expenses	14	17	0	0
Non-taxable income	0	–5	–4	–76
Non-income-related taxes	2	4	–	–
Tax relating to prior years /withholding tax	3	4	2	–
Other	2	–4	0	0
Tax expenses	**111**	**120**	**–13**	**–14**

Tax attributable to components of other comprehensive income	Group	
	2009	2008
Deferred tax attributable to:		
Actuarial gains and losses on defined-benefit pension obligations	–4	13
Cash-flow hedges	0	0
	–4	**13**

	Group	
Deferred tax assets	**2009**	2008
Machinery and equipment	8	8
Inventory	14	13
Accounts receivable	13	29
Prepaid expenses and accrued income	0	0
Provisions	5	3
Accrued expenses and deferred income	48	35
Derivative instruments	4	0
Loss carryforwards	30	15
Provisions for pensions	21	23
Other	7	2
Offsetting	–2	–2
	148	**126**

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

	Group	
Deferred tax liabilities	**2009**	2008
Buildings	4	4
Machinery and equipment	13	16
Technology	8	8
Brands	21	25
Goodwill	7	6
Inventories	0	0
Untaxed reserves	9	11
Provisions	14	11
Other	7	8
Offsetting	–2	–2
	81	**87**

Deferred tax assets relating to unutilized loss carryforwards are reported to the extent that it is deemed likely that they will be used to offset taxable surpluses. The unutilized loss carryforwards amounted to SEK 116 M (53) at year-end, of which SEK 56 M (43) was unlimited in time and SEK 17 M (10) expires in 2010-2013. Loss carryforwards for which deferred tax assets are not reported amounted to SEK 15 M (6), of which SEK 0 M (1) was unlimited in time and SEK 15 M (10) expires in 2010-2013. Loss carryforwards totaling SEK 101 M (47) were thus suitable for recognition as deferred tax assets.

NOTE 11 EARNINGS PER SHARE

	Group	
	2009	2008
Net earnings, attributable to shareholders in the Parent Company	134	163
Weighted average number of outstanding shares, 000s	73,933	73,933
– outstanding shares after dilution, 000s	73,933	73,933
Earnings per share, SEK	1.81	2.21
– after dilution	1.81	2.21

Earnings per share (before dilution) are calculated by dividing the net earnings attributable to shareholders in the Parent Company with the weighted average number of outstanding shares during the year.

In the calculation of earnings per share after dilution, the average number of outstanding shares is adjusted for the dilution effect of all potential shares. Munters has only stock options that entail a dilution effect. For such options, a calculation is made of the number of shares that could have been purchased at fair value (calculated as the average share price for the year) at an amount corresponding to the monetary value of the subscription rights associated with the outstanding stock options. The difference in value between the number of shares that would have been sold under the assumption that the stock options were utilized and the number of shares that would have been sold at the average share price during the period is treated as an issue of shares without payment. The weighted average number of shares is increased by the corresponding number of shares.

The option program from 2006 resulted in no dilution effect, since the issue price exceeds the average share price during the year.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress
Acquisition cost				
Amount on January 1	372	667	1,149	12
Capital expenditure for the year	3	20	56	10
Sales and scrapping	–	–28	–66	–
Reclassifications	–	–2	8	–6
Translation differences for the year	–6	–22	–38	–1
Amount on December 31	**369**	**635**	**1,109**	**15**
Accumulated depreciation				
Amount on January 1	163	518	855	–
Sales and scrapping	–	–27	–59	–
Reclassifications	–	–4	4	–
Depreciation for the year	12	47	97	–
Impairment for the year	–	3	–	–
Translation differences for the year	–3	–18	–29	–
Amount on December 31	**172**	**519**	**868**	**–**
Closing carrying amount	**197**	**116**	**241**	**15**

Parent Company	Equipment, tools, fixtures and fittings
Acquisition cost	
Amount on January 1	35
Capital expenditure for the year	1
Sales and scrapping	–22
Amount on December 31	**14**
Accumulated depreciation	
Amount on January 1	11
Sales and scrapping	–5
Depreciation for the year	2
Amount on December 31	**8**
Closing carrying amount	**6**

Depreciation is based on the asset's acquisition cost and the estimated useful lives as specified in Note 7.

The carrying amount of land amounted to SEK 27 M (27).

Taxation values of buildings in Sweden amounted to SEK 15 M (15). The taxation value of land in Sweden amounted to SEK 2 M (2).

NOTE 13 PATENTS, LICENSES, BRANDS AND SIMILAR RIGHTS

Group	Brands	Tech-nology	Other intangible assets	Total
Acquisition cost				
Amount on January 1	79	28	97	204
Acquisition of subsidiaries (Note 4)	2	–	3	5
Capital expenditure for the year	–	–	7	7
Reclassification	–	–	–	0
Translation differences for the year	–4	–2	–2	–8
Amount on December 31	**77**	**26**	**105**	**208**
Accumulated amortization				
Amount on January 1	13	5	42	60
Acquisition of subsidiaries (Note 4)	–	–	–	–
Amortization for the year	8	3	12	23
Reclassification	–	–	–	0
Translation differences for the year	–	–	–2	–2
Amount on December 31	**21**	**8**	**52**	**81**
Closing carrying amount	**56**	**18**	**53**	**127**

Brands
This item includes the brands Sial in the amount of SEK 20 M, Des Champs Technologies, SEK 21 M, Turbovent, SEK 2 M and Toussaint Nyssenne, SEK 13 M, which were identified when these operations were acquired.

Technology
This item includes ventilation and air conditioning systems for commercial buildings in the amount of SEK 15 M, and ventilation and air cleaning technology in the amount of SEK 3, which was received and valued in conjunction with the acquisitions of Des Champs Technologies and Turbovent.

Other intangible assets
Other intangible assets include SEK 3 M relating to patents, SEK 33 M relating to capitalized development expenses for business and Group accounting systems, as well as SEK 5 M relating to a lease in China. Customer relations, which were valued in connection with the acquisition of Munters Form and Toussaint Nyssenne, amounted to SEK 4 M and SEK 7 M, respectively.

Parent Company	Other intangible assets
Acquisition cost	
Amount on January 1	22
Capital expenditure for the year	4
Amount on December 31	**26**
Accumulated amortization	
Amount on January 1	4
Amortization for the year	4
Amount on December 31	**8**
Closing carrying amount	**18**

Investments for the year primarily refer to Field.Link, a mobile IT system in the MCS division was launched in 2008.

NOTE 14 GOODWILL

	2009	2008
Carrying amount before impairments		
Amount on January 1	982	798
Acquisition of subsidiaries (note 4)	–4	64
Exchange-rate differences for the year	–43	120
Amount on December 31	**935**	**982**
Accumulated impairments		
Amount on January 1	4	4
Impairments for the year	5	–
Amount on December 31	**9**	**4**
Closing carrying amount	**926**	**978**

Recognized goodwill value per cash-generating unit	2009	2008
Dehumidification	218	233
HumiCool	520	556
MCS	188	184
MCS Australia	–	5
	926	**978**

Impairment
During 2009, an impairment loss of SEK 5 M was recognized on the value of MCS Australia, due to considerable uncertainty concerning the unit's future cash flow. No impairment was recognized in 2008.

Impairment testing of goodwill values
On September 30, 2009, carrying amounts of goodwill were subjected to routine impairment testing. The assessments were carried out for each individual cash-generating unit. Up to 2008, a cash-generating unit corresponded to a legal entity or that part of a legal entity in which goodwill had been identified on acquisition. As of 2009, Munters has decided to perform impairment testing of goodwill amounts at divisional level. The rationale underlying the new definition of a cash-generating unit is that control and monitoring of the Group's operations occurs on the basis of the three divisions. Accordingly, the division level is the lowest level in the Group for which goodwill is monitored. In addition, the objective of most acquisitions has been to attain synergism in a number of different market and business areas within a division. On the basis of this, the acquired legal entities have in several cases been reformed and restructured in such a manner that impairment testing of goodwill per legal entity is no longer regarded as providing a fair and just account.

In respect of the current year's goodwill impairment, which was previously recognized within MCS Australia, the Group has reached a conclusion that deviates from the description made above. MCS Australia has been defined as a separate cash-generating unit. The rationale underlying this deviating definition is that the goodwill identified on the acquisition of MCS Australia did not contribute to any cash flow in the MCS division in addition to cash flows generated in Australia. In all significant respects, the acquired unit has retained the structure prevailing at the date of acquisition.

The impairment testing of goodwill amounts has been based on the discounted future cash flow. This encompasses forecasts, approved by Group management and the Board, for the next three years. The growth rate after the three years has been cautiously estimated at 2 percent. In the calculations, a nominal discount rate for the Group (average weighted capital cost before tax) of 13.3 percent (11.0) was used. The most significant assumptions pertain to sales growth, the trend in the operating margin, utilization of operating capital employed and the discount rate.

Due to considerable uncertainty concerning the unit's future cash flow, the previously recognized cash flow for MCS Australia has been impaired in its entirety, namely by SEK 5 M. In respect of other cash-generating units, it was found that recoverable amounts

exceeded the carrying amounts. Consequently, no impairment was necessary. The total value in use of the cash-generating units exceeded the carrying amount by a factor of 1.8. A 7.0-percentage-point increase in the discount rate is required for it to be necessary to recognize an impairment loss in one unit. For the other units, a significantly larger increase in the discount rate would be required before having to recognize an impairment loss. As per December 31, 2009, a follow-up of the routine impairment testing of goodwill made September 30 was conducted. This showed no indication of a material change in recoverable amounts. Nor was there any indication of a decline in value.

Acquisition of operations

Goodwill declined SEK 4 M during the year, as a result of adjustment of purchase prices and of acquired net assets. The cash-flow statement shows the impact on cash and cash equivalents with respect to acquired operations. During 2009, the cash-flow impact pertained to the cash payment of a supplementary purchase consideration pertaining to the acquisition of Munters Form, which was expensed in connection with the acquisition, including cash payment due to adjustment of the purchase consideration for the acquisition of Toussaint Nyssenne.

NOTE 15 PARTICIPATION IN SUBSIDIARIES

Direct shareholdings	Country	Percentage, %	Carrying amount
AB Carl Munters corp. reg. no. 556035-1198)	Sweden	100	169
Munters Beteiligungs GmbH	Germany	100	4
Munters BV	Netherlands	100	0
Munters Corporation	USA	100	2
Munters France SAS	France	100	48
Munters Group Ltd	UK	100	0
Munters Italy SpA	Italy	100	193
Munters Korea Co Ltd	South Korea	100	0
Munters Ltd	UK	100	154
Munters (Thailand) Co Ltd	Thailand	100	1
Polygon AS	Norway	100	248
Polygon A/S	Denmark	19	1
Ateliers Toussaint Nyssenne SA	Belgium	100	84
			904

Indirect shareholdings in subsidiaries with significant business operations	Country	Percentage, %
Munters AG	Switzerland	100
Munters Air Treatment Equipment (Beijing) Co Ltd	China	100
Munters A/S	Denmark	100
Munters Austria GmbH	Austria	100
Munters Brasil Industria e Comércio Ltda	Brazil	100
Munters de Mexico S de RL de CV	Mexico	100
Munters Euroform GmbH	Germany	100
Munters Europe AB (corp. reg. no. 556380-3039)	Sweden	100
Munters Form Endüstri Sistemleri Sanayi ve Ticaret A.S.	Turkey	80
Munters GmbH	Germany	100
Munters Inc	Canada	100
Munters India Humidity Control Private Ltd	India	100
Munters KK	Japan	100
Munters Mist Eliminator (Beijing) Co Ltd	China	100
Munters NV	Belgium	100
Munters Oy	Finland	100
Munters Poland Sp zoo	Poland	100
Munters Pte Ltd	Singapore	100

Indirect shareholdings in subsidiaries with significant business operations	Country	Percentage, %
Munters (Pty) Ltd	South Africa	100
Munters Pty Ltd	Australia	100
Munters Service GmbH	Germany	100
Munters Services France SAS	France	100
Munters Spain SAU	Spain	100
Munters Torkteknik AB Corp. reg. nr. 556034-6164)	Sweden	100
Polygon A/S	Denmark	56

NOTE 16 PARTICIPATION IN ASSOCIATED COMPANIES

	Country	Percentage, %	Acquisition value	Carrying value in the Group	Impairment 2009
Aerotech Asia Inc Co	British Virgin Islands	50	4	–	–2

No business activities were conducted in the Company. The carrying value in the Group corresponds to the estimated recovery value in conjunction with a possible future liquidation of the company.

NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2009	2008	**2009**	2008
Prepaid rent and leases	11	12	1	1
Prepaid insurance premiums	19	16	–	–
Accrued project volumes	6	10	–	–
Prepaid expenses for goods and services	5	2	7	11
Other items	56	77	–	–
	97	**117**	**8**	**12**

NOTE 18 FINANCIAL INSTRUMENTS

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

Financial instruments recognized as financial assets and financial liabilities

Derivative instruments

At the end of the year, there were currency hedges within the Group according to the table below. They were recognized at fair value in the statement of financial position. Measurement was performed at quoted prices (unadjusted) in active markets for identical assets and liabilities.

Currency	Net sales amount in local currency, 000s	Carrying amount, SEK 000s
EUR	–4,094	–590
USD	–443	–7
GBP	31	–12
DKK	3,749	33
JPY	–200,000	–257
PLN	550	7
AUD	1,250	3
SGD	269	–26
CAD	–700	161
Total		**–688**

Negative net sales amounts refer to purchasing and positive net sales amounts refer to selling. All forward contracts fall due for payment during 2010.

Fair value of financial instruments
The carrying amounts of interest-bearing assets and liabilities in the statement of financial position may deviate from their fair value due to such reasons as changes in market interest rates. The interest period for the Group's external loans is short. The fair value of such financial instruments as accounts receivable, accounts payable and other non-interest-bearing financial assets and liabilities, which are reported at accrued acquisition cost with deductions for any impairment, is deemed to correspond to the carrying amount due to the short terms of these instruments.

Categories of assets and liabilities

Group 2009	Currency derivatives to which hedge accounting of cash flow is not applied	Loan and accounts receiv-ables	Non-financial assets	Total
Assets				
Tangible assets	–	–	569	569
Intangible assets	–	–	1,053	1,053
Other fixed assets	–	28	148	176
Inventories, etc.	–	–	427	427
Accounts receivable	–	1,051	–	1,051
Prepaid expenses and accrued income	–	–	97	97
Derivative instruments	–	–	–	0
Other current receivables	–	58	80	138
Cash and cash equivalents	–	458	–	458
	0	**1,595**	**2,374**	**3,969**
2008				
Assets				
Tangible assets	–	–	664	664
Intangible assets	–	–	1,121	1,121
Other fixed assets	–	20	128	148
Inventories, etc.	–	–	589	589
Accounts receivable	–	1,354	–	1,354
Prepaid expenses and accrued income	–	–	117	117
Derivative instruments	1	–	–	1
Other current receivables	–	71	59	130
Cash and cash equivalents	–	490	–	490
	1	**1,935**	**2,678**	**4,614**

Group 2009	Currency derivatives to which hedge accounting of cash flow is not applied	Loan and accounts receiv-ables	Non-financial assets	Total
Liabilities				
Interest-bearing liabilities	–	1,131	–	1,131
Provisions	–	–	286	286
Accounts payable	–	479	–	479
Accrued expenses and deferred income	–	319	38	357
Derivative instruments	1	–	–	1
Other liabilities	–	133	175	308
	1	**2,062**	**499**	**2,562**
2008				
Liabilities				
Interest-bearing liabilities	–	1,694	–	1,694
Provisions	–	–	277	277
Accounts payable	–	537	–	537
Accrued expenses and deferred income	–	386	44	430
Derivative instruments	2	–	–	2
Other liabilities	–	143	246	389
	2	**2,760**	**567**	**3,329**

NOTE 19 EQUITY

Share capital
The share capital of SEK 131,250,000 comprises 75,000,000 fully paid shares, each with a par value of SEK 1.75. Each share entitles the holder to one vote at General Meetings. There is one class of share. All shares carry the same right to a share in the Company's assets and profits. Each share entitles the holder to one vote at General Meetings with no limitations. There are no limitations to the transferability of the share under law or according to the Articles of Association.

Reserves	Reserves for unrealized gains	Reserves for exchange-rate differences	Total reserves
January 1, 2008	**1**	**-38**	**-37**
Cash-flow hedges	–1	–	–1
Exchange-rate differences	–	137	137
December 31, 2008	**0**	**99**	**99**
Cash-flow hedges	1	–	1
Exchange-rate differences	–	–23	–23
December 31, 2009	**1**	**76**	**77**

The reserve for unrealized gains consists of the portion of gains and losses attributable to cash-flow hedges that are classified as effective. The reserve for exchange-rate differences consists of differences that arise when the income statements and balance sheets of foreign subsidiaries are translated into Swedish kronor.

Holding of treasury shares
In order to cover its commitments for outstanding option programs, the Company has acquired treasury shares.

	Number	Par value, SEK
January 1, 2009	**1,066,950**	**1,867,163**
Sales in 2008	–	–
December 31, 2008	**1,066,950**	**1,867,163**
Sales in 2009	–	–
December 31, 2009	**1,066,950**	**1,867,163**

During 2008 and 2009, there were no purchases or sales of treasury shares. In total, treasury shares were acquired for a purchase price of SEK 56,983,367 corresponding to an average price including commission of SEK 53.41 per share.

Number of outstanding shares
Excluding treasury shares, the number of outstanding shares at year-end amounted to 73,933,050.

Options program
Outstanding options programs are described in Note 29.

Dividend during the year
The Annual General Meeting on April 15, 2009 approved the proposal of the Board of Directors and the President that no dividend be paid to shareholders for 2008.

Proposed dividend
The Board of Directors and the President will propose to the Annual General Meeting that dividend payment be resumed. The proposed dividend amounts to SEK 1.00 per share. The company had a strong cash flow in 2009 and, although the outlook for 2010 is difficult to estimate, there is scope for payment of a dividend.

NOTE 20 INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	2009	2008	**2009**	2008
Syndicated credit facility	1,091	1,637	1,091	1,637
Other bank loans	9	16	–	–
Long-term liabilities	**1,100**	**1,653**	**1,091**	**1,637**
Other short-term credit facilities	23	26	–	–
Lease obligation	8	15	–	–
Current liabilities	**31**	**41**	**0**	**0**

Munters' borrowing from banks comprises a syndicated credit facility and bank loans to subsidiaries granted on an individual basis. The syndicated credit facility amounts to SEK 2,000 M and extends until 2012. Further information is provided in Note 3.

NOTE 21 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Group	**2009**	2008
Long-term defined-benefit commitments to employees	172	177
Other long-term employee benefits	11	14
Other benefits to employees	21	17
Long-term	**204**	**208**
Short-term defined-benefit commitments to employees	6	9
Other short-term payments to employees	5	
Short-term	**11**	**9**
Total provisions for pensions and similar commitments	**215**	**217**
Long-term defined-benefit commitments to employees	172	177
Other long-term employee benefits	11	14
Short-term defined-benefit commitments to employees	6	9
Other short-term payments to employees	5	0
Provisions recognized in accordance with IAS 19	**194**	**200**

The Munters Group finances pension plans for employees in several countries. These plans mainly follow practice in the country in question and may be defined-contribution or defined-benefit plans or a combination of both. The largest defined-benefit plans cover employees in Sweden, Norway, the UK and Germany. In France and Italy, the companies make provisions for mandatory remuneration when employment is terminated.

Munters applies the alternative that IAS 19 allows, namely that actuarial gains and losses are recognized directly in other comprehensive income in the period they occurred to the extent that they refer to remuneration after employment has been terminated. Actuarial gains amounted to SEK 11 M (loss: 40) for the year. The accumulated net loss amounted to SEK 62 M (71), which is included in the recognized pension debt. The actuarial gain during 2009 primarily resulted from lower discount rates than on the preceding valuation date in 2008. Other long-term employee benefits include employees in Germany.

The defined-contribution plans include primarily retirement pensions, disability pensions and family pensions. The premiums are paid continuously during the year by each Group company to separate legal entities, for example, insurance companies. The size of the premium is based on salary. The cost for defined-contribution plans for the year amounts to SEK 74 M (75).

Recognized provisions (change of the year)	**2009**	2008
Amount on January 1	200	158
Pension costs	20	14
Actuarial losses(+)/gains(–)	–11	40
Benefits paid by employer	–12	–13
Premiums paid by employer	–5	–1
Business acquisitions	1	–
Terminated and changed benefit plans	–	–
Exchange-rate differences for the year	1	2
Amount on December 31	**194**	**200**
Recognized provisions (end of year)		
Present value of wholly or partially funded obligations	84	73
Present value of unfunded obligations	173	178
Market value of plan assets (–)	–63	–51
Amount on December 31	**194**	**200**
Present value of defined-benefit obligations		
Amount on January 1	251	226
Benefits earned during the year	9	6
Interest expenses	11	11
Paid benefits	–13	–15
Business acquisitions	6	–
Terminated and changed benefit plans	–	–
Actuarial gains(–)/losses(+) – changes in assumptions	–7	24
Actuarial losses – experience-based adjustments	–3	3
Exchange-rate differences for the year	4	–4
Amount on December 31	**258**	**251**
Plan assets		
Amount on January 1	51	68
Actual return on plan assets	1	–10
Premiums paid by employer	5	1
Benefits paid from plan assets	–2	–1
Business acquisitions	5	–
Terminated and changed benefit plans	–	–
Exchange-rate differences for the year	4	–7
Amount on December 31	**64**	**51**
Return on plan assets		
Actual return on plan assets	1	–10
Costs for obligations during the year – defined-benefit plans		
Benefits earned during the year	9	6
Interest expenses	11	11
Expected return on plan assets	–3	–4
Amortization of previously earned benefits	0	0
Amortization of unrecognized actuarial gains and losses on other long-term employee benefits	3	1
Costs for obligations during the year – defined-benefit plans	**20**	**14**

Pension costs for defined-contribution plans	74	75
Distribution of pension costs in profit and loss		
Administrative costs	83	78
Financial expenses	11	11
Total pension costs	**94**	**89**

Statement of income and expense recognized in the Group		
Actuarial gains(+)/losses(–) during the year	11	–40
Effects of limitation on assets par. 58 (b)	–	–
Accumulated actuarial losses	–62	–71

Actuarial gains (+) and losses (–) recognized directly in equity		
Amount on January 1	–71	–33
Amortization of actuarial gains during the year	3	1
Actuarial losses on obligations	11	–27
Actuarial losses on plan assets	–3	–14
Terminated and changed benefit plans	–	–
Exchange-rate differences for the year	–2	2
Accumulated	**–62**	**–71**

Plan assets		
Equity instruments, %	32	36
Debt instruments, %	36	48
Property, %	8	9
Other assets (cash and cash equivalents), %	24	7

No portion of plan assets in 2009 or 2008 was invested in the Company's own equity instruments, debt instruments, properties or other assets utilized by the Company.

Significant actuarial assumptions Group, weighted values		
Discount rate, %	4.4	3.9
Return on plan assets, %	5.6	5.5
Future salary increases, %	3.1	2.6
Future inflation, %	1.7	1.9

The discount interest rate is determined, on the balance-sheet date, on the basis of a functioning market based on first-class corporate bonds adapted to the terms and conditions of the obligation. For countries that do not have a functioning market based on first-class corporate bonds, the discount interest rate, on the balance-sheet date is based on the market yield on government bonds adapted to the terms and conditions of the obligation.

The expected return for plan assets is based on the assumption that the return on bonds will be equal to the interest for a 10-year government bond and that the return on shares will amount to the same interest plus a risk premium.

	2009	2008	2007	2006	2005
Present value of defined-benefit obligations	258	251	226	223	212
Fair value of plan assets	–64	–51	–68	–67	–71
Net value funded and partly funded plans	**194**	**200**	**158**	**156**	**141**

Experience-based adjustments	**2009**	2008	2007	2006
Plan liabilities	–3	3	3	9
Plan assets	–3	–14	–1	2
Net experience-based adjustments	**–6**	**–11**	**2**	**11**

Munters' budgeted fees for defined-benefit obligations amount to SEK 16 M for 2010.

Parent Company

	2009	2008
Defined-benefit obligations to employees	39	39

The Parent Company's pension plan in accordance with the FPG/PRI system is a non-funded defined-benefit plan which, in accordance with Swedish legislation, is recognized as a provision in the balance sheet. This type of recognition deviates from the Group's accounting policies.

	2009	2008
Net liability attributable to the Company's own pension obligations on January 1	39	37
Costs excluding taxes that were charged against earnings	3	3
Payment of pensions	–3	–1
Capital value, calculated at present value, of the Company's own pension obligations on December 31	**39**	**39**
Obligations that are wholly or partly offset by separated assets	0	0
Obligations for which there are no separated assets	39	39
Total	**39**	**39**

Recognized pension costs for the period	**2009**	2008
The Company's own pensions		
Costs excluding interest expenses	3	3
Costs for the Company's own pensions, excluding taxes	**3**	**3**
Insured pensions		
Insurance premiums	4	3
Costs for insured pensions, excluding taxes	**4**	**3**
Recognized net costs, excluding taxes, attributable to pensions	**7**	**6**

Recognized net costs are recognized in their entirety as an operating expense. The net discount rate applied was 3.84 percent and the commitments are calculated on salary levels on the balance-sheet date. Expected payments for defined-benefit pension plans for the next year slightly exceed SEK 2 M. Fees to the FPG/PRI system for 2009 are estimated at approximately SEK 3 M.

NOTE 22 OTHER PROVISIONS

	Provisions for legal disputes	Guarantee provisions	Guarantee provisions	Total
On January 1, 2009	**1**	**59**	**1**	**61**
– Additional provisions	–	65	2	67
– Reversed, unutilized amounts	–	–14	–	–14
Exchange-rate differences	–	–4	0	–4
Utilized during the year	–	–38	–1	–39
On December 31, 2008	**1**	**68**	**2**	**71**

Provisions comprise:	**2009**	2008
Long-term portion	1	2
Short-term portion	70	59
	71	**61**

NOTE 23 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2009	2008	**2009**	2008
Vacation pay liabilities	116	109	3	3
Social security expenses	38	45	6	5
Other personnel-related expenses	84	94	3	1
Received, non-invoiced goods, etc.	119	182	3	6
	357	**430**	**15**	**15**

NOTE 24 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets for liabilities to credit institutes	Group		Parent Company	
	2009	2008	**2009**	2008
Corporate mortgages	–	–	–	–
Other pledged assets	1	1	–	–
	1	**1**	**–**	**–**
Contingent liabilities				
FPG guarantees	2	2	74	73
Bank guarantees	–	–	19	40
Parent Company guarantees	–	–	19	13
Other	0	0	–	–
	2	**2**	**112**	**126**

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

Legal proceedings

Munters is involved in a number of minor commercial disputes, none of which is adjudged to have a material impact on the company's financial position or earnings.

The most significant legal processes are attributable to Munters' subsidiary in the US. As of December 31, 2009, the company was named co-respondent in 55 (52) asbestos-related cases. To date, none of the plaintiffs have claimed to have been exposed to any specific Munters product. In the past few years, Munters Corporation has won four cases through summary judgments, meaning that these cases are now closed. Munters Corporation is of the firm opinion that the remaining claims are unfounded, and it will strongly dispute every claim. Munters Corporation has protection for the asbestos-related claims by having taken out several insurance policies. Under the condition of certain reservations, the insurance companies have confirmed that, until further notice, they will pay a significant portion of the defense expenses.

During the year, the Group reached a settlement concerning a legal dispute the Dehumidification division in the US. The dispute was initiated in 2008 due to a faulty component supplied by a third party, which resulted in warranty costs for Munters. The settlement had a positive impact of SEK 32 M on consolidated earnings.

NOTE 25 TRANSACTIONS WITH RELATED PARTIES

There are no significant contractual relations or transactions between Munters AB and related parties. Remuneration and terms of employment for senior executives and individual members of the Board of Directors are presented in Notes 28 and 29. Munters AB has not provided guarantees or guarantee commitments to or on behalf of Board members or senior executives. During the current or the preceding fiscal years, no member of the Board of Directors or senior executive was directly or indirectly involved in any business transaction with the Company that is or was unusual in nature or with respect to its terms or that in any respect remains unsettled or incomplete.

The Parent Company's sales to Group companies amounted to SEK 62 M (51). Purchases from Group companies amounted to SEK 48 M (22).

NOTE 26 AVERAGE NUMBER OF EMPLOYEES, ABSENCE DUE TO ILLNESS, GENDER DISTRIBUTION

Average no. of employees, Group	2009 Number	2009 Of whom men, %	2008 Number	2008 Of whom men, %
Australia	126	74	135	71
Austria	65	82	71	81
Belgium	171	91	86	90
Brazil	51	94	44	91
Canada	14	79	14	86
China	228	89	161	79
Denmark	135	75	147	70
Finland	288	91	369	88
France	83	87	82	84
Germany	535	84	564	85
India	13	92	9	78
Indonesia	1	100	1	100
Ireland	0	0	5	60
Italy	225	80	276	81
Japan	47	89	53	89
Korea	14	79	15	80
Mexico	59	83	99	82
Netherlands	130	85	127	90
New Zealand	1	100	4	77
Norway	250	70	244	68
Poland	18	83	15	73
Russia	2	100	2	100
Saudi Arabia	3	100	3	100
Singapore	18	78	17	76
South Africa	32	78	32	78
Spain	14	57	15	47
Sweden	347	83	390	83
Switzerland	18	89	19	89
Taiwan	2	50	2	50
Thailand	19	68	24	67
Turkey	10	50	10	50
United Arab Emirates	2	100	2	100
United Kingdom	298	81	315	74
USA	865	84	938	82
Vietnam	3	67	3	67
	4,087	**83**	**4,291**	**81**
Of which Parent Company (Sweden)	29	68	30	67

Absence due to illness

Absence due to illness among employees of Munters AB during the year amounted to 1.4 percent (2.64) of the employees' normal working time, of which absence due to illness for > 60 consecutive days accounted for 0.0 percent (1.2). Of total absence due to illness, 1.5 percent pertained to men and 1.1 percent to women. In the age category 30-49 years, absence due to illness amounted to 0.9 percent of the employees' total normal working time, of which the figure for men was 1.1 percent. Additional information according to the Annual Accounts Act on absence due to illness for different groups of employees is not provided, since the number of employees per group was less than ten.

Gender distribution among Company Management

At year-end, the Board of Directors consisted of eight men and two women. The Group management, including the President of the Parent Company, consisted entirely of men. Presidents of the subsidiaries included in the Group were also 100 percent men.

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

	2009 Salaries and other remuneration	2009 Social security expenses	2008 Salaries and other remuneration	2008 Social security expenses
Parent Company	30	17	28	16
of which, pension expenses	–	6	–	6
Subsidiaries	1,672	431	1,578	367
of which, pension expenses	–	88	–	84
Group	**1,702**	**448**	**1,606**	**383**
of which, pension expenses	–	94	–	89

Group	2009 President and Board of Directors	2009 Of which variable salary	2009 Other employees	2008 President and Board of Directors	2008 Of which variable salary	2008 Other employees
Australia	2	1	47	1	–	46
Austria	–	–	28	–	–	29
Belgium	3	0	62	2	0	37
Brazil	1	0	14	1	0	11
Canada	0	0	7	0	–	6
China	1	0	14	1	0	7
Denmark	1	–	68	1	–	69
Finland	2	1	114	1	0	102
France	1	0	35	1	0	31
Germany	–	–	260	–	–	246
India	1	0	1	1	–	1
Indonesia	–	–	0	–	–	0
Ireland	–	–	0	–	–	2
Italy	3	0	78	3	–	98
Japan	3	0	20	2	0	14
Korea	–	–	3	–	–	3
Mexico	1	–	5	1	–	12
Netherlands	2	1	63	3	0	50
New Zealand	–	–	0	–	–	1
Norway	3	0	116	1	–	107
Poland	1	0	3	1	0	3
Russia	–	–	2	–	–	1
Saudi Arabia	–	–	1	–	–	1
Singapore	1	0	4	1	0	3
South Africa	1	–	6	1	0	5
Spain	1	0	5	3	–	5
Sweden	9	1	157	8	1	155
Switzerland	–	–	13	–	–	11
Taiwan	–	–	0	–	–	1
Thailand	1	–	1	1	0	2
Turkey	2	1	3	1	1	3
United Arab Emirates	–	–	0	–	–	1
United Kingdom	2	–	109	2	0	112
USA	6	2	413	6	0	392
Vietnam	–	–	0	–	–	1
	48	**7**	**1,654**	**42**	**4**	**1,564**
Of which Parent Company (Sweden)	7	0	23	6	0	22

NOTE 28 REMUNERATION TO BOARD MEMBERS AND SENIOR EXECUTIVES

Principles

The Board Chairman and members of the Board of Directors receive fees according to the Annual General Meeting's decision. Fees are paid for committee work. Employee representatives receive no Board fees.

The Annual General Meeting, held in April 2009, decided on the following principles for remuneration to senior executives.

Salaries for senior executives shall be competitive and on market terms and with other terms of employment that correspond to the manager's responsibility, authority, expertise and experience. Reconciliation of total compensation against market statistics and other information shall be performed regularly.

In addition to a fixed annual salary, senior executives may also receive a variable salary, which for the President will be based on the Group's earnings per share, cash flow, strategic performance or other parameters and for other managers on improvements in the particular manager's area of responsibility with respect to sales, operating earnings and capital turnover rate, as well as on the outcome of individual activity plans or other parameters. The variable salary component shall correspond to at most 50 percent of the fixed annual salary for the President and at most between 30 and 70 percent for other senior executives. The Board of Directors is also entitled to decide on programs concerning long-term variable pay on condition that the annual outcome of such a program corresponds to a maximum of 50 percent of fixed annual salary.

The Company may subsidize or compensate interest expenses when a senior executive acquires shares in a transaction in which the executive assumes all risk.

Between the Company and other senior executives, the period of notice shall not be longer than six months and severance pay shall not correspond to more than 18 months' base salary for the President and 12 months' base salary for other senior executives.

Pension rights apply from no earlier than 62 years. The President is encompassed by a defined-contribution plan, according to which the contracted premium provision may amount to a maximum of 35 percent of the basic salary. Other senior executives residing in Sweden are encompassed by a defined-contribution pension plan coordinated with the ITP plan, whereby the contracted premium provision may amount to a maximum of 35 percent of the basic salary. Senior executives residing outside Sweden are offered pension solutions that are competitive in the country in which they reside.

Every year, the Board considers whether a share-price-related incentive program is to be proposed to the Annual General Meeting. Share-price-related incentive programs that have not been approved by an Annual General Meeting shall not exist in the Company.

Board fees are established by the Annual General Meeting. If a Board member is employed by the Company, remuneration shall be paid to such a member in accordance with these principles, with no separate remuneration paid to the Board member for the Board assignment. If a Board member performs assignments for the Company that are not Board assignments, the remuneration to be paid shall be market-based with respect to the nature of the assignment and the work required.

These principles shall encompass individuals who, during the period in which the principles apply, are members of Group management, other managers in a senior position directly under the President or Board members. The principles apply to contracts signed after the decision by the Annual General Meeting and for cases in which changes are made to existing contracts after this time. The Board is entitled to deviate from the principle if there are special reasons in a specific case, provided that this deviation is reported and subsequently justified.

In addition to the ordinary program for variable salary, one division president is able to earn a special bonus for the years 2008 – 2010 corresponding to 0-50 percent of the fixed annual salary. Payment of this bonus will take place in 2011 and is subject to employment on January 1, 2011. The outcome will be based on performance linked to long-term goals for the division's net sales, capital employed and operating margin.

Remuneration and other benefits to senior executives during the year

Amounts in SEK 000s	Board fee Base salary	Variable remu-nera-tion	Other benefits	Pension expenses	Other remu-nera-tion	**Total**
Chairman of the Board, Anders Ilstam	550	–	–	–	–	550
Board member, Kenneth Eriksson	250	–	–	–	–	250
Board member, Bengt Kjell	275	–	–	–	–	275
Board member, Eva-Lotta Kraft	300	–	–	–	–	300
Board member, Sören Mellstig	300	–	–	–	–	300
Board member, Jan Svensson	350	–	–	–	–	350
Board member, Kjell Åkesson	250	–	–	–	–	250
President	3,915	935	143	1,189	571	6,753
Other senior executives (4.8 individuals)	9,243	2,182	1,185	2,550	398	15,558
Total	**15,433**	**3,117**	**1,328**	**3,739**	**969**	**24,586**

The Board fee refers to both the fee to elected Board members and to the fee to the members of the Audit Committee and Remuneration Committee. No fees are paid for the work of the Nomination Committee.

Senior executives are the CEO (President), Chief Financial Officer, President of the Dehumidification division, President of the HumiCool division, President of the MCS division, and Group Vice President Human Resources and Corporate Communication.

Variable remuneration pertains to the 2009 fiscal year, which will be paid in 2010. For the President, the variable remuneration corresponds to 24 percent of fixed salary. For other senior executives, the corresponding percentage is 17-31 percent.

The term other benefits refers to company cars and meal benefits. Pension expenses include costs for disability pension insurance and survivor annuity, etc. The amounts are stated excluding special employer's contribution on pension expenses.

Other remuneration refers to the payment of interest subsidies in 2009 for the purchase of Munters' shares and subsidies for the option premiums attributable to the option program implemented in 2006 (see Note 29).

Pension

The Swedish ITP plan is a multi-employer plan insured by Alecta. It is a defined-benefit plan, but since the plan assets and commitments cannot be allocated to each employer or individual person, the plan is reported as a defined-contribution plan. Accordingly, future commitments for the senior executives cannot be provided.

One senior executive domiciled in the US is covered by the general 401k pension plan plus a special premium-based pension plan. Funds are allocated monthly to a fund and correspond on each occasion to the Company's commitments. The Company's commitment on December 31, 2009 amounted to SEK 1,867,000.

All pension plans for senior executives are vested – that is, not conditional on future employment.

Severance pay

Between the Company and the President and other senior executives, the period of notice shall not be longer than six months. If employment is terminated by the Company, severance pay will be received amounting to 12 months' salary (18 months for the President). Severance pay is not considered pensionable income, except for the President, and is reduced by income from other

employment. If the President or other senior executive takes the initiative in terminating employment, there is no severance pay.

Financial instruments and options program
In accordance with a decision by the Board of Directors, no share-based incentive programs were implemented during the year.

Information on incentive programs outstanding is presented in Note 29.

Procedure and decision process
The Board of Directors has appointed a Remuneration Committee among its members consisting of Anders Ilstam and Bengt Kjell. The work of the Committee is presented in the Corporate Governance Report on page 30.

NOTE 29 OUTSTANDING INCENTIVE PROGRAMS

During the year 2006, Munters implemented stock option programs directed to Group management and senior executives in the Group. The options were purchased at a market premium, which is recognized as an increase in the Group's equity. To cover the Company's commitments according to the stock option programs, treasury shares have been acquired, with the purchase price being recognized as a reduction of the Group's equity. In future, when options are redeemed, the subscription price received will be recognized as an increase in the Group's equity. The option premium was subsidized at a rate of 60 percent in the form of a cash payment to option holders who remained employed at the time of the options' exercise period. The subsidy and associated social costs were charged against consolidated earnings during the vesting period.

The change in the number of outstanding share options and their weighted average redemption price (SEK) are as follows:

	2009		2008	
	Average exercise price	Options	Average exercise price	Options
January 1	**106.40**	**75,000**	**97.57**	**117,500**
Issued	–	–	–	–
Utilized	–	–	–	–
Expired	–	–	–	–
Matured	–	–	82.00	–42,500
December 31	**106.40**	**75,000**	**106.40**	**75,000**

Each option entitles the holder to purchase 3.21 shares.

Starting year	Exercise period	No. of issued options	No. of outstanding options at year-end	Option premium, SEK	Exercise price, SEK
2006	Sept. 1, 2009 – March 31, 2010	75,000	75,000	32.80/19.10	106.40
		75,000	**75,000**		

Incentive program for senior executives
The President holds 25,000 options in the program started in 2006. Other senior executives hold 5,000 options in the program started in 2006.

Munters also subsidizes the acquisition of shares in Munters made by Group Management in a share-purchase program approved by the Board. The subsidy means that during the period up to December 31, 2011 or at most to the termination of employment, Munters subsidizes the interest expenses for loan financing of current acquisitions by senior executives.

NOTE 30 FEES TO AUDITORS

	Group		Parent Company	
Amounts in SEK 000s	**2009**	2008	**2009**	2008
Ernst & Young				
Audit	8,326	8,025	596	581
Other assignments	2,425	2,238	478	317
Other				
Audit	1,115	922		–
Other assignments	1,771	1,417	438	–
	13,637	**12,602**	**1,512**	**898**

An audit entails an examination of the annual report and accounts, as well as the management by the Board of Directors and the President, other tasks for which the Company's auditors are responsible for performing, and providing advice and other council occasioned by this examination or the performance of other tasks. Other assignments relate mainly to consultation on taxation matters.

NOTE 31 EVENTS AFTER BALANCE SHEET

The company is of the opinion that no significant events have occurred after the balance-sheet date.

NOTE 32 COMPANY INFORMATION

Munters AB (publ) is a Swedish public limited company registered with the Swedish Companies Registration Office. Its Corporate Registration Number is 556041-0606. The registered office of the Board Directors of Munters is in the Municipality of Stockholm in Sweden.

The principal operations of the Group are described in Note 5. The Company's shares are listed on the NASDAQ OMX Nordic Exchange Stockholm.

The consolidated accounts for the fiscal year ended December 31, 2009 were approved by the Board and the President on March 19, 2010 and will be presented to the Annual General Meeting on April 22, 2010 for adoption.

Proposed distribution of earnings

Future outlook

Munters commands a strong market position in its areas of operation and employees reorganization and efficiency measures on an ongoing basis. The outlook for a long-term favorable development is good.

Proposed distribution of earnings

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

Share premium reserve	2,117,500
Profit brought forward	846,123,850
Net earnings for the year	–32,336,810
Total	**815,904,540**

The Board of Directors proposes that profit be distributed as follows:

Distributed to shareholders a dividend of SEK 1.00 per share	73,933,050
To be carried forward	741,971,490
Total	**815,904,540**

Statement by the Board of Directors of Munters AB (publ) pursuant to the provisions of Chapter 18 Section 4 of the Swedish Companies Act (2005:551)

The Board of Directors has proposed that the Annual General Meeting of Munters AB (publ) ("the Company") to be held on April 22, 2010 resolve to approve a dividend to shareholders of SEK 1.00 per share. In connection with the Board's proposal, the Board may hereby issue the following statement pursuant to the provisions of Chapter 18 Section 4 of the Swedish Companies Act. The proposed dividend reduces the Company's equity ratio from 42.4% to 40.6% and the Group's equity ratio from 35.4% to 34.2%. The financial solidity is adequate, considering that the Company's and Group's operations continue to be assessed to be conducted profitably. Liquidity in the Company and the Group is deemed to be able to be maintained at an equally adequate level.

The Company's shareholders' equity includes no unrealized profits or losses caused by financial instruments recognized at market value.

In the opinion of the Board, the proposed dividend neither prevents the Company, or other companies in the Group, from fulfilling its obligations in the short and long term nor from making requisite investments. The proposed dividend can thereby be justified in consideration of that stated in the provision of Chapter 17 Section 3 Paragraphs 2 and 3 of the Swedish Companies Act (the "prudence rule").

Assurance

The undersigned assure that the Annual Report has been prepared in accordance with generally accepted accounting principles for listed companies, and that the consolidated accounts have been prepared in accordance with international accounting standards as referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards, provide a true and fair view of the Company's and the Group's financial position and earnings and that the Board of Directors' Report and the Board of Directors' Report for the Group provide a fair view of the development of the Company's and the Group's operations, financial position and earnings and describe material risk and uncertainty factors to which the Company and the companies included in the Group are exposed.

Kista, March 19, 2010

Anders Ilstam
Chairman

Kenneth Eriksson
Board member

Bengt Kjell
Deputy chairman

Eva-Lotta Kraft
Board member

Sören Mellstig
Board member

Pia Nordquist
Board member
Employee representative

Jan Svensson
Board member

Ulf Wallén
Board member
Employee representative

Kjell Åkesson
Board member

Lars Engström
President
Board member

Our auditor's report was submitted on March 19, 2010

Ernst & Young AB

Björn Grundvall
Authorized Public Accountant

Auditor's report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Munters AB for the fiscal year 2009. The annual accounts and consolidated accounts are included in the printed version of this document on pages 36-39 and 42-71. The Board of Directors and the President are responsible for these accounts and the administration of the Company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards, IFRS, as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, March 19, 2010
Ernst & Young AB

Björn Grundvall
Authorized Public Accountant

Definitions of financial key figures

Capital employed
Total assets less non-interest-bearing provisions less non-interest- bearing liabilities.

Capital turnover rate
Net sales divided by average capital employed calculated on the opening and closing balances for the past four quarters.

Cash and cash equivalents
Cash and bank balances plus current investments with maturity periods not exceeding three months.

Earnings per share
Net earnings divided by the weighted average number of shares.

EBIT margin
EBIT divided by net sales.

Equity per share
Equity (excluding minority interest) divided by the number of shares outstanding on the closing date.

Equity/assets ratio
Equity (including minority) interest divided by total assets.

Interest coverage ratio
Earnings after financial items plus financial expenses (excluding exchange-rate differences) divided by financial expenses (excluding exchange-rate differences).

Net debt
Interest-bearing liabilities plus defined-benefit commitments to employees less interest-bearing assets less cash and cash equivalents.

Net debt/equity ratio
Net debt divided by equity (including minority interests).

Operating assets
Intangible assets excluding goodwill plus tangible assets plus inventories, etc., plus accounts receivable.

Operating capital
Operating assets less operating liabilities.

Operating cash flow
Cash flow from current operations and investing activities excluding acquisitions of operations and the sale of operating segments.

Operating earnings
Operating earnings corresponds to EBIT excluding goodwill impairments and surplus values depreciation.

Operating liabilities
Advances from customers plus accounts payable.

Operating margin
Operating earnings divided by net sales.

Operating working capital
Inventories, etc., plus accounts receivable less advances from customers less accounts payable.

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 (excluding exchange-rate differences) divided by average capital employed calculated on the opening and closing balances in the past four quarters.

Return on operating capital
Operating earnings divided by the average operating capital using the past 12 months' opening and closing balances as a base.

Return on equity
Net earnings divided by average equity calculated on the opening and closing balances of the last four quarters. Minority interest is excluded from earnings as well as equity.

Glossary

Absolute humidity
The volume of water that air contains as generally measured in grams per kilogram of air.

Absorption
Accumulation of moisture, for example, by a substance, which then changes chemically or physically.

Adsorption
Accumulation of moisture, for example, by a substance, which does not change, either chemically or physically.

AgHort
Agriculture and Horticulture.

CELdek®
A product of specially impregnated cellulose for evaporation and cooling of air.

Cooling tower
A facility for evaporative cooling of water.

Dehumidification
A division within Munters whose products are based on dehumidification.

Dehumidifier
Equipment for dehumidification of air.

DesiCool™
A technology for cooling air through a combination of dehumidification and evaporative cooling.

Dew point
The temperature to which air must be cooled for the water vapor in the air to condense.

DryCool
(Previously HCU) A product that uses energy-efficient technology to control temperature and humidity independently of one another and uses waste heat to reactivate the sorption rotor.

ERV
(Exhaust Recovery Ventilation) A technology for heat recovery. Outdoor air is pre-treated with condenser heat before being fed into the building.

Evaporative cooling
Cooling that occurs when a liquid, such as water, evaporates.

Field.Link
Mobile IT system for field engineers and customer centers that enables rapid and effective damage limitation.

FGD
Flue-gas desulfurization is a technology applied in coal-fired power plants to clean flue gases from sulfur emissions that cause so-called acid rain.

GLASdek®
A product of specially impregnated spun glass for humidification and cooling of air.

GTEC
A cooling system for intake air to gas turbines.

HumiCool
A division within Munters whose products are based on evaporative cooling and humidification.

HVAC
Heating, Ventilation and Air Conditioning

Leak detection
A search method which exploits changes in moisture, temperature and sound waves that leaks cause.

MCS, Moisture Control Services
A division within Munters focused on moisture technology services with an emphasis on the restoration of water and fire damages.

MEP
Munters' continuous program for increased efficiency and continuous improvement within manufacturing and internal processes.

MEP²
Initiatives during 2008 for rationalization of production and logistics, implementation of mobile IT and improving the processing of accounts receivable.

Mist eliminator
A component for removing drops of liquid from a flow of gas.

Mollier diagram
A diagram that shows the correlation between absolute humidity, relative humidity, temperature and energy.

PowerPurge™
New, patented technology to recover energy from the dehumidification process. By returning surplus heat from the dehumidification rotor to the regenerated air and simultaneously reducing the need for after cooling of the process air, energy costs can be reduced by up to 40%.

RH, Relative Humidity
Expresses the relationship between the water content of air at a given temperature and the maximum amount that the air can hold at the same temperature.

Sorption rotor
Rotor impregnated with moisture absorbing gel.

Spot climate control
Solutions for climate control subject to seasonal or space limitations. The product portfolio includes heaters, coolers, dehumidifiers and humidifiers.

The Humidity Expert
A concept for positioning Munters.

Thermodynamics
The study of energy, particularly the characteristics of heat, its conversion to other energy forms and its ability to perform work. Based on laws of nature.

VOC
Volatile Organic Compounds.

Zeol
An operation within Munters focused on adsorption of VOC from air with zeolites, a substance that adsorbs VOCs.

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