

Speech to the 2020 Annual General Meeting

Magnus Lindquist, Chairman of the Board

Like Emil said, I will now make a brief speech on the Board activities in 2019.

2019 has been a very eventful year for Munters where we have done what one could say a restart. That meant a more clear and results-oriented organization. In early 2019, we decided in the Board of Directors to initiate an action program, Munters Full Potential Program, as we called it, with the aim of strengthening the foundation and earnings for the Group. I am very proud to see how the company delivered on the action program during the year and exceeded the goals we actually set.

During the year we have had an active and dynamic collaboration between the Board of Directors and the Management Team, which changed during the year, I will come back to that later.

The action program has offered great opportunities, but also challenges major challenge for the organization and employees at Munters. They have all worked hard, which we on the Board of Directors very much appreciate and are proud of.

Munters' culture is distinguished by an innovative and persistent spirit with strong cohesiveness that has been the basis of the action plan's success. This same cohesiveness and strong spirit continue to drive improvements at Munters.

One of the changes that the Board of Directors decided on was management changes and during 2019, Klas was recruited as President and CEO. His knowledge and long experience from the industrial company Sandvik will be and are very important for Munters development.

He and the new management team started in 2019 the job of clarifying Munters' strategic direction. In light of the work that has been done I as Chairman know see that we on the Board may be involved in bringing Munters into an exciting future.

Munters offers innovative, efficient and sustainable solutions for customers in many different industries where controlling temperature and humidity is mission-critical.

Our products and solutions contribute to cleaner air, lower resource consumption and reduced carbon emissions.

At Munters, we see sustainability as a very important part of the strategy and one of our most fundamental values is Sustainable value creation. Something that will only increase in importance in the future and which we now see these days.

In the slide you can see three examples of how Munters contributes to customers' energy efficiency.

Perhaps the most important megatrend for Munters is climate change, with a focus on resource efficiency, where the Group is well positioned and sustainability is a strong value-driver for us. Strong global trends affecting our business are:

Climate change, Increased digitalization and Population growth



Under these megatrends, there are numerous minor trends that are of importance to Munters as higher demands on animal welfare and production environments as well as stricter regulations for climate.

It is Munters' ambition to become a more sustainable company and at the same time continue to develop and deliver sustainable, energy efficient products and solutions to customers. In light of this, the Board of Directors propose sustainability goals as part of the goals in the proposal for the long-term incentive program for 2020.

This year Munters will be 65 years old and we can look back on a number of innovative years that have led to Munters being more up-to-date than ever. It is with pride that I, along with the other members of the Board of Directors and Group Management, look forward to continuing to build Munters into a world-class company.

Chairman of the Annual General Meeting: Thank you Magnus, then we bring forward Klas, please.

Klas Forsström, President and CEO

Thank you Emil, I will now go through the 2019 fiscal year and also briefly touch on the development during the first quarter 2020, a quarter that has contained a challenging business environment.

Looking at 2019, I would sum it up with the fact that we have created a strengthened platform for our future. We made great efforts within Munters to strengthen the platform, the Munters Full Potential Program was implemented, but we also looked at the business and analyzed it to develop a refined strategic direction.

A new organizational structure with two business areas, AirTech and FoodTech, was created to create a simplified and more results-oriented organization. Later the two business areas were also given full ownership of their profit and loss statement and the entire value chain. A strategic evaluation of Data Centers and Mist Elimination operations has been conducted. This resulted in a decision to keep these businesses in Munters. Both businesses operate in markets with good growth potential, who need this type of sustainability solution driven by digitalization and high growth potential.

In addition, a decision was made to close the Data Centers factory in Dison, Belgium.

If I go into 2019 relative to the financial goals that we have set in the medium-term. First and foremost, the goals are 5% organic growth annually, the second goal is to reach an adjusted EBITA margin of 14%. Finally, when it comes to capital structure, reaching a ratio of net debt to adjusted EBITDA of 1.5x to 2.5x.

How did it go during the year? Net sales for the year increased by 6% organically, primarily driven by growth in Data Centers US, Mist Elimination and Services within AirTech.

Business area AirTech net sales increased by 10% organically, mainly driven by an increase in Data Centers US and Mist Elimination. The Industrial segment also had a positive development for the year with strong demand driven, among other things, from the lithium battery segment.

Business area FoodTech net sales decreased for the full year of -5% organically, with a decline in net sales in China and the US. Largely affected by the African swine fever and a saturated market in the US that was affected by both that and trade conflicts.

For the full year, a profit of 12.2% was delivered, a 20% increase from the previous year, resulting in SEK 871 million in profit. The improvement was mainly driven by lower indirect costs resulting from the Full Potential-program. Through the initiatives run within the program, we feel we have a stronger platform.

In addition, our capital structure improved from 3.7x to 2.9x.

If I leave last year and look ahead, and let's look at 2020 and beyond. In general, Munters' products have an important role to play in reducing the world's energy consumption, and sustainability is, as Magnus previously said, something that permeates everything we do.

If you look at this slide you will see a wide variety of products and situations on our planet. These are products such as wind turbines, cars powered by lithium-ion batteries, factories that require emission purification or power plants that require the same. It is chicken farms and swine farms that require efficiency and better animal welfare. And it is a pharmaceutical industry that requires very specific climates. Here Munters makes their business possible. It has always been our way of thinking and it will continue to be so that this is what drives our product development and strategy. And with today's technology it is possible to create even better and more efficient products and solutions.

During the autumn, we worked to refine our strategic priorities and direction. It is about a passion for innovation, customer focus and customer interaction, prioritizing towards growing, value-creating markets and segments. And a culture where continuous improvements in efficiency runs through our way of working. And not least, developing our employees and our leadership are central to our continued development as a company. A development that in short is aimed at continuing to establish Munters as a world leader in our prioritized business and product niches.

How has 2020 started? In these times, I would like to say that the main message was that the first quarter was stable in profitability in a very challenging business environment. Order intake and net sales was impacted by the corona outbreak. And I am both happy and proud of all our employees who have made it possible for all our production units, except two units, have managed operations throughout the quarter without any major disturbances. Demand was robust in January and February, except in China that was affected by the covid outbreak early in the year. Order intake in March was negatively impacted by the outbreak in Europe and Americas. In China, demand recovered somewhat in March, mainly within the business area FoodTech.

The order intake in the quarter decreased organically by -8%. This was driven by AirTech.

Net sales in the quarter decreased organically by -7%, with decreased net sales in both AirTech and Foodtech.

The adjusted EBITA margin improved slightly due to reduced indirect costs and an active management of the effects of the Covid-19 outbreak.

To cope with this challenging business environment, our focus is on cash flow and continuous improvements.

Finally, I would like to talk about what Magnus touched on at the end of his speech. Munters celebrates 65 years. An unusually spirited 65-year-old. Munters is well positioned in a long-term growing market driven by climate change, energy efficiency and digitalization.



For the coming quarters we expect a challenging business environment with a larger impact from the Covid-19 outbreak than seen in the first quarter. At this time, the visibility of the effect from the outbreak is limited.

I am very happy and very proud that together with the other management and our talented employees, lead Munters into the future. A future I am convinced has Munters best year ahead. It's about creating a Munters that is excellent to work for. A Munters that is excellent to collaborate with. A Munters that is excellent to own. And last but not least, a Munters that is excellent for our planet. Simply an excellent world-class company.

Thanks so much.

/Every care has been taken in the translation of this 2020 Annual General Meeting speech. In the event of discrepancies, the Swedish original will supersede the English translation./