Munters

Q4

“Platform for the future strengthened in 2019”

Fourth Quarter 2019

- Market demand mixed with areas of good growth. Order intake and net sales increased by 6% respective 5% and were flat organically, on the back of a strong fourth quarter 2018
- Order intake mainly driven by larger order in Data Centers US, whereas the industrial segment saw weaker demand. Business area FoodTech grew in the US and Asia
- Net sales increased in business area AirTech, whereas business area FoodTech net sales declined despite good growth in Asia
- Adjusted EBITA margin was slightly lower compared to last year as a result of changed product mix and temporarily higher labor costs related to growth in certain areas

January–December 2019

- Stable demand, with strong order intake in Data Centers US and Services within business area AirTech
- Order intake in AirTech was offset by lower order intake in business area FoodTech. They were impacted by a weak swine market due to the African Swine Fever (ASF) and uncertainties about effects from trade tariffs
- Net sales grew driven by good growth in Data Centers US, Mist Elimination and Services in AirTech, offset by a decrease in FoodTech
- Adjusted EBITA increased 20% driven primarily by cost savings from the Munters Full Potential (FPP) program. During 2019 cost savings well in line with the estimated yearly run-rate of SEKm 210 from the FPP program were achieved
- The Board of Directors propose no dividend to be paid for 2019

Events after period end

- During 2019 a strategic evaluation of the operations of Data Centers and Mist Elimination has been conducted. In February 2020, this resulted in a decision to keep these in Munters
- Yesterday an organizational change was announced. The change aims at creating a clearer business ownership and capture local synergies and value drivers across the Group by aligning the value chain within the business areas

Financial summary	**Q4**			**Jan-Dec**		
SEKm	**2019**	**2018**	**Δ%**	**2019**	**2018**	**Δ%**
Order intake	1,845	1,735	6	7,302	6,698	9
Net sales	1,842	1,757	5	7,153	6,412	12
Operating profit (EBIT)	159	158	0	556	529	5
Adjusted EBITA	229	225	2	871	725	20
Adjusted EBITA margin, %	12.5	12.8		12.2	11.3	
Net income	76	93	-18	283	327	-13
Earnings per share before and after dilution, SEK	0.42	0.49		1.55	1.73	
Average number of outstanding shares before and after dilution	181,745,802	182,130,802		181,983,219	183,165,852	
The KPI´s below includes discontinued operations *						
Net income	12	-321		-164	-94	
Earnings per share before and after dilution, SEK	0.07	-1.78		-0.91	-0.57	
Cash flow from operating activities	282	441	-36	669	441	52
Net debt	3,062	2,843	8	3,062	2,843	8
Net debt/Adjusted EBITDA, LTM				2.9	3.7	

* The income statement has been restated for the years 2019 and 2018 to reflect discontinued operations in line with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Discontinued operations is defined as the business connected to the Data Centers operations in Dison, Belgium, where the production has ceased but minor installation services remains at customer sites. All income statement items in this report refers to Munters continuing operations, if not otherwise stated. See more information on page 22.

CEO COMMENTS

Platform strengthened for the future

Klas Forsström, President and CEO

The Munters Full Potential Program (FPP) has achieved its set ambition to strengthen the platform of Munters. Looking ahead, in 2020 we will focus on continuous improvements, and start to act on the refined strategic direction that has been mapped out throughout the fall.

Stable demand in 2019

Market demand was mixed in the fourth quarter with areas of good growth, resulting in a flat order intake, excluding currency effects. For the full year, market demand was stable with increased organic order intake, mainly driven by a good development in Mist Elimination and large orders received in the Data Centers US. During 2019 this area has successfully broadened their customer offering to address a larger part of the US market. In our FoodTech business area, we saw a pickup of demand in the fourth quarter, driven by good growth in the layer and broiler market in Asia. Also, the swine market improved slightly in the second half year from a low level due to the previous outbreak of the African Swine Fever (ASF).

Net sales growth for the full year, with slowdown in fourth quarter

The currency adjusted net sales was flat in the fourth quarter, reflecting a mixed market demand. For the full year net sales increased, driven by the Data Centers US, Mist Elimination and a good growth in Services within AirTech. In our business area FoodTech currency adjusted net sales was weaker reflecting an overcapacity in the swine market in the US and uncertainties related to consequences from trade tariffs and the ASF.

Adjusted EBITA strongly improved mainly due to successful cost saving initiatives

The adjusted EBITA margin for the continuing operations was slightly lower in the fourth quarter compared to last year, as a result of changed product mix and temporarily higher labor costs related to growth in certain areas in AirTech. Business area FoodTech's adjusted EBITA margin continued to improve, driven by cost savings from the FPP program. For the full year adjusted EBITA strongly improved, driven primarily by the FPP program.

Through the initiatives in the FPP program, a new platform for the direction of Munters has been set. The yearly run-rate overhead cost savings from the FPP, estimated at SEKm 210, are well in line with the targeted level at the end of December. The total costs for the program for the year-end amounted to SEKm 392. During the fourth quarter additional charges of SEKm 17 related to organizational changes and reviews were added.

Strategic evaluation of Data Centers and Mist Elimination prove value creation potential

During 2019, a strategic evaluation of Data Centers and Mist Elimination operations has been conducted, resulting in a decision to keep these businesses in Munters. Both businesses made significant progress during 2019. Considering our refined strategic direction we see a strong potential for continued value creation going forward. Both businesses operate in markets with good growth potential, driven by digitalization and high demands for sustainable solutions. Going forward all units within Munters will continuously be evaluated to ensure they create value for the Group in the short- and long term.

Refined strategic direction going forward

During the fall a refined strategic direction has been developed for Munters. Going forward we will have a stronger focus on driving profitable growth through stronger focus on our employees, customers, innovation, markets as well as driving continuous improvements in all areas. To enable this, yesterday we announced an organizational change. The change aims at creating a clearer business ownership and capture local synergies and value drivers across the Group by aligning the value chain within the business areas.

In 2020, we will continue to strengthen operations and driving profitable growth enabling progress towards reaching our mid-term financial targets. Munters is well positioned in a growing market driven by sustainability, energy efficiency and digitalization.

Klas Forsström, President and CEO

Mid-term financial targets

Net sales growth: Annual growth in organic net sales of 5 per cent, as of 2019, supplemented with selected add-on acquisitions.

Adjusted EBITA-margin: An adjusted EBITA-margin of 14 per cent in the medium term.

Capital structure: A ratio of net debt to adjusted EBITDA of 1.5x to 2.5x, and may temporarily exceed this level (e. g. as a result of acquisitions.)

Dividend policy: Munters aim to pay an annual dividend corresponding to 30-50 per cent of its consolidated income after tax for the period.

For full description of the dividend policy, see the Annual and Sustainability report 2018, page 14.

Sustainability

Munters sustainability agenda consist of:

- Resource efficiency
- Responsible business practices
- People & Society

with priority areas set for each of parts of the agenda.

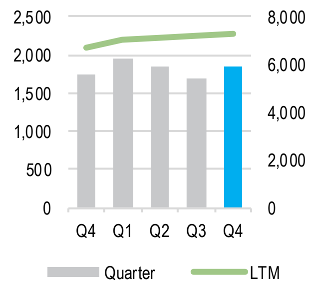
Please see the Munters Annual and Sustainability report 2018, page 52, for further information on goals and outcome.

Financial performance

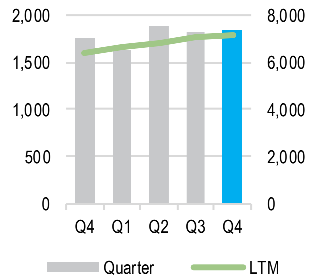
Previous business areas Mist Elimination and Data Centers were incorporated into business area AirTech in the first quarter of 2019, see restatement of AirTech on page 11. The new accounting standard for leases, IFRS 16 has been applied from January 2019, for further information see page 21. Munters reports the business within the Data Centers operations in Belgium as a discontinued operation and has restated all income statement comparisons, for information see page 22.

	Q4			Jan-Dec		
SEKm	**2019**	**2018**	**Δ%**	**2019**	**2018**	**Δ%**
Order intake	1,845	1,735	*6*	7,302	6,698	*9*
AirTech	1,361	1,289	*6*	5,253	4,621	*14*
FoodTech	491	452	*9*	2,087	2,107	*-1*
Other and eliminations	-8	-6		-38	-30	
Net sales	1,842	1,757	*5*	7,153	6,412	*12*
AirTech	1,382	1,267	*9*	5,159	4,426	*17*
FoodTech	470	497	*-6*	2,032	2,018	*1*
Other and eliminations	-9	-8		-38	-32	
Adjusted EBITA	229	225	*2*	871	725	*20*
AirTech	186	185	*0*	662	522	*27*
FoodTech	61	49	*24*	278	249	*11*
Other and eliminations	-17	-10		-69	-46	
Adjusted EBITA margin, %	12.5	12.8		12.2	11.3	
AirTech	13.4	14.6		12.8	11.8	
FoodTech	13.0	9.9		13.7	12.4	

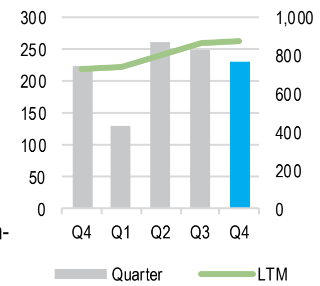
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



ORDER INTAKE

Fourth quarter

The order intake in the quarter increased by 6% and was flat organically, with areas of good growth.

Business area AirTech order intake increased by 6% and was flat organically, compared to a strong fourth quarter 2018, which included a large order related to the lithium battery industry. The Industrial segment in general had a weak order intake in the quarter. Data Centers US received several large orders and we also saw strong order intake in the Commercial segment. Services had a flat development compared to a strong fourth quarter in 2018.

Business area FoodTech order intake increased by 9% and by 3% organically. Order intake increased in Americas, driven by several orders to the dairy segment in the US. In Asia, order intake increased strongly, where China had strong growth in the layer and broiler segment. In Europe, demand was softer compared to the same period last year.

January–December

Order intake for the full year increased by 9% and by 3% organically, primarily driven by Data Centers US, Mist Elimination and Services within AirTech. Services grew 8% organically and accounted for 13% of total order intake.

Business area AirTech order intake increased by 14% and by 8% organically, driven by strong order intake in Data Centers US and Mist Elimination. Services had increased order intake during the year, whereas demand from the Supermarket segment was low. The Industrial segment saw weak order intake, with lower volumes in the lithium battery sector in China and lower demand from Aerospace applications in the Americas.

Business area FoodTech order intake declined by -1% and organically by -6%. This was primarily driven by a weaker demand from the swine segment in China and the US. In the US demand was weaker as a consequence of an overcapacity in the swine market, together with uncertainties related to consequences from new trade tariffs. The ASF also impacted the demand in China negative.

NET SALES

Fourth quarter

Net sales in the quarter increased by 5% and declined by -1% organically, due to continued weak net sales in Foodtech, not fully offset by growth in AirTech.

Net sales in business area AirTech increased by 9% and by 3% organically. The increase was mainly driven by a strong increase in Data Centers US and the Commercial segment. The Industrial segment saw weak net sales in all regions. Services had weak sales in the Americas and Asia, on the back of a strong fourth quarter 2018, whereas region Europe and the Middle East saw good growth in the quarter.

Net sales in business area FoodTech declined by -6% and by -11% organically with decreased sales in all regions. This was only partially offset by growth in the broiler market in South East Asia and growth in net sales of controllers. Market conditions remain uncertain due to the ASF and effects from trade tariffs.

January–December

Net sales for the year increased by 12% and by 6% organically, primarily driven by growth in Data Centers US, Mist Elimination and Services within AirTech. Services grew 8% organically and accounted for 13% of total net sales.

Business area AirTech net sales increased by 17% and by 10% organically, mainly driven by an increase in Data Centers US and Mist Elimination. Services increased net sales of 8% organically. Also the Industrial segment increased sales for the year driven by a strong demand from the lithium battery segment, which was partially offset by weaker demand from the Aerospace segment.

Business area FoodTech net sales increased by 1% and decreased for the full year of -5% organically, with a decline in net sales in China and the US following the weaker order intake during the first nine months of the year. Net sales this year have had a slightly more positive development than order intake, as some of the order intake growth in 2018 included Software as a Service contracts recognized over several years.

ADJUSTED EBITA

Adjusted EBITA excludes Items Affecting Comparability, IAC.

Fourth quarter

Adjusted EBITA increased by 2% to SEKm 229 (225), corresponding to a slightly lower adjusted EBITA margin of 12.5% (12.8) on the back of a strong fourth quarter in business area AirTech in 2018.

Adjusted EBITA for business area AirTech amounted to SEKm 186 (185), corresponding to a lower adjusted EBITA margin of 13.4% (14.6) on the back of a strong fourth quarter 2018. The FPP program delivered significant savings of indirect costs, however this was offset by a lower gross margin that resulted from a changed product mix and temporarily higher labor costs in areas with strong growth.

Adjusted EBITA in business area FoodTech increased to SEKm 61 (49), corresponding to an adjusted EBITA margin of 13.0% (9.9). The margin improvement was mainly driven by the FPP program initiatives that have led to lower indirect costs.

January–December

The Group’s adjusted EBITA for the full year increased by 20% to SEKm 871 (725), corresponding to an adjusted EBITA margin of 12.2% (11.3). The improvement was mainly driven by lower indirect costs resulting from the FPP program.

Adjusted EBITA in business area AirTech increased 27% to SEKm 662 (522), corresponding to an adjusted EBITA margin of 12.8% (11.8). The improved margin is a result of higher volumes and a high utilization rate, together with a changed product mix and lower indirect costs resulting from the FPP program.

Adjusted EBITA in business area FoodTech increased 12% to SEKm 278 (249) corresponding to an adjusted EBITA margin of 13.7% (12.4). The improvement compared to last year was driven by savings achieved from initiatives run within the FPP, as well as improved gross margin driven by a higher share of sales from controllers, together with overall operational improvements.

ITEMS AFFECTING COMPARABILITY (IAC)

During 2019 Munters has incurred IACs relating to the FPP program launched in February 2019 as well as IACs related to other operating excellence initiatives. The IACs have been incurred in both the continuing operations as well as the discontinuing operations. In the fourth quarter, costs amounting to SEKm -86 (-31) were accounted for as IACs, of which SEKm -66 (0) related to the FPP program. IACs, for the full year amounted to SEKm -554 (-39).

Continuing operations

In the fourth quarter, costs amounting to SEKm -42 (-31) were accounted for as IACs in Munters continuing operations, of which SEKm -40 (0) related to the FPP program. Costs were mainly related to severance and consulting fees. IACs for continuing operations for the full year amounted to SEKm -181 (-39), of which SEKm -153 related to the FPP program.

	2019					2018				
SEKm	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
AirTech	**-19**	**-11**	**-14**	**-23**	**-67**	**-8**	**-8**	**–**	**–**	**-16**
Severance costs	-13	-11	-9	-19	-52	-5	–	–	–	-5
Consulting fees and other	-6	-1	-5	-4	-15	-4	-8	–	–	-11
FoodTech	**-3**	**-6**	**-8**	**-19**	**-36**	**–**	**–**	**–**	**–**	**–**
Severance costs	-0	0	-1	-9	-10	–	–	–	–	–
Consulting fees and other	-2	-7	-7	-10	-26	–	–	–	–	–
Other	**-21**	**-24**	**-14**	**-18**	**-78**	**-22**	**–**	**–**	**–**	**-22**
Severance costs	-6	-16	-1	-4	-27	-22	–	–	–	-22
Consulting fees and other	-15	-8	-14	-14	-51	-0	–	–	–	-0
Total	**-42**	-42	-36	-61	-181	-31	-8	–	–	-39

Discontinuing operations

The closure of the Data Centers factory in Dison, Belgium, has been a part of the FPP program. During the third quarter 2019, the closure of Dison was decided and as of then the European Data Centers business, and the related IAC´s, has been defined as a discontinued operation in accordance with IFRS 5. The IACs for the discontinuing operations during the fourth quarter amounted to SEKm -48, of which SEKm -26 (0) was related to the FPP program, and was mainly associated with warranty and other accruals. For the full year, IACs amounted to SEKm -257, of which SEKm -239 (0) was related to the FPP program (SEKm -139 was severance pay and SEKm -118 was warranty and other accruals, asset and inventory write-downs).

In relation to the closure process of Dison, specified components, for a previously sold customized Munters solution, had to be replaced at a specific customer's sites. As a result of this, Munters incurred non-recurring cost of SEKm -116 in the third quarter 2019, which was paid in the fourth quarter. This cost is not included in the total cost for the FPP program described above. Munters has insurance solutions in place for this type of events, but since Munters has not concluded the discussions with its insurance providers the final financial and cash flow net effect on Munters can not yet be determined.

OPERATING PROFIT (EBIT)

Fourth quarter

Operating profit (EBIT), excluding discontinued operations, in the fourth quarter was SEKm 159 (158), corresponding to an operating margin of 8.6% (9.0). Depreciation amounted to SEKm -51 (-25) and amortization and write-downs on intangible assets of SEKm -29 (-36), where SEKm -15 (-29) was related to amortization of intangible assets from acquisitions. Depreciation of leased assets in the fourth quarter was SEKm -25 (-) (see specification of IFRS 16 impacts on page 21). EBIT was also negatively impacted by SEKm -42 (-31) due to IAC´s related to the continuing operations, which are further outlined above.

January–December

EBIT, excluding discontinued operations, for the full year 2019 was SEKm 556 (529), corresponding to an operating margin of 7.8% (8.3). Depreciation amounted to SEKm -213 (-95) and amortizations and write-downs on intangible assets of SEKm -134 (-157), where SEKm -88 (-133) was related to amortization of intangible assets from acquisitions. Depreciation of leased assets for the full year was SEKm -106 (-) (see specification of IFRS 16 impacts on page 21). EBIT was also impacted by SEKm -181 (-39) due to IAC´s related to the continuing operations, as outlined above.

FINANCIAL ITEMS

The comments below on financial income and expenses relates to Munters total business, i.e. including the discontinued operation.

Financial income and expenses for the fourth quarter amounted to SEKm -57 (-31). The financial expenses were negatively impacted by currency effects, mainly related to USD, compared to same quarter last year. The accounting standard IFRS16 has increased interest expenses with SEKm -4 (0). Further information of the IFRS 16 impact is found in the section Accounting Principles. The average weighted interest rate including fees per end of the quarter was 4.2% (4.6).

Financial income and expenses for the year amounted to SEKm -194 (-127). The increase in the financial expenses in the full year 2019 compared to 2018 was mainly due to increased interest rates and higher interest expenses related to IFRS16.

TAXES

Income taxes for the fourth quarter was SEKm -27 (-34) and the effective tax rate was 26% (27). Income taxes for the full year was SEKm -83 (-77) and the effective tax rate was 23% (19).

EARNINGS PER SHARE

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to SEKm 13 (-324) for the fourth quarter. Earnings per share, before and after dilution, in the fourth quarter 2019 was SEK 0.07 (-1.78).

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to SEKm -166 (-105) for the full year. Earnings per share, before and after dilution, was SEK -0.91 (-0.57).

The average number of outstanding ordinary shares in 2019, was 181,983,219 before and after dilution. 1,852,000 shares was held in own custody.

FINANCIAL POSITION AND LIQUIDITY

Munters primary financing facilities consists of a term loan of USDm 250 and a revolving credit facility of EURm 185. The facilities have no mandatory amortization requirement. The final maturity date is May 2022. The loan agreement has one financial covenant (consolidated net debt in relation to adjusted EBITDA). The new accounting standard for leases, IFRS 16, does not affect the covenant calculation according to the loan agreement definition. For further information on the IFRS 16 effect, see section Accounting Policies. Interest-bearing liabilities amounted to SEKm 3,497 (3,013). Cash and cash equivalents amounted to SEKm 722 (404) as of December 31, 2019.

At quarter end the term loan was fully drawn with USDm 250 and EURm 91 of the total revolving credit facility were utilized in EUR, USD and SEK. Available unutilized credit facilities as of December 31 amounted to SEKm 985 (918). Along with the main loan facility, an amount of SEKm 25 (13) in local debt is outstanding in i.a. China and Brazil.

CASH FLOW AND CAPITAL EMPLOYED

Cash flow from operating activities was SEKm 282 (441) in the fourth quarter. As a result of several ongoing initiatives to reduce working capital, this was reduced and had a positive impact on cash flow of SEKm 286 (329). A major item of this is related to an advance payment related to a specific project to be delivered over the coming months. In relation to the closure process of Dison, specified components, for a previously sold customized Munters solution, had to be replaced at a specific customer's sites. Munters incurred non-recurring cost of SEKm -116 in the third quarter 2019 for this, which was paid in the fourth quarter. Cash flow from operating activities was positively affected by SEKm 32 (-) due to IFRS 16, compared to the same period last year, as lease payments are reflected as change in lease liabilities under financial activities.

Cash flow from operating activities during the full year amounted to SEKm 669 (441). The improved cash flow compared to last year was mainly due the ongoing initiatives to reduce working capital which resulted in a large decrease in working capital during 2019. Cash flow from operating activities for the full year was positively affected by SEKm 123 (-) due to IFRS 16 with a corresponding negative impact on cash flow from financing activities.

Average capital employed for the last twelve months was SEKm 7,254 (7,022). Return on capital employed (ROCE) for last twelve months was 1% (2). The increase in capital employed was related to IFRS 16, see page 21, which was offset by a decrease in operating working capital.

Return on capital employed, where EBIT is adjusted for items affecting comparability (IAC) and capital employed adjusted for goodwill, for the last twelve months was 23% (7). EBIT was affected by a write-down of goodwill amounting to SEKm 323 in the fourth quarter of 2018.

PARENT COMPANY AND OWNERSHIP

The parent company for the Group is Munters Group AB. All Group supporting functions within Munters is accounted for within Munters Group AB. The company holds shares in subsidiaries, cash and accounts payables. The Parent Company does not engage in sales of goods and services to external customers. Cash and cash equivalents at the end of the period amounted to SEKm 28 (77).

As of December 31, the ten largest shareholders in Munters Group AB consisted of:
FAM AB with 21.1% of the capital followed by Nordic Capital, 14.7%, Swedbank Robur Funds, 9.0%, First AP-fund, 8.6%, Handelsbanken funds, 3.8%, Fourth AP-fund, 3.5%, JP Morgan Asset Management, 2.5%, Kuwait Investment Authority, 2.4%, AMF Insurance & Funds, 2.2% and La Financière de l'Echiquier, 1.7%.

DIVIDEND

During 2019 Munters has made major changes to the overall overhead cost structure, reducing its employees by approximately 500 and is reporting a loss for the year. Major efforts has gone into stabilizing the business, ensuring value creation in all units. The work with stabilizing operations and make continuous improvement will continue in 2020. In order to ensure long-term profitable growth, 2020 will entail investments in research and development and initiatives to drive synergies across the Group. Due to the current situation combined with the strategic intentions for the future, the Board of Directors proposes no dividend to be paid for 2019.

EMPLOYEES

The number of FTEs (Full Time Equivalents) at December 31, 2019 was 3,088 (3,518). The lower level of FTEs is mainly due to the initiatives part of the FPP program. The single most contributing factor to the lower number of FTEs was the closing of the Data Centers factory in Dison, Belgium. The amount of FTEs at year-end 2019 in business area AirTech was 2,184 (2,559), in FoodTech 833 (875) and at Group functions 71 (84).

OTHER EVENTS DURING THE YEAR

Munters Full Potential Program - In February 2019, Munters announced the launch of a three-phase plan for progression to capture Munters full potential to improve Group earnings. As part of the first phase of the program, Munters announced the intention to close down the European Data Centers factory in Dison, Belgium. The process to close the factory was decided and initiated in the third quarter. During 2019, Munters gradually shifted focus to the second phase of the program, which included activities such as driving business mix towards most attractive applications, a more focused product development, etc. The third and final phase in the program is to accelerate growth with focus on attractive segments where the company see solid long-term demand and where strong market positions can be established. The total yearly run-rate overhead cost saving from the program was well in line with the SEKm 210 at the end of the year 2019. In total, Munters expected a positive Group adjusted EBITA effect of SEKm 105 in 2019 and SEKm 210 in annual effect from 2020. The program has been implemented successfully and the financial targets have been realized. The majority of the actions took effect already during the first half of 2019. Specifically for the Dison closure, the reporting of the European Data Center business as a discontinued business means that the full impact was realized already in 2019.

Non-recurring charges for the FPP program totalled SEKm 392 and they were all charged in 2019. The FPP program has temporarily increased the leverage during 2019 and necessary consent from the lending banks has been received.

Management changes – In April 2019, the Board of Directors appointed Klas Forsström as President and CEO of Munters Group AB. He entered his position on August 12, 2019. Prior he was the President of Sandvik Machining Solutions Business area. Johan Ek, the interim President and CEO of Munters from December 2018 until August 12, 2019, remain in his current role as a member of the Board of Directors of Munters.

In May 2019, Munters Group appointed Annette Kumlien as new Group Vice President and CFO. Annette entered her position on August 12, 2019, taking over responsibilities from Jonas Ågrup, CFO of Munters Group since 2011. Annette Kumlien has previously held positions at Diaverum as SVP and COO and prior to that as CFO.

In October, Munters announced that Peter Gisel-Ekdal had been appointed the role as President of business area AirTech as of November 1, 2019. Peter Gisel-Ekdahl has been President of Munters business area FoodTech since 2007 and a member of Group Management team since 2011. Johan Ekeström, was appointed Interim President for FoodTech as of 1 November, 2019.

Buy-back of shares in Munters Group AB – In August Munters announced it had repurchased a total number of 385,000 shares pursuant to the authorization granted by the Annual General Meeting 2019. The purpose of the repurchases was to secure the delivery of shares to the participants of Munters' long-term incentive programme which was resolved by the Annual General Meeting 2019, and to cover costs related to the programme. As of August 13, Munters had repurchased a total of 385,000 shares to an average price of SEK 40.98.

Nomination committee for the 2020 Annual General Meeting – In September 2019, Munters announced the Nomination Committee of Munters Group AB. The Nomination Committee shall be composed of the representatives of the four largest shareholders in terms of voting rights listed in the shareholders' register maintained by Euroclear Sweden AB as of 31 August each year, and the Chairman of the Board, who will also convene the first meeting of the Nomination Committee. The Nomination Committee was appointed in September and comprised the following members: Robert Furuhjelm, Nordic Capital, Chairman of the Nomination Committee, Lars Wedenborn, FAM AB, Johan Grip, First AP-fund, Jan Dworsky, Swedbank Robur Funds and Magnus Lindquist, Chairman of the Board of Munters. Following the change in ownership during November, when Nordic Capital sold 20% of the share in Munters, the Chairman of the Nomination Committee was changed to reflect the new ownership structure. The Chairman of the Nomination committee changed to Lars Wedenborn, FAM AB and Robert Furuhjelm, Nordic Capital, is a member of the Nominations Committee.

European Data Centers operation incurred additional costs - In October 2019, Munters announced that the European Data Centers operations would make a provision for an estimated additional non-recurring costs of SEKm 116 in the third quarter 2019 related to the closure of the Data Centers factory in Dison, Belgium. This was paid in the fourth quarter. The estimated non-recurring costs were incurred due to certain specified components, for a previously sold customized Munters solution, having to be replaced at a specific customer's sites. Munters has insurance solutions in place for this type of events, but since Munters has not concluded the discussions with its insurance providers the financial and cash flow net effect on Munters can not yet be finally determined.

EVENTS AFTER THE CLOSING OF THE PERIOD

Strategic evaluation of the Data Centers and Mist Elimination operations - During 2019 a strategic evaluation of the Data Centers and Mist Elimination operations has been conducted. In February 2020, this resulted in a decision to keep these businesses in Munters. Both businesses made significant progress during 2019. Considering our refined strategic direction we see a good strategic fit. Both businesses operate in markets with good growth potential, driven by digitalization and high demands for sustainable solutions.

Organizational change - Yesterday an organizational change was announced. The change aims at creating a clearer business ownership and capture local synergies and value drivers across the Group, by aligning the value chain within the business areas. The change means that the business areas have full profit and loss responsibility for their respective area. The role Global operations in the Group management team will be changed into a Strategic operations role with focus on driving lean practices, manufacturing excellence, shared tools and processes and overall footprint optimization. Two roles have been added: Innovation, with focus on driving R&D processes, including shared technologies coordination and product introduction development and Commercial excellence, with focus on coordinating sales training, drive practice of value selling, pricing strategies and go-to-market methods.

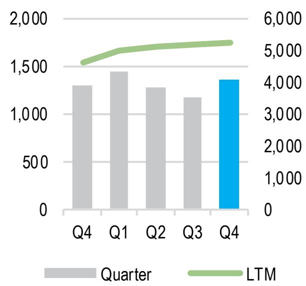
AirTech

- Order intake grew by 6% and was flat organically in the quarter, compared with a strong fourth quarter 2018. High demand in Data Centers US and the Commercial segment, Industrial segment saw weaker demand
- Net sales grew by 9% and by 3% organically in the fourth quarter, driven by Data Centers US and the Commercial segment
- The adjusted EBITA-margin in the fourth quarter weaker than previous year, due to a lower gross margin resulting from a changed product mix and temporarily higher labor cost in areas with strong growth
- Strategic evaluation of Mist Elimination and Data Centers business concluded that these areas will remain in Munters

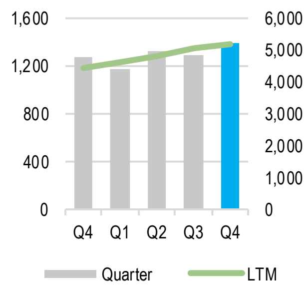
FINANCIAL SUMMARY

	Q4		Jan-Dec	
SEKm	**2019**	**2018**	**2019**	**2018**
Order intake	1,361	1,289	5,253	4,621
Growth	*6%*	*20%*	*14%*	*-14%*
Net sales	1,382	1,267	5,159	4,426
Growth	*9%*	*21%*	*17%*	*-8%*
of which organic growth	*3%*		*10%*	
of which currency effects	*6%*		*6%*	
of which structural effects	*0%*		*0%*	
Operating profit (EBIT)	159	185	565	503
Adjusted EBITA	186	185	662	522
Growth	*0%*	*60%*	*27%*	*6%*
Adjusted EBITA margin, %	13.4	14.6	12.8	11.8

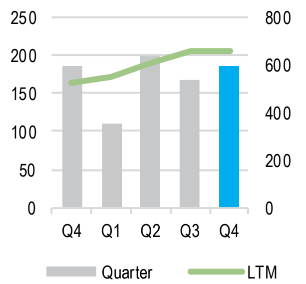
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



Order intake

Order intake increased by 6% while organically flat in the quarter. Large orders were received in Data Centers US, whereas order intake in the Industrial segment was weak reflecting low demand from particularly the lithium battery industry in China. In the fourth quarter 2018, a large order related from the lithium battery industry was received. The order intake in the Commercial segment strengthened with a large order to an ice rink as well as strong demand from Supermarkets in the US, whereas Services saw flat order intake compared to a strong fourth quarter 2018.

Order intake for the full year increased by 14% and organically 8%, mainly driven by a strong increase in order intake for Data Centers US, Mist Eliminations and an increase of Services. The order intake was weaker in the Supermarket segment in the US and we also saw lower demand from the lithium battery industry in China. Region EMEA showed stronger order intake driven by a good development in Mist Elimination and Services.

Net sales

Net sales grew by 9% and by 3% organically in the fourth quarter, driven by a strong net sales increase in Data Centers US and the Commercial segment, where the sub-segment Supermarket saw strong growth. This was offset by decreased component deliveries to OEMs. Net sales, excluding currency effects, for Services were on the same level as the strong fourth quarter 2018.

Net sales for the full year increased, driven by strong sales increase in Data Centers US, Mist Elimination and good growth in Services. The segment Industrial as well as Commercial saw a flat development for the full year. Components shipments to OEMs were down due to lower demand from the lithium battery industry in China.

Adjusted EBITA

The adjusted EBITA in the quarter was slightly lower compared to the strong fourth quarter in 2018. It was slightly lower mainly due to a lower gross margin resulting from a changed product mix and temporarily higher labor cost in areas with strong growth. The FPP program continued to delivered significant savings in the quarter.

The improved adjusted EBITA margin for the full year is a result of higher volumes and a higher utilization rate, together with a changed product mix and lower indirect costs resulting from the FPP program.

FoodTech

- Order intake increased by 9% and by 3% organically in the quarter, with growing demand in Asia
- Net sales declined by -6% and by -11% organically in the quarter and in all regions, following previous weak order intake
- Improvement of adjusted EBITA-margin in the quarter, mainly driven by the FPP program that have led to lower indirect costs

FINANCIAL SUMMARY

	Q4		Jan-Dec	
SEKm	**2019**	**2018**	**2019**	**2018**
Order intake	491	452	2,087	2,107
Growth	*9%*	*-14%*	*-1%*	*13%*
Net sales	470	497	2,032	2,018
Growth	*-6%*	*-4%*	*1%*	*10%*
of which organic growth	*-11%*		*-5%*	
of which currency effects	*5%*		*6%*	
Operating profit (EBIT)	55	53	226	244
Adjusted EBITA	61	49	278	249
Growth	*24%*	*-35%*	*11%*	*6%*
Adjusted EBITA margin, %	13.0	9.9	13.7	12.4

Order intake
Order intake for the quarter increased by 9% and by 3% organically. Americas saw increased order intake, partly driven by several orders to the dairy segment in the US. Asia also saw a strong increase, primarily driven by growth in the layer and the broiler segments in China. The order intake in the Swine segment in China was slightly higher than the fourth quarter 2018, but lower compared to the third quarter 2019. In Europe and Middle East, demand was softer compared to the same period last year. Market conditions remain uncertain due to the ASF and consequences from trade tariffs.

For the full year order intake declined by -1% and organically by -6%. This was primarily driven by a weaker demand from the Swine segment in China and the US, as a consequence of an overcapacity in the Swine market in the US, uncertainties related to consequences from new trade tariffs and ASF. Order intake grew in Europe and Middle East, partly due to increased sales of controllers and strong demand in the CIS-countries.

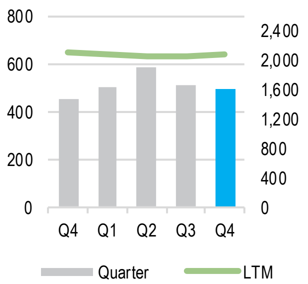
Net sales
Net sales for the quarter declined by -6% and by -11% organically. The decrease was seen in all regions following the lower order intake in the previous quarter, and was only partially offset by net sales growth in software solutions, an increase in the broiler segment in South East Asia as well as in the CIS-countries.

Net sales for the full year decreased -5% organically with a decline in net sales in China and the US following the weaker order intake during the first nine months of the year. Net sales 2019 have had a slightly more positive development than order intake, as some of the order intake growth in 2018 included Software as a Service contracts recognized over several years.

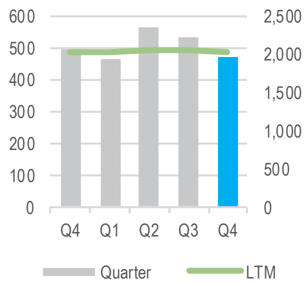
Adjusted EBITA
The improvement of the adjusted EBITA-margin in the quarter was mainly driven by the FPP program that have led to lower indirect costs.

The adjusted EBITA margin for the full year improvement was mainly driven by the reduction of overhead cost as a result of the FPP program, as well as improved gross margin driven by a higher share of sales from controllers but also operational improvements.

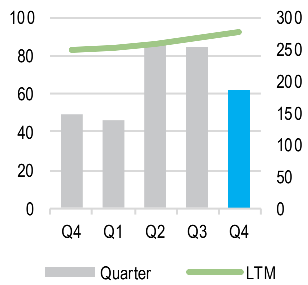
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



Quarterly overview Group and Segments

Group

	2019				2018				2019	2018
SEKm	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year
Order backlog	2,307	2,440	2,496	2,554	2,170	2,222	2,227	2,097	2,307	2,170
Order intake	1,845	1,680	1,840	1,938	1,735	1,590	1,748	1,626	7,302	6,698
Net sales	1,842	1,813	1,877	1,620	1,757	1,559	1,686	1,410	7,153	6,412
Operating profit (EBIT)	159	174	185	38	158	136	161	74	556	529
Financial income and expenses	-55	-40	-51	-43	-31	-49	-19	-27	-189	-125
Tax	-27	-34	-30	8	-34	-7	-29	-8	-83	-77
Net income	76	100	104	3	93	80	114	40	283	327
Amortization and write-down	-29	-32	-41	-32	-36	-43	-40	-38	-134	-157
Items affecting comparability (IAC)	-42	-42	-36	-61	-31	-8	–	–	-181	-39
Adjusted EBITA	229	248	262	131	225	186	201	113	871	725
Adjusted EBITA margin, %	12.5	13.7	13.9	8.1	12.8	12.0	11.9	8.0	12.2	11.3

AirTech

	2019				2018				2019	2018
SEKm	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year
External order backlog	1,780	1,886	1,926	1,993	1,652	1,671	1,670	1,599	1,780	1,652
Order intake	1,361	1,179	1,264	1,449	1,289	1,073	1,145	1,114	5,253	4,621
External net sales	1,378	1,286	1,323	1,164	1,265	1,049	1,138	968	5,151	4,421
Transactions between segments	4	1	1	2	2	1	1	2	8	5
Operating profit (EBIT)	159	151	173	82	185	104	132	82	565	503
Amortization and write-down	-9	-5	-13	-5	-5	-4	-3	-3	-31	-15
Items affecting comparability (IAC)	-19	-11	-14	-23	-8	-8	–	–	-67	-16
Re-allocation of internal services	-1	–	–	–	-13	–	–	–	-1	-13
Adjusted EBITA	186	167	199	110	185	116	135	85	662	522
Adjusted EBITA margin, %	13.4	12.9	15.1	9.4	14.6	11.0	11.9	8.8	12.8	11.8

FoodTech

	2019				2018				2019	2018
SEKm	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year
External order backlog	526	554	570	561	518	552	557	498	526	518
Order intake	491	513	582	500	452	524	610	520	2,087	2,107
External net sales	464	527	554	456	491	510	548	442	2,002	1,991
Transactions between segments	5	7	8	9	6	8	7	6	31	27
Operating profit (EBIT)	55	75	74	24	53	73	77	41	226	244
Amortization and write-down	-4	-4	-4	-4	-3	-3	-3	-3	-15	-12
Items affecting comparability (IAC)	-3	-6	-8	-19	–	–	–	–	-36	–
Re-allocation of internal services	–	–	–	–	-7	–	–	–	–	-7
Adjusted EBITA	61	85	85	46	49	76	81	43	278	249
Adjusted EBITA margin, %	13.0	15.9	15.2	9.9	9.9	14.7	14.5	9.7	13.7	12.4

Other and eliminations

	2019				2018				2019	2018
SEKm	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year
Order intake	-8	-13	-7	-11	-6	-8	-7	-8	-38	-30
Transactions between segments	-9	-9	-9	-11	-8	-8	-8	-8	-38	-32
Operating profit (EBIT)	-55	-52	-62	-67	-80	-41	-48	-48	-236	-217
Amortization and write-down	-16	-24	-24	-23	-28	-36	-33	-32	-88	-130
Items affecting comparability (IAC)	-21	-24	-14	-18	-22	–	–	–	-78	-22
Re-allocation of internal services	1	–	–	–	20	–	–	–	1	20
Adjusted EBITA	-17	-3	-23	-25	-10	-5	-15	-16	-69	-46

Discontinued operations

	2019				2018				2019	2018
Order intake	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Full year**	**Full year**
External order backlog	2	8	43	111	147	166	250	419	2	147
Order intake	4	-3	3	11	18	111	79	9	15	216
External net sales	9	38	87	42	78	190	252	190	176	710
Operating profit (EBIT)	-65	-341	-20	-24	-414	8	9	2	-450	-396
Amortization and write-down	0	3	-0	0	-344	-1	-1	-1	3	-346
Items affecting comparability (IAC)	-45	-325	-3	-0	–	–	–	–	-373	–
Adjusted EBITA	-20	-19	-17	-24	-71	8	10	3	-80	-49

Restatement of AirTech

Previous business segments Mist Elimination and Data Centers were incorporated into former Air Treatment (renamed to AirTech) in the first quarter of 2019, see restatement of 2018 below.

	2018				
SEKm	**Q4**	**Q3**	**Q2**	**Q1**	**Full year**
Order intake AirTech	**1,289**	**1,073**	**1,145**	**1,114**	**4,621**
Order intake Air Treatment	979	906	951	963	3,798
Order intake Data Centers	204	68	80	57	409
Order intake Mist Elimination	117	106	125	97	445
Transactions between segments	-11	-7	-10	-4	-32
External net sales AirTech	**1,265**	**1,049**	**1,138**	**968**	**4,421**
External net sales Air Treatment	1,060	924	963	775	3,723
External net sales Data Centers	82	34	89	104	309
External net sales Mist Elimination	123	91	86	89	389
EBIT AirTech	**185**	**104**	**132**	**82**	**503**
EBIT Air Treatment	176	121	126	73	496
EBIT Data Centers	-13	-32	-3	3	-44
EBIT Mist Elimination	22	15	9	6	52
Adjusted EBITA AirTech	**185**	**116**	**135**	**85**	**522**
Adjusted EBITA Air Treatment	170	124	129	75	497
Adjusted EBITA Data Centers	-6	-23	-2	4	-27
Adjusted EBITA Mist Elimination	22	15	9	6	52

Condensed income statement

	Q4		Jan-Dec	
SEKm	**2019**	**2018**	**2019**	**2018**
Net sales	1,842	1,757	7,153	6,412
Cost of goods sold	-1,271	-1,122	-4,822	-4,160
Gross profit	**571**	**634**	**2,331**	**2,252**
Selling expenses	-207	-255	-970	-987
Administrative costs	-148	-171	-610	-553
Research and development costs	-53	-53	-197	-191
Other operating income and expenses	-4	3	2	8
Operating profit	**159**	**158**	**556**	**529**
Financial income and expenses	-55	-31	-189	-125
Profit/Loss after financial items	**104**	**127**	**367**	**404**
Tax	-27	-34	-83	-77
Net income for the period from continuing operations	**76**	**93**	**283**	**327**
Net income from discontinued operations	-65	-414	-448	-421
Net income for the period	**12**	**-321**	**-164**	**-94**
Attributable to Parent Company shareholders	13	-324	-166	-105
Attributable to non-controlling interests	-1	3	2	11
Average number of outstanding shares before dilution*	181,745,802	182,130,802	181,983,219	183,165,852
Average number of outstanding shares after dilution*	181,745,802	182,130,802	181,983,219	183,165,852
Earnings per share for net income for the period from continuing operations attributable to the ordinary equity holders of the company:				
Earnings per share before dilution, SEK	0.42	0.49	1.55	1.73
Earnings per share after dilution, SEK	0.42	0.49	1.55	1.73
Earnings per share for net income for the period attributable to the ordinary equity holders of the company:				
Earnings per share before dilution, SEK	0.07	-1.78	-0.91	-0.57
Earnings per share after dilution, SEK	0.07	-1.78	-0.91	-0.57
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange-rate differences on translation of foreign operations	-128	17	122	193
Other comprehensive income not to be reclassified to profit or loss in subsequent				
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax	-44	-17	-44	-17
Income tax effect not to be reclassified to profit or loss	10	4	9	4
Other comprehensive income, net after tax	**-162**	**3**	**87**	**179**
Total comprehensive income for the period	**-150**	**-317**	**-77**	**85**
Attributable to Parent Company shareholders	-150	-321	-79	75
Attributable to non-controlling interests	-0	4	2	10

*Excluding shares held in own custody.

Condensed balance sheet

SEKm	2019/12/31	2018/12/31
ASSETS		
NON-CURRENT ASSETS		
Goodwill	4,348	4,218
Patents, licenses, brands, and similar rights	1,469	1,480
Buildings and land	248	168
Plant and machinery	554	270
Equipment, tools, fixtures and fittings	162	137
Construction in progress	55	62
Financial assets	19	11
Deferred tax assets	249	227
Total non-current assets	**7,103**	**6,575**
CURRENT ASSETS		
Raw materials and consumables	350	391
Products in process	107	106
Finished products and goods for resale	296	282
Projects in progress	7	7
Advances to suppliers	12	20
Accounts receivable	1,050	1,095
Prepaid expenses and accrued income	288	224
Derivative instruments	5	3
Current tax assets	56	53
Other receivables	96	109
Cash and cash equivalents	722	404
Total current assets	**2,989**	**2,693**
TOTAL ASSETS	**10,093**	**9,268**

Condensed balance sheet

SEKm	2019/12/31	2018/12/31
EQUITY AND LIABILITIES		
EQUITY		
Shareholders' equity	3,627	3,720
Non-controlling interests	-0	-4
Total equity	**3,627**	**3,716**
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	3,371	3,002
Provisions for pensions and similar commitments	282	230
Other provisions	24	16
Other liabilities	134	137
Deferred tax liabilities	409	421
Total non-current liabilities	**4,221**	**3,805**
CURRENT LIABILITIES		
Interest-bearing liabilities	126	11
Advances from customers	374	285
Accounts payable	556	535
Accrued expenses and deferred income	716	590
Derivative instruments	–	1
Current tax liabilities	32	28
Other liabilities	153	181
Provisions for pensions and similar commitments	9	8
Other provisions	278	107
Total current liabilities	**2,244**	**1,746**
TOTAL EQUITY AND LIABILITIES	**10,093**	**9,268**

CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	2019/12/31	2018/12/31
Opening balance	**3,716**	**3,748**
Total comprehensive income for the period	-77	85
Change in non-controlling interest	0	0
Put/call option related to non controlling interests	0	-4
Dividends paid	–	-55
Repurchase of shares	-16	-59
Share option plan	4	1
Closing balance	**3,627**	**3,716**
Total shareholders´equity attributable to:		
The parent company's shareholders	3,627	3,720
Non-controlling interests	-0	-4

Condensed cashflow statement

	Q4		Jan-Dec	
SEKm	**2019**	**2018**	**2019**	**2018**
OPERATING ACTIVITIES				
Operating profit	**94**	**-256**	**105**	**134**
Reversal of non-cash items				
Depreciation, amortization and impairments	82	406	408	602
Other profit/loss items not affecting liquidity	37	19	63	19
Change in provisions				
Provisions	-134	16	158	-19
Cash flow before interest and tax	**79**	**185**	**735**	**736**
Paid financial items	-51	-27	-177	-109
Taxes paid	-32	-47	-111	-123
Cash flow from operating activites before changes in working capital	**-5**	**111**	**448**	**503**
Cash flow from changes in working capital	**286**	**329**	**221**	**-63**
Cash flow from operating activities	**282**	**441**	**669**	**441**
INVESTING ACTIVITIES				
Business acquisitions	–	-1	–	-37
Sale of tangible fixed assets	15	1	18	2
Sale of intangible fixed assets	0	1	2	1
Business divestments	–	–	–	-0
Investment in tangible assets	-23	-42	-118	-148
Investment in intangible assets	-28	-24	-76	-84
Cash flow from investing activities	**-35**	**-64**	**-174**	**-266**
FINANCING ACTIVITIES				
Loan raised	170	-0	284	407
Amortization of loans	-149	-297	-332	-473
Repayment of lease liabilities	-32	–	-123	–
Repurchase of shares	–	–	-16	-59
Dividends paid	–	–	–	-55
Cash flow from financing activities	**-10**	**-297**	**-185**	**-180**
Cash flow for the period	**237**	**80**	**310**	**-5**
Cash and cash equivalents at period start	497	322	404	402
Exchange-rate differences in cash and cash equivalents	-12	3	7	8
Cash and cash equivalents at period end	**722**	**404**	**722**	**404**

Cash flow from the discontinued operations is disclosed in a separate note, see page 22.

Parent company

CONDENSED INCOME STATEMENT

	Q4		Jan-Dec	
SEKm	**2019**	**2018**	**2019**	**2018**
Net sales	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**
Administrative costs	-8	-5	-44	-11
Profit/Loss before interest and tax (EBIT)	**-8**	**-5**	**-44**	**-11**
Financial income and expenses	-0	0	-0	-0
Profit/Loss after financial items	**-8**	**-5**	**-44**	**-11**
Group contributions	43	–	43	–
Profit/Loss before tax	**35**	**-5**	**-1**	**-11**
Tax	0	0	0	0
Net income for the period	**35**	**-5**	**-1**	**-11**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q4		Jan-Dec	
SEKm	**2019**	**2018**	**2019**	**2018**
Profit/Loss for the period	35	-5	-1	-11
Other comprehensive income, net after tax	–	–	–	–
Comprehensive income for the period	**35**	**-5**	**-1**	**-11**

Parent company

CONDENSED BALANCE SHEET

SEKm	2019/12/31	2018/12/31
ASSETS		
NON-CURRENT ASSETS		
Participations in subsidiaries	4,086	4,086
Total non-current assets	**4,086**	**4,086**
CURRENT ASSETS		
Prepaid expenses and accrued income	0	0
Current tax assets	0	0
Receivables from subsidiaries	45	–
Cash and cash equivalents	28	77
Total current assets	**74**	**77**
TOTAL ASSETS	**4,160**	**4,163**

SEKm	2019/12/31	2018/12/31
EQUITY AND LIABILITIES		
EQUITY		
Share capital	6	6
Share premium reserve	4,074	4,074
Profit brought forward	60	87
Income for the period	-1	-11
Total equity	**4,139**	**4,155**
CURRENT LIABILITIES		
Accounts payable	3	0
Accrued expenses and deferred income	11	2
Liabilities to subsidiaries	0	3
Other liabilities	2	2
Other provisions	5	–
Total current liabilities	**21**	**8**
TOTAL EQUITY AND LIABILITIES	**4,160**	**4,163**

Other disclosures

ACCOUNTING POLICIES

This report has been prepared, with regards to the Group, in accordance with IAS 34 *Interim Financial Reporting*, recommendation RFR 1 of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act and, with regards to the Parent Company, in accordance with recommendation RFR 2 of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. The accounting principles applied correspond to those presented in the Annual- and Sustainability report 2018 (Note 1).

As of January 1, 2019 all new lease agreements are accounted for according to requirments under IFRS 16. This means that lease agreements are reported as right-of-use assets in the balance sheet and a corresponding lease liability recognized on the commencement day of the lease. Each lease payment is divided between a repayment of the debt and an interest expense. The interest expense is distributed over the lease term so that each accounting period is expensed with an amount corresponding to a fixed interest rate for the liability recognized during the respective period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease. Assets and liabilities arising from leases are initially recognized at present value. The lease payments are discounted with the implicit interest rate if that interest rate can be determined, otherwise the incremental borrowing rate. The incremental borrowing rate is decided based on the contract duration and contract transaction currency. Payments for short-term contracts and leases of low value are expensed on a straight-line basis in the income statement. Short-term contracts are contracts with a lease term of 12 months or less. Contracts of low value include various IT-equipment and smaller office furniture. The Parent Company, should it have any lease agreements, will not recognise leases in the balance sheet. Instead leasing fees will continue to be expensed on a straight-line basis over the lease term in accordance with the exemption from IFRS 16 in RFR 2, Accounting for Legal Entities.

For transition purposes the simplified transition approach has been used to transfer to the new accounting standard and therefore there are no restatements of comparative amounts for the year prior to the first adoption. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Munters has used the transition exempt rule under IFRS 16 not to make a new assessment if a contract is or contains parts that constitute a lease and has therefore applied the standard for all contracts that have previously been identified as leases. Munters has also applied the exempt rule to exclude intitial direct costs when calculating the right-of-use asset. As of January 1, 2019, Munters has recognised right-of-use assets of approximately SEKm 475, lease liabilities of SEKm 458 (after adjustments for prepayments and accrued lease payments recognised as at December 31, 2018) and provision for dismantling expenses of SEKm 18. Total cash flow will not be affected, however there is a shift in cash flow from operating activities to financial activites since the lease payments are repaying the recognized lease liability.

Since September 30, 2019 Munters is reporting a discontinued operation, see further information in separate note below. The discontinued operation relates to the disposal group that has been abandoned constituting the European Data Center factory in Dison, Belgium. According to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* a single amount shall be disclosed in the statement of comprehensive income comprising the total of the post-tax profit or loss of the discontinued operation. A disclosure of the single amount is required and is presented in the separate note together with a disclosure of cash flows from operating, investing and financing activities related to the discontinued operation. In the interim report for the third quarter 2019, the discontinued operation for the period January to September 2019 were charged with a too low tax expense of SEKm 6 and for the full year 2018 with a too low tax expense of SEKm 41. As a consequence the isolated quarters in 2018 as well as September year to date 2018 were effected. This report has been corrected.

The Group presents certain financial metrics in the Interim report that are not defined in accordance with IFRS. The Group is of the opinion that these metrics provide valuable complementary information, in that they enable an evaluation of the Group's performance. The financial metrics are calculated in accordance with the definitions presented on page 134 of the Annual- and Sustainability report 2018.

TRANSACTIONS WITH RELATED PARTIES

At the annual general meeting in May 2019 it was resolved in accordance with the Board's proposal on the implementation of a long-term incentive program in the form of a performance based employee stock option program for members of the Group management and certain other key employees ("LTIP 2019" or the "Programme"), approximately 72 employees in total. The Programme was to comprise no more than 1,595,000 employee stock options divided in three series. No more than 100,000 of these employee stock options was to be cash-settled, the remaining employee stock options shall entitle to the acquisition of shares in the company. A total of 68 employees has accepted the offer comprising 1,498,000 employee stock options, whereof 80,000 cash settled. The employee stock options have been granted free of charge. Exercise of the employee stock options of Series A and Series B is dependent on the extent to which certain performance targets are satisfied during the financial years 2019-2021 (the "Performance Period"). The performance conditions determine the extent to which (if any) the employee stock options of the respective series may be exercised to acquire shares in the company or receive a cash amount at the expiry of a period of three years from and including the date of the grant of the employee stock options (the "Vesting Period"). Each employee stock option that is not cash settled shall entitle the holder to acquire one share in the company at an exercise price equivalent to SEK 50.27. Each cash-settled employee stock option shall entitle the holder to a cash amount equivalent to the value of one share in the company, calculated as the volume-weighted average price paid for the company's shares at Nasdaq Stockholm during a period of ten business days immediately prior to the exercise of the option, with deduction of an exercise price of SEK 50.27. The Programme participants shall be able to exercise employee stock options during a one year period as from and including the date of the expiry of the Vesting Period. The costs of the program are estimated to SEKm 13 that will be incurred over the three-year period.

In February Munters' largest shareholder, a Nordic Capital Fund VII entity, offered the Chairman of the Board of Directors, Magnus Lindquist, and the acting CEO, Johan Ek, to acquire in total 6,000,000 call options for shares in Munters. The program entailed that Magnus Lindquist and Johan Ek was offered to acquire in total 6,000,000 call options (3,000,000 call options per person) at a total value of SEKm 13.8. The Chairman of the Board of Directors, Magnus Lindquist, acquired 3,000,000 call options and Johan Ek acquired 3,000,000 call options at February 20, 2019. Nordic Capital believes that the call option incentive program contributes to creating a clear alignment of interests between these individuals and the other existing shareholders in Munters.

ENVIRONMENTAL IMPACT AND ENVIRONMENTAL POLICY

Munters' operations affect the external environment through air and water emissions, the handling of chemicals and waste, transport of input goods and finished products to and from Munters factories. Munters is committed to constant vigilance regarding the environmental impact of its operations. Munters is committed to complying with all laws and to continuously promoting improvements in all Environment, Health & Safety ("EHS") aspects, wherever Munters conducts business. Munters constantly seeks opportunities to reduce risk and to create a safer, healthier, more diverse and more environmentally friendly workplace for our employees, customers, communities, and the overall environment. Munters' manufacturing facilities all over the world are committed to working according to an EHS Management Program. The purpose of the EHS Program is to ensure regulatory compliance, actively prevent injuries, and reduce the impact that our business has on the environment.

RISKS AND UNCERTAINTIES

The Group's significant risks and uncertainties can be divided into four categories; strategic, operational, financial and regulatory risks. In these categories, there are both risks due to political and macroeconomic trends and specific risks directly linked to the business carried out by the Group. A risk assessment is carried out on an annual basis and the purpose is to identify and address the most important risks.

Munters' products are used in complex customer processes. Quality and contract obligations are critical and could result in claims for damages. The Group depends to some extent on key customers and key personnel. Considering that Munters is a company with geographically widespread operations and many small organizational units, there is a risk of failure to comply with relevant regulations in the business ethics area, e.g. anti-bribery rules. Financial risks mainly consist of currency, interest and financing risks.

Munters works actively with insurance solutions, and group-wide insurances are governed by central guidelines. This includes for example coverage for general liability and product liability, property, business interruption, transportation, the liability of Board members and the CEO and employment practices liabilities. A more detailed description of the Group's risks and how they are managed can be found in the Annual- and Sustainability report 2018.

ALLOCATION OF NET SALES

The majority of customer contracts within Munters business segments AirTech and FoodTech fulfill the requirements to recognize net sales at a point in time, however there are a number of customer contracts within the segments that requires to recognize net sales over time, especially in AirTech sub-segment Data Centers, which is reflected in the below matrix. In addition to unit/equipment sales, Munters provides different kinds of services to customers such as installation, commissioning, startup and maintenance. Net sales from services are recognized over time as these services are performed. The services transferred over time in the matrix below is not equivalent to the net sales from Services mentioned on the business segment pages earlier in this interim report. This is due to the fact that part of the net sales within Services are recognized at a point in time, such as spare parts. Net sales from the discontinued operation is all recognized over time.

	Q4 2019			Jan-Dec 2019		
SEKm	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	932	410	1,342	3,509	1,793	5,302
Goods transferred over time	380	10	390	1,361	57	1,418
Services transferred over time	74	45	118	457	151	608
Total	**1,387**	**464**	**1,851**	**5,327**	**2,002**	**7,329**
whereof related to the discontinued operation	9	–	9	176	–	176
Total net sales from continuing operations	**1,378**	**464**	**1,842**	**5,151**	**2,002**	**7,153**

	Q4 2018			Jan-Dec 2018		
SEKm	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	1,023	452	1,475	3,697	1,851	5,548
Goods transferred over time	222	-0	222	1,100	1	1,101
Services transferred over time	98	39	137	334	139	473
Total	**1,343**	**491**	**1,834**	**5,131**	**1,991**	**7,122**
whereof related to the discontinued operation	78	–	78	710	–	710
Total net sales from continuing operations	**1,265**	**491**	**1,757**	**4,421**	**1,991**	**6,412**

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's derivatives, recognized at fair value in the statement of financial position, are measured according to IFRS 9 and are categorized in level 2 in the fair value hierarchy. The derivatives amounted to SEKm 5 (3) in financial assets and to SEKm 0 (1) in financial liabilities.

The Group's contingent earn-outs and put/call acquisition options, recognized at fair value in the statement of financial position, are measured according to IFRS 9 and are categorized in level 3 in the fair value hierarchy. The opening balance for the period was related to the put/call option from the acquisition of MTech Systems in 2017 and a contingent consideration related to the acquisition of Humi-Tech Services Ltd in July 2018. The put/call option related to MTech Systems matures at December, 2022 and is based on EBITDA for the 12 months prior to execution. The earn-out in Humi-Tech Services Ltd is based on EBITDA for the fiscal years of 2018 och 2019 and will be settled in early 2020. The change in the period relates to a discounting effect on the put/call option and currency translations.

SEKm	**2019/12/31**	**2018/12/31**
Contingent considerations and put/call options		
Opening balance	137	136
Contingent consideration	–	8
Excersied put/call option	–	-24
Discounting	1	2
Exchange-rate differences for the period	5	14
Closing balance	**142**	**137**

Munters deems that the interest rate on interest-bearing liabilities are in line with market terms at December 31, 2019, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount.

IMPACT OF THE NEW ACCOUNTING STANDARD FOR LEASES, IFRS 16

As of January 1, 2019 all lease agreements are accounted for according to the requirments under IFRS 16, *Leases*. The below analysis includes the discontinued operation if not otherwise stated.

At the transition date of January 1, 2019, and according to the transition disclosure note in the annual report of 2018, net profit after tax was expected to decrease, provided no new agreements are added, by approximately SEKm 13 for the full year 2019 as a result of adopting to the new rules. EBITDA was expected to increase with approximately SEKm 109 as the operating lease payments were included in EBITDA but the depreciation of the right-of-use assets and interest on the lease liability are excluded from this measure. The actual decrease in net profit after tax was SEKm 31 and the reason for the deviation from the expected amount is mainly explained by a writedown of leased asset during the year of SEKm 26, mainly related to the discontinued operation. The actual increase in EBITDA for the full year, was SEKm 115 and the deviation from exected impact is explained by new agreements during the year. Adjusted EBITA was expected to increase by approximately SEKm 1, as the operating lease payments were included in EBITA but the interest on the lease liability is excluded from this measure. Adjusted EBITA from continunig operations for the full year was SEKm 4 and adjusted EBITA from the discontinued operation was SEKm 3.

If previous accounting principles for leases (IAS 17) would have been applied, the reported EBIT in the fourth quarter would be SEKm 2 lower, financial expenses SEKm 4 lower and profit after tax SEKm 1 higher. The reported EBIT for the twelve months would be SEKm 19 higher, financial expenses SEKm 19 lower and profit after tax SEKm 31 higher. The reason for profit after tax being higher without IFRS 16 is due to the fact that a leased asset has been written down during the year. However, with previous principles the lease contract would most probably been regarded as onerous, resulting in a negative impact in both EBIT and profit after tax with approximately the equivalent numbers.

IFRS 16 does not have an impact on reported cash flow, however there is a shift in cash flow from operating activities to financial activites since the lease payments are repaying the recognized lease liability. Below is a specification per segment on the effect of the new standard on the balance sheet and income statement as of December 31, 2019.

	2019/12/31			
SEKm	**AirTech**	**FoodTech**	**Other**	**Total**
Reported amounts in the balance sheet				
Right-of-use assets				
Buildings, leased	51	28	0	80
Land, leased	2	0	0	2
Plant and machinery, leased	110	167	0	277
Equipment and tools, leased	29	10	2	41
Total	**193**	**205**	**2**	**400**
Lease liabilities reported within interest-bearing liabilities				
Long-term lease liabilities	142	171	1	314
Short-term lease liabilities	66	33	3	102
Total	**209**	**204**	**3**	**416**

	Q4 2019				Jan-Dec 2019			
	AirTech	**FoodTech**	**Other**	**Total**	**AirTech**	**FoodTech**	**Other**	**Total**
Reported amounts in the income statement								
Continuing operations								
Depreciation and write-downs on right-of-use assets	-15	-8	-2	-25	-64	-37	-5	-106
Interest expense on lease liabilities	-1	-2	0	-3	-7	-10	0	-17
Discontinued operation								
Depreciation and write-downs on right-of-use assets	-1	0	0	-1	-32	0	0	-32
Interest expense on lease liabilities	0	0	0	0	-2	0	0	-2

DISCONTINUED OPERATIONS

On September 9, 2019 Munters decided to close its European Data Center factory in Dison, Belgium, following the finalization of negotiations with the unions. The production has ceased but minor installation services remains at customer sites. Therefore, this business is classified as a discontinued operation. The closure is according to the plan of the Munters Full Potential Program launched at the start of 2019 to increase the overall performance of the company. All income statement items in this report have been restated and relates to Munters continuing operations if not otherwise explicitly stated.The table below shows the income statement for the discontinued operation as well as the cash flow from operating activities, since the discontinued operations has mainly had cash flows from operating activities during 2018 and 2019.

The IACs for the discontinuing operation during the fourth quarter amounted to SEKm -48, mainly relating to warranty and other accruals. For the full year, IACs amounted to SEKm -257, whereof SEKm -139 was severance pay and SEKm -118 was warranty and other accruals, asset and inventory write-downs. The adjusted EBITA was SEKm -20 for the fourth quarter and SEKm -80 for the full year.

In relation to the closure process of Dison, specified components, for a previously sold customized Munters solution, had to be replaced at a specific customer's sites. As a result of this, Munters incurred non-recurring cost of SEKm -116 in the third quarter 2019 and was paid in the fourth quarter. This cost is in addition to the previously communicated total cost for the FPP program. Munters has insurance solutions in place for this type of events, but since Munters has not concluded the discussions with its insurance providers the final financial and cash flow net effect on Munters can not yet be determined.

	Q4		Jan-Dec	
SEKm	**2019**	**2018**	**2019**	**2018**
Net sales	9	78	176	710
Cost of goods sold	-56	-135	-427	-690
Gross profit	**-47**	**-57**	**-251**	**20**
Selling expenses	-12	-336	-39	-375
Administrative costs	-9	-1	-39	-15
Research and development costs	-1	-21	-9	-26
Other operating income and expenses	3	0	-113	0
Operating profit	**-65**	**-414**	**-450**	**-396**
Financial income and expenses	-2	-0	-5	-2
Profit/Loss after financial items	**-67**	**-414**	**-455**	**-397**
Tax	2	0	8	-24
Net income for the period from discontinued operations	**-65**	**-414**	**-448**	**-421**
Cash flow from operating activities	-190	245	-431	42

RECONCILIATION OF NET DEBT AND LEVERAGE

SEKm	**2019**	**2018**
Net debt		
CURRENT ASSETS		
Cash and cash equivalents	-722	-404
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	3,371	3,002
Provisions for pensions	268	215
CURRENT LIABILITIES		
Interest-bearing liabilities	126	11
Accrued expenses	12	13
Provisions for pensions	6	6
TOTAL NET DEBT	3,062	2,843
Operating profit (EBIT)	105	134
Depreciations	-277	-99
Amortization and write-down	-131	-503
EBITDA	514	736
Items affecting comparability	-525	-39
Adjusted EBITDA	1,039	774
Net debt/Adjusted EBITDA, LTM	2.9	3.7

INFORMATION AND REPORTING DATES

Contact person:

Ann-Sofi Jönsson, Head of Investor Relations
Phone: + 46 (0)730 251 005
Email: ann-sofi.jonsson@munters.se

At 9:00 the President and CEO, Klas Forsström, together with the Group Vice President and CFO, Annette Kumlien will present the report in an audiocast with telephone conference.

Audiocast:
More information: http://www.financialhearings.com/event/12364

Link to Audiocast: https://tv.streamfabriken.com/munters-q4-2019

Dial-in number for the telephone conference:
SE: +46856642706
UK: +443333009269
US: +18335268398

The year-end report, presentation material and a link to the audiocast will be available on https://www.munters.com/en/investor-relations/

Financial calendar:

April 23, January-March interim report 2020

May 7, Annual General Meeting 2020

May 28, Capital Markets Day

July 17, January-June interim report 2020

October 22, January-September interim report 2020

This information is information that Munters Group AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on February 13, 2020.

Munters Group AB, Corp. Reg. No. 556819-2321

About Munters Group
Munters is a global leader in energy efficient air treatment and climate solutions. Using innovative technologies, Munters creates the perfect climate for customers in a wide range of industries. Munters has been defining the future of air treatment since 1955. Today, around 3,100 employees carry out manufacturing and sales in more than 30 countries. Munters Group AB reports annual net sales of more than SEK 7 billion and is listed on Nasdaq Stockholm. For more information, please visit www.munters.com.

Every care has been taken in the translation of this interim report. In the event of discrepancies, the Swedish original will supersede the English translation. The addition of the totals presented may result in minor rounding differences.