Q2
2019

Munters Group AB (publ)

“Signficantly increased margins and earnings. Full Potential program running well in line with plan.”

Our climate solutions are behind **half** of the world’s batteries for electric vehicles

SECOND QUARTER 2019

- Order intake increased by 1% to SEKm 1,843 (1,826).
- Net sales increased by 1% to SEKm 1,964 (1,939).
- Operating profit (EBIT) amounted to SEKm 165 (170), including items affecting comparability of SEKm -39 (-) related to Munters Full Potential Program.
- Adjusted EBITA increased by 16% to SEKm 245 (211), corresponding to an adjusted EBITA margin of 12.5% (10.9). Excluding Data Centers Europe, based on Munters intention to leave the european Data Center market, the adjusted EBITA increased by 28% corresponding to an adjusted EBITA margin of 13.8% (11.9).
- Net income was SEKm 84 (122).
- Cash flow from operating activities was SEKm 168 (39).
- Earnings per share was SEK 0.46 (0.64).
- Klas Forsström was appointed as President and CEO and will assume his role on August 12.
- Annette Kumlien was appointed as Group Vice President and CFO and will assume her role on August 12.

JANUARY – JUNE 2019

- Order intake increased by 10% to SEKm 3,792 (3,461).
- Net sales increased by 2% to SEKm 3,627 (3,539).
- Operating profit (EBIT) amounted to SEKm 179 (247), including items affecting comparability of SEKm -100 (-) related to Munters Full Potential Program.
- Adjusted EBITA increased by 8% to SEKm 352 (326), corresponding to an adjusted EBITA margin of 9.7% (9.2). Excluding Data Centers Europe, based on Munters intention to leave the european Data Center market, the adjusted EBITA increased by 26% corresponding to an adjusted EBITA margin of 11.2% (10.2).
- Net income was SEKm 63 (164).
- Cash flow from operating activities was SEKm 211 (38).
- Net debt increased by SEKm 429 and leverage increased by 0.2 as a consequence of the new accounting standard for leases, IFRS 16.
- Earnings per share was SEK 0.34 (0.86).
- Munters Full Potental program was launched in February. Realized savings at June 30 was SEKm 80 on an annual basis and well in line with targeted level.
- Effective from the first quarter 2019, Munters is organized in two business segments, AirTech and FoodTech.

FINANCIAL SUMMARY

	Q2			Jan-Jun			LTM	Full year
SEKm	**2019**	**2018**	**∆%**	**2019**	**2018**	**∆%**	**Jul-Jun**	**2018**
Order intake	1,843	1,826	1	3,792	3,461	10	7,245	6,914
Net sales	1,964	1,939	1	3,627	3,539	2	7,209	7,122
Operating profit (EBIT)	165	170	-3	179	247	-27	66	134
Adjusted EBITA	245	211	16	352	326	8	701	676
Adjusted EBITA margin, %	12.5	10.9		9.7	9.2		9.7	9.5
Net income	84	122		63	164		-196	-94
Earnings per share before and after dilution, SEK	0.46	0.64		0.34	0.86		-1.10	-0.57
Cash flow from operating activities	168	39		211	38		614	441
Net debt	3,310	3,012		3,310	3,012		3,310	2,843
Net debt/adjusted EBITDA, LTM				3.8	4.0		3.8	3.7

Comments from the CEO

2019 is a transition year for Munters on our path towards improved performance and earnings. The Full Potential Program, launched in February, is a three-phase program and a firm path towards reaching our mid-term financial targets. The three phases include; 1. Securing a stable and profitable platform, 2. Increased profitability and 3. Increased growth. The program is our top priority and it is satisfying to conclude that the activities we have executed in the first phase are well on track and delivering the targeted levels of savings, as well as an uplift in margins – even in a slightly challenging business environment.

The first phase in the three-phase program is well under way

The significant margin and earning uplift seen in the second quarter confirms that we have now established a simplified, leaner and more efficient organizational platform and cost base from which we will be able to grow net sales and increase profitability over the years to come. Group adjusted EBITA increased by 16% year-over-year with significantly increased margins in both AirTech and FoodTech in the quarter. Excluding Data Centers Europe, based on our intention to leave the european Data Center market, Group adjusted EBITA increased by 28%.

The total run-rate overhead cost savings from the Full Potential Program are estimated to SEKm 160 of which savings of 80 MSEK, on an annual basis, have been achieved at the end of the second quarter, which is well in line with plan.

Solid underlying order intake and net sales growth in key segments but growth impacted by China and intention to leave the european Data Center market

During the second quarter, we report lower organic order intake compared to the strong growth in the first quarter 2019, impacted by weaker development in China affecting both our business areas. Our intention to leave the european Data Center market has also impacted growth in the quarter. Excluding Data Centers Europe, organic order intake was flat. We saw strong order intake in the Industrial, Mist Elimination sub-segments and in Services. In FoodTech we continue to be affected by the uncertainty in the market caused by the African Swine Fever in China and trade tariffs. On a positive note, we signed a new SaaS (Software as a Service) order within FoodTech during the quarter. Although at an early stage today, this is an exciting growth area for Munters, with a positive momentum and with attractive customer-retention dynamics.

Net sales showed strong growth for AirTech in Europe and for Services globally. However, net sales growth was impacted by lower volumes in the Data Centers sub-segment as an effect of our intention to leave the european Data Center market. Excluding Data Centers Europe, organic net sales growth was 5% in the quarter. The intended closure of our European factory in Dison Belgium, which is subject to union negotiations, is progressing according to plan. Our US Data Center business has come off to a good start in 2019 with higher order intake, net sales and margins year-on-year. Our strategic evaluation of the Data Center and Mist Eliminations businesses is still ongoing as we consider the best alternatives for value creation for our shareholders.

Phase two and three of Munters Full Potential Program – increased profitability and increased growth

With the first phase of the three-phase program well under way, we now gradually shift focus to the second phase of the program – increased profitability. The objective is to gradually improve margins towards our mid-term financial target level of an adjusted EBITA margin of 14%. Some of the activities are to drive procurement gains, improving pricing practices, driving for a more profitable business mix and focusing our product and service assortment. The third and final phase in the program, which will be implemented in 2020 and onwards, is to accelerate growth with focus on attractive segments where we see solid long-term demand and where we have or can establish strong market positions. Growth themes also include continued development of our digital offering, increasing Services revenue as well as pursuing further growth via acquisitions with regards to both sub-segments and geographies.

Firm path towards increased earnings over the following years

Cash flow in the quarter was strong and leverage decreased compared to the first quarter 2019. The Full Potential Program temporarily increases our leverage during the current year and we have negotiated terms with our lending banks around this expectation. Our 2020 and mid-term expectations for financial deleverage remain unchanged.

Looking ahead, we anticipate softer Group order intake development during the second half of the year versus the first half of 2019 impacted by weak development in China and trade tariffs. It is difficult to predict how long these issues will remain but Munters is well diversified across geographical areas, application areas and industries providing good opportunity for growth during the following years.

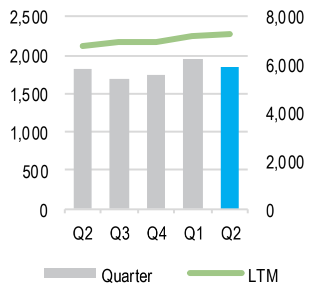
We are confident that we will reach the targeted run-rate savings for 2019 and onwards. With the Munters Full Potential Program, we expect significantly improved adjusted EBITA for the full year 2019. The program provides a firm path towards increased earnings over the following years and we remain confident that we are back on track towards achieving our mid-term growth target of annual organic net sales growth of 5% an adjusted EBITA margin of 14%.

Johan Ek, President and CEO

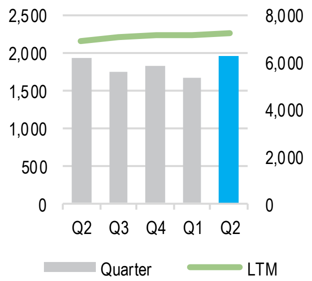
Financial performance

	Q2		Jan-Jun		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Jul-Jun**	**2018**
Order intake	1,843	1,826	3,792	3,461	7,245	6,914
Growth	*1%*	*-18%*	*10%*	*-11%*		*-4%*
Net sales	1,964	1,939	3,627	3,539	7,209	7,122
Growth	*1%*	*13%*	*2%*	*9%*		*8%*
of which organic growth	*-4%*		*-4%*			
of which currency effects	*5%*		*6%*			
of which structural effects	*0%*		*0%*			
Operating profit (EBIT)	165	170	179	247	66	134
Adjusted EBITA	245	211	352	326	701	676
Growth	*16%*	*11%*	*8%*	*-3%*		*0%*
Adjusted EBITA margin, %	12.5	10.9	9.7	9.2	9.7	9.5

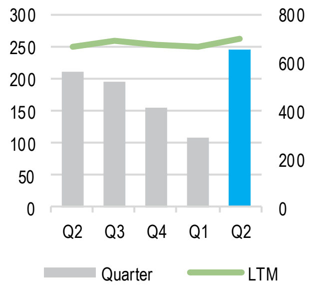
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



ORDER INTAKE

Order intake in the second quarter increased by 1% to SEKm 1,843 (1,826) and decreased by 4% organically. As part of the Full Potential Program, Munters has the intention to leave the european Data Center market. Excluding Data Centers Europe, organic growth was flat in the quarter.

AirTech order intake in the second quarter, now including the previous business segments Data Centers and Mist Elimination, was SEKm 1,267 (1,223), corresponding to an organic decrease of 2%. Excluding Data Centers Europe, AirTech order intake grew by 5% organically. The Industrial sub-segment, Data Centers US, Mist Elimination and Services all showed good growth. However, weak order intake was noted in the lithium battery industry in China compared to a strong second quarter last year and demand in the Supermarket sub-segment remained weak in the quarter.

FoodTech order intake in the second quarter was SEKm 582 (610) corresponding to an organic decrease of 9%. The decrease was primarily impacted by the African Swine Fever (ASF) in China. Order intake in the Americas grew driven by a large software (SaaS) order but with growth impacted by low activity level in the US due to overcapacity in the Swine industry, flooding in certain regions and negative effects from the trade tariffs. EMEA showed growth driven by high order intake regarding controllers to the broiler sub-segment.

Services order intake increased organically by 7% in the quarter.

Order intake for the first six months increased by 10% to SEKm 3,792 (3,461) and by 3% organically, mainly driven by strong growth in AirTech. Excluding Data Centers Europe, organic growth for the Group was 6% in the period.

NET SALES

Net sales for in the second quarter increased by 1% to SEKm 1,964 (1,939) and decreased by 4% organically. Excluding Data Centers Europe, net sales increased by 5% organically.

Net sales in AirTech was SEKm 1,410 (1,391). Organically, net sales decreased by 4% and mainly due to lower net sales in sub-segment Data Centers in EMEA and in Components in China. Excluding Data Centers Europe, net sales in AirTech increased by 9% organically. Net sales growth was reported in Industrial, Other Commercial, Mist Elimination, Data Center US and Services. In the Commercial sub-segment, net sales decreased, reflecting low demand in the Supermarkets sub-segment in the US.

In FoodTech, net sales for the second quarter was SEKm 563 (555) corresponding to an organic decrease of 3%. Net sales declined in the US and China affected by the outbreak of ASF and in the Middle East. Munters smaller business units in Mexico, Thailand, Japan, South Korea and Turkey showed good growth rates in the quarter.

Services net sales increased organically by 7% in the second quarter 2019.

Net sales for the first six months of the year increased by 2% to SEKm 3,627 (3,539) and decreased by 4% organically, mainly due to Munters intention to leave the european Data Center market as well as a weak market in China affected by the ASF outbreak. Excluding Data Centers Europe, organic growth was 7% in the period.

OPERATING PROFIT (EBIT)

Operating profit (EBIT) in the second quarter was SEKm 165 (170), including depreciations of SEKm -57 (-24) and amortizations and write-downs of SEKm -41 (-41), whereof SEKm -25 (-34) was related to amortization of surplus values derived through acquisitions. Depreciations in the second quarter was impacted by SEKm -29 (-), due to depreciations of leased assets (see specification of IFRS 16 impacts on page 18). The operating profit was also negatively impacted by SEKm -39 due to IAC´s.

Operating profit (EBIT) year to date 2019 was SEKm 179 (247), including depreciations of SEKm -113 (-47) and amortizations and write-downs of SEKm -73 (-80), whereof SEKm -48 (-67) was related to amortization of surplus values derived through acquisitions. Depreciations during the first six months was impacted by SEKm -57 (-), due to depreciations of leased assets (see specification of IFRS 16 impacts on page 18). The operating profit was also negatively impacted by SEKm -100 due to IAC´s.

ADJUSTED EBITA

Adjusted EBITA in the second quarter increased by 16% to SEKm 245 (211), corresponding to an adjusted EBITA margin of 12.5% (10.9). Adjusted EBITA, excluding Data Center Europe, was up 28% and the adjusted EBITA margin was 13.8% (11.9).

Adjusted EBITA in AirTech was SEKm 183 (146). The improvement was generated through savings in indirect cost as well as improved gross margins. Sub-segment Mist Elimination showed a significant profitability improvement. Munters sub-segment Data Centers was in line with second quarter last year, where improved results in Americas were offset by losses in EMEA due to underabsorption of costs in the Dison factory.

Adjusted EBITA in FoodTech was SEKm 85 (81). EMEA improved through higher margins and lower indirect cost, while in Americas showed improved result in MTech Systems. EBITA in APAC was down due to lower net sales in China compared to last year.

The Group's adjusted EBITA in the first six months increased by 8% to SEKm 352 (326), corresponding to an adjusted EBITA margin of 9.7% (9.2). Adjusted EBITA, excluding Data Center Europe, was up 26% and the adjusted EBITA margin was 11.2% (10.2).

FINANCIAL ITEMS

Financial income and expenses for the second quarter was SEKm -53 (-19). The financial expenses were negatively impacted by higher interest rates, negative currency effects and increased interest expenses due to the new accounting standard for leases, IFRS16. Further information of the IFRS 16 impact is found in the section Accounting Principles, page 16. The average weighted interest rate including fees per end of the quarter was 4.7% (4.3).

Financial income and expenses for the first six months amounted to SEKm -96 (-47).

TAXES

Income taxes for the second quarter was SEKm -28 (-29). The effective tax rate in the second quarter was 25% (19%). Income taxes for the first six months was SEKm -20 (-36). The effective tax rate for the first six months was 25% (18%).

EARNINGS PER SHARE

Net profit per share, before and after dilution, in the second quarter 2019 was SEK 0.46 (0.64). Income attributable to Parent Company's ordinary shareholders amounted to SEKm 84 (117) for the second quarter. Net profit per share, before and after dilution, during the first six months 2019 was SEK 0.34 (0.86). Income attributable to Parent Company's ordinary shareholders amounted to SEKm 62 (158) during the first six months.

The number of outstanding ordinary shares as per June 30, 2019, was 183,597,802 before and after dilution, whereof 1,467,000 was held in own custody.

CASH FLOW AND CAPITAL EMPLOYED

Cash flow from operating activities was SEKm 168 (39) in the second quarter and was affected by an increase of working capital of SEKm -11 (-163) and financial items of SEKm -47 (-15). Cash flow from operating activities was positively affected by SEKm 30 (-) due to IFRS 16, compared to last year, as lease payments are reflected as change in lease liabilites under financial activities. Cash flow from operating activities during the first six months amounted to SEKm 211 (38).

Average capital employed for the last twelve months was SEKm 7,271 (6,634). Return on capital employed (ROCE) for last twelve months was 1% (7).

Return on capital employed, where EBIT is adjusted for items affecting comparability and capital employed adjusted for goodwill, for the last twelve months was 7% (21). EBIT was affected by an write-down of goodwill amounting to SEKm 323 in the fourth quarter of 2018.

FINANCIAL POSITION AND LIQUIDITY

Munters primary financing facilities consists of a term loan of USDm 250 and a revolving credit facility of EURm 185. In addition, Munters was granted a temporary revolving credit facility (RCF) of 19 EURm valid from April 1 until December 31, 2019. 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 Principles on page 16. Interest-bearing liabilities amounted to SEKm 3,591 (3,155). Cash and cash equivalents amounted to SEKm 521 (358) as of June 30, 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. The temporary RCF of 19 EURm was unutlized. Available unutilized credit facilities as of June 30 amounted to SEKm 1 195 (793). Along with the main loan facility, an amount of SEKm 60 (18) in local debt is outstanding in i.a. China, India, and Brazil.

ITEMS AFFECTING COMPARABILITY (IAC)

In the second quarter, costs amounting to SEKm -39 (-) were reflected as items affecting comparability and incurred due to the Full Potential Program. The costs consisted of severance costs and consulting fees. Items affecting comparability for the first six months was SEKm -100 (-).

PARENT COMPANY AND OWNERSHIP

Munters Group AB offers group supporting functions. 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 56 (139).

As of June 30, Nordic Capital was the biggest shareholder (36.5%) followed by FAM (14.1%), Första AP-fonden (7.2%), Swedbank Robur Fonder (7.1%) and AMF (5.8%).

SIGNIFICANT EVENTS DURING THE PERIOD

Three phase plan to capture the full potential of Munters

A three-phase plan was launched in February to capture Munters full potential, to increase customer focus and to improve Group earnings.

As part of the first phase of the program, Munters has the intention to close down the European Data Center factory in Dison, Belgium. This is subject to union negotiations. Focus going forward will mainly be on the US Data Center market where Munters has a more commercially viable base for achieving profitable growth. This include established customer relations and proven record of accomplishment in the US market, which provides a good platform.

The total estimated run-rate overhead cost saving from the program is SEKm 160. In addition, the intended closure of our Data Center factory in Europe, subject to union negotiations, will give an estimated profit improvement of SEKm 50, this in spite of Data Center net sales drop of SEKm 600 of which approximately 50% in 2019. In total, Munters expects a positive Group adjusted EBITA effect of SEKm 105 in 2019 and SEKm 210 in annual effect from 2020.

Nonrecurring charges for the Munters Full Potential Program is expected to be SEKm 350 and is estimated to be incurred, with 30% recognized during the first six months of 2019, and the remaining 70% in the last six months of the year. The Munters Full Potential Program will temporarily increase the leverage during 2019 and necessary consent from the lending banks has been received. Group leverage is expected to be in line with our mid-term financial leverage target in 2020.

Management changes

The Board of Directors has appointed Klas Forsström as President and CEO of Munters Group AB, who will enter his position on August 12, 2019. Klas Forsström is 51 years old and is currently the President of Sandvik Machining Solutions Business area, a position he has held since 2017. Prior to that, he has more than 20 years of experience holding different senior management positions within Sandvik, including positions such as President of Sandvik Hard Materials and Sandvik Coromant. Klas has a M.Sc. in Materials Physics and an MBA from Uppsala University as well as advanced management studies at INSEAD.

Johan Ek, the interim President and CEO of Munters since December 2018, will after handing over responsibilities to Klas Forsström remain in his current role as a member of the Board of Directors of Munters.

Munters Group has appointed Annette Kumlien as new Group Vice President and CFO. Annette will enter her position on August 12, 2019 taking over responsibilities from Jonas Ågrup, CFO of Munters Group since 2011 who will leave Munters. Annette Kumlien is 54 years old and will join Munters from Diaverum where she held the positions of SVP and COO for 4.5 years and prior to that CFO (2007-2014). Previously she held the position of CFO at the listed companies Höganäs and Pergo, as well as business controlling roles at Perstorp and Sandvik. Annette has a Bachelor of Science in Business Administration from the Stockholm School of Economics.

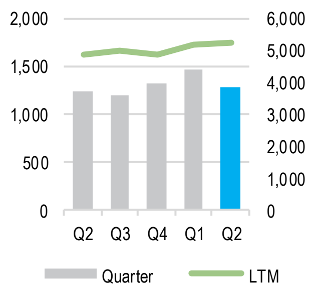
AirTech

- Increased adjusted EBITA margin to 12.9%. Excluding Data Centers Europe, the margin was 14.9%.
- Lower order intake and net sales year-on-year due to Munters intention to leave the european Data Center market and slower market activity in China. Excluding Data Centers Europe, order intake grew by 5% and net sales by 9% organically.
- Strong order intake and net sales growth in the Industrial sub-segment in the USA, in Mist Elimination and in Services.

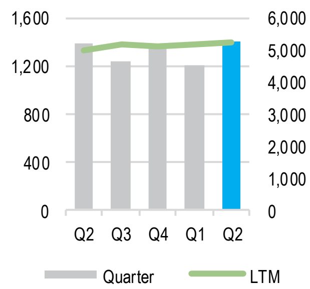
FINANCIAL SUMMARY

	Q2		Jan-Jun		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Jul-Jun**	**2018**
Order intake	1,267	1,223	2,727	2,346	5,218	4,837
Growth	*4%*	*-27%*	*16%*	*-19%*		*-10%*
Net sales	1,410	1,391	2,618	2,551	5,203	5,136
Growth	*1%*	*14%*	*3%*	*8%*		*7%*
of which organic growth	*-4%*		*-4%*			
of which currency effects	*5%*		*6%*			
of which structural effects	*0%*		*0%*			
Operating profit (EBIT)	153	142	211	225	93	107
Adjusted EBITA	183	146	269	233	505	469
Growth	*25%*	*23%*	*15%*	*-6%*		*-5%*
Adjusted EBITA margin, %	12.9	10.5	10.3	9.1	9.7	9.1

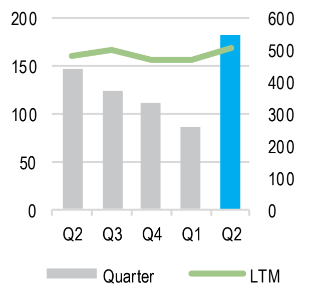
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



Order intake

In the second quarter, order intake in AirTech increased by 4% and decreased by 2% organically impacted by Munters intention to leave the european Data Center market. Excluding Data Centers Europe, order intake increased by 5% organically. Region Americas had a solid organic order growth driven by increased orders in Industrial, Other Commercial, Mist Elimination, Data Center US as well as in Services, while demand in the Supermarket sub-segment remained weak. Orders in region APAC declined due to significantly lower order intake in the lithium battery industry in China compared to a very robust Q2, 2018.

Order intake for the first six months increased by 16% and by 9% organically, mainly driven by Data Centers US and Mist Elimination. Excluding Data Centers Europe, order intake growth was 13% organically.

Net sales

Organic net sales growth was negative in the quarter mainly due to the predicted decline in net sales in the sub-segment Data Centers in Europe as well as lower net sales in Components in China. Excluding Data Centers Europe, net sales increased 9% organically. Net sales in the Industrial sub-segment, Mist Elimination as well as in Services was strong in the period, particularly in APAC and EMEA. Net sales in Data Centers Americas and Other commercial also increased. Shipments in the Commercial sub-segment decreased reflecting low demand by Supermarkets sub-segment in the US.

Net sales for the first six months increased by 3% and decreased by 4% organically, mainly due to Munters intention to leave the european Data Center market. Excluding Data Centers Europe, net sales increased by 12% organically.

Adjusted EBITA

Adjusted EBITA increased by 25% compared to the second quarter last year. The improvement was generated through lowered indirect cost in conjuction with Munters Full Potential Program launched in Q1 and improved gross margins. Sub-segment Mist Elimination showed a significant profitability improvement, partly driven by higher volumes. Adjusted EBITA in the sub-segment Data Centers was in line with second quarter last year, where positive results in Americas were offset by losses in EMEA due to low volumes and underabsorption of costs in the Dison factory. Excluding Data Centers Europe, the adjusted EBITA margin was 14.9%.

Adjusted EBITA in the first six months increased by 15% corresponding to an adjusted EBITA margin of 10.3% (9.1). Excluding Data Centers Europe, the adjusted EBITA margin was 12.4%.

FoodTech

- Improved adjusted EBITA margin to 15.2%.
- Organic order intake and net sales declined in the quarter, impacted by the African swine fever in China and trade tariffs.
- New SaaS (Software as a Service) order signed. Exciting growth area for Munters with attractive customer-retention dynamics.

FINANCIAL SUMMARY

	Q2		Jan-Jun		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Jul-Jun**	**2018**
Order intake	582	610	1,083	1,130	2,059	2,107
Growth	*-5%*	*9%*	*-4%*	*10%*		*13%*
Net sales	563	555	1,028	1,003	2,043	2,018
Growth	*1%*	*11%*	*2%*	*11%*		*10%*
of which organic growth	*-3%*		*-3%*			
of which currency effects	*5%*		*6%*			
Operating profit (EBIT)	74	77	97	118	223	244
Adjusted EBITA	85	81	132	124	257	249
Growth	*6%*	*3%*	*6%*	*16%*		*6%*
Adjusted EBITA margin, %	15.2	14.5	12.8	12.4	12.6	12.4

Order intake
Order intake in the second quarter decreased by 9% organically. The decrease was primarily driven by the outbreak of African Swine Fever (ASF) and trade tariffs that has impacted order intake in China. Order intake in Americas showed growth, driven by a larger software (SaaS) order signed during the quarter which will be recognized as net sales over a five year period. Growth in the US-market was impacted by overcapacity in the Swine industry, flooding in some areas and effects from the trade tariffs. Growth in EMEA was driven by large orders from a distributor selling controllers to the broiler subsegment.

Order intake for the first six months decreased by 4% and decreased by 10% organically, mainly due to ASF in China.

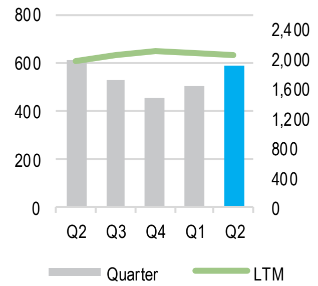
Net sales
Net sales in the second quarter increased by 1% and decreased by 3% organically. The lower net sales was primarily due to low deliveries in the US and China. Sales in China declined due to the outbreak of ASF. Lower net sales were also noted in the Middle East, even though positive signs was seen at the end of the quarter. Positive development was noted in the controller business, as well as sales to the CIS countries. Strong growth was also reported in the smaller business units in Mexico, Thailand, Japan, South Korea and Turkey.

Net sales for the first six months increased by 2% and decreased by 3% organically, mainly due to ASF in China.

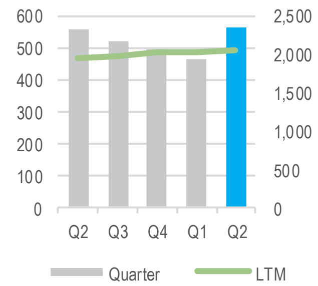
Adjusted EBITA
Adjusted EBITA increased by 6% corresponding to a margin of 15.2% (14.5). EMEA improved driven by higher margins and lower overhead cost. Americas showed improved result in MTech Systems, partly driven by the closure of the processing business in Q1, positive currency effects and higher margins. Earnings in APAC was down due to lower net sales compared to last year.

Adjusted EBITA in the first six months increased by 6%, corresponding to an adjusted EBITA margin of 12.8% (12.4).

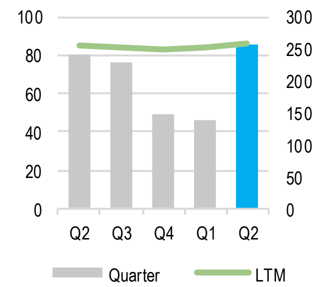
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



Quarterly overview Group and Segments

Group

	2019			2018					2017				
SEKm	Q2	Q1	Jan-Jun	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
Order backlog	2,539	2,664	2,539	2,317	2,388	2,477	2,516	2,317	2,365	2,332	2,449	1,998	2,365
Order intake	1,843	1,949	3,792	1,753	1,701	1,826	1,635	6,914	1,821	1,489	2,234	1,654	7,197
Net sales	1,964	1,663	3,627	1,834	1,748	1,939	1,601	7,122	1,811	1,552	1,723	1,519	6,604
Operating profit (EBIT)	165	14	179	-256	144	170	76	134	127	108	143	75	453
Net income	84	-22	63	-321	62	122	42	-94	152	51	11	-41	173
Amortization and write-down (including surplus values)	-41	-32	-73	-380	-43	-41	-39	-503	-47	-54	-56	-53	-209
Items affecting comparability (IAC)	39	61	100	31	8	–	–	39	0	2	-9	20	13
Adjusted EBITA	245	107	352	154	195	211	115	676	174	164	190	147	675
Adjusted EBITA margin, %	12.5	6.4	9.7	8.4	11.1	10.9	7.2	9.5	9.6	10.6	11.0	9.7	10.2

AirTech

	2019			2018					2017				
SEKm	Q2	Q1	Jan-Jun	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
External order backlog	1,969	2,103	1,969	1,799	1,837	1,920	2,018	1,799	1,997	1,889	1,959	1,544	1,997
Order intake	1,267	1,460	2,727	1,307	1,184	1,223	1,123	4,837	1,439	1,055	1,680	1,202	5,377
External net sales	1,410	1,206	2,616	1,343	1,239	1,391	1,158	5,131	1,367	1,079	1,222	1,128	4,797
Transactions between segments	1	2	3	2	1	1	2	5	3	3	3	6	15
Operating profit (EBIT)	153	58	211	-229	112	142	83	107	134	99	167	132	531
Amortization and write-down (including surplus values)	-13	-5	-18	-349	-4	-4	-4	-361	-4	-4	-4	-4	-16
Items affecting comparability (IAC)	17	24	40	8	8	–	–	16	0	0	-53	-7	-60
Re-allocation of internal services	–	–	–	-16	–	–	–	-16	6	–	–	–	6
Adjusted EBITA	183	86	269	112	124	146	88	469	144	103	118	129	493
Adjusted EBITA margin, %	12.9	7.1	10.3	8.3	10.0	10.5	7.5	9.1	10.5	9.5	9.6	11.4	10.3

FoodTech

	2019			2018					2017				
SEKm	Q2	Q1	Jan-Jun	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
External order backlog	570	561	570	518	552	557	498	518	368	442	490	454	368
Order intake	582	500	1,083	452	524	610	520	2,107	394	442	561	469	1,866
External net sales	554	456	1,011	491	510	548	442	1,991	443	473	500	391	1,808
Transactions between segments	8	9	18	6	8	7	6	27	7	9	1	13	30
Operating profit (EBIT)	74	24	97	53	73	77	41	244	51	74	75	25	225
Amortization and write-down (including surplus values)	-4	-4	-7	-3	-3	-3	-3	-12	-2	-3	-3	-3	-11
Items affecting comparability (IAC)	8	19	27	–	–	–	–	–	–	–	–	–	–
Re-allocation of internal services	–	–	–	-7	–	–	–	-7	-0	–	–	–	-0
Adjusted EBITA	85	46	132	49	76	81	43	249	52	77	78	28	236
Adjusted EBITA margin, %	15.2	9.9	12.8	9.9	14.7	14.5	9.7	12.4	11.6	16.0	15.6	7.0	12.8

Other and eliminations

	2019			2018					2017				
SEKm	Q2	Q1	Jan-Jun	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
Order intake	-7	-11	-18	-6	-8	-7	-8	-30	-12	-9	-8	-18	-46
Transactions between segments	-9	-11	-20	-8	-8	-8	-8	-32	-10	-12	-4	-19	-45
Operating profit (EBIT)	-62	-67	-129	-80	-41	-48	-48	-217	-58	-64	-99	-82	-303
Amortization and write-down (including surplus values)	-24	-23	-48	-28	-36	-33	-32	-130	-41	-47	-48	-46	-182
Items affecting comparability (IAC)	14	18	33	22	–	–	–	22	–	2	44	27	73
Re-allocation of internal services	–	–	–	23	–	–	–	23	-5	–	–	–	-5
Adjusted EBITA	-23	-25	-48	-7	-5	-15	-16	-43	-22	-16	-7	-10	-54

Restatement of AirTech

SEKm	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Full year	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Full year
Order intake AirTech	**1,307**	**1,184**	**1,223**	**1,123**	**4,837**	**1,439**	**1,055**	**1,680**	**1,202**	**5,377**
Order intake Air Treatment	979	906	951	963	3,798	862	938	1,037	950	3,787
Order intake Data Centers	225	188	167	80	660	519	20	558	165	1,261
Order intake Mist Elimination	117	106	125	97	445	83	100	111	101	394
Transactions between segments	-13	-16	-19	-18	-66	-25	-2	-26	-13	-66
External net sales AirTech	**1,343**	**1,239**	**1,391**	**1,158**	**5,131**	**1,367**	**1,079**	**1,222**	**1,128**	**4,797**
External net sales Air Treatment	1,060	924	963	775	3,723	983	872	927	787	3,569
External net sales Data Centers	160	224	341	294	1,019	278	114	192	249	833
External net sales Mist Elimination	123	91	86	89	389	106	92	104	92	395
EBIT AirTech	**-229**	**112**	**142**	**83**	**107**	**134**	**99**	**167**	**132**	**531**
EBIT Air Treatment	176	121	126	73	496	129	115	173	94	511
EBIT Data Centers	-427	-24	7	5	-440	-9	-22	-14	32	-13
EBIT Mist Elimination	22	15	9	6	52	14	6	8	6	34
Adjusted EBITA AirTech	**112**	**124**	**146**	**88**	**469**	**144**	**103**	**118**	**129**	**493**
Adjusted EBITA Air Treatment	170	124	129	75	497	136	116	123	90	466
Adjusted EBITA Data Centers	-80	-15	8	6	-80	-8	-20	-13	32	-9
Adjusted EBITA Mist Elimination	22	15	9	6	52	15	6	8	6	36

Consolidated accounts

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q2		Jan-Jun		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Jul-Jun**	**2018**
Net sales	1,964	1,939	3,627	3,539	7,209	7,122
Cost of goods sold	-1,319	-1,314	-2,465	-2,411	-4,904	-4,851
Gross profit	**645**	**625**	**1,162**	**1,128**	**2,305**	**2,271**
Selling expenses	-263	-271	-555	-519	-1,398	-1,362
Administrative costs	-166	-136	-330	-274	-624	-567
Research and development costs	-51	-48	-105	-95	-226	-217
Other operating income and expenses	-0	1	7	6	9	8
Operating profit	**165**	**170**	**179**	**247**	**66**	**134**
Financial income and expenses	-53	-19	-96	-47	-176	-127
Profit/Loss after financial items	**113**	**151**	**83**	**200**	**-110**	**7**
Tax	-28	-29	-20	-36	-86	-101
Net income for the period	**84**	**122**	**63**	**164**	**-196**	**-94**
Attributable to Parent Company shareholders	**84**	**117**	**62**	**158**	**-201**	**-105**
Attributable to non-controlling interests	1	5	0	6	5	11
Average number of outstanding shares before dilution*	182,130,802	183,597,802	182,130,802	183,597,802	182,436,427	183,165,852
Average number of outstanding shares after dilution*	182,130,802	183,597,802	182,130,802	183,597,802	182,436,427	183,165,852
Earnings per share before dilution, SEK	0.46	0.64	0.34	0.86	-1.10	-0.57
Earnings per share after dilution, SEK	0.46	0.64	0.34	0.86	-1.10	-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	12	125	117	233	76	193
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax	–	–	–	–	-17	-17
Income tax effect not to be reclassified to profit or loss	–	–	-1	–	3	4
Other comprehensive income, net after tax	**12**	**125**	**116**	**233**	**62**	**179**
Comprehensive income for the period	**96**	**247**	**179**	**397**	**-133**	**85**
Attributable to Parent Company shareholders	96	243	178	392	-139	75
Attributable to non-controlling interests	1	4	0	6	6	10

* Excluding shares held in own custody

Consolidated accounts

CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2019/06/30	2018/06/30	2018/12/31
ASSETS			
NON-CURRENT ASSETS			
Goodwill	4,346	4,561	4,218
Patents, licenses, brands, and similar rights	1,481	1,516	1,480
Buildings and land	287	164	168
Plant and machinery	554	262	270
Equipment, tools, fixtures and fittings	193	150	137
Construction in progress	69	49	62
Financial assets	16	11	11
Deferred tax assets	242	239	227
Total non-current assets	**7,189**	**6,950**	**6,575**
CURRENT ASSETS			
Raw materials and consumables	462	394	391
Products in process	128	114	106
Finished products and goods for resale	302	322	282
Projects in progress	7	31	7
Advances to suppliers	28	24	20
Accounts receivable	1,138	1,430	1,095
Prepaid expenses and accrued income	271	135	224
Derivative instruments	4	2	3
Current tax assets	43	41	53
Other receivables	153	221	109
Cash and cash equivalents	521	358	404
Total current assets	**3,057**	**3,072**	**2,693**
TOTAL ASSETS	**10,245**	**10,022**	**9,268**

Consolidated accounts

CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2019/06/30	2018/06/30	2018/12/31
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity	3,896	4,091	3,720
Non-controlling interests	-2	-4	-4
Total equity	**3,894**	**4,088**	**3,716**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	3,426	3,140	3,002
Provisions for pensions and similar commitments	235	211	230
Other provisions	27	17	16
Other liabilities	144	150	137
Deferred tax liabilities	413	415	421
Total non-current liabilities	**4,244**	**3,934**	**3,805**
CURRENT LIABILITIES			
Interest-bearing liabilities	165	16	11
Advances from customers	278	355	285
Accounts payable	563	600	535
Accrued expenses and deferred income	714	648	590
Derivative instruments	–	5	1
Current tax liabilities	36	53	28
Other liabilities	209	189	181
Provisions for pensions and similar commitments	9	8	8
Other provisions	134	128	107
Total current liabilities	**2,108**	**2,001**	**1,746**
TOTAL EQUITY AND LIABILITIES	**10,245**	**10,022**	**9,268**

CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	2019/06/30	2018/06/30	2018/12/31
Opening balance	**3,716**	**3,748**	**3,748**
Total comprehensive income for the period	179	397	85
Change in non-controlling interest	-0	-0	0
Put/call option related to non controlling interests	-2	-2	-4
Dividends paid	–	-55	-55
Repurchase of shares	–	–	-59
Share option plan	1	–	1
Closing balance	**3,894**	**4,088**	**3,716**
Total shareholders´equity attributable to:			
The parent company's shareholders	3,896	4,091	3,720
Non-controlling interests	-2	-4	-4

Consolidated accounts

CONDENSED CASHFLOW STATEMENT

	Q2		Jan-Jun		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Jul-Jun**	**2018**
OPERATING ACTIVITIES						
Operating profit	**165**	**170**	**179**	**247**	**66**	**134**
Reversal of non-cash items						
Depreciation, amortization and impairments	97	65	185	126	661	602
Provisions	4	3	-6	1	-22	-15
Other profit/loss items not affecting liquidity	1	3	13	5	27	19
Cash flow before interest and tax	**267**	**241**	**371**	**379**	**732**	**740**
Paid financial items	-47	-15	-90	-37	-163	-109
Taxes paid	-40	-24	-37	-36	-124	-123
Cash flow from operating activites before changes in working capital	**180**	**202**	**243**	**306**	**445**	**507**
Cash flow from changes in working capital	**-11**	**-163**	**-32**	**-268**	**169**	**-67**
Cash flow from operating activities	**168**	**39**	**211**	**38**	**614**	**441**
INVESTING ACTIVITIES						
Business acquisitions	–	–	–	–	-37	-37
Sale of tangible fixed assets	0	0	2	0	4	2
Sale of intangible fixed assets	0	–	1	0	2	1
Business divestments	–	–	–	-0	–	-0
Investment in tangible assets	-33	-44	-62	-73	-137	-148
Investment in intangible assets	-15	-24	-31	-40	-75	-84
Cash flow from investing activities	**-48**	**-68**	**-90**	**-113**	**-243**	**-266**
FINANCING ACTIVITIES						
Loan raised	16	81	113	194	326	408
Amortization of loans	-44	-31	-68	-125	-417	-474
Repayment of lease liabilities	-30	–	-60	–	-60	–
Repurchase of shares	–	–	–	–	-59	-59
Dividends paid	–	-55	–	-55	-0	-55
Cash flow from financing activities	**-58**	**-5**	**-15**	**15**	**-209**	**-180**
Cash flow for the period	**63**	**-34**	**107**	**-60**	**162**	**-5**
Cash and cash equivalents at period start	460	386	404	402	358	402
Exchange-rate differences in cash and cash equivalents	-2	6	10	16	1	8
Cash and cash equivalents at period end	**521**	**358**	**521**	**358**	**521**	**404**

Parent company

CONDENSED INCOME STATEMENT

	Q2		Jan-Jun		LTM	Full year
SEKm	2019	2018	2019	2018	Jul-Jun	2018
Net sales	–	–	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**	**–**	**–**
Administrative costs	-7	-3	-21	-5	-27	-11
Profit/Loss before interest and tax (EBIT)	**-7**	**-3**	**-21**	**-5**	**-27**	**-11**
Financial income and expenses	0	-0	0	-0	0	-0
Profit/Loss after financial items	**-7**	**-3**	**-21**	**-5**	**-27**	**-11**
Group contributions	–	–	–	–	–	–
Profit/Loss before tax	**-7**	**-3**	**-21**	**-5**	**-27**	**-11**
Tax	0	–	-0	–	0	0
Net income for the period	**-7**	**-3**	**-21**	**-5**	**-27**	**-11**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q2		Jan-Jun		LTM	Full year
SEKm	2019	2018	2019	2018	Jul-Jun	2018
Profit/Loss for the period	-7	-3	-21	-5	-27	-11
Other comprehensive income, net after tax	–	–	–	–	–	–
Comprehensive income for the period	**-7**	**-3**	**-21**	**-5**	**-27**	**-11**

Parent company

CONDENSED BALANCE SHEET

SEKm	2019/06/30	2018/06/30	2018/12/31
ASSETS			
NON-CURRENT ASSETS			
Participations in subsidiaries	4,086	4,086	4,086
Other financial assets	0	–	0
Total non-current assets	**4,086**	**4,086**	**4,086**
CURRENT ASSETS			
Other current receivables	1	0	–
Prepaid expenses and accrued income	0	0	0
Current tax assets	0	0	0
Receivables from subsidiaries	4	–	–
Cash and cash equivalents	56	139	77
Total current assets	**61**	**140**	**77**
TOTAL ASSETS	**4,147**	**4,226**	**4,163**

SEKm	2019/06/30	2018/06/30	2018/12/31
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	6	6
Share premium reserve	4,074	4,074	4,074
Profit brought forward	76	146	87
Income for the period	-21	-5	-11
Total equity	**4,135**	**4,220**	**4,155**
CURRENT LIABILITIES			
Accounts payable	4	1	0
Accrued expenses and deferred income	5	2	2
Liabilities to subsidiaries	0	1	3
Other liabilities	2	1	2
Other provisions	2	–	–
Total current liabilities	**12**	**5**	**8**
TOTAL EQUITY AND LIABILITIES	**4,147**	**4,226**	**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 Report 2018 (Note 1).

As of January 1, 2019 all new lease agreements are accounted for according to the 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 a 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 intrest rate can be determined, otherwise the incremental borrowing rate. The incremental borrowing rate is decided based on contract length and contract transaction curency. 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.

For transition purposes the simplified transition approach has been used to tansfer to the new accounting standard and therefore there are no restate of comparative amounts for the year prior to 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 transision 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. Net profit after tax expects 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 is 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. Adjusted EBITA is 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. 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.

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 for investors and the Group's management, 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 Report 2018.

TRANSACTIONS WITH RELATED PARTIES

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.

EMPLOYEES

The number of permanent employees at June 30, 2019 was 3,341 (3,481).

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 Report 2018.

ALLOCATION OF NET SALES

The majority of customer contracts within Munters business areas AirTech and FoodTech fulfill the requirements to recognize net sales at a point in time, however there are a number of customer contracts within these business areas that requires to recognize net sales over time, especially in the sub-segment Data Centers within AirTech, which is reflected in the below matrix. In addition to unit/equipment sales Munters provides different kinds of services to customers such as installation, commissioniong, 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 equivilent to the net sales from Services mentioned on the business area pages earlier in this interim report. This is due to the fact that part of Services net sales are recognized at a point in time, such as spare parts, in the matrix below.

	Q2 2019			Jan-Jun 2019		
SEKm	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	964	517	1,481	1,823	940	2,763
Goods transferred over time	348	2	350	618	3	621
Services transferred over time	97	36	133	175	67	242
Total	**1,410**	**554**	**1,964**	**2,616**	**1,011**	**3,627**

	Q2 2018			Jan-Jun 2018		
SEKm	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	963	495	1,458	1,762	879	2,641
Goods transferred over time	345	47	391	637	98	735
Services transferred over time	83	6	89	150	13	163
Total	**1,391**	**548**	**1,939**	**2,549**	**990**	**3,539**

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 4 (2) in financial assets and to SEKm 0 (5) 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 change in the period relates to a discounting effect on the put/call option and currency translations.

SEKm	**2019/06/30**	**2018/06/30**	**2018/12/31**
Contingent considerations and put/call options			
Opening balance	137	136	136
Contingent consideration	–	–	8
Excersied put/call option	–	–	-24
Discounting	3	2	2
Exchange-rate differences for the period	4	12	14
Closing balance	**143**	**150**	**137**

Munters deems that the interest rate on interest-bearing liabilities are in line with market terms at June 30, 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*. If previous accounting principles for leases (IAS 17) would have been applied the reported EBIT in the quarter would be SEKm 1.4 lower, financial expenses SEKm 5 lower and profit after tax SEKm 2.8 higher. The reported EBIT year to date would be SEKm 2.7 lower, financial expenses SEKm 10 lower and profit after tax SEKm 5.6 higher. 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 June 30, 2019.

	2019/06/30			
SEKm	**AirTech**	**FoodTech**	**Other**	**Total**
Reported amounts in the balance sheet				
Right-of-use assets				
Buildings, leased	76	31	2	110
Land, leased	2	0	0	2
Plant and machinery, leased	98	176	0	274
Equipment and tools, leased	40	12	3	54
Total	**216**	**219**	**5**	**440**
Lease liabilities reported within interest-bearing liabilities				
Long-term lease liabilities	139	183	1	323
Short-term lease liabilities	70	32	4	106
Total	**209**	**215**	**5**	**429**

	Q2 2019				Jan-Jun 2019			
	AirTech	**FoodTech**	**Other**	**Total**	**AirTech**	**FoodTech**	**Other**	**Total**
Reported amounts in the income statement								
Depreciation on right-of-use assets	-19	-8	-1	-29	-39	-17	-2	-57
Interest expense on lease liabilities	-3	-2	0	-5	-5	-5	0	-10

The Board of Directors and the President and CEO certify that the Interim Report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes the significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 18 2019

Magnus Lindquist
Chairman of the Board

Johan Ek
President CEO Board Member

Helen Fasth Gillstedt
Board Member

Per Hallius
Board Member

Andreas Näsvik
Board Member

Lena Olving
Board Member

Kristian Sildeby
Board Member

Juan Vargues
Board Member

Simon Henriksson
Board Member,
employee representative

Pia Nordquist
Board Member,
employee representative

This report has not been subject to review by the company's auditors.

INFORMATION AND REPORTING DATES

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Additional information may be obtained from Munters Investor Relations at phone +46 70 678 24 99 or by e-mailing info@munters.com.

The report will be presented at a webcast/teleconference on July 18 at 09:00 CET via http://www.financialhearings.com/event/11799

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 18 July 2019.

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

Financial calendar:

24 October, Interim report, third quarter 2019

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, the largest being the food, pharmaceutical and data center sectors. Munters has been defining the future of air treatment since 1955. Today, around 3,600 employees (including temps.) carry out manufacturing and sales in more than 30 countries. Munters reports annual net sales above 7.2 billion SEK. 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.