For customer success and a healthier planet

Annual and sustainability report 2022

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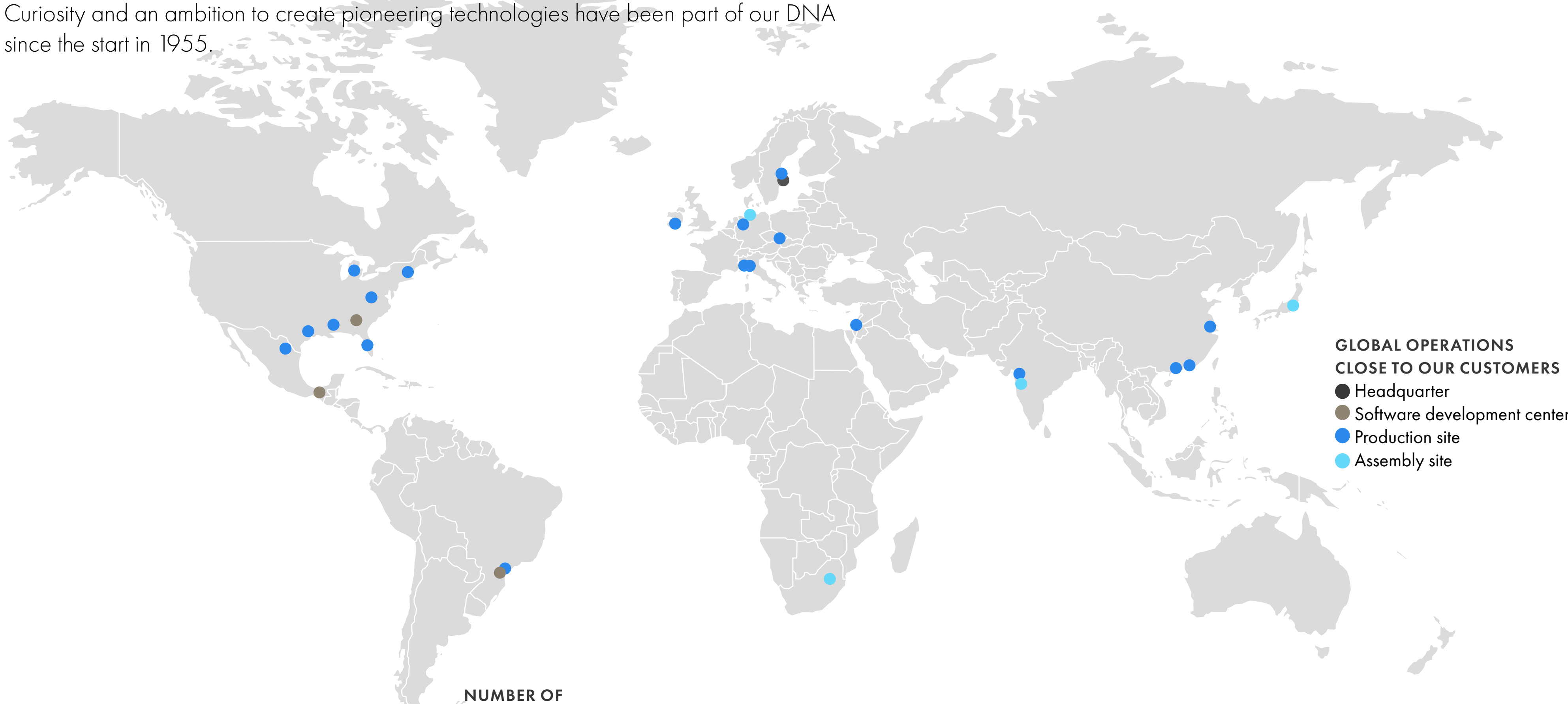
The audited annual report for Munters Group AB (publ), corp. reg. no. 556819-2321, refers to pages 99–138. Munters has prepared the sustainability report in accordance with disclosure requirements set out in the Swedish Annual Accounts Act chapter 6 paragraph 11. This report is also Munters Communication on Progress (CoP) report in accordance with the Global Compact. The report is presented on pages 3–4, 10, 12–22 and 49–80.

Every care has been taken in the translation of this annual and sustainability report. In the event of discrepancies, the Swedish original will supersede the English translation. The addition of the total amounts reported can lead to rounding differences.

01
Introduction

World leader in energy-efficient climate solutions

Munters is a global leader in climate solutions. Using innovative technologies, Munters creates the perfect climate for demanding and sophisticated industrial applications. Curiosity and an ambition to create pioneering technologies have been part of our DNA since the start in 1955.

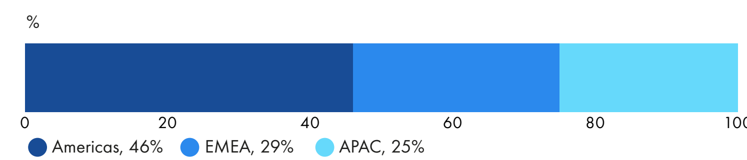


SALES 2022, MSEK
10,386

NUMBER OF PRODUCTION PLANTS
19

NUMBER OF EMPLOYEES
3,940

REGIONS, PERCENT OF NET SALES 2022



How Munters creates value in society

Munters offers innovative, efficient and sustainable solutions for customers in many different segments where controlling indoor humidity, temperature and energy efficiency is mission-critical. Climate control systems often account for a large percentage of the energy consumption in many of our customers' operations. With an optimal climate system, we can help them to more efficiently use energy or water resources, and thereby reduce their climate and environmental impact.

BATTERY PRODUCTION
Production of batteries requires a highly controlled environment with stable temperature and ultra-dry air in order to ensure the safety and quality of the final product. A large share of the world's lithium batteries for the auto industry is manufactured in environments with Munters climate solutions.

ELECTRONICS
Our solutions create an optimal environment for customers in the electronics industry. Manufacturers of monitors, components and LEDs get a controlled air environment for their sensitive processes, reduced energy costs and lower carbon emissions.

INFRASTRUCTURE
Facilities and infrastructure such as bridges, water treatment plants and wind turbines need stable dehumidification. Munters climate systems ensure low humidity in the designs of these structures, which extends their service life.

FOOD & BEVERAGES
Our solutions control climate conditions the whole way from farm to table, ensuring hygiene and optimal product quality, while at the same time increasing productivity and conserving energy.

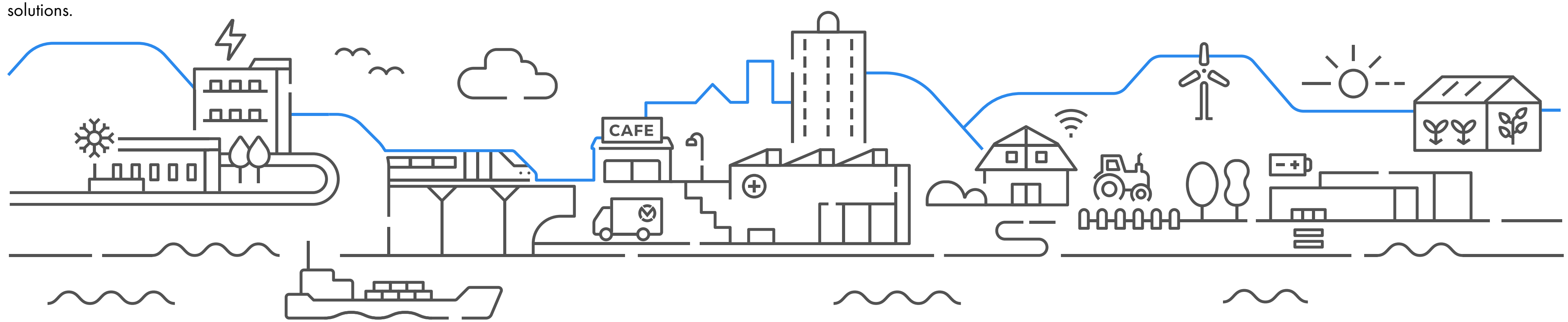
PHARMACEUTICALS
Munters offers customized dehumidification solutions for the pharmaceutical industry. Careful control and monitoring keep humidity constant, so medicines in the form of tablets, capsules, granules and powders maintain their quality and shelf life.

DATA CENTERS
Digitization and global data traffic are growing and more data centers are being built around the world. Advanced cooling solutions are critical for reliable operation, and low energy consumption helps reduce carbon emissions.

DIGITAL SOLUTIONS FOR AGRICULTURE
For major food producers, for example, a controlled production chain is vital. Through our AI solutions, large parts of production can be controlled, helping to improve animal health and reduce waste and thereby increasing profitability.

FARMING
We develop and manufacture climate control systems for sustainable farming. We optimize the indoor climate for poultry farming, egg production, pork farming and milk farms. Thereby helping to improve animal health and increase quality and food safety.

GREENHOUSES
By providing a controlled indoor climate for cultivating plants, growers can produce under optimal conditions. Our innovative product range includes control equipment, ventilation, evaporative cooling and heating.



01

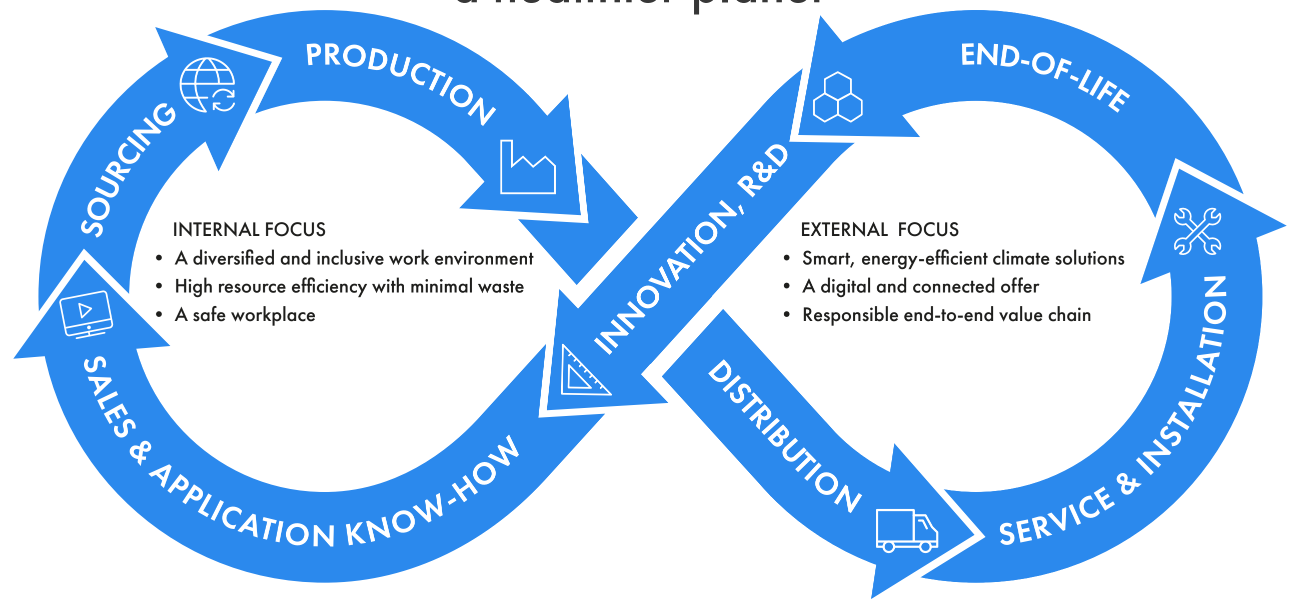
Introduction

Value chain

Munters have integrated sustainability in every aspect of our business strategy. A key tool in assurance and reporting of our sustainability efforts is our value chain that summarizes and illustrates focus areas and its impact on sustainability

OUR PURPOSE

For customer success and a healthier planet



INNOVATION, R&D

» Design for lower energy/ water consumption during the product lifecycle
» Lifecycle analysis to calculate environmental impact
» Avoid hazardous waste
» Standardization of components/material needs
» Automation and digitization

SALES & APPLICATION KNOW-HOW

» Offer high-quality, resource-efficient climate solutions
» Have insight into the customer's production processes and an understanding of current and future needs
» Offer extensive knowledge of specific applications

SOURCING

» Select suppliers who provide quality standards and sustainable solutions
» Use materials from recycled and responsible sources
» Ensure that our largest suppliers follow our Code of Conduct

PRODUCTION

» Health and safety are our highest priority
» Use renewable energy sources
» Reduce water consumption in production
» Minimize waste
» Reuse and recycle material

DISTRIBUTION

Responsible distribution:
» Optimize the supply chain
» Reduce emissions from transports

SERVICE & INSTALLATION

» Offer unique expertise to optimize our customers' operations and performance for as long as needed
» Monitor an maintain to prolong product lifetime and ensure resource efficiency throughout the product lifetime

END-OF-LIFE EXTERNAL FOCUS

» Extend the life of the product
» Collect, reuse and recycle

01

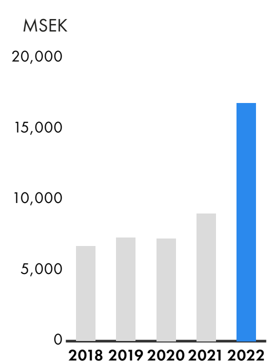
Introduction

The year in brief

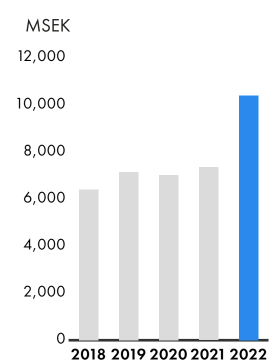
2022 was a record year for Munters, when our strong position and offer was confirmed. We delivered strong growth in our prioritized areas. To reflect the strong demand for our energy-efficient solutions, we updated our financial targets during the year.

- **Order intake increased** by 87 per cent, a currency-adjusted increase of 67 per cent. Munters largest orders ever were signed within DCT (Data Center Technologies) for data center cooling. Large orders were also received within AirTech for climate systems within battery production and within FoodTech for SaaS solutions (Software-as-a-Service).
- **Net sales increased** by 41 per cent, a currency-adjusted organic increase of 23 per cent driven by strong organic growth in AirTech and DCT. FoodTech had a flat development compared to previous year.
- **Adjusted EBITA** was MSEK 1,070 (889), corresponding to an adjusted EBITA margin of 10.3 per cent (12.1). Operating profit was MSEK 881 (753), a margin of 8.5 per cent (10.2). The result for the year was affected by high raw material prices, component shortages and consequently longer lead times and inflationary pressure. Prices have been adjusted continuously during the year to compensate for cost increases.
- **New raised financial targets**, both in terms of growth and profitability, were presented at a capital markets day for owners, institutional investors, analysts and other stakeholders in December. Read more about our raised financial goals on page 9.

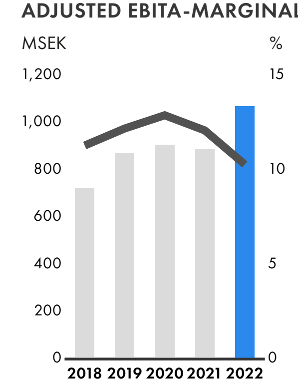
ORDER INTAKE



NET SALES



ADJUSTED EBITA AND ADJUSTED EBITA-MARGINAL



Key figures

MSEK if nothing else is specified	2022	2021	2020	2019	2018
Order intake	16,830	9,013	7,249	7,302	6,698
Net sales	10,386	7,348	7,015	7,153	6,412
Adjusted EBITA	1,070	889	906	871	725
Adjusted EBITA margin, %	10.3	12.1	12.9	12.2	11.3
Operating profit (EBIT)	881	753	707	556	529
EBIT margin, %	8.5	10.2	10.1	7.8	8.3
Net income	577	515	432	283	327
Earnings per share after dilution, SEK	3.17	2.81	2.32	−0.91	−0.57
Net debt	3,825	2,389	2,116	3,062	2,843
Number of employees at the end of the year	3,940	3,315	3,214	3,088	3,518

01
Introduction

Events during the year

- **Grete Solvang Stoltz** joined the management team as Group Vice President HR and Sustainability. Grete was most recently Senior Vice President Human Resources and Sustainability at LKAB.
- **Acquisitions in all three business areas.** In Data Center Technologies, Edpac, an Ireland-based manufacturer of data center cooling equipment and air handling systems, was acquired. In AirTech, Hygromedia, a manufacturer of desiccant dehumidification media, and RotorSource, a supplier of rotors and cassettes to original equipment manufacturers, were acquired. In FoodTech, InoBram, a Brazilian manufacturer of climate controllers for farms and food producers, was acquired*.
- **All business activities in Russia were suspended** during the year due to the war in Ukraine. We had no employees in Russia and previously generated approximately 1.5 per cent of annual net sales in Russia.
- **Magnus Nicolin was elected as the new chairman of the board** and Maria Håkansson and Anders Lindqvist were elected as new board members.
- **Henrik Teiwik** was appointed Group Vice President & President of business area AirTech and joined Munters management team. Henrik has extensive leadership experience as CEO of Handicare Group and Vice President at Alimak Group.
- **A number of minority investments** and strategic partnerships were initiated in order to give us access to cutting-edge technology. Including BarnTools, in Iowa, US, and FarmSee, in Tel Aviv, Israel.
- **Data center technologies became a new business area** in response to it being a prioritized, growing market segment and to increase transparency. **Stefan Aspman** was appointed Group Vice President & President of business area Data Center Technologies.
- **Two new factories opened**, one in Czech Republic to meet increased demand from the battery market and one that supplies data center cooling systems in the US. With these new facilities add production capacity and increase productivity in the European and US markets. A decision was also made to build an all-new facility in the US for manufacturing of desiccant dehumidification products and for servicing the North American market.
- **Life cycle analysis (LCA) implemented.** LCA increases our understanding of a product's carbon footprint and how we can reduce it. It also improves our ability to support customers in their efforts to reduce energy and resource consumption. We were third-party audited on LCAs for 10 product families carried out according to ISO 14044 and ISO 14067 and successfully certified for all 10 families.

* Subject to certain corporate and regulatory approvals , including CADE (Brazilian antitrust) approval).

Opening of new factory in Virginia

New factory in the Czech Republic

KLAS FORSSTRÖM
President and CEO

COMMENTS FROM THE CEO

Record demand in a time of uncertainty

In 2022, we demonstrated that Munters has carved out a strong position in attractive emerging markets. We grew organically by 23 per cent, currency-adjusted, and made acquisitions that further strengthen us as we continue to expand. At the same time, we have improved our efficiency and operating capacity with new production plants in Europe and the US. This is the result of a fantastic collaboration and engagement among our employees.

We saw in 2022 that demand for our products is increasingly driven by a strong focus on sustainability among customers. In discussions with most customers today, lower emissions, more efficient energy usage and lower resource consumption are key issues. The majority are also in markets driven by two strong megatrends: electrification and digitization.

Our energy-efficient solutions are meeting customer demand, evidenced by the high order intake in 2022. We also signed the largest orders ever in Munters history. In AirTech we received several major orders in the battery segment, and the largest order was signed within Data Center Technologies. FoodTech also won several strategically important contracts within Digital Solutions. As we begin 2023, we are well positioned with a strong order book.

FOCUS ON CUSTOMER RELATIONSHIPS

Munters has an exceptional offering that stands out for its high quality and where our service offering contributes to a long product life. Our innovative capabilities and understanding of our customers' needs are also driving the strong demand for our products and solutions. Through new, more energy-efficient product generations, we gain new customers and deepen our existing customer relationships. Continuous innovation is essential in order to maintain and strengthen our position.

INCREASED INVESTMENTS IN INNOVATION

In 2022, we continued to increase investments in product development and several new products were launched. FoodTech introduced the Saturn FIVE fan and ROTEM TRIO controller, and AirTech launched a version of the FA6 dehumidifier for the Asian market. During the year, AirTech delivered several major orders to the battery segment, where the DSS Pro dehumidification solution, launched in 2021, is at the heart of the offering. This product can be installed either indoors or outside and provides significantly lower energy consumption than previous product generations.

Another example of a successful, innovative product is SyCool Split for data centers, which was launched in 2021. SyCool Split makes it possible to cool without water, which is a big benefit in areas where water is in short supply. The strong demand for SyCool Split is one of the reasons why we have chosen to increase transparency and report Data Center Technologies as a separate business area as of 2022.

To further assist customers with their sustainability work and improve our product development process, we now require a life cycle analysis for all new products. The analysis increases our understanding of the products' carbon footprint and how we can reduce it. It also better enables us to help customers cut their energy and resource consumption.

STRATEGIC ACQUISITIONS STRENGTHEN THE OFFERING

In 2022, we completed several strategic acquisitions. Ireland-based Edpac, which manufactures data center cooling equipment and air handling systems, strengthens our presence in the key European market for data center cooling, and in the autumn we acquired Hygromedia and RotorSource i USA. These acquisitions strengthen Munters position as a leading supplier of dehumidification systems and components, primarily in the North American market. We also completed a number of minority investments in companies that give us access to cutting-edge

"Listen to Klas, when he talks about how we work with sustainability within Munters" https://www.munters.com/sv/om-munters/sustainability/

"In every part of the Group, we are taking our climate impact into consideration, and the goal is to be net zero from our operations by 2030."

KLAS FORSSTRÖM
President and CEO

technology. I want to wish all our new employees and partners a warm welcome to Munters!

INCREASED SCALABILITY FOR PROFITABLE GROWTH

We have also maintained a continuous focus on internal efficiency and how we can improve our digital information flows and processes. Back in 2019, we initiated some projects to improve our scalability and lay the foundation for profitable growth. As part of this initiative, we are increasing modularization, reducing the number of components in our products and further digitizing our offering. The products we launched in 2021 and 2022 are good examples of this work, and I look forward to building on this progress.

As demand grows for our solutions, we are expanding production capacity. In 2022, we opened new facilities in the US for Data Center Technologies and in Czech Republic for AirTech. We are continuing to increase capacity and are planning a new AirTech facility in the US that will be operational in 2024. These investments are also helping to increase standardization of our offering and strengthen the service business. At the same time, they create better, more efficient workflows and give us more modern work environments.

REDUCING OUR EMISSIONS

For us at Munters, a strong driving force is that we can contribute on a daily basis to a more sustainable society through our climate-smart solutions. At Munters, sustainability also involves our own impacts and resource use. In every part of the Group, we are taking our climate impact into consideration, and the goal is to be net zero from our operations by 2030. I am pleased with and proud of the improvements and progress that were made during the year, i.e. total market-based Scope 1–2 emissions were reduced by 31 per cent.

EMPLOYEES ARE THE HUB

Looking back at 2022, we can say that it was a year defined by global uncertainty. The war in Ukraine led to the obvious decision to immediately suspend our business ties to Russia. The war and the continuing impact of the pandemic, especially in Asia, led to further supply chain constraints with delayed projects and deliveries. For our employees, 2022 was therefore a challenging year since we had to manage material shortages and delivery delays at the same time as demand grew substantially. I want to thank all our employees for their dedicated and valuable efforts in 2022. It is a true privilege to lead a company with such competent and motivated employees.

FUTURE OUTLOOK

The robust demand for our products and solutions is driven by strong market trends such as digitization and electrification as well as an increased focus on sustainability by our customers. Our overarching purpose – for customer success and a healthier planet – is our leadstar, and sustainability is integrated in our strategy and everything we do. By reacting to market opportunities effectively and innovatively, we continue to strengthen our position. In December 2022, we raised our financial targets for both net sales growth and EBITA. I am confident about Munters continued ability to deliver profitable growth.

Stockholm in March 2023

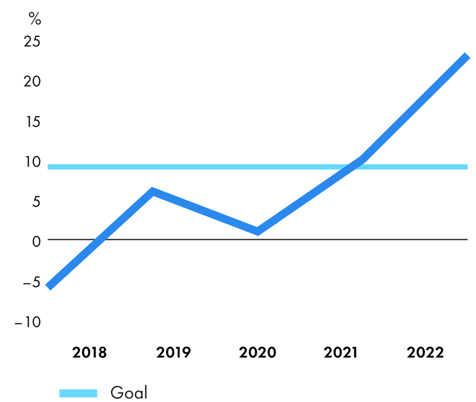
KLAS FORSSTRÖM
President and CEO

Targets for long-term growth

A responsible business with stable finances and efficient resource use with minimal climate impact is the foundation for Munters to successfully implement its strategy. With clear goals, we steer operations and set priorities that help us reach our overarching targets. In December 2022, the Board of Directors adopted updated financial targets with raised growth and profitability targets while introducing a target for operating working capital.

Financial targets

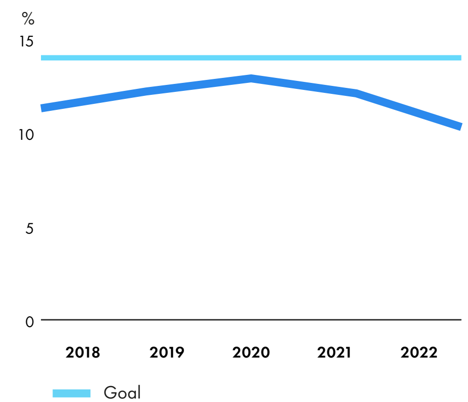
NET SALES GROWTH



Goal
Annual organic growth of net sales of 10 per cent.

Comment outcome 2022
Organic, currency-adjusted net sales during the year increased by 23 per cent compared to 2021. Primarily driven by DCT and the customer segment battery within AirTech.

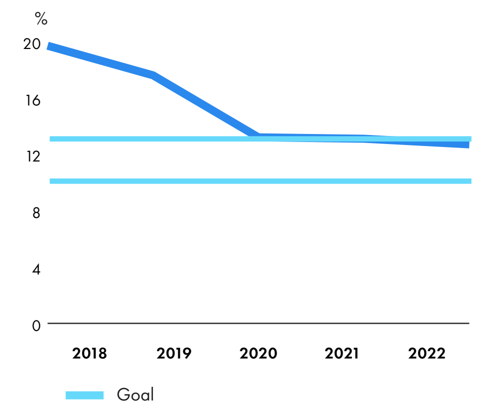
PROFITABILITY



Goal
An adjusted EBITA margin above 14 per cent.

Comment outcome 2022
Adjusted EBITA -margin was 10.3 per cent (12.1). The result was negatively impacted by high raw material prices, component shortages and consequently longer lead times and inflationary pressure.

OPERATING WORKING CAPITAL



Goal
Average (LTM) operating working capital (OWC) in the range of 13–10 % of net sales.

Comment outcome 2022
OWC amounted to 12.7 per cent (13.1) during the year, increasing slightly as a result of strong order intake which led to higher inventory levels, increased accrued income Partially offset by higher accounts receivable and a higher level of advances from customers. In relation to net sales, OWC decreased as a result of the strong growth in 2022.

PAYOUT RATIO

30%

(2021: 30)

DIVIDEND POLICY
According to Munters dividend policy the aim is to pay an annual dividend corresponding to 30–50 per cent of net income for the year. The pay-out decision will take into consideration the company's financial position, investment needs,acquisitions and liquidity position. There can be no assurance whether a dividend will be proposed or declared in any given year.

> The Board of Directors propose a dividend of 0.95 SEK (0.85) per share which represents 30 (30) per cent of the net income for 2022.

Sustainability targets

Munters contributes to sustainable development through our offering of energy-efficient climate solutions and our own operations. To maintain a sustainable and profitable business, Munters has integrated sustainability in every aspect of the business strategy.

OUR MAIN SUSTAINABILITY AMBITIONS

- Resource efficiency and environment, read more on page 52.
- People and society, read more on page 58.
- Responsible business practices, read more on page 61.

SUSTAINABILITY TARGETS

	Description of target	Target year	Trend to achieve target based on 2022 results
ENVIRONMENTAL TARGETS			
Carbon emissions	Net zero emissions from our operations (Scope 1–2)	Latest 2030	🟢
	Measure Scope 3 emissions	Mapping in progress	🟢
Energy efficiency	80% electricity from renewable resources in our production facilities	2026	🟢
	Continuously reduce electricity consumption in production facilities relative to production value	Recurring	🟢
	Continuously reduce electricity consumption in office and other non-production space (KwH in relation to m^2)		
Recycling	Raise the recycling rate continuously	Recurring	🟠
Service	Service will account for 30% of net sales	Date not set	🟠
SOCIAL TARGETS			
Inclusion & Diversity	30% women leaders	2025	🟠
	30% women in workforce	2025	🟠
Safety	Zero workplace accidents in production	Recurring	🔴
GOVERNANCE TARGETS			
Environmental fines	No environmental fines	Recurring	🟢
Training in Code of Conduct	90% of employees to complete training	Recurring	🟢
Code of Conduct for suppliers	100% of larger suppliers to sign	Recurring	🟢

🟢 Well aligned with target 🟠 Progress made towards target 🔴 Not aligned with target

OUR CLIMATE TARGET

0

EMISSIONS, NET, FROM OUR OPERATIONS BY 2030

RESULT – EU TAXONOMY

37%

OF NET SALES ALIGNED TO THE TAXONOMY

02 Strategy

OUR PURPOSE

For customer success and a healthier planet

Our strategic foundation

PEOPLE
Employees are the hub of our business. Through collaboration and a passion for creating sustainable and energy-efficient solutions for our customers and partners, we contribute to our customers' success and a better world.

EXCELLENCE IN EVERYTHING WE DO
We strive for quality and efficiency in everything we do. We are continuously making improvements in every area. We prioritize and focus on selected areas of investment and improvement. We monitor, learn, adjust and improve. We work diligently to reduce our carbon footprint.

MARKETS
Munters is active around the world, and climate change, digitization and population growth are important drivers in all markets. We focus our resources on strengthening our position in areas where we can be a market leader and on growing the service business. With high-quality, resource-efficient solutions, we contribute to more sustainable development.

CUSTOMERS
We closely collaborate with our customers and try to understand their needs not just today but also in the future. Our expertise is built on unique insight into our customers' operations and production processes. We place emphasis on how we go to market and our pricing strategies. Every day we try to deliver value beyond our customers' expectations.

INNOVATION
Munters continuously evaluates and improves its offering with the aim of staying at the forefront of development. This means that the product portfolio changes depending on the R&D priorities and the service offering.

02
Strategy

INTRODUCTION
STRATEGY
OUR STRATEGY
– MARKETS
– CUSTOMERS
– INNOVATION
– EFFICIENCY AND QUALITY
– PEOPLE
OPERATIONS
SUSTAINABILITY
CORPORATE GOVERNANCE
FINANCIAL INFORMATION
OTHER INFORMATION

Markets

Munters is a global leader in energy-efficient and sustainable climate solutions. We have a leading position in innovative products and software to create an optimal indoor climate for livestock farming and greenhouses, where our products are used to control and optimize the entire food production value chain. We benefit from a number of global market factors that create good growth potential where we operate, e.g., increased digitization and electrification.

OUR OBJECTIVE

We aim to be a market leader in prioritized markets and in prioritized segments. We define market-leading as being one of the three leading suppliers.

The prioritized segments are

- Battery industry
- Food industry
- Data center cooling
- Software used in food production and services

HOW WE DO IT

- Continuously evaluate and improve our offering with the aim of staying at the forefront of development.
- Several of our products and solutions are adapted to meet local demand.
- Acquisitions and partnerships are important to our future and are part of our growth strategy; see next page.
- Increase the share of data-driven products and solutions.
- Continue to determine how we are affected by the EU Taxonomy Regulation, including new definitions and additions that the EU makes over time. For more information, see page 70.
- Apply Ecodesign principles and LCA to the new product development process

SUSTAINABILITY FOCUS

Munters offers energy-efficient climate control systems that reduce our customers' consumption of electricity and water. We focus on optimizing design and operating conditions to each specific market use and application.

By maintaining a profitable and sustainable business, Munters creates job opportunities in many different parts of the world. It is essential that we offer an inclusive workplace with decent jobs for everyone in the markets where we operate.

UN:s global goals

SALES IN NUMBER OF COUNTRIES

>30

ACCOMPLISHMENTS IN 2022

- ✓ Demand for our climate solutions was higher than ever in 2022, resulting in order intake growth of 87 per cent. The strong megatrend of climate change remains an important driver of our business, and during the year we signed our largest orders ever in data center cooling, battery and software areas. Growth came primarily from prioritized markets.
- ✓ Data Center Technologies (DCT) became a separate business area with profit responsibility and responsibility for the entire value chain to facilitate profitable growth. Data centers are a prioritized and growing market segment that has generated strong growth in recent years.
- ✓ We took important steps in our growth strategy during the year through acquisitions in all three business areas. Munters has acquired several companies over the years.
- ✓ To further enhance Munters strategic journey, we have started to make financial investments in start-ups with the aim to support innovation for the group within digitalization, technology, and sustainability. In 2022, five minority investments were made.
- ✓ We have participated in various collaborations with universities and other companies to strengthen our local presence and drive innovation, e.g., our partnership with Polytechnics in Turin and Milan, Italy.
- ✓ We continued our investments in digital solutions through the subsidiary MTech Systems. They offer comprehensive software solutions to control and forecast the entire supply chain for food production, with integrated systems managing farms, feed mills, hatcheries and processing facilities.

Employees at Irish Edpac, a company acquired in 2022.

Acquisitions are an important part of our strategy

Why	1999–2009 Foundation DCT & FoodTech	2010–2017 Repositioning	2017–2022 Gearing for new growth chapter	
Core/Consolidation - major acquisitions to increase market presence and/or expand the product range	• 1999 – Euroemme, Italy ● (FoodTech) • 2007 – Des Champs Techologies, USA ● (DCT)		• 2022 – Edpac, Ireland ● (DCT) • 2022– InoBram, Brazil* ● (FoodTech) • 2022 – Hygromedia & RotorSource, USA ● (AirTech)	
Technology/Digital - companies with a technology that strengthens our global or regional offering		• 2011 – Rotem, Israel ● (FoodTech) • 2017– Mtech, USA ● (FoodTech) • 2017 – Kevin Entreprises, India ● (AirTech)	• Two acquisition of intellectual property rights	• 2022 Minority investments ex. BarnTools, USA and FarmSee, Israel ● (FoodTech)
Services/String of pearls - local companies that provide a stronger market presence. For example, to expand our service business			• Greenfield establishments of Service offices in Ireland and Norway	
New growth areas				

● AirTech ● DCT ● FoodTech

* Transaction closing is subject to certain corporate and regulatory approvals, including CADE (Brazilian antitrust) approval.

Customers

Ever since Munters was founded, we have worked closely with our customers. Over the years, we have built up unique application know-how in our niche which enables us to customize climate solutions for many customers and industries. We help our customers succeed through high-quality, energy-efficient climate solutions that make them more sustainable. A prerequisite for our success is high ethical standards and professionalism.

Yuki Fujimura and Mizuki Ohashi from our Tokyo office.

OUR OBJECTIVE
We aim to be our customers' first choice as a partner.

OUR STARTING POINT
Our success is built on close, long-term relationships and a deep understanding of the customer's business and future needs. We continue to gather customer insight and utilize our broad-based expertise in applications, technology and components to offer attractive solutions and services.

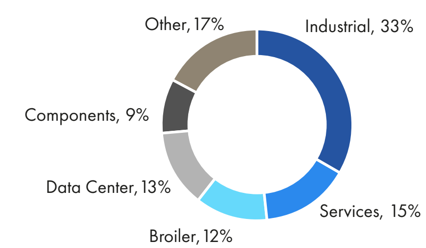
HOW WE DO IT
- Help our customers succeed through climate solutions that make their businesses more sustainable
- Develop close, long-term customer relationships to understand their business and future needs
- Customize solutions for specific criteria and application requirements
- Local presence keeps us close to our customers. This reduces lead times and shortens logistics flows, which is important from a sustainability perspective
- Develop and expand our service business so that customers can make optimal use of their equipment for as long as possible
- Ensure high quality and professionalism

SUSTAINABILITY FOCUS
For us, the collaboration with our customers is vital, and we make it a priority to help them reach their sustainability targets for water and energy efficiency or animal health in food production, for example.

Our Code of Conduct for suppliers represents commitment to the ten principles of the UN Global Compact and describes our view on issues such as the environment, social responsibility, business ethics and human rights.

UN:s global goals

DISTRIBUTION PER CUSTOMER SEGMENT



ACCOMPLISHMENTS IN 2022

- Investments to develop and improve the offering in order to increase customer value
- The work on value-based sales, e.g., pricing strategies in all three business areas. Value sales and annual net price changes will be an integral part of Munters culture going forward
- Evaluated and strengthened our go-to-market models within SaaS, Services and DCT. We have also expanded our channels to the market.

CUSTOMERS WANT SUSTAINABLE SOLUTIONS

Our existing and potential customers demand products and services that make their businesses more efficient and sustainable. It is also important that our own products are energy- and resource-efficient. Climate change, lower emissions in the air and preservation of water are strong sustainability trends that are driving our growth and therefore also our own focus in terms of product development and service offering. Other strong sustainability trends that are driving growth are demands to reduce waste and to improve livestock farming. Our solutions are used in many mission-critical applications and processes where precise control of moisture, temperature and other environmental parameters has a critical impact on production quality, product safety as well as energy efficiency. At the same time, these solutions often represent a small share of the total investment in a customer's project, e.g., a production facility or a farm.

CUSTOMER TRUST

For our customers to trust us, we have to maintain high ethical standards and professionalism. Our Code of Conduct sets the minimum level for how we act on a daily basis. We have zero tolerance for bribes and other questionable incentives to influence a business transaction. Our values guide us in all our relationships and are the foundation on which we have successfully built close, long-term customer relationships.

CLOSE COLLABORATIONS WITH CUSTOMERS

Through close collaboration between our sales teams, the customer's production engineers and research and development department, we can ensure that our solutions meet each customer's specific criteria and application requirements and deliver high energy efficiency. Our goal is to have a deep understanding of customers' needs and processes and in that way deliver value beyond their expectations. The insight we gain in our customers' needs through these collaborations benefits the entire customer base in a cost-effective way. Continuous development of new applications and upskilling also provide opportunities to continuously update the offering to stay competitive.

SERVICE GIVES CUSTOMER MORE VALUE

Service, which includes maintenance, upgrades and component replacements, offers growth potential with good profitability. Thanks to local presence in many countries and close relationships with customers, we can offer a high standard of service and support. Services are a recurring business and are growing in pace with our installed product base. Our service offer is important to customers, both from a cost and sustainability perspective, since service extends the life of the products and increases the efficiency of installed solutions.

Bobbye Muterspaugh from our production site in Buena Vista, Virginia, US.

Our goal is to increase services to 30 per cent of net sales. The share of sales from Service did not change in 2022, but our Service business had good growth mainly in AirTech, which has an extensive service business. Within FoodTech, a SaaS offering is being developed and offered.

THE SHARE OF SERVICE SHOULD IN THE LONG TERM CONSTITUTE

30%

OF NET SALES

Innovation

Our long history of pioneering discoveries, many patents and extensive application know-how has laid the foundation for our market-leading position. Close collaboration with customers increases the precision and efficiency of our innovation work. Each business area is responsible for R&D in its respective product areas, with technology centers close to customers.

OUR OBJECTIVE

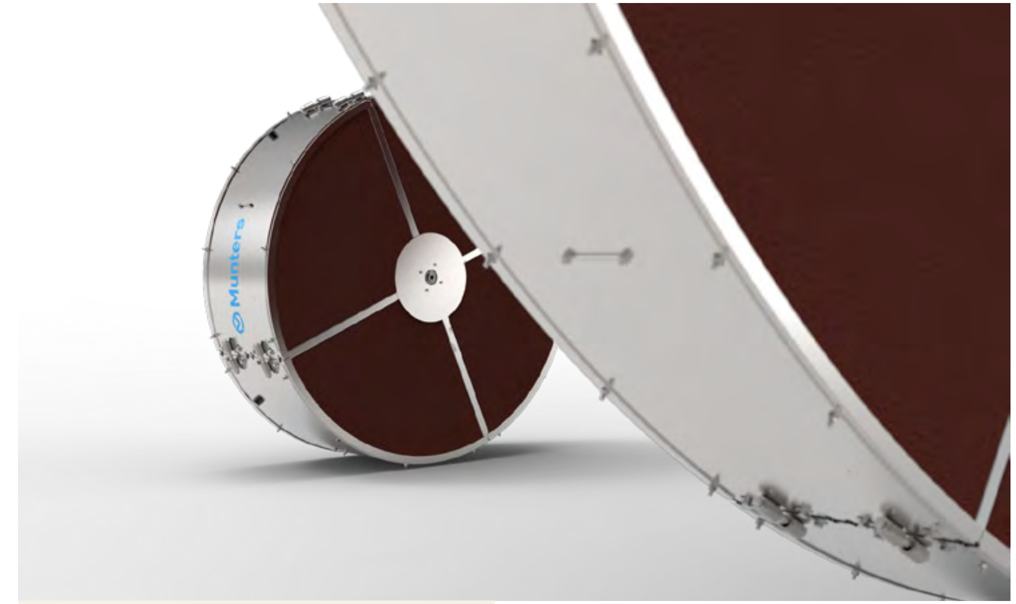
We will offer pioneering technology that provides the customer with significant value.

OUR STARTING POINT

Through our energy- and resource-efficient climate solutions we will stay on the forefront of the industry's development and contribute to more sustainable development.

HOW WE DO IT

- Invest continuously in our core technologies, solutions and digitization to optimize our product portfolio and our innovation and production technology.
- Utilize our extensive know-how in specific applications and access to unique technology that we often develop ourselves. Together with our innovative approach, this enables us to develop the most effective solution for the customer, e.g., in production of batteries, data center cooling or a barn.
- Through a close collaboration with our customers, we increase the precision and efficiency of our solutions and innovations.
- To strengthen our strategic development, we are making financial investments in startups with the goal of supporting innovation in digitization, technology and sustainability.
- A common development model: Munters Product Development Model (MPDM), which is based on our customers' needs, takes various sustainability factors into account early in the process, e.g., the choice of materials, recycling options and energy consumption.
- Continue to develop software to enable our technicians and partners to quickly configure optimal solutions.
- Innovation goes beyond product development – we strive to be innovative in sustainability, application knowledge, marketing, services and production.



Rotor with desiccant drying wheel which are available in a number of sizes and are designed for a range of applications.

SUSTAINABILITY FOCUS

Through our leading technology, we have a strong reputation not only for working sustainably as a company but also for playing a role in helping customers use resources more efficiently through our products and solutions.

The energy consumption during the life time usage of our products accounts for the vast majority of carbon emissions during the product life cycle. We constantly work to reduce the resources our climate systems consume, helping customers reach their resource and environmental targets.

UN:s global goals

INVESTMENTS IN R&D

3.8%

(2021: 3.8)

Research and development investment measured in relation to net sales

ACCOMPLISHMENTS IN 2022

- ✓ Continued to modularize and establish global product platforms with the goal of offering the same products with high performance and consistent execution in all regions. We have big opportunities here for efficiency gains, e.g., in developing materials for our core products.
- ✓ Focused efforts in LCA (life cycle analysis) and introduction of a sustainability scorecard in the Munters Product Development (MPD) process.
- ✓ A number of minority investments and strategic partnerships were initiated, including BarnTools in Iowa, US, and FarmSee in Tel Aviv, Israel.
- ✓ Further development of the Center of Excellence, which is responsible for complex and customized solutions for mission-critical applications.
- ✓ Added a global function Ecodesign
- ✓ Increased focus on digitizing our offering.

OUR KEY TECHNOLOGIES:

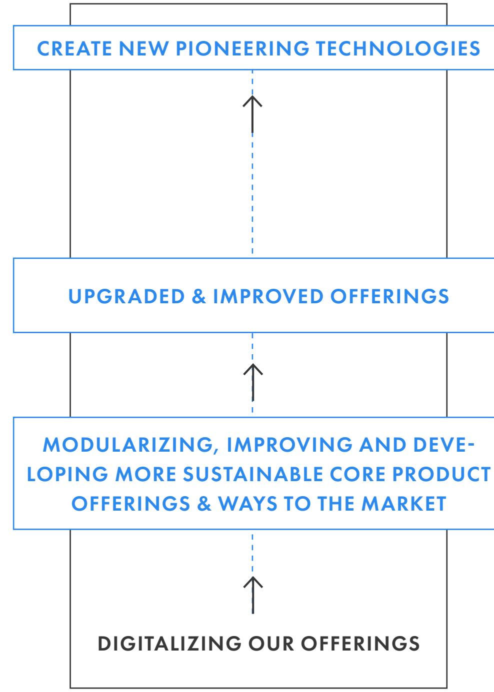
- Dehumidification rotors
- Direct evaporative cooling systems
- Heat exchangers with indirect evaporative technology
- Mist eliminators
- Control systems for monitoring the production climate
- Agricultural fans
- Air humidifiers
- Control equipment
- Data analysis/visualization

PIONEERING TECHNOLOGY & INNOVATION

Curiosity and an ambition to create pioneering technologies are part of our DNA. Our focus is on continued investments in our core technologies, solutions and digitization, to optimize our product portfolio and our innovative production technology.

- Modularize, improve and develop new, more sustainable products and/or ways to reach the market. During the year, we improved the materials in our core products, e.g., rotors and GLASdek
- Upgrade and improve existing offerings, e.g., DSS Pro, which is the successor to DSS, and Saturn FIVE, which is the successor to Saturn ONE.
- Create pioneering technology such as SyCool Split or Amino.

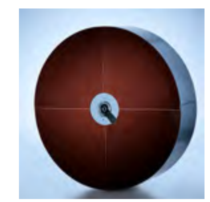
Pioneering technologies & new innovations



SyCool Split (DCT) read more on page 36 or Amino (FoodTech), read more on page 43

DSS Pro following DSS and Saturn FIVE following Saturn ONE, read more on page 44

Materia development for rotors and GLASdek



PATENTS IN 2022

In 2020, Munters hired a patent manager, who leads our global patent committee, among other things. The patent committee consists of representatives from every business area and various countries. The committee assesses internal ideas and discoveries and decides which discoveries will lead to patent applications.

The increased internal focus led to a surge in patent applications in 2022. Approved patents in 2022 included:

- A mechanism to remove volatile organic compounds (VOC) from the air
- Controller for a combined evaporative humidifier and cooling unit.
- A method for cleaning an evaporative humidifier and cooler apparatus.

MUNTERS PRODUCT DEVELOPMENT MODEL

We use a common development model in Munters: MPDM a multidisciplinary model with clear control points. With this model, the development process is based on individual creativity, disciplined innovation and direct insight into customers' needs. A key feature is the ability to weigh in various sustainability factors early in the process. We look at aspects like choice of materials, recycling options and energy consumption. When we have laid out the sustainability aspects, we define the value proposition, technical opportunities and profitability potential.

LIFE CYCLE ANALYSIS

During the year, there was a strong focus on LCA throughout the Group. LCA increases our understanding of a product's carbon footprint and how it can be reduced. This knowledge can be used to help customers reduce their energy and resource usage.

We have carried out ISO-certified LCAs on ten product families. We conducted LCAs according to international standards ISO 14044 and 14067, and these LCAs have been verified by an independent third party. During the year we acquired software licenses, so that we internally can analyze our products and processes in a consistent way. Over 20 people have received training on how to use the tool. This aligns with Munters ambition to base product development, R&D and customer value creation on a scientific approach. LCA provides a complete assessment of environmental impacts associated with our products.

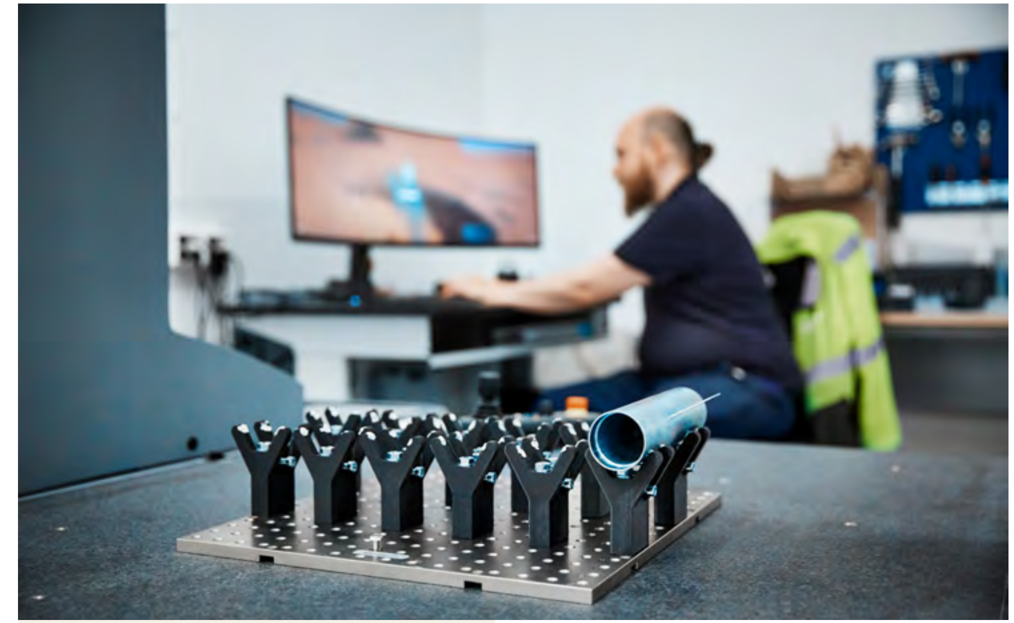
LCA has been included in the sustainability scorecard in the MPD process. Project managers conduct a self-assessment to understand the potential benefits of new projects or products. Sustainability thresholds for each criteria and KPIs still have to be established. This will be included in the continued training for product and project managers.

Activities in our innovation portfolio

- **RESEARCH** – to develop new knowledge that can be applied to new innovations
- **TECHNOLOGICAL DEVELOPMENT** – to develop new systems that can be integrated in the Group's products
- **PRODUCT DEVELOPMENT** – where we develop new products and climate solutions
- **FURTHER DEVELOPMENT** – how we maintain and update installed products
- **APPLICATION DEVELOPMENT** – we continuously work to develop new and innovative solutions for the customer through our application know-how.

Excellence in everything we do

At Munters, we constantly strive for improvements in every area. We strive to increase digitization and further improve our global processes, so that we can continue to deliver high quality and maintain a cost-efficient business.



OUR OBJECTIVE

We constantly strive to increase efficiency and productivity in everything we do while reducing our carbon footprint.

OUR STARTING POINT

Our operations maintain responsible business practices and high ethical standards with respect for human rights, diversity, and health and safety in the workplace.

HOW WE DO IT

- Digitization and best practices to increase scalability and improve our global processes, as well as continuing to deliver high quality and operate cost effectively.
- We constantly work on efficient use of working capital and a strong cash flow in order to create the flexibility to implement the strategy as well as make acquisitions.
- We have a valuable supplier network in 35 countries – the emphasis is on coordinating procurement in order to increase standardization and to concentrate on fewer suppliers.
- Work systematically to reduce our climate impact through more efficient energy usage and by increasing the share of renewable energy in our own production.
- Work continuously to reduce our environmental impact in production and to increase our focus on health and safety. We strive to gradually reduce water consumption in our production processes. We treat water and separate chemicals and particles in wastewater from our facilities.

SUSTAINABILITY FOCUS

We constantly work to increase efficiency, quality and reduce our environmental impact. The sustainability perspective permeates all stages of our operations. Prioritized areas for us are responsible business practice, increased diversity, health & safety, reduced carbon dioxide emissions and contributing positively to the society in which we operate.

UN:s global goals

PERCENTAGE OF RENEWABLE ELECTRICITY

72%

(2021: 53)

TARGET:
The percentage of electricity from renewable resources in our production facility will be increased to 80% by 2026.

ACCOMPLISHMENTS IN 2022

- Managing global supply chain challenges due to the pandemic and the war in Ukraine. Some products have not been completed in time due to component shortages, and in some projects customers were not able to accept our deliveries because other suppliers' products were delayed.
- Strategic Operations were integrated in the business areas to create clearer ownership.
- We worked continuously to make the Group more efficient, more flexible and even more innovative in every area.
- All our major suppliers signed our Code of Conduct during the year.
- To ensure efficient use of working capital and strong cash flow, we worked actively with payables and inventory. Projects have to be as cash neutral as possible from beginning to end. An efficient production process optimizes inventory levels throughout the value chain. The work with capital efficiency continues to produce good results. Working capital remained at a good level at MSEK 1,393 (1,005) in December 2022.

ORGANIZATIONAL CHANGE

Parts of Strategic Operations were integrated in the business areas, including procurement. The goal is to be closer to operations and customers. By decentralizing selected functions, we create clearer ownership in the business units. At the same time, councils have been created where experts from the business areas jointly monitor various issues and ensure that economies of scale are realized between the business areas.

A STRONG SUPPLY CHAIN

Our supplier network is valuable to us and is built on mutual trust and many years of collaboration. We will continue to ensure that we have multiple suppliers of critical components. The effort to increase the share of sustainable transports will continue. It is an important part of how we work with sustainability and our value chain in order to reduce our environmental impact. Munters sources goods from around 1,800 suppliers in 35 countries. The 25 largest direct material suppliers by volume represented 40 per cent (38) of total sourcing volume in 2022. The goal is to cut the number of suppliers in half in 2021–2025. In 2022, the number was reduced by 5 per cent. Having a sustainable value chain is important to us, and therefore our largest suppliers are bound by our Code of Conduct.

PRODUCTION PLANNING

We have been working for several years to regionalize our value chain. During the year, we worked intensely to reassess production capacity and secure it for the coming years. We opened two new production plants, one in Czech Republic to meet demand from the battery market and one in the US for manufacturing of cooling systems for data centers. A decision was also made to build an all-new facility in the US to house desiccant dehumidification production and services for the North American market.

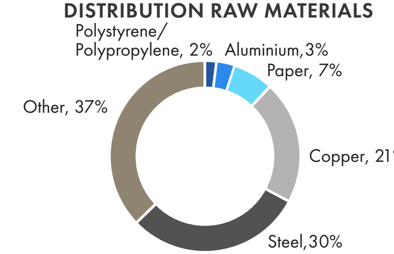
RESPONSIBLE PROCUREMENT

All suppliers are expected to live up to Munters ethical guidelines. During the year, 100 per cent of our suppliers signed the Code of Conduct for suppliers. We regularly review our direct suppliers and their compliance with our Code of Conduct. During the year, we took measures to automate compliance monitoring by using a third-party AI tool to examine companies. For more information, see page 61.

Other direct materials account for around two thirds of a product's total costs, with raw materials representing 30 per cent. Munters has tools in place used to minimize the impact of price fluctuations.

Takumi Mirokuji from our assembly site in Tokyo, Japan.

DISTRIBUTION RAW MATERIALS



SCALABILITY AND DIGITIZATION

We work continuously to optimize our production processes. All our production units apply the Munters Production System (MPS), based on LEAN and WCM principles. The program consists of five phases and gives each production site guidance on how to create value for the customer, manage waste, reach an exceptional service level, empower people, and improve the environment and working conditions.

The project Transformation Towards Operational Excellence (TTOE) continued during the year to increase efficiency through linked processes and digital information flows. This ensures scalability of the business and that investments lead to profitable, cash flow generating growth.

GLOBAL CENTERS OF EXCELLENCE

Through our global Centers of Excellence (CoE), we create teams of experts who focus on specific markets. They work with complex, customized solutions for mission-critical applications in battery production, foods and pharmaceuticals, for example. With extensive application know-how, they ensure maximum customer value and performance. The team has experience in project management and ensures that requirements are integrated correctly in a practical, cost-effective and appropriate solution. They also manage and integrate the collaboration with various partners and others.

People

Employee engagement is the foundation for good customer relationships, an efficient organization and innovation. We create employee engagement by offering an inclusive culture marked by diversity, collaboration and opportunities for personal development. Through collaboration and a passion for creating energy-efficient solutions for our customers and partners, we contribute to our customers' success and a better world.

Keith Stokes from our production site in Buena Vista, Virginia, US.

OUR OBJECTIVE

We want to be an employer of choice.

OUR STARTING POINT

- Diversity and inclusion lead to stronger innovation.
- Our employees' health and well-being are always top of mind and we have zero tolerance for workplace accidents.
- We work diligently to increase the share of employees and managers who are women.
- At Munters no employee should experience harassment or discrimination.
- Munters strives to be a modern and attractive workplace.
- Good leadership is the foundation for engaged, high-performing teams.
- Provide an external, independent whistleblower channel. For more information, see page 62.

HOW WE DO IT

- Work proactively hire more employees and managers who are women.
- Zero tolerance for discrimination and harassment through a corporate culture distinguished by openness and transparency. Through periodic surveys, we follow up that everyone is treated fairly and with respect in our workplace.
- Leadership and mentoring programs to promote development, cross-functional collaboration, team spirit and support employees in their career.
- Offer occupational health and safety program to create a safe and healthy work environment.
- Offer a culture with a healthy work-life balance as well as flexibility where and when the work is done.
- A compensation system for senior executives and key employees aligned with our financial and sustainability targets.

SUSTAINABILITY FOCUS

The health and well-being of our employees is always in focus and we have zero tolerance for discrimination, harassment and workplace accidents. We are convinced that diversity leads to stronger innovative power.

Munters provides an external, independent, whistleblower channel for reporting potential breaches of our Code of Conduct.

UN:s global goals

OUR VALUES

- Sustainable value creation
- Passion for results
- There is always a better way
- Team spirit

Our values are reflected in everything we do. Together with the Code of Conduct, they clarify how we relate to each other and to customers and other stakeholders.

ACCOMPLISHMENTS IN 2022

- ✓ Leadership program with a focus on central strategic projects
- ✓ Internal mentoring program to promote development, cross-functional collaboration, team spirit and employee development
- ✓ Continued rollout of STOP (Safety Observation Program) aimed at changing behaviors and improving safety
- ✓ Preparations for the launch of a global HCM (Human Capital Management) system that aims to support the development of employees and business as well as contribute to sustainable growth
- ✓ We strive for a more even gender distribution and work conscientiously to increase the proportion of employees and managers who are women. The development in 2022 was affected negatively by, among other things, acquisitions of companies with a low percentage of women
- ✓ Rollout of our Code of Conduct for employees, to ensure that all employees are aware of the principles we follow. We hold regular training for all employees in the Code of Conduct for employees

Code of Conduct
Code of Conduct training for employees consisting of an introduction and three modules is being rolled out. The aim is to

- Create transparency and build trust among colleagues and in the company
- Help employees to understand which types of behaviors are expected
- Know when they should escalate issues, and
- Who they should turn to for support, and to create an environment where people feel confident enough to voice their opinions and ask questions.

Diversity and inclusion
A mix of employees with different perspectives and backgrounds provides valuable insight and a dynamism that creates innovative solutions and new ways of working.

We are working towards greater gender parity. The share of salary setting managers who are women was 22 per cent in 2022, negatively affected by acquisitions of companies with a low percentage of women in manager roles. Munters Group management team consists of 43 per cent women. Munters goal is that the share of women employees and women leaders will reach 30 per cent by 2025. For more information, see page 60.

A modern, attractive workplace
During the year, Munters prepared for the launch of Workday, a global Human Capital Management (HCM) system with functionality supporting the entire employee life cycle, i.e., recruitment, performance reviews and development, onboarding, training, salary review, retention, organizational and employee data, etc. With global, intuitive and efficient processes, Workday is designed for workforce and business development, and will contribute to Munters sustainable growth. Our headquarters have been renovated to better meet the needs of today's work life. We are also renovating our factories and offices around the world.

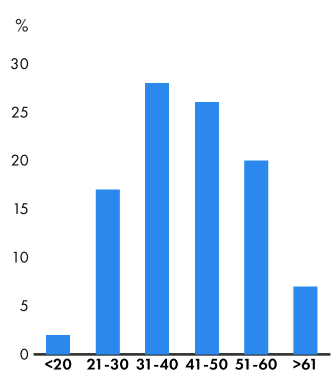
Development and career paths
We support individual career paths for all our employees and encourage them to challenge themselves by taking on new responsibilities. During the year, our Performance & Talent management process was revised. As of 2023, one of the year's performance reviews will concentrate on supporting personal development, short and long term.

Leadership
A new leadership framework has been launched. The framework, which is based on modern leadership research, was developed through workshops and interviews with around 50 managers. The framework serves as the foundation of our leadership philosophy and provides guidance on leadership qualities that inspire personal development and success. With a common language and leadership practices, we can maintain a culture where people thrive and have opportunities to perform at their best. Also, our internal management training for new managers, Manager@Munters, was relaunched after the pandemic with updated content. MovE (Munters orchestra of visionary Explorers), an internal leadership program based on action-learning principles to promote development, cross-functional collaboration, teamwork and support employees in their careers. Each annual program consists of 12 projects which are important for the implementation of our strategy. Each project is lead by an employee who receives support from a sponsor from the company's management team and the other participants. MovE is an annual program where participants meet six times a year in workshops. See information from employees who participated in the program on page 57.

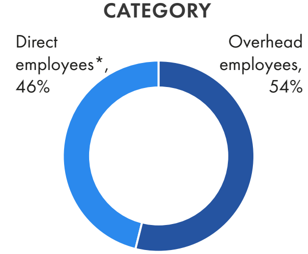
Incentive program tied to sustainability
Through the Long-Term Incentive Program (LTIP), we evaluate not only how well we are meeting our financial targets, but also how well we as a company, are for example increasing the share of renewable electricity in our factories, the share of women leaders, and service growth.

Health and well-being
Our occupational health and safety program minimizes the risk of hazards, injuries and negative environmental impacts, while also ensuring that local and regional regulations are met. The program comprises all processes and positions, including subcontractors and visitors at our production facilities. It includes analysis, preventive measures and training. The rollout of STOP, which was introduced in 2020, continued in 2022. The aim is to change behaviors and improve safety.

AGE DISTRIBUTION

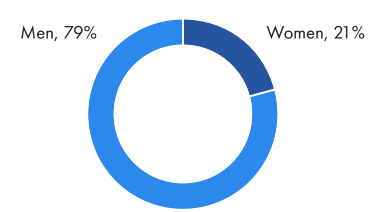


CATEGORY



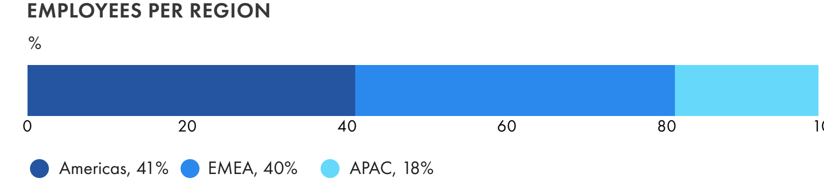
*including service technichians

GENDER DISTRIBUTION



Munters have 3,940 (3,315) employees in >30 countries at the end of 2022

EMPLOYEES PER REGION



03
Operations

Megatrends for growth

The megatrends with the biggest impact for Munters are climate change and digitization. This drives and impacts our markets, demand and our strategic priorities. Early on, Munters saw the rapid expansion of electrification and digitization. Today we are well-positioned in the market and can therefore meet the global drivers that support effective climate control solutions. This makes us part of the solution for a more sustainable world.

Megatrends

CLIMATE CHANGE

A growing number of companies are taking responsibility and want to ensure sustainability of their entire value chain. For them, like for us, more efficient use of the earth's limited resources and a reduced climate impact are important success factors. This leads to growing global demand for energy-efficient climate solutions that reduce our customers' carbon footprint.

DIGITIZATION

Growing data traffic, new cloud services and an ever-growing number of connected devices are driving growth in industries exposed to digitization. Digitization also opens the door to new ways of creating value and interacting with customers. One example of this is to offer connected service and support.

POPULATION GROWTH

Resource shortages due to population growth around the world, as well as a growing urban middle-class consuming more animal and vegetable-based protein, are driving demand for energy- and resource-efficient solutions.

HIGHER DEMANDS IN PRODUCTION ENVIRONMENTS

There is an increased understanding of the impact of climate change on productivity and product quality. Specific types of production, such as production of batteries, require an extremely precise climate. Stricter regulations and escalating control traceability in livestock farming and food production also drive increasing demand.

Munters solutions

- Unique applications and energy-efficient products and solutions
- Strong global market position with local presence
- Global service offering
- Broad installed product base
- Digital solutions for the entire food production value chain

The customer's benefits

Energy-efficient solutions help our customers reduce their environmental impact and ensure a sustainable business.

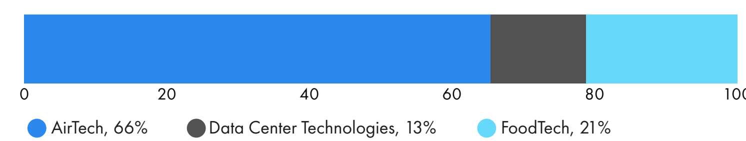
Connected products and systems generate more data and control in the customer's production environments and entire value chain.

Solutions that contribute to increased efficiency with higher production for customers and reduced carbon emissions.

Improved animal and human health and extended service life of equipment and infrastructure.

Our business areas

We offer innovative, efficient and sustainable solutions for customers in many different industries where controlling indoor humidity and temperature is mission-critical. All our business areas share an ability to supply high-quality products with a long service life. Munters conducts operations in three business areas



AirTech

AirTech is a global leader in energy-efficient air treatment for industrial and commercial applications. We offer climate solutions for mission-critical processes that require exact control of moisture and temperature, with a focus on energy efficiency and sustainable climate systems. Our solutions also provide better indoor air quality and comfort, as well as increased production capacity.

Read more on page 26, click here ▶

Data Center Technologies

Data Center Technologies is a leading supplier of advanced climate cooling solutions using a wide range of heat rejection technologies. Our solutions produce significant energy savings for data centers compared with traditional cooling solutions. With a diversified product portfolio and extensive application know-how, we create sustainable climate solutions for data center operators worldwide.

Read more on page 33, click here ▶

FoodTech

FoodTech is one of the world's leading suppliers of innovative and energy-efficient climate systems for livestock farming and greenhouses, as well as software for controlling and optimizing the entire food production value chain. FoodTech's solutions increase productivity while enabling sustainable food production where high demands are placed on quality, animal health and food safety.

Read more on page 40, click here ▶

AIRTECH

Global leader in air treatment for industry

The business area AirTech is a global leader in energy-efficient air treatment for industrial and commercial applications. We offer solutions for mission-critical processes that require exact control of moisture and temperature, with a focus on sustainable climate systems. Our systems also provide better indoor air quality and comfort, as well as increased production capacity.

SHARE OF THE GROUP'S NET SALES

66%

(2021: 63%)

AirTech's key competitive advantages

- Our product quality and performance with a long service life
- Our long-term customer relationships
- Our ability to understand the customer's needs
- Our extensive expertise
- Energy-efficient solutions
- Global service offering and local service organization

IMPORTANT EVENTS IN 2022

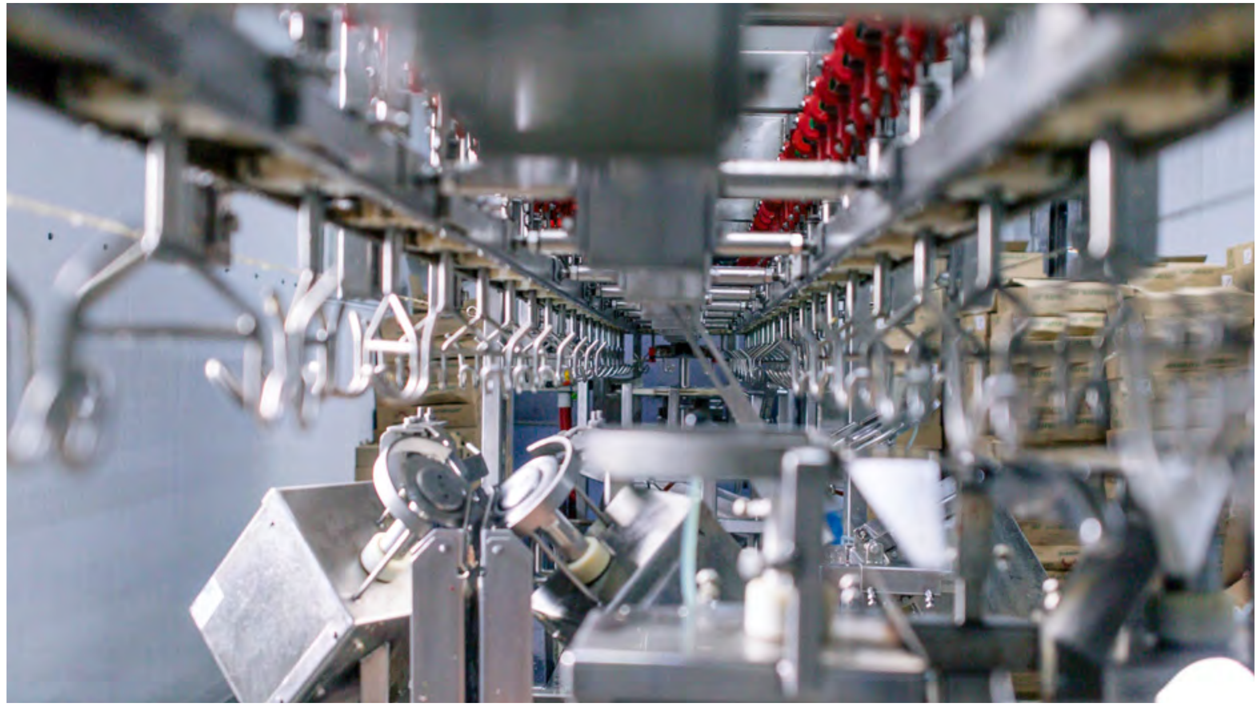
- **Order valued at approx. MSEK 690**, for climate control system from a major US auto manufacturer. Deliveries are scheduled from the second quarter of 2023 to the third quarter of 2024.
- **Henrik Teiwik** appointed Group Vice President & President of the business area in August.
- **Opening of a new factory** in Hodonin, Czech Republic, to meet the growing demand from battery producers.
- **Order from Morrow Batteries** for climate control solutions for its first battery factory in Norway. The first complete climate solution will be delivered in 2023.
- **Acquisition of Hygromedia and Rotor-Source** in the US. The acquisitions are in line with Munters strategy of strengthening our core business through organic and acquired growth.
- **Two orders for climate control systems** from a multinational auto manufacturer. The combined order value is approximately MSEK 560. Deliveries to plants in the US and Canada are scheduled from autumn 2023 through 2024.

MISSION

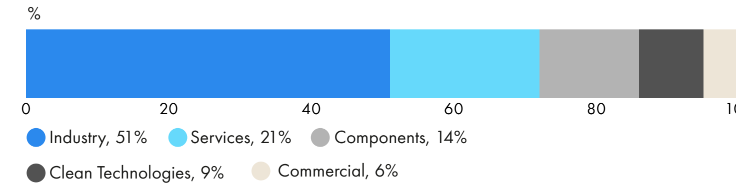
Undisputed leader in humidity, climate and air quality control for mission-critical applications. We provide best in class sustainable solutions across our customers' value chain.

Strategic priorities

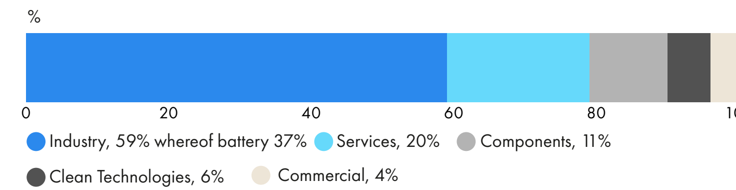
- Strengthen our core business by focusing on markets where we are or can be a leader
- Develop our core business through digital services, new technology and a harmonized, modular product portfolio
- Expand the core business through, for example, increased attention on carbon capture and humidification



AIRTECH, NET SALES 2022



AIRTECH, ORDER INTAKE 2022



Did you know...
... that Munters has more than 270 service technicians around the world? Service is one of our prioritized areas.

STRATEGY

Markets

The global market for energy-efficient air treatment is characterized by a large number of companies, many of them local. The market has been undergoing consolidation for several years. Growth in the market has historically been stable and is expected to continue to grow. Sustainable climate solutions with efficient electricity and water consumption is a strong driver in the market.

ACQUISITIONS BROADEN CORE BUSINESS

A large part of AirTech's core offering is built on rotor based dehumidifiers, which are available in a number of sizes and are designed for a range of applications. The acquisitions of RotorSource and Hygromedia during the year are in line with Munters strategy of strengthening our core business through organic and acquired growth. Through the acquisitions we strengthen our position as a leading supplier of dehumidification systems for a number of industrial processes. The acquisitions provide us an additional distribution channel to serve the market.

Hygromedia is a manufacturer of desiccant dehumidification media, while RotorSource is a supplier of rotors and cassettes to OEMs (original equipment manufacturers). Both companies are located in Baton Rouge, Louisiana, the US, and together have about 30 employees. 2021 revenue was approximately MSEK 125. The acquisitions, which closed in November 2022, will be accretive to AirTech's EBITA margin.

AIRTECH'S MARKET SEGMENTS

Industrial – the largest segment, serving a wide range of industries, including battery, food, pharmaceutical, electronic and chemical manufacturers. A large number of applications are offered to customers in these industries, e.g., batteries are manufactured in demanding environments with extremely high climate requirements, where sophisticated dehumidification systems are requested.

Components – comprised of offering for OEMs that use Munters products as part of their solutions. The components are usually units to control moisture, cooling and dehumidification.

Clean technologies (CT) – offers applications to separate solutions from gas flows, e.g., in power plants and the marine industry. This method can also be used for carbon capture by supplying equipment for use in separating liquids from gases.

Commercial – the smallest segment consisting, e.g., of grocery stores and ice rinks.

Service – such as maintenance and upgrades. We have a large global service network with local service centers around the world. Through our local presence, we have close relationships with our customers and can quickly service the installed base.

Growth areas

- Food industry
- Battery production
- Services
- Components

We make our customers more sustainable

PHARMACEUTICALS
We supply solutions for the pharmaceutical industry so that medications can be manufactured of the quality required with as low environmental impact as possible while retaining their quality.

INFRASTRUCTURE & WIND POWER
Munters climate control systems ensure low humidity in the designs of bridges, wind turbines and other infrastructure, which can extend their service life. In this way, we contribute to increased resource efficiency and support the world's transition to renewable energy.

FOOD PRODUCTION
We provide the world with healthier food by ensuring hygienic and optimal production environments.

CARBON CAPTURE
Clean Technologies offers solutions for carbon capture by supplying equipment used to separate liquids from gases.

BATTERY PRODUCTION
We enable a large share of the world's production of batteries for electric cars by supplying ultra-dry air. We also reduce electricity consumption in production to create battery solutions with lower climate footprint.

SERVICE
Our service offering extends the life of products, improves efficiency, reduces energy consumption while ensuring quality and environmental performance.

STRATEGY

Customers

Within AirTech sales take place on mature markets with own local sellers and distributors, through 22 local and regional sales offices. AirTech has an extensive network of distributors, mainly in emerging markets, as well as for sales of components for dehumidification and direct evaporative cooling to other system suppliers.

NUMBER OF OWN SALES OFFICES

22

STRATEGY

People

People and collaboration are the foundation of AirTech. Together we are stronger and can promote teamwork, more easily resolve problems and collaborate cross functionally. Our goal is to train and provide our employees with increased knowledge and passion for the journey ahead. We are therefore developing training programs for both functional areas and leadership as part of Munters Academy. We are also developing methods and training for managing change, as support for all our managers. At every level of the organization, we continue to work with diversity.

The majority of the employees are based in the US, Sweden, India and China.

NUMBER OF EMPLOYEES

2,693

(2021: 2,256)

Xinrui He from our assembly site in Tokyo, Japan.

Major service upgrade completed in two days

Extending the service life of Munters products is part of our effort to reduce emissions and help customers reach their sustainability targets. During upgrades, our skilled service team works closely with the customer to ensure smooth-running operations and minimize their downtime.

A good example of this was when our service team in Singapore, led by 14 engineers, helped a customer to upgrade its MX-5000 dehumidifiers.

The customer is a leader in mass data storage solutions and was in a hurry to get everything in place. In just two days, 16 rotors were replaced. At the same time, seven DDC controllers were converted to our latest Climatix models. The project was completed with 11 subcontractors on hand.

Original rotors in our dehumidifiers can be replaced to gain capacity, save energy and optimize performance. This investment will pay off in two years.

FACTS ABOUT SERVICES

Munters invest a lot in innovation and refinement of existing products for dehumidification, humidification and cooling. We are continuously developing new service and upgrade solutions that support our vision of being a sustainable company, supplying products with a very long life time.

No matter what phase of the life cycle the equipment is in, our service solutions and products provide optimal operation and performance as long as needed.

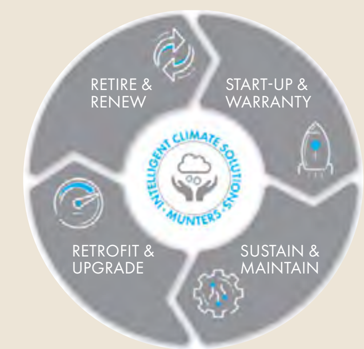
Our four Services phases

START-UP & WARRANTY – Services to ensure equipment is operating as designed, e.g. installation, preventive maintenance and training.

SUSTAIN & MAINTAIN – Keeps equipment running like new through rotor performance checks, repairs and spare parts.

RETROFIT & UPGRADE – Boosts energy efficiency and capacity with retrofit solutions for equipment already in operation. Such as controls upgrade, rotor replacement and remote assistance.

RETIRE & RENEW – Sustainable replacement when equipment finally reaches end-of-life.



STRATEGY

Excellence in everything we do

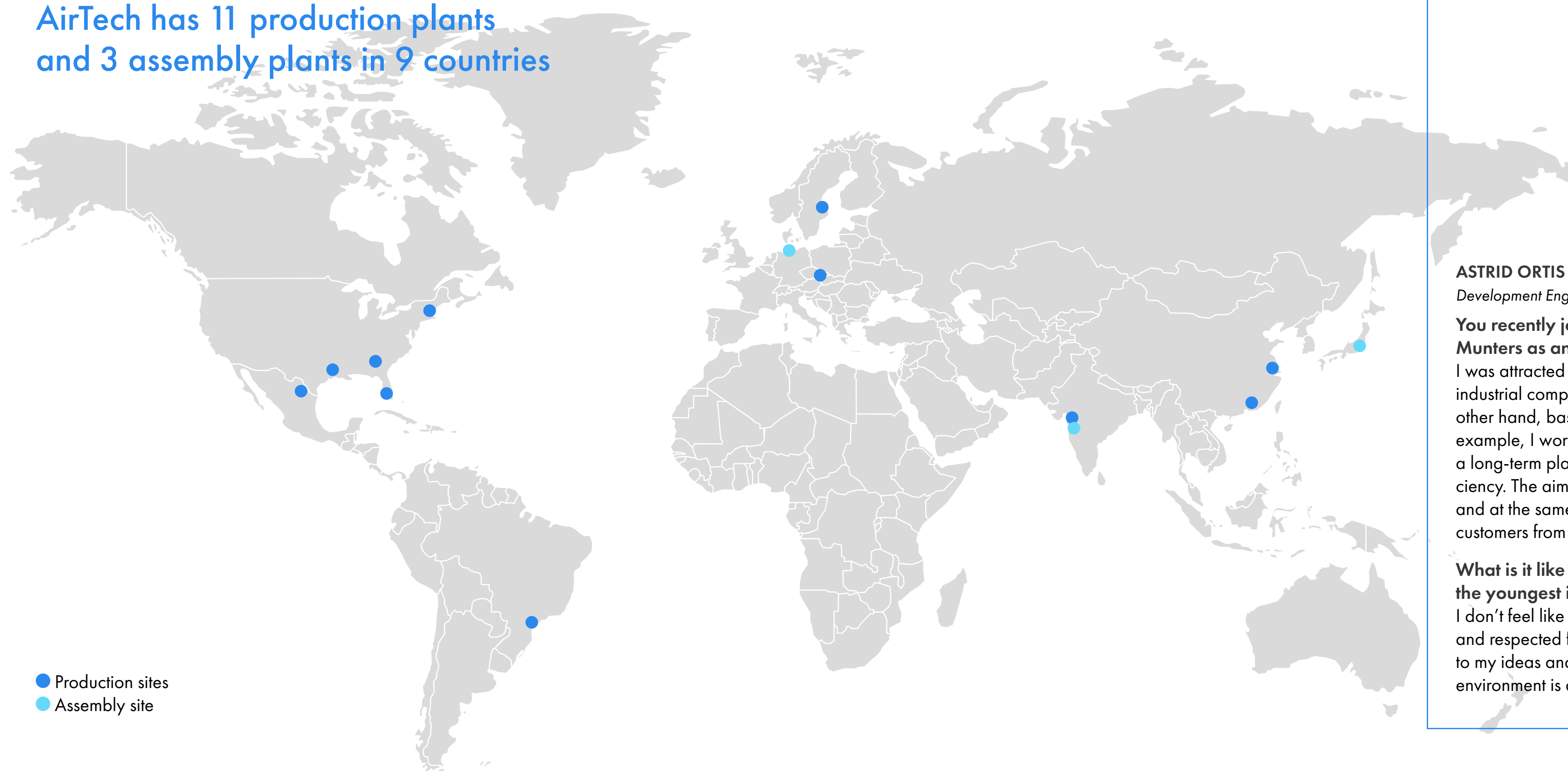
We strive for excellence in everything we do and always consider the best ways to continuously improve how we work and are organized. 2022 was distinguished by further supply chain disruptions and cost inflation of raw materials and components. AirTech worked actively during the year to strengthen and regionalize its supply chains, and maintain an active pricing strategy to compensate for cost increases. This will remain a focus area in 2023.

INCREASED PRODUCTIVITY
Productivity improved during the year, partly through investments in new machinery and production plants, but also through continuous improvements through MPS.

NEW FACTORY OPENED
In 2022, AirTech opened a new production plant in Hodinin, Czech Republic, to meet growing demand from battery producers. With 10 000m² of workspace, the factory will employ around a hundred people. It will mainly produce the dehumidification system Munters DCC Pro for the battery segment, but also for the food and pharmaceutical industries. The factory is designed with sustainability in mind, giving our employees a modern working environment.

ANOTHER FACTORY PLANNED
During the year, AirTech also decided to build a new production plant in the US for manufacturing of desiccant dehumidification products and to service the North American market. The facility is being built in Amesbury, Massachusetts, and will be the new home to Munters entire workforce in Amesbury. The decision was made in response to the growing demand for desiccant dehumidification solutions. This state-of-the-art facility will significantly increase capacity, offer improved workflows, and provide a modern environment for employees in keeping with Munters sustainability goals. The plan is to be fully operational at the new site during 2024.

AirTech has 11 production plants and 3 assembly plants in 9 countries



ASTRID ORTIS
Development Engineer, AirTech R&D

You recently joined the company. What made you choose Munters as an employer?
I was attracted by Munters breadth. On the one hand, it is a large industrial company with a market-leading position, and on the other hand, basic research is carried out within the company. For example, I work together with our colleagues in China to develop a long-term plan for how Munters will work with energy efficiency. The aim is to reduce the products' environmental impact and at the same time ensure that they continue to be attractive to customers from a financial point of view.

What is it like to be a woman and at the same time one of the youngest in the R&D department?
I don't feel like I'm in the minority here at Munters. I felt welcome and respected from day one. My colleagues immediately listened to my ideas and invited me into discussions. The good work environment is a contributing factor to why I want to stay.

Jonas Wahlkvist from our production site in Tobo, Sweden.

Did you know?
Munters fog separator can eliminate more than 95 per cent of sulfur emissions from coal fired power plants.

STRATEGY

Innovation

Within AirTech we want our application experts to collaborate with the customer's process supervisors to devise an optimal solution. This way, Munters can offer an innovative solution that meets a number of different climate control functions and is optimized based on the customer's specifications and needs. We have extensive knowledge of specific applications and access to various technologies and components that we often develop ourselves.

INCREASED INTEREST IN REAL-TIME ANALYSIS

We see increased interest in data collection via sensors on our climate solutions to analyze climate data in real time. Munters therefore develops connected, digital solutions that provide performance analysis and remote monitoring.

R&D LAB IN KISTA IS DEVELOPING

The new R&D lab in Kista for verification testing of Munters products underwent further development in 2022, so that testing can be conducted more effectively and flexibly.

One of the more extensive pilot projects was focused on measuring the performance of a dehumidification unit with significantly lower energy consumption than existing models. Another project has involved measuring in greater detail the performance of a typical air handling system for use in the growing market for battery production.

Munters supports the world's first e-methanol factory

In Magallanes, at the southern tip of Chile, the first industrial-scale hydrogen plant for manufacturing synthetic fuels is under construction. The goal is to deliver 550 million liters of e-gasoline by 2027.

E-fuels are carbon-neutral and compatible with existing combustion engines, which makes them an attractive alternative for today's transportation sector. The German auto manufacturer Porsche has already invested in the product and intends to use it in its race cars.

Munters is one of the many industrial companies playing a part in building the facility. Our mist elimination technology is part of the process that captures the CO_2 needed to produce the e-fuels and separate it from contaminants, resulting in 98 per cent pure CO_2.

The CO_2, which will be captured directly from the air, is mixed with green hydrogen to create e-methanol, which eventually will be converted to e-gasoline. The fuel will be shipped around the world.

The process will be powered by green electricity and steam, generated by wind power, which means no additional emissions in the air.

FACTS

What is carbon capture?

Carbon capture limits CO_2 emissions into the atmosphere by capturing it and storing it safely, in, for example, underground geological formations. Mass Transfer and Mist Elimination technologies are critical parts of the carbon capture process for all industries. Within this area Munters have decades of experience, skilled design and support staff, and satisfied customers throughout the world.

Market development and financial results 2022

ORDER INTAKE

Order intake in AirTech increased by 28.9% currency adjusted (organic 28.5%, structural 0.4%, FX-effect 14.8%). AirTech met strong demand with growth in all regions, primarily driven by the battery sub-segment as well as the segments CT and Services. Battery in Americas received several large orders during the year and also showed good growth in APAC and EMEA. CT grew primarily in APAC and Americas, driven by the process industry. Services had good growth, mainly driven by Americas.

NET SALES

Net sales in AirTech showed good growth in all regions, mainly driven by the Industry segment where especially the battery sub-segment grew strongly in all regions. The Components segment also grew strongly in all regions. The sub-segment foodproduction within Industry grew in EMEA and the Americas. Services showed growth in all regions, particularly in Americas. CT grew primarily in the Americas.

RESULTS

Profitability as adjusted EBITA margin in AirTech was stable during the year. Net price increases were offset by increased efforts to secure component shortages and to manage lead times. Actions to resolve operational challenges in a production unit, which started in the fourth quarter of last year, progressed during the year.

ORDER INTAKE, MSEK

8,399
(2021: 5,842)

ADJUSTED EBITA MARGIN

14.8%
(2021: 14.6%)

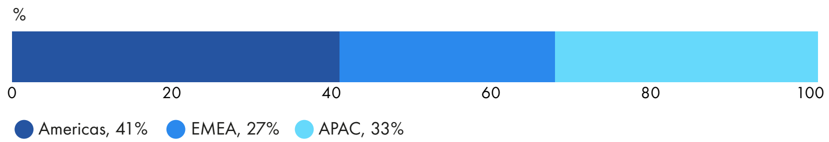
NET SALES, MSEK

6,830
(2021: 4,664)

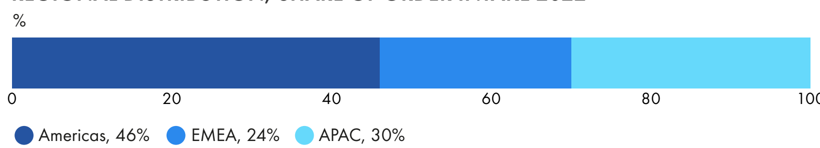
ADJUSTED EBITA, MSEK

1,014
(2021: 682)

REGIONAL DISTRIBUTION, SHARE OF NET SALES 2022



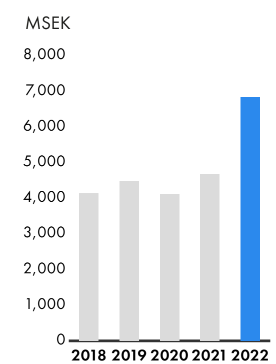
REGIONAL DISTRIBUTION, SHARE OF ORDER INTAKE 2022



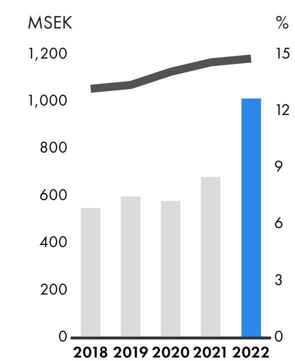
KEY FIGURES

MSEK if nothing else is specified	2022	2021	2020	2019	2018
External order book	4,698	2,796	1,442	1,276	1,329
Order intake	8,399	5,842	4,444	4,398	4,224
Net sales	6,830	4,664	4,116	4,474	4,138
Adjusted EBITA	1,014	682	580	599	549
Adjusted EBITA margin	14.8	14.6	14.1	13.4	13.2
Operating profit (EBIT)	976	635	446	515	547

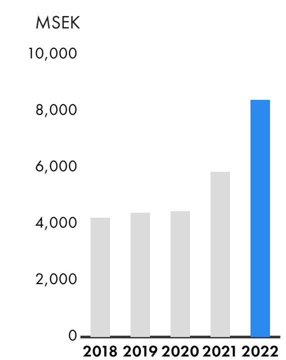
NET SALES



ADJUSTED EBITA AND ADJUSTED EBITA-MARGIN



ORDER INTAKE



DATA CENTER TECHNOLOGIES

Sustainable cooling solutions that facilitate digitization

The business area Data Center Technologies (DCT) is a technology leader that supplies advanced climate cooling solutions for data centers. With a diversified portfolio of patented products and extensive application knowledge, we create energy-saving solutions for data center operators worldwide.

SHARE OF THE GROUP'S NET SALES

13%

(2021: 10%)

DCT'S KEY COMPETITIVE ADVANTAGES

- Broad technology portfolio with patented, leading solutions
- Extensive application expertise in optimizing and customizing solutions
- Strong customer relationships and partnerships with several of the world's leading data center operators

IMPORTANT EVENTS IN 2022

- **Acquired Edpac**, an Ireland-based manufacturer of data center cooling equipment and air handling systems. The acquisition strengthens our presence in Europe.
- **Major order received for Sycool Split** from a leading colocation operator in the US valued at approx. BSEK 1.1. Deliveries began in the fourth quarter of 2022 and extend through the first quarter of 2024.
- **Data Center Technologies was established as a new business area** with Stefan Aspman as Group Vice President & President of the business area from July 2022.
- **Several orders received for standard chilled water computer room air handlers** from a US-based colocation data center company. The order value is approx. MSEK 630 and deliveries are scheduled to begin in the fourth quarter of 2023 through the first quarter of 2025.
- **Munters received its largest order ever**, valued at approximately BSEK 1.8. The order for SyCool Split systems came from a leading colocation operator in the US. Deliveries are expected to take place over a period of up to 12 months throughout 2024, starting in January.
- **Opening of a new 365,000 ft² (34,000 m²) manufacturing** facility in Virginia, US, to meet the growing demand for data center cooling.

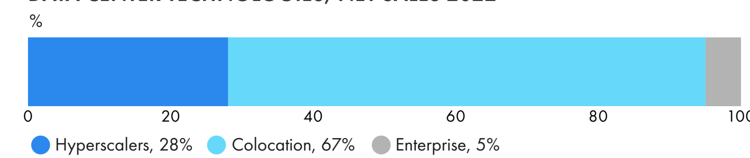
MISSION

With a diversified product portfolio and leading application knowledge, we create sustainable climate solutions for data centers worldwide

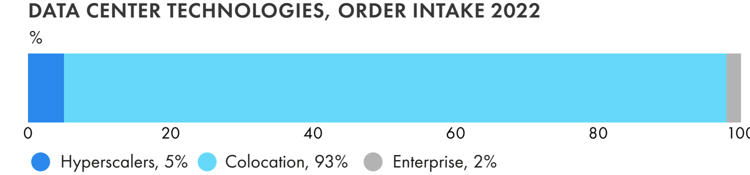
Strategic priorities

- Further investments in application know-how
- Broaden SyCool's product range with additional configuration, sizes and applications, e.g., for liquid cooling
- Develop modularity and operational efficiency
- Expand our geographical reach
- Continue to steer the market toward sustainable cooling solutions

DATA CENTER TECHNOLOGIES, NET SALES 2022



DATA CENTER TECHNOLOGIES, ORDER INTAKE 2022



STRATEGY

Market

Growth has historically been stable and the market is expected to continue to grow in pace with the world's digitization. The focus on sustainable climate solutions with efficient electricity consumption and lower water consumption is a strong market driver.

DCT BECOMES A SEPARATE BUSINESS AREA

During 2022 DCT became a separate business area as it is a prioritized, growing market segment for Munters, which has shown strong growth and increased traction in the market. Like Munters other business areas, DCT has profit responsibility as well as responsibility for the entire value chain.

Munters data center solutions and customer projects are specialized for the segment and benefit from an increased organizational focus, simplified processes and shorter decision-making channels.

Munters DCT is a valued partner specialized in cooling. This is an attractive position for growth, since cooling is a major contributing factor for critical aspects such as sustainability, profitability, infrastructure and risk.

FOCUS ON EFFICIENT ELECTRICITY CONSUMPTION

Data centers account for an estimated 1–2 per cent of global electricity usage, and significantly more for certain countries. Cooling represents a significant share of energy consumption and Munters, with its technology and extensive application know-how, has developed climate solutions that generate significant energy savings in data centers compared to traditional cooling solutions.

Data Center Technologies growth areas

- Offerings for smaller data centers in more urban environments, so-called Edge Data Centers
- Growth in Europe through cross pollination of the product ranges of the former Edpac and Munters
- Strong position and collaborations with some of the world's leading colocation specialists

Ashley Hamilton from our production site in Buena Vista, Virginia, US.

STRATEGY

Customers

Regardless of the type of data center being built or upgraded, it needs reliable, energy-efficient cooling to optimize for the specific conditions. The choice of solution depends on a number of factors such as the surrounding environment, the size and design of the facility, the type of data center and its energy density, the area around the building, local laws and regulations, water access, and the customer's investment horizon and operating costs. These parameters and others determine which cooling method and equipment match the circumstances and preferences in the best way.

Data Center Technologies' customer segments

Hyperscalers – cloud suppliers with the critical computer and network infrastructure necessary to build robust, scalable application environments.

Colocation – manage data centers where companies can rent out the facilities.

Enterprise – built, owned and operated by companies and optimized for the end user.

STRATEGY

People

We are one of the market's most specialized suppliers, with climate solutions for data centers as its only focus, which strongly contributes to our reputation as a knowledge and technology leader. This differentiation and competitive advantage is based on the extensive application know-how of our employees, and investments in training are critical to maintain satisfied customers and profitable growth. To sustain development and quality in its deliveries, DCT will focus more on R&D and hire more project leaders, service technicians and other customer-related functions in 2023.

The majority of the employees are based in the US and Ireland.

NUMBER OF EMPLOYEES

355

(2021: 176)

03
Operations

INTRODUCTION
STRATEGY
OPERATIONS
MEGATRENDS
OUR THREE BUSINESS AREAS
AIRTECH
DATA CENTER TECHNOLOGIES
FOODTECH
SUSTAINABILITY
CORPORATE GOVERNANCE
FINANCIAL INFORMATION
OTHER INFORMATION

Energy-efficient SyCool plays a key role in the design of a data center

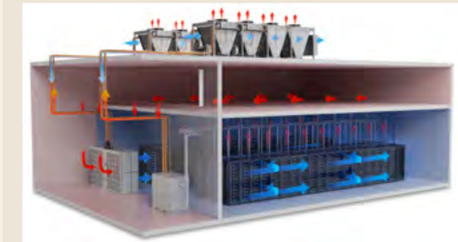
Since data centers require a sustainable design, the cooling system is often a primary concern for designers and operators. This is because the cooling system consumes the most electricity in a data center besides the IT equipment itself.

When Digital Crossroad wanted to build a new data center in a location where a coal-fired power plant had recently been decommissioned, sustainability was the key.

Munters indirect economizer cooling system was selected for the server rooms in the initial construction stage. To save energy and water, a dry heat exchanger design was chosen with a unique energy-saving feature that uses nearby cold seawater to provide additional cooling. As water conservation has become more important to the data center industry, Munters has focused on designing waterless cooling and developed SyCool, a revolutionary new system specially designed for high-efficiency cooling in data centers. The new SyCool solution can achieve annual energy efficiency comparable with evaporative systems – but without using water.

After running a number of design analyses, Digital Crossroad decided to use the new SyCool system in the upcoming expansion of the data centers. The new system is even more energy efficient than the previous version, and without the seawater. The SyCool systems in the initial expansion have been installed and ramped up.

Digital Crossroad is impressed by the efficiency of the systems, which surpassed initial expectations.



FACTS:
SyCool® Split
Munters award-winning SyCool Split provides an effective dry and scalable cooling solution for new and retrofit installations with multi-story and high-density designs.

The system is available in 250 kW, 400 kW and 500 kW blocks with cooling capacity.

SyCool's thermal effectiveness is nominally 60–70 per cent, greatly exceeding that of competing refrigerant based economizer systems.

Main features:
- Split system eliminates duct penetrations
- No water consumption
- Compatible with liquid cooling (day one or future conversion)
- High-efficiency economization
- Factory-optimized controls
- Winner of the magazine Mission Critical's 2021 Top Tier Product Award for Thermal Management Solutions

STRATEGY

Excellence in everything we do

CROSS FUNCTIONAL PROJECT TEAMS

Munters DCT has a project-based approach where customers get access to a dedicated project team consisting of a project manager, application engineers and service specialists who manage and oversee each project. All members of the cross functional project teams are experts in data center applications. Project success is measured and evaluated from the customer's perspective, from idea to execution. Their success is the defining, overarching goal rather than partial deliveries along the way. This approach creates value and customer-centric teams with the attitude, experience and expertise needed to understand the customers' needs and perspective in a way that creates trust and partnership. Through the service organization, customers always have access to knowledge, maintenance and further optimization long after the project has been delivered.

NEW PRODUCTION FACILITY

In 2022, DCT opened a new US production plant in Daleville, Virginia, against the backdrop of strongly increasing demand for data center cooling. The 365,000 ft² (34,000 m²) facility is Munters largest. It will mainly manufacture advanced and energy-efficient climate solutions for data centers. The factory is designed with Munters goal of net zero production in mind and 100 per cent of electricity consumption comes from renewable sources.

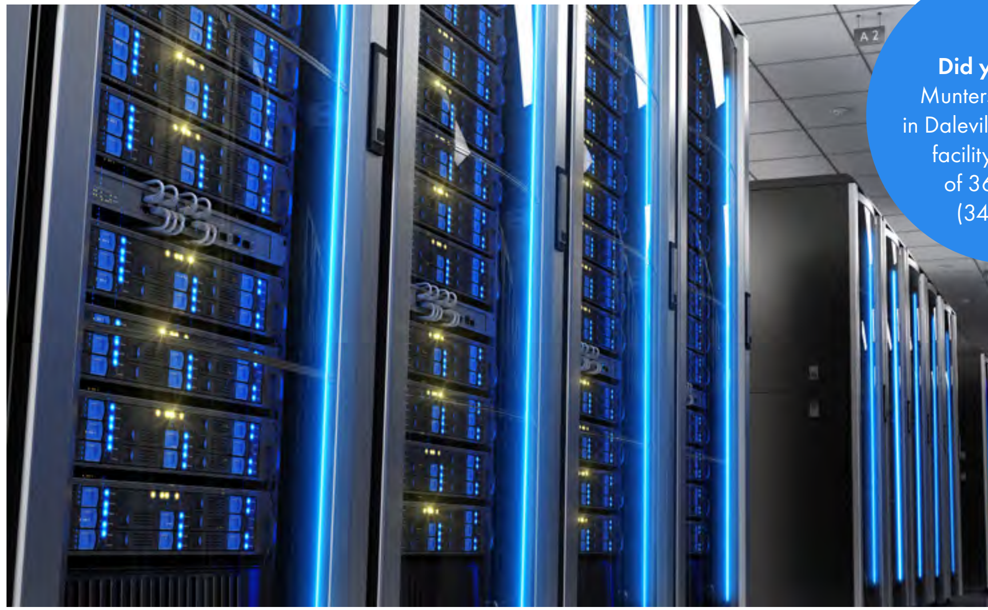
DCT has production sites in two countries including Munters largest facility located in Virginia

● Production sites
* Shared facility with AirTech

CHARLES HODNETT
Director of Operations, DCT Virginia, Americas

During the year, we opened a new manufacturing facility in Virginia, USA, to meet the growing demand for data center cooling. How did you ensure that the facility provides the best possible working environment?

We wanted to build a place where we all thrive and that we look forward to coming to each day. For production, we focused on operator safety through better ergonomics on the flow lanes and operator cells. In the offices, we aimed to create an inclusive functional space - one that is inviting to all and encourages brainstorming. In addition, we have created spacious locker rooms, an inviting cantina with healthy food options, a sustainably operated R&D facility, and a first-class customer reception area. To support Munters' sustainability efforts, all employees with electric cars receive free charging.



STRATEGY

Innovation

Munters provides climate solutions for data centers with a range of technologies. With the recently launched SyCool Split series, see page 36, which does not use water, we can supply a highly energy-efficient climate solution where access to a suitable water supply may be limited or unreliable. In a world where conservation of both energy and water are critical, SyCool is a highly attractive alternative, and in 2022 Munters received its largest order ever, regardless of category, for SyCool. For indirect cooling, we offer various heat exchanger technologies that work either with or without adiabatic assistance depending on the customers requirements.

With our indirect event climate solutions in the Oasis series, we can, like with SyCool, often meet the cooling needs of data centers without mechanical cooling (direct expansion (Dx)) for a large share of the operating hours each year, which makes it a highly energy-efficient solution. In some cases, our indirect evaporative cooling solution can fully eliminate the need for direct mechanical cooling year-round.

Did you know?
Munters new factory in Daleville is our largest facility in America of 365,000 ft2 (34,000 m²)

New US testing lab runs on renewable electricity

By 2030, Munters aim to be net zero carbon emissions from own operations. To reach this target, we have launched several initiatives. One of them is a mandatory environmental impact assessment of all new investments.

This means that every time we replace or buy new equipment, we also have to find and evaluate an alternative that is better for the environment.

We recently had an opportunity to do just that when we moved our test lab in Virginia to the new plant in Daleville, in the U.S.

After conducting an environmental and financial assessment, we decided to create a test lab that runs on renewable electricity.

"Despite the longer payback period for the alternative electricity, the investment was approved, since our management realized that it is the right thing to do for the environment and our business in the long run," says Maj-Britt Hällmark, Vice President & Senior Advisor for the sustainability group at Munters.

The investment will also result in a test lab that offers better control than is possible with diesel or propane boilers.

"This means that our test data will be more accurate and our equipment will be more reliable," says Mike Boucher, Vice President, R&D who runs the lab.

Market development and financial results 2022

ORDER INTAKE

Order intake in DCT increased by 405.0% currency adjusted (organic 379.3%, structural 25.7%, FX-effect 89.5%). During the year order intake grew substantially as several large orders were received from colocation operators in the US, with Munters largest order ever received in the third quarter of MUSD 176 for SyCool Split systems.

NET SALES

Net sales increased in DCT by 69.3% currency adjusted (organic 34.8%, structural 34.5%, FX-effect 30.2%) with strong growth in driven by colocation operators in both the US and EMEA.

RESULTS

The adjusted EBITA margin in DCT was negatively impacted by component shortages in both regions as they resulted in increased lead times as well as increased production costs. In addition, price increases still lagging higher material and freight costs.

ORDER INTAKE, MSEK

6,245

(2021: 1,051)

ADJUSTED EBITA MARGIN

6.0%

(2021: 13.2%)

NET SALES, MSEK

1,401

(2021: 702)

ADJUSTED EBITA, MSEK

84

(2021: 92)

REGIONAL DISTRIBUTION, SHARE OF NET SALES 2022

%

Americas, 79% EMEA, 20% APAC, 1%

REGIONAL DISTRIBUTION, SHARE OF ORDER INTAKE 2022

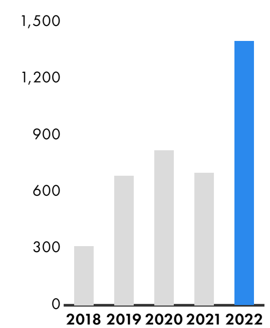
%

Americas, 95% EMEA, 5% APAC, 0%

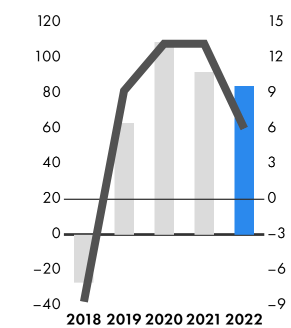
KEY FIGURES

MSEK if nothing else is specified	2022	2021	2020	2019	2018
External order book	5,937	703	295	504	323
Order intake	6,245	1,051	657	859	409
Net sales	1,401	702	823	688	313
Adjusted EBITA	84	92	109	63	–27
Adjusted EBITA margin	6.0	13.2	13.2	9.2	–8.7
Operating profit (EBIT)	71	148	99	51	–44

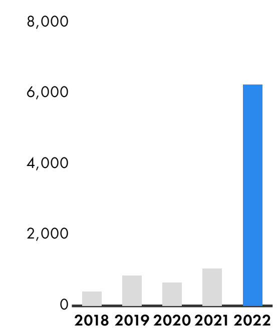
NET SALES



ADJUSTED EBITA AND ADJUSTED EBITA-MARGIN



ORDER INTAKE



FOODTECH

A world leader in climate control systems for food production

The business area FoodTech is of the world's leading suppliers of innovative and energy-efficient climate systems for livestock farming and greenhouses, as well as software to control and optimize the entire food production value chain. FoodTech's solutions increase productivity while enabling sustainable food production where high demands are placed on quality, animal health and food safety.

SHARE OF THE GROUP'S NET SALES

21%

(2021: 27%)

FoodTech key competitive advantages

- Quality products with high availability and low cost of ownership
- Long-term customer relationships
- Our ability to understand and supply solutions that meet our customers' future climate needs

MISSION

We help feed the world by changing the way we cultivate and produce food.

Strategic priorities

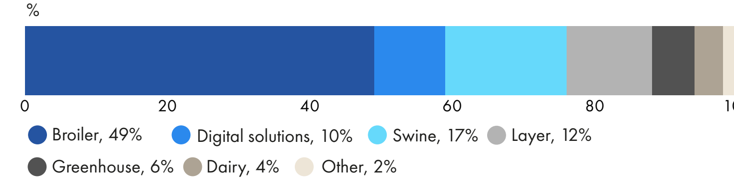
- Create a unique connected offering for the entire food production value chain
- Further strengthen our leading position in climate control and data analysis for the poultry and swine segments
- Grow in software

IMPORTANT EVENTS IN 2022

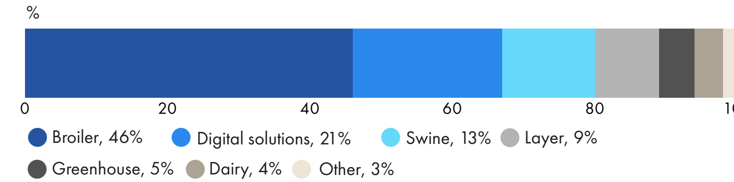
- **Order intake was negatively affected** by weak demand in China, especially in the swine market. In EMEA, the underlying market weakened as a result of the war in Ukraine and inflationary pressure.
- **Contract to deliver a SaaS** solution to one of the world's largest food producers, valued at approximately MSEK 200. This is a recognition of FoodTech's strategy to connect the entire food production value chain with innovative software and precision farming solutions.
- **Financial investment in FarmSee**, based in Tel Aviv, Israel. FarmSee offers AI camera-based weighing sensors with continuous tracking of each individual pig on a farm. Through the investment we become a distributor of FarmSee's product range and software.
- **Strategic partnership and financial investment** in BarnTools, based in Iowa, in the US. BarnTools provides wireless IoT and sensor solutions for poultry and pork producers.
- **Acquisition of majority share in InoBram***, a Brazilian manufacturer of climate controllers for farms and food producers.
- **Contract to supply our SaaS solution** to one of North America's largest poultry producers. The order is valued at approximately MSEK 46.

* Transaction closing is subject to certain corporate and regulatory approvals, including CADE (Brazilian antitrust) approval.

FOODTECH, NET SALES 2022



FOODTECH, ORDER INTAKE 2022



STRATEGY

Markets

We see increasing pressure for advanced climate control systems that ensure higher energy-efficiency and lower emissions. In addition, calls from authorities and consumers to reduce antibiotic use in livestock farming are leading to high demands on livestock farming.
Despite this, 2022 was a challenging year for FoodTech with a combination of falling volumes and higher costs. In the APAC region, the Chinese swine market continued to develop weakly for the entire year. Another reason for the lower volumes was the war in Ukraine, where Munters in the first quarter decided to suspend all direct and indirect sales to Russia. This had an immediate effect on FoodTech's order intake and sales, and a direct effect on earnings through inventory write-downs and costs to adapt the business.

OUR OFFERING

The operations of FoodTech consist of Climate Solutions and Digital Solutions.

In **Climate Solutions,** FoodTech offers complete systems to control indoor environments in barns and greenhouses, including equipment for ventilation, cooling and heating, as well as various types of control systems.

In **Digital Solutions** and the subsidiary MTech Systems, technologies and systems to control and forecast the entire food production value chain are offered through integrated systems for farms, feed mill farms, hatcheries and processing facilities.

Within Digital Solutions a data-driven software system is developed and offered, SaaS.

DEMAND FOR INCREASED TRACEABILITY

Increased food traceability is leading to higher demands on data collection and analysis of the entire value chain, including feed production, stables, production plants and transports the whole way to the store. Together with demands for high productivity, this has led to rapid development of the software used by food producers to plan, control and optimize the entire production chain from feed to finished product.

ACQUISITION OF INOBRAM DURING THE YEAR

During the year, we acquired 60 per cent of InoBram, a Brazilian manufacturer of climate controllers for farms and food producers. The acquisition supports our strategy to grow in digital solutions for the food and agricultural industry and connect the entire production value chain. InoBram is based in Pato Branco, Brazil, and has just over 150 employees.*

Growth areas are

- Strengthen our position in markets where we are or can be a market leader
- Expand our SaaS offering

* Transaction closing is subject to certain corporate and regulatory approvals, including CADE (Brazilian antitrust) approval.

We help feed the world by changing the way we cultivate and produce food

REDUCED FEED USE
We reduce the use of feed by offering a better climate and thereby lowering the amount of feed needed to produce meat.

ANIMAL WELL-BEING
We improve animal well-being by monitoring the animals' health and status with our sensors.

INCREASED TRACEABILITY
We increase traceability and bio-safety through data collected from the entire value chain.

BETTER INDOOR CLIMATE
We reduce the use of antibiotics through a better indoor climate for poultry and swine.

LOWER ENERGY CONSUMPTION
We lower energy consumption through better designed ventilation systems and more efficient equipment.

MINIMIZE ENVIRONMENTAL IMPACT
We minimize waste and reduce transports by predicting farm yields in real time.

STRATEGY

Customers

Efficient climate control is one of the most important factors for profitable and sustainable production.

LARGE AND SMALL CUSTOMERS

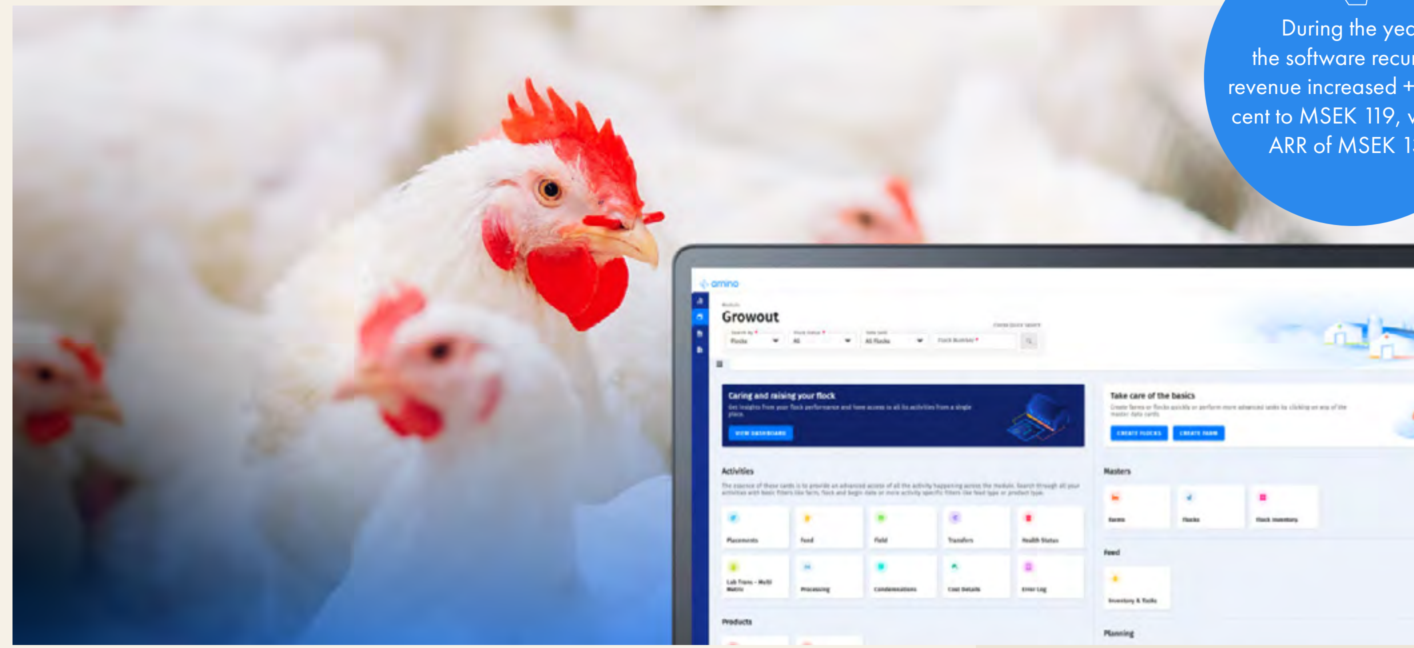
FoodTech's customers range from large multinationals to individual farms. We have a strong position in the layer and broiler markets in the US and Europe. FoodTech is also a leader the swine farming market with a strong position in the U.S. Sales are primarily through distributors in local markets, and in some geographical markets and segments, products are sold directly to the end customer.

OUR EQUIPMENT IMPROVES ANIMAL HEALTH

Through the technologies and systems that MTech Systems supplies, FoodTech has many of the world's largest food producers in the broiler segment as customers, who use our software to plan and monitor operations. The solutions help the customer optimize day-to-day operations, provide farm-to-fork traceability, and deliver artificial intelligence for predicting future performance. The integration of FoodTech's equipment and software enables the food industry to improve animal welfare and increase efficiency, while reducing its carbon footprint and ultimately achieving a more sustainable way of doing business. Software solutions are often sold directly to food producers as SaaS solutions.

FoodTech's customer segments

- CLIMATE CONTROL
  - » Broiler segment
  - » Layer segment
  - » Swine segment
  - » Dairy segment
  - » Greenhouses
- DIGITAL SOLUTIONS



During the year the software recurring revenue increased +39 per cent to MSEK 119, with an ARR of MSEK 133

Major food producer chooses Munters smart software

By 2050, global food systems are expected to have to feed more than nine billion people in a safe, responsible and sustainable way. Growing populations, increased competition, shortages of resources such as land, water and energy, together with climate change and economic and logistical factors, are all challenges that make the food industry complex.

Using smart digital tools is one way to manage this complexity and increase efficiency and profitability. A growing number of food producers around the world are searching for technology to manage this complexity.

One of North America's largest poultry producers purchased Munters innovative software solution Amino for a value of approximately MSEK 46. The rollout of the software will begin in the second quarter of 2023.

The software, which is the latest in a long line of smart solutions, enables food producers to sustainably optimize their entire value chain, while at the same time contributing to animal health.

"I am enthusiastic about the number of top producers who believe in our vision to monitor and optimize the entire food production value chain in order to improve sustainability and animal welfare," says Pia Brantgärde Linder, President of business area FoodTech.

FACTS

MTech – leader in smart digital tools

In the poultry segment, MTech Systems, a Munters company, is becoming a leader in smart digital tools which enable food producers to manage complexity by analyzing and optimizing every link of the value chain – from breeding to feeding.

MTech's innovative Amino software is a cloud-based AI tool for accurate yield forecasts, production planning and real-time analysis through the entire food production chain.

Three immediate benefits of Amino are:

1. Improved data processing and lower risk of costly errors
2. Faster data analysis and problem solving
3. Next-level planning to drive business results

Sofie Lundahl and Daniella Karhula Lagerhult from our production site in Tobo, Sweden.

STRATEGY
People

Our employees are the core of our business. Communication and leadership are especially important for FoodTech, where we are spread around the world with long distances between our facilities. We understand the importance of communication at every level, both to share information within the business area and to increase collaboration between business units.

The majority of FoodTech's employees are based in the US, Israel, Italy, China and Germany.

NUMBER OF EMPLOYEES

791

(2021: 796)

KEIKO ASANO
Managing Director, Munters Japan

You have worked hard to increase the number of women in technology and sales positions, how has that work been done?
We have trained our managers around unconscious gender biases and raised the issue of gender equality in recruitment processes by consciously increasing the number of women we interview. We have communicated Munters commitment to sustainability, gender balance, and work-life balance in company presentations and discussions with recruiters.

Saturn FIVE extraction fans handle even the toughest conditions

The summer of 2022 was exceptionally warm in southern Europe. For poultry farmers, high temperatures can cause major problems, including the risk that many of their animals will suffer strokes, which could significantly reduce their earnings. With Munters innovative new Saturn FIVE extraction fans, the effects of extreme weather can be mitigated and the production climate can remain stable from one season to the next.

Paolo Furegon achieved a better quality at a lower cost
Paolo Furegon runs a family business that raises chickens in the Vicenza province of Italy, where he has a total capacity of 2 million chickens a year. In April 2022, Paolo decided to replace 20 old fans with eight new Munters Saturn ONE and FIVE models.

Just a few months later, the summer temperatures in Vicenza reached as high as 39°C, or ten degrees warmer than normal in the area. Thanks to the new fans, Paolo was able to close the production cycle with only 8 fans without any losses, despite the extreme heat.

According to Paolo, the biggest benefits from installing the new Saturn ventilation system are:

- Lower energy costs thanks to superior energy efficiency and use of fewer fans than expected
- Lower total cost of ownership. Fewer fans mean lower installation, maintenance and energy costs. Moreover, less time is spent on cleaning the equipment.
- Access to Munters expertise and customer support.

FACTS

Saturn FIVE is a cost-saving platform
Saturn FIVE is a cost-saving platform designed to meet the needs of farmers in any climate zone.

By combining exceptional airflow with full energy efficiency, an indoor climate is created that contributes to improved animal welfare, optimized livestock yield, and thereby a higher return on investment and a more sustainable business.

An innovative design with many benefits
Saturn FIVE's modular design enables farmers to configure a system to perfectly suit their needs.

Innovative materials and components with a simpler design and fewer moving parts extend the life of the system and reduce the cost of ownership.

The Saturn FIVE system also has a patent-pending butterfly damper that shuts tightly when the fan is off to reduce energy waste and minimize drafts that could affect the animals' well-being. Without the actuator, the damper opens and remains open even at high pressure operations, avoiding performance drops, keeping the time to activate ventilation programs to a minimum, and wasting less energy due to poor ventilation.

Poultry farmer saves money with innovative heat exchangers

Rising energy costs are forcing farmers to seek out smarter heating alternatives. For Christian Lorentzen's poultry farm in Denmark, the solution was to switch to Munters Heat-X Rotate, a heat recovery solution that saves up to 70 per cent of heating costs.

Christian Lorentzen's poultry farm consists of two structures with a combined capacity of 280,000 birds at the same time. Utilizing heat recovery is nothing new in his business. He has had heat recovery installed in all his facilities. However, the cleaning required with the old system was burdensome, both in terms of time and cost. In addition, it did not deliver the expected air quality.

By replacing the heat recovery system with Munters Heat-X Rotate, the farm was able to:

- Improve air quality and the overall environment in the poultry stables, including drier hay and up to 44 per cent less ammonia, while at the same time decreasing the risk of pathogens and diseases
- Reduce the dependence on gas as an energy source
- Drastically reduce CO_2 emissions from the farm
- Achieve a lower total cost of ownership, including installation, maintenance, cleaning and operating costs.

"It requires minimal time to clean and largely takes care of itself," says Christian Lorentzen. "We have run the equipment for a year and I have only had to clean the rotor once. The heat exchanger has stayed clean with the built-in air compressor and it works perfectly."

Lower costs with heat recovery
When energy costs rise, energy costs quickly command a larger share of the farm's budget. The most effective way to cut costs is to install a heat recovery solution.

Better animal health produces a higher yield
Heat exchangers are designed to ensure an optimal climate for livestock farming by efficiently recovering heat from the exhaust air which is produced in poultry and pig stables.

In addition to energy efficiency, the solution has several advantages. Optimizing the climate for poultry during the animals' first week of life leads to a much stronger immune system. Healthier chickens also require less antibiotics and follow their optimal growth curve. In the long run, this also results in higher productivity.

FACTS

Heat-X Rotate generates lower emissions
Using natural heat exchanger processes reduces the farm's consumption of non-renewable energy. A farm can reduce its carbon footprint by 45 tons a year with just one Heat-X Rotate. This is the same emissions you would generate if you drove a car around the world six times!

Innovative heat recovery with Rotary heat exchanger
Munters air-heat exchanger Heat-X Rotate promises:

- Up to 70 per cent savings on heating costs
- Improved indoor air quality and animal welfare
- Lower CO_2 emissions

In addition, Heat-X Rotate has other advantages compared with competing products:

- High energy recovery
- Compact design, low transport costs
- Low energy consumption
- Simple maintenance and cleaning to maintain hygiene
- Lower total cost of ownership

STRATEGY

Excellence in everything we do

For FoodTech, "Excellence in everything we do" means being a company that is easy to do business with, but also working efficiently inside the company.

2022 was a challenging year with a combination of falling volumes and cost increases. During the year, an optimization program was launched in China, where we consolidated production from two production plants to one. The aim is to further improve productivity and reduce working capital.

Another priority has been cost inflation in our markets. We continued to adjust our pricing strategy in order to pass along higher material, payroll and energy costs to the customer. FoodTech continued to invest in the Southeast Asian market and early in the year opened a logistics hub in Vietnam with the goal of improving our offering in the region.

FoodTech has 6 production sites, 1 assembly site and 3 software development sites in 8 different countries

STRATEGY

Innovation

We collaborate with end customers and dealers to optimize our product development process and customize solutions in terms of humidity level, temperatures, emissions and energy consumption.

A strong driver is digitization, and we are seeing great interest in data collection and analysis in real time from our customers. Digitized processes are today, and will in the future increase to be, an important way to optimize production, improve energy efficiency, increase integration and strengthen the food production value chain. Munters today is a world leader in the software used by food producers to plan, control and optimize the entire production chain from feed to finished product. There is great interest in and potential for these Internet-based solutions, but competition is stiff and staying ahead requires continuous investments and improvements.

We continue to increase investments in product development and new products introduced during the year was the Saturn FIVE fan and ROTEM TRIO controller.

Market development and financial results 2022

ORDER INTAKE
Order intake in FoodTech declined by –6.8% FX-adjusted (organic –6.8%, FX-effect 10.3%). During the year, FoodTech continued to be negatively affected by weak demand in China, especially in the swine market. In EMEA, the underlying market weakened as a result of the war in Ukraine and inflationary pressure. Americas has shown good growth both in Climate Solutions for the broiler and swine segments and Digital Solutions.

NET SALES
Net sales declined slightly by –1.8% FX-adjusted (organic –1.8%, FX-effects 10.9%). Americas grew, especially in Digital Solutions and the broiler and swine sub-segments within Climate Solutions. APAC declined mainly due to a continued weak swine market in China, somewhat offset by growth in the greenhouse and broiler segments. EMEA net sales remained at the same level as last year.

RESULTS
Adjusted EBITA declined mainly due to lower volumes in China and EMEA. Price increases during the year have compensated for increased material and freight costs. The war in Ukraine had an impact on the supply chain and market demand, and lead to operational challenges in a production unit in EMEA. Since then, activities are underway to resolve these operational challenges and lower volumes. In China, an optimization program is underway where production has been consolidated from two production sites to one. Large investments are underway in Digital Solutions.

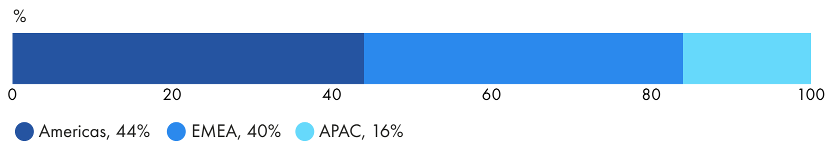
ORDER INTAKE, MSEK
2,242
(2021: 2,166)

ADJUSTED EBITA MARGIN
5.8%
(2021: 10.4%)

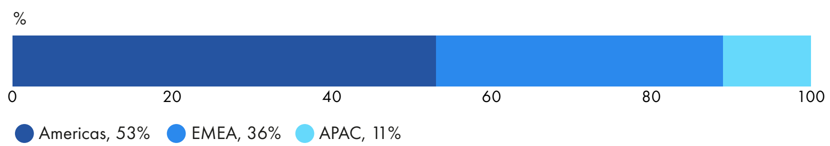
NET SALES, MSEK
2,211
(2021: 2,028)

ADJUSTED EBITA, MSEK
128
(2021: 210)

REGIONAL DISTRIBUTION, SHARE OF NET SALES 2022



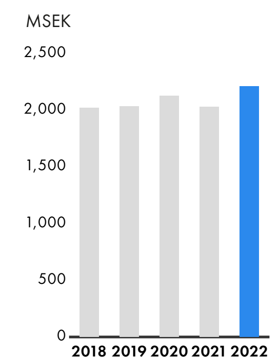
REGIONAL DISTRIBUTION, SHARE OF ORDER INTAKE 2022



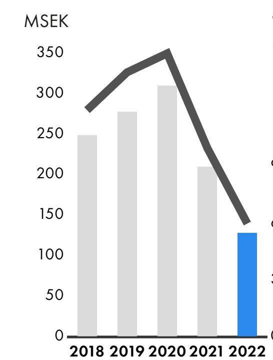
KEY FIGURES

MSEK if nothing else is specified	2022	2021	2020	2019	2018
External order book	828	700	516	526	518
Order intake	2,242	2,166	2,196	2,087	2,107
Net sales	2,211	2,028	2,126	2,032	2,018
Adjusted EBITA	128	210	310	278	249
Adjusted EBITA margin	5.8	10.4	14.6	13.7	12.4
Operating profit (EBIT)	5	71	277	226	244

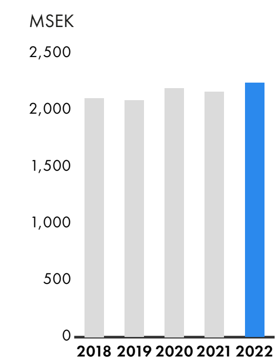
NET SALES



ADJUSTED EBITA AND ADJUSTED EBITA-MARGIN



ORDER INTAKE



Sustainability report 04

Sustainability strategy

Our sustainability priorities

- Offer high-quality, resource-efficient climate solutions
- Reduce carbon dioxide emissions, increase energy efficiency and the share of renewable electricity we use
- Increase diversity and ensure an inclusive culture and safe workplaces
- Offer new sustainable products and services

Our central sustainability areas

The following three points provide the framework for Munters sustainability agenda. We integrate this in our strategy and strategic priorities

I Resource efficiency and environment

Munters strive to offer sustainable products that help customers to be more efficient and reduce their climate impact. Our own production will be responsible and we will work to reduce our environmental and climate impact. We choose transports that limit our environmental impact.

Read more on page 52, click here ▶

II People and society

Munters strive to operate in a just and inclusive way to continuously create engagement. Diversity gives us perspective and valuable insight. We work collaboratively to benefit our local communities.

Read more on page 58, click here ▶

III Responsible business practices

Munters strive to be sustainable and profitable in order to create value for our stakeholders. We should be reliable and strengthen our relationships with all stakeholders by acting ethically. We require those we cooperate with to comply with the same ethical guidelines we follow.

Read more on page 61, click here ▶

Organization & governance

Curiosity and an ambition to create pioneering technologies are part of our DNA. For us at Munters, sustainable business means that through our climate solutions we contribute to a more sustainable planet and create value for society. Sustainability is integrated in every aspect of the business strategy.

SUSTAINABLE BUSINESS MODEL

Munters business model is to offer innovative, high-quality and energy-efficient solutions for air treatment and the climate to businesses that need precise air and climate control.

To deliver sustainable value, Munters is constantly innovating and raising the efficiency of its processes and methods to remain a leader in the industry.

To be successful, it is essential that we have strong relationships with customers and suppliers, motivated employees and high ethical standards.

SUSTAINABILITY STRATEGY

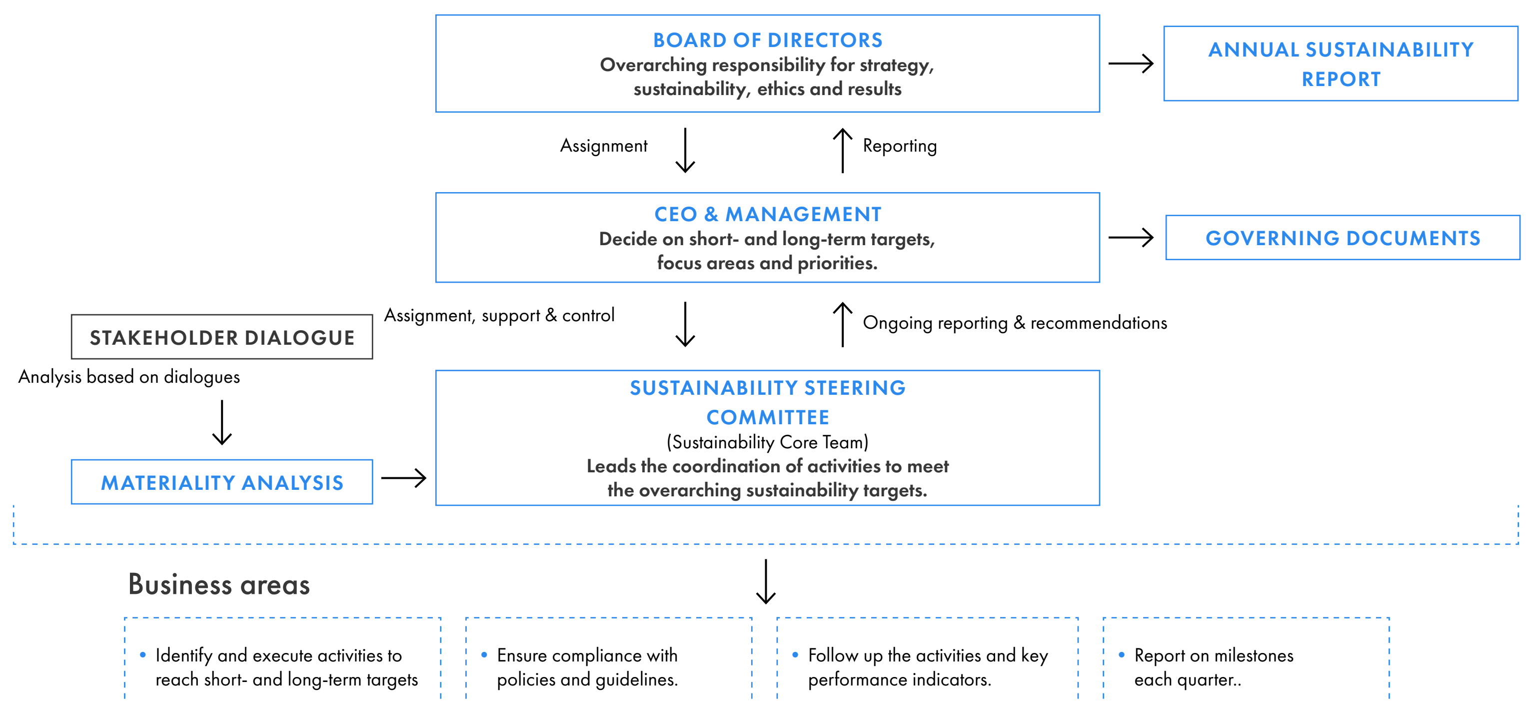
Munters has three overarching focus areas for its sustainability work: Resource efficiency & environment, People & society, and Responsible business practices. For targets and results for the company's sustainability indicators, see page 52–62

SUSTAINABLE ORGANIZATION AND GOVERNANCE

Board of Directors & Management

The Board of Directors is ultimately responsible for Munters business strategy and sustainability. The President and CEO is responsible for implementing the strategic priorities and sustainability activities, goal setting and monitoring targets and indicators. The Group Vice President HR & Sustainability is a member of the Management Team and reports directly to the CEO. Management is responsible for ensuring that the business strategy and sustainability activities are implemented and for monitoring established targets and regularly communicating the results and outcomes to the Board of Directors and relevant parts of the organization. Strategy and policy documents are revised by the Board and the CEO once a year and are available on the company's intranet. For more information on our policies, see pages 69.

Munters sustainability governance model



Sustainability steering committee

The steering committee is led by the Group Vice President HR & Sustainability. The steering committee leads the work of proposing targets, coordinating sustainability activities and plans, monitoring and evaluating the activities, and tracking key performance indicators. To maintain a sustainable and profitable business, Munters has integrated sustainability in every aspect of the business strategy.

The sustainability steering committee consists of twelve members from Group functions and representatives of all three business areas. The aim is to share know-how and responsibility for sustainability at every level and in every region within the organization.

Steering committee's work in 2022

The steering committee meets frequently and during the year held 19 meetings. Additional meetings were held by individual members of the committee with Munters Management Team and local employees, among others. The steering committee's work during the year included:

- Monitoring activities, plans and KPIs related to established sustainability targets
- Drafting strategy for energy and water conservation
- Oversight and management of the organization's work on measuring indirect emissions according to the GHG Protocol. Dialogue with partners in our value chain
- Building support for sustainability work in preparation for strategy period 2023–2027
- Annual CDP reporting, participation in other surveys
- Mapping of energy use and sources for offices and other properties not used in production. Introduced reporting of Scope 1 and 2 emissions for them
- Increased clarity and transparency in the company's external sustainability
- Conducted climate risk analysis according to the TCFD framework
- Meetings and workshops with management to build support for more forceful action to increase the number of women employees and leaders
- Began work on a materiality assessment in accordance with the double materiality principle

Steering committee For 2023

A large part of the steering committee's work in 2023 will focus on preparations for the upcoming requirements in the European Corporate Sustainability Reporting Directive (CSRD), which enters into force in 2024, as well as continued support for the work underway on EU Taxonomy reporting. The steering committee will continue its oversight and management of the work of defining the indirect emissions in the value chain according to Scope 3 in the GHG Protocol. Internal training is planned for various target groups to improve understanding of indirect emissions and how we can help our customers reach their emissions targets through energy-efficient solutions, in addition to continued dialogue with our partners both upstream and downstream.

The steering committee works continuously to increase the information on and engagement in the company's sustainability work and is planning a number of meetings with various groups and employees in the coming year. The materiality analysis according to the double materiality principle is scheduled to be completed in the first half of the year.

Review & monitoring

Compliance with the policies is monitored each year and reported to the Board of Directors. Management is responsible for implementing and monitoring policies and governing documents.

All employees will be informed of the Code of Conduct and managers will also receive training on the guidelines within relevant areas. Munters provides key employees with training on national and international laws on forced labor and human trafficking. These employees also receive guidance on identifying the signs of abuse in individuals who work for or provide services on behalf of Munters.

Employees who violate the policies and governing documents may face consequences based on the nature of the violation.

Major suppliers much pledge in writing to comply with Munters Code of Conduct for suppliers. Munters periodically audits its direct hardware suppliers and their compliance with our Code of Conduct for suppliers. The audit results are followed up with each hardware supplier. Munters has launched a certification process for hardware suppliers, who must certify that the materials they have used have been manufactured in accordance with current laws prohibiting forced labor and human trafficking. Hardware suppliers that violate Munters Code of Conduct may face consequences and in serious cases may have the relationship terminated.

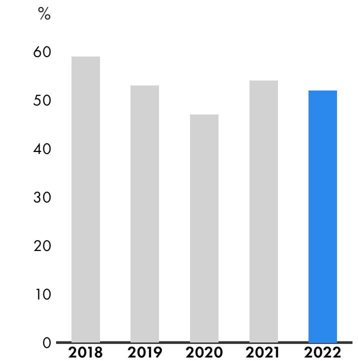
Munters also encourages employees, suppliers and customers to report observations of unethical behavior such as forced labor or human trafficking. Munters has an external whistleblower service, where those who report violations of the Code of Conduct are guaranteed anonymity and will not risk retaliation.

Munters provides an external, independent, whistleblower function where those who report potential breaches to our code of conduct are guaranteed anonymity and will not risk retaliation.

Resource efficiency & environment

SUSTAINABLE PRODUCTS	RESPONSIBLE PRODUCTION	EFFICIENT TRANSPORTATION
Reduce our customers' environmental impact by offering energy- and resource-efficient solutions as well as services to extend the life of the products.	Through energy- and resource-efficient production sites, together with efficiencies in how we work, we reduce our environmental and climate impact.	Reduce the environmental impact of transportation by choosing alternatives with low emissions and active logistics planning.

Recycling rate

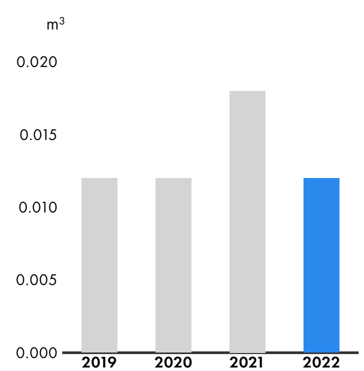


WATER CONSUMPTION

We separate chemicals and the particles in the wastewater from our facilities. The majority of our production consists of assembly, where water is used only for sanitation purposes, so consumption is very low relative to our total sales.

Going forward, we will mainly focus on how we can further reduce water consumption in rotor block production, which accounts for the majority of all water consumption.

Water consumption



Water consumption in m³ related to the turnover in SEK 1,000.

RESULT – WATER CONSUMPTION

0.01

M³/production value SEK 000

(2021: 0.02)

TARGET

Gradually reduce water consumption and treat wastewater in our production plants and processes.

Comment on 2022 outcome

In 2022, water consumption decreased in relation to sales. The absolute water consumption in m³ decreased by 6 per cent as a result of some factory-specific actions.

WASTE AND RECYCLING

We are working to reduce waste and increase recycling rates in our production facilities, through systematic quality improvements. Every facility works proactively to reduce waste through increased productivity, better material utilization and by looking for new areas for reuse or local recycling options.

The innovation and product development functions are giving greater consideration to the choice of materials in the design of new products and redesign of existing products.

In 2023, a project is scheduled as part of the internal leadership program MovE to develop a process for and governance of product Eco-design.

RESULT – WASTE AND RECYCLING

52%

(2021: 54)

TARGET

Continuously raise the recycling rate

Comment on 2022 outcome

Total waste increased during the year due to a sharp increase in production volume. Seven of our 18 production plants have reached a recycling and reuse rate of 93–100 per cent of all waste, while the three facilities in China remain below average. In some locations recycling is limited by the absence of local options.

ENERGY EFFICIENCY IN OUR PRODUCTION PLANTS

Our climate impact comes mainly from the use of electricity and fossil fuels in production processes, heating, ventilation and cooling. The goal is to continuously reduce energy use and make the facilities and processes more energy efficient.

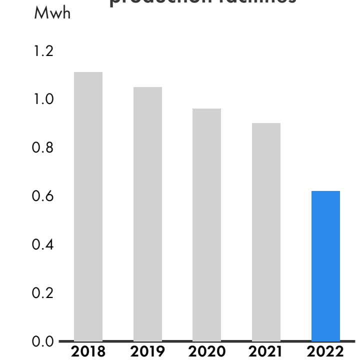
SHARE OF ELECTRICITY FROM RENEWABLE SOURCES IN OUR PRODUCTION PLANTS

One of the most effective ways to reduce the climate impact of our factories is to gradually transition to energy from renewable sources. With the strong progress we made in 2022, we are in good position to reach or surpass the target we set for 2026, that at least 80% per cent of all electricity will come from renewable sources. How we will continue to increase that share and improve our energy efficiency will be part of the plans for each factory, to be established in 2023.

SHARE OF ELECTRICITY FROM RENEWABLE SOURCES IN OUR OFFICES AND OTHER NON-PRODUCTION SPACE

During the year, we also mapped the energy use and sources for offices and other non-production space. Even if the energy consumption is relatively small compared to that used in production, we still see a potential to increase the share of electricity from renewable sources, especially in the properties where we have control over the choice of supplier. In the lease agreements for many of the smaller premises, electricity and heating are included in the rent, and there the dialogue with the landlord is important.

Energy efficiency in our production facilities*



RESULT – ENERGY EFFICIENCY IN OUR PRODUCTION PLANTS*

0.62

(2021: 0.9)

TARGET

Continuously improve energy efficiency in relation to output value in our factories.

Comment on 2022 outcome

Energy efficiency was improved through a number of measures, including as part of a project focused on improvements in the four production facilities that account for the large share of carbon emissions.

RESULT – SHARE OF ELECTRICITY FROM RENEWABLE SOURCES IN OUR PRODUCTION PLANTS

72%

(2021: 53)

TARGET

Eventually, we want 100 per cent of our electricity to come from renewable sources, and the goal is to reach at least 80 per cent by 2026 in our production facilities.

Comment on 2022 outcome

The biggest increase in the share of electricity from renewable sources during the year was in the factories in the Americas through procurement of wind power via Renewable Energy Certificates (REC).

RESULT – SHARE OF ELECTRICITY FROM RENEWABLE SOURCES IN OUR OFFICES AND OTHER NON-PRODUCTION SPACE

30%

(2021: 27)

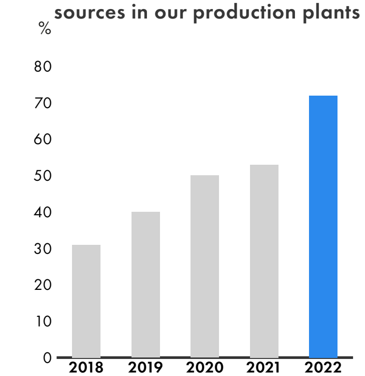
TARGET

Eventually we want 100 per cent of our electricity to come from renewable sources, in cooperation with our landlords. We gradually want to reduce electricity consumption per m² surface.

Comment on 2022 outcome

The share of electricity from renewable sources increased slightly in 2022 and energy consumption per m² decreased by 1 per cent.

Share of electricity from renewable sources in our production plants



* MWh/production value SEK 000

SCOPE 1 & 2 CO_2E EMISSIONS IN TON

	2022	2021	Change
Scope 1 direct emissions[2]	7,795	7,705	1%
Scope 2 indirect emissions -location based[2]	13,325	15,550	–14%
Scope 2 indirect emissions -market based [1, 2, 3]	7,187	14,045	–49%
Scope 1–2 total emissions	**14,982**	**21,751**	**–31%**
Scope 1–2 emissions in relation to production value in kg CO_2e/ production value SEK 000[1)]	0.001	0.003	–46%
Scope 1–2 per employee [2)]	3.8	6.5	–41%

1) Market based emissions partly includes use of RECs and CEL's for wind-power in region Americas.
2) Total emissions and related to Net sales and number of employees are based market based emissions.

Emission factors source: IEA Emission Factors 2022
Reporting according to GHG Protocol.

EMISSIONS FROM OPERATIONS (SCOPE 1 AND 2)

In 2021, sustainability issues were integrated in the business strategy and we set a target to be net zero by 2030.

In 2022, guidelines and targets were established for increased energy efficiency and use of electricity from renewable sources in our production facilities.

During the year, we significantly increased the share of electricity from renewable sources, mainly in the Americas by procuring wind power via RECs, which contributed to lower carbon emissions.

- Scope 1 and 2 include emissions from factory operations, offices and other non-production locations as well as company vehicles. Excluding offices with less than 10 employees. The two acquisitions made in the USA in November 2022 will be included in the reporting from 2023 onwards.

Energy use, and in particular the use of natural gas, has decreased in relation to output value after a number of measures, including a project focused on the four production facilities that account for the large share of carbon emissions. Read more on page 57.

During the year, we also mapped energy use and sources for offices and other properties not used in production, and introduced Scope 1 and 2 reporting for them in accordance with the GHG Protocol. With this accomplished, we now have a complete overview and can continuously monitor Scope 1 and 2 emissions from our own operations. The goal for our company fleet is to transition to greener vehicles, which we measure by monitoring the average emissions factor for all vehicles in the fleet. By year-end 2022 the average emissions factor had decreased by 18 per cent compared with December 2020, when the measurement began, helping to compensate for an increased number of vehicles, which was driven by strong growth in service and sales.

In the year ahead, roadmaps to net zero by 2030 will be developed for each factory. The plan for 2023 also includes identifying potential sources of renewable electricity for offices and other properties not included in the production plants.

CLIMATE IMPACT ACCORDING TO THE GHG PROTOCOL

Scope 1 - emissions increased in absolute terms due to an increased number of vehicles used in service and sales, driven by growth. Scope 1 emissions from the production facilities decreased during the year despite increased volume, thanks to reduced use of natural gas.

Scope 2 indirect emissions decreased significantly through increased use of renewable electricity and improved energy efficiency.

Total Scope 1 & 2 emissions decreased in relation to output value.

CHANGE 2022 TOTAL SCOPE 1–2 EMISSIONS

–31%

TARGET

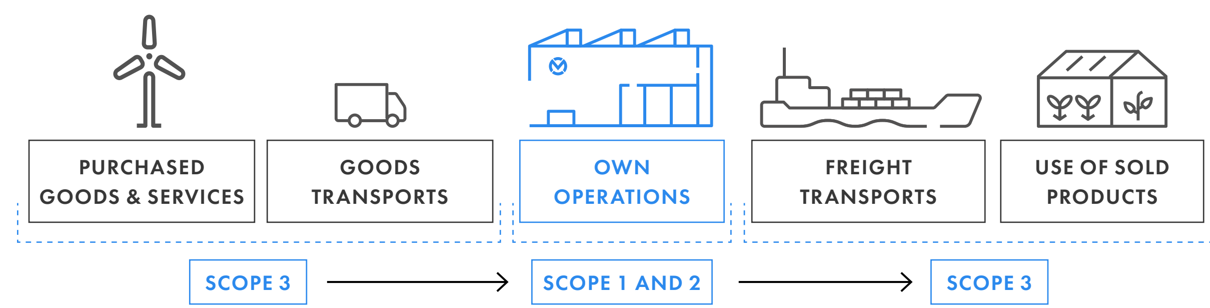
We are working towards the target of net zero emissions from our own operations by 2030

Comment on 2022 outcome

Scope 1 and market-based Scope 2 emissions were significantly reduced during the year mainly as a result of reduced consumption of natural gas and increased share of electricity from renewable sources

Mapping process

Munters has been reporting energy efficiency and the proportion of electricity from renewable sources in its production facilities for several years. In 2020, we began monitoring carbon emissions from our own operations, Scope 1 & 2. In 2021 and 2022, we made significant progress in the mapping of the Scope 3 categories that to date have been deemed most significant. The Scope 3 emissions that are reported for the year therefore do not yet represent 100 per cent of the transactions in the selected Scope 3 categories. The mapping work will continue in 2023.



EMISSIONS FROM THE VALUE CHAIN UPSTREAM AND DOWNSTREAM (SCOPE 3)

In 2020, we began monitoring Scope 3 emissions from category 5, Waste Generated in Operations, and from category 6, Business Travel.

In 2021, a project was established to map relevant emissions from additional upstream and downstream activities in the coming years.

Although this work was intensified in 2022 and resulted in the mapping of a much larger proportion of the value chain's emissions, 100 per cent of these categories are not yet included in the measurement. We can already see that category 11, Use of Sold Products, as we expected accounts for an overwhelming majority of the emissions.

Due to the range of product variations, customizations to meet specific customer needs, and large number of different applications, climate conditions and need for operating hours, which affects energy consumption and the life of the product, we have based our calculations on the values and assumptions that can be considered typical and reasonably reflect the average for sold products.

When the mapping of relevant emissions has been completed, it will serve as the basis for more specific targets and investment priorities.

In 2023, the internal leadership program MovE includes a project to educate our global procurement unit on the importance of sustainability in the supply chain and how suppliers can contribute to reduced carbon emissions. The purpose of the project is also to improve and automate our processes for measuring emissions in various categories of purchased goods and services, so that we can evaluate them and work to reduce them.

SCOPE 3 EMISSIONS CO_2E IN TON

	2022
Scope 3 as measured	4 521 686
Scope 3 CO2 e ton/SEK 1000 turnover	0,44

Emission factors source: IEA Emission Factors 2022
Reporting according to GHG Protocol.

EXPLANATIONS

Category 1 Purchased goods and services: Includes emissions from approximately 95 per cent of direct production-related materials, based on purchase value. The emissions have been partly calculated using spend-based method, while, e.g., emissions from purchased metals are material-specific.

Category 4 and 9 Transportation: Includes emissions from approximately 18 per cent of procured transports. The emissions are based on CO2e reports from suppliers.

Category 5 Waste Generated in Operations: The emissions are calculated on the basis of the amount of reported waste in kg that is not recycled.

Category 6 Business travel: The emissions are based to 95 per cent on emission reports from travel agencies, complemented by our own monitoring.

Category 11 Use of Sold Products: Includes emissions from an estimated one third of sold products, excluding service and spare parts. The emissions are calculated on the basis of energy consumption for sold products, in line with the values and assumptions that can be considered typical and reasonably reflect the average for sold products. In the calculations it has been assumed that the product's final destination is the country where the customer is located and the emissions align with that country's average emission factor according to IEA in 2022.

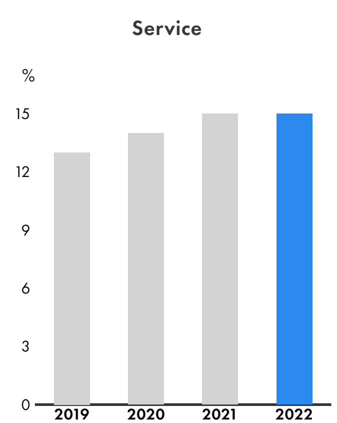
SCOPE 3 EMISSIONS CO_2E IN TON

	2021
Scope 3 as measured only emissions from categories 1, 5 and 6	301 895
Scope 3 CO2 e ton/SEK 1000 turnover	0,04

Emission factors source: IEA Emission Factors 2022
Reporting according to GHG Protocol.

GROW THE SERVICES BUSINESS

Services, which includes maintenance, upgrades and spare parts, has good growth potential with good profitability. Our service business, which generates recurring revenue, is growing in pace with our installed base of products. Our service offering is important for customers, not least from a sustainability perspective, since service extends the life of the products and increases the efficiency of installed solutions.



The share of service

RESULT – SHARE SERVICE

15%

(2021: 15)

TARGET

Service will account for 30 per cent of net sales in the long term

Comment on 2022 outcome

The share of sales from Services did not change in 2022, but had good growth mainly in AirTech, which has an extensive service business. Within FoodTech, a SaaS offering is being developed and offered.

THEO BENTVELZEN
Product Manager, Service, EMEA

You have been with the company for 30 years. What made you stay for so long?
Time flies when you're having fun! I would say 30 years have flown by because I have always enjoyed working at Munters. I really like the fact that we have good products that help customers solve their challenges and also reduce energy consumption. It doesn't matter what industry our customers are in, we're there with a solution to handle a specific problem.

Training in sustainability and ecodesign

During the year, we increased our awareness of product sustainability and ecodesign. To consolidate leadership in this area, we created a new role at the Group level, Global Eco Design Manager.

The EU's Circular Economy Action Plan states that up to 80 per cent of a product's environmental impact is determined during the design phase. This makes ecodesign the key to developing more sustainable products. Additionally, product life is an important element in a company's Scope 3 emissions; in the manufacturing sector it can account for over 70 per cent of the total carbon footprint.

These principles, together with the introduction of LCA and circularity, serve as the basis for the internal employee training begun in autumn 2022. The aim is also to spread awareness and best practices in product sustainability throughout the Group. To reach this target, several workshops are planned globally where employees can learn and share personal experiences relating to the environment, customer queries, product performance, etc. The first training took place in September 2022, in Amesbury, in the US, and a number of workshops are planned in 2023.

SUJATA WUTHOO
Managing Director, Munters India and Business Unit Manager, Clean Technologies

During 2022, you were part of Munters internal leadership program MovE. What did you think of the program?
It was a fantastic experience. I got to know many talented colleagues, learned a lot and increased my understanding of various projects that we are running to build an even stronger Munters. Munters culture is a perfect example of unity and diversity.

Nidia Irasema from our production site in Mexico.

Increased knowledge and engagement led to smarter solutions

As part of an internal leadership program called MovE, logistics manager Eliezer Bezerra was assigned to identify which processes cause the most carbon emissions in several of Munters factories.

By tracking energy consumption with the help of devices attached to equipment and in real time, he determined that the production of CELdek was one of our largest sources. CELdek is an evaporative cooling pad used where high-efficiency cooling is needed, and is manufactured in Brazil, Mexico, Chasan in China and Italy. CELdek production requires a great deal of heat, which is generated from gas, first to heat the paper and then in the gluing process.

Together with the management at each factory, Eliezer discussed various alternatives to approve this energy-intensive process. In Mexico, the response was to reduce the number of times they open the furnaces for fresh air, and in China they found a way to reuse the heat. Italy and Brazil also found new methods to use much less gas.

"We have been able to greatly reduce our dependence on gas," says Eliezer. "Thanks to the energy savings, we can buy electricity from renewable sources. In Mexico, for example, a portion of the money will go to buying electricity from a wind project."

The project's success is due to the engagement of the local leadership. "I had many conversations with the management team at each of the four factories on the importance of this project and convinced them of the benefits of making the changes," he says. "I hope that we can take what we learned and implement it in all of Munters factories."

People & society

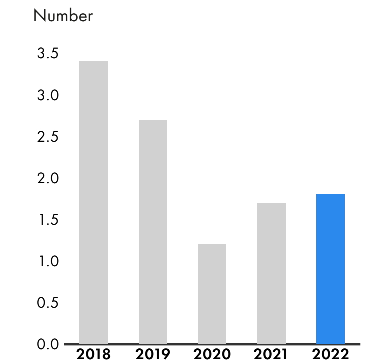
EQUAL & INCLUSIVE WORK ENVIRONMENT

A just and inclusive work environment is important for our employees to stay engaged, enjoy their work and develop professionally. Diversity gives us different perspectives and valuable insight that improves our company and our offering.

COMMUNITY ENGAGEMENT

By cooperating with our local communities, we can attract both customers and potential employees. Community projects create pride and engagement among our employees, which in turn creates value for Munters.

Total recordable incident rate



The Total Recordable Incident Rate (TRIR) is the number of accidents where the employee had to seek medical assistance multiplied by 200,000/number of hours worked.

Conversation between employees at Munters production site in Tobo, Sweden.

SAFETY IN THE WORKPLACE

Munters has zero tolerance for workplace accidents and all incidents that require medical assistance are followed up and reported monthly to management. We conduct systematic risk assessments of the production facilities to preventatively increase the focus on health and safety. Among the areas included are fire safety, waste and chemical management, and electrical installations. All units are evaluated on a rolling three-year schedule.

Munters does not permit child labor and individuals under the age of 18 may not work the night shift or perform hazardous duties. Forced labor is strictly forbidden. Munters respects the right to unionize and negotiate collectively. Employees may not be subjected to corporal punishment, physical, sexual, psychological or verbal harassment or abuse.

RESULT – TOTAL RECORDABLE INCIDENT RATE

1.8

(2021: 1.7)

TARGET

Eliminate accidents in production.

Comment on 2022 outcome

No deaths were reported due to workplace accidents. In 2022, workplace accidents unfortunately rose, mainly due to an increased accident rate in one of our factories, but also because of a delay in the global rollout of STOP (Safety Observation Program) as a result of Covid-related travel restrictions. The purpose of STOP is to change behaviors and improve safety in the factories. We are naturally dissatisfied with this development and in 2023 will prioritize safety in our production plants, including through the continued rollout of STOP and stronger measures in a number of factories.

We will also arrange an internal safety conference for all our production plants in spring 2023.

Our community engagement

The local sustainability committee in Amesbury, in the US, carried out a number of activities during the year. The members met monthly to discuss and implement initiatives to improve the local factory. This year, for example, they stopped using disposable plastic cups in break rooms and replaced them with reusable Nalgene bottles for each employee. The team also launched a composting pilot program that is being carefully monitored in the hopes of adding compost bins throughout the factory.

We had the opportunity to inspire the workforce of the future on Manufacturing Day 2022, when U.S. manufacturers open their doors to the public. Fifty curious students, teachers and mentors visited Munters production facility in Lansing, Michigan, where they were given a tour of the factory. They saw robots in action, learned how Munters quality-tests its products and got a peek into the distribution process.

For the fourth year in a row, Munters China received a quality workplace award from China International Intellectech Co. Ltd. (CIIC) Group, which ranks Chinese companies based on employee care. CIIC Group evaluates 7,000 companies, but only 200 are nominated. This year's theme was "Go beyond , Break boundaries - Releasing Digital Vitality."

We can't change the world, or save it, in a day. But the small actions we take on a daily basis create real change. The EMEA AirTech management team spent time together fishing plastic out of Amsterdam's canals.

Instead of scrapping used equipment and components, we try to find ways to reuse them. For example, we donated 12 pumps to the local civil defense authority in Chiusavecchia, Italy. The pumps will be used to drain buildings after a flood.

Munters is working with the Essex County Sheriff's Department in Massachusetts, US to help low-risk prisoners gain work experience. The goal is to help them build skills, so that after being released they will have an opportunity to find a well-paying job, which can reduce recidivism.

Andrea Ghiggini from Munters Italy together with Professor Enrico Fabrizio and students from ASP.

Munters Italy is collaborating with Alta Scuola Politecnica, ASP, an honor program for fourth-year students attending the Polytechnic University in Milan and Turin. Together, we are working on a project to investigate water conservation alternatives in evaporative cooling for greenhouses. The ongoing project, called GREENWEC, will conclude in September 2023. The project team includes seven students and five teachers. We have invested EUR 10,000, the maximum donation for the project.

GENDER EQUALITY

At Munters, we are determined to hire more women and women leaders. For example, we always want at least one qualified female candidate for every management position. It is also important that we offer a sound culture with a work-life balance and flexibility as to where and when the work is done.

Done in 2022

- Worked with awareness and responsibility in the business areas through more detailed oversight, reporting structure and measures to increase the percentage of women employees and executives.
- Continued internal training in Gender Balanced Recruitment. Defined and implemented a process to track women candidates in the recruiting process.
- Appointed a Vice President of Diversity, Equity & Inclusion (DEI) in September 2022 to lead our DEI initiatives. DEI targets and measures will be adapted and incorporated into Munters strategy. In recent years, we have specifically focused on gender diversity, and while we will continue our efforts through these important initiatives, other aspects of diversity are also important, such as disabilities, generations, HBTQ+, ethnicity and so on.
- In 2021, we joined the Target Gender Equality program, which supports participating companies of the UN Global Compact in setting and reaching ambitious targets for women's representation and leadership, starting with the board and executive management levels. We participated in the program again in 2022. Among other things, we have used the Women's Empowerment Principles Gender Gap Tool to analyze our current practices. The tool can help companies identify actions to empower women internally and externally.
- Established a regional team of experts to work with gender equality.
- Held meetings and workshops with management to build support for more impactful measures to increase the number of women employees and leaders.

For 2023

We are setting a new target that one out of every three senior management appointments will be a woman. This target will be included as a personal target for senior management, those reporting directly to them and managers at the next level.

We will also try to improve our understanding at the local level of what is needed to attract and retain qualified women. In the case of the new factory expansion in Amesbury, Massachusetts, where a large number of employees will be recruited, this will specifically be part of the recruiting process.

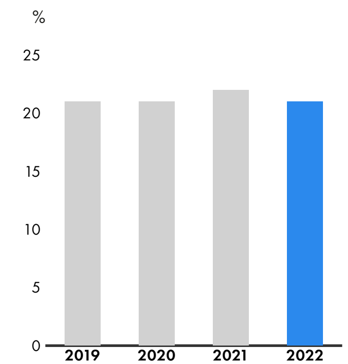
Through various global and local measures, continue to create a work environment that is safe, inclusive, respectful and free from harassment for all our employees.

Within the framework of the UN Global Compact program, we will participate in the UN Business & Human Rights Accelerator Program in 2023. Hundreds of companies from around the world are participating in this six-month program to help member companies quickly go from engagement to action for human rights and labor rights.

MICHELLE MARRONE
Global Eco-Design Manager

Which factors were most important to you when you chose to work for Munters?
"As a single parent, I could not have left my previous job and moved to a new location, but when Munters recruited me they offered travel flexibility and the opportunity to work from home. Munters has changed my life. I have a job that makes me happy, and I can finally spend more time with my daughter and be a more present mother!"

Share of employees, women



RESULT – PERCENTAGE OF EMPLOYEES, WOMEN

21%

(2021: 22)

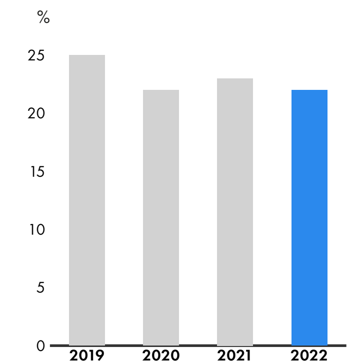
TARGET

Increase the share of employees who are women. The target is 30 per cent by 2025.

Comment on 2022 outcome

The outcome in 2022 was affected by acquisitions of companies with a low percentage of women, and that the headcount increased the most in production and service.

Share of women leaders



RESULT – PERCENTAGE OF LEADERS*, WOMEN

22%

(2021: 23)

TARGET

Increase the share of women leaders to 30 per cent by 2025.

Comment on 2022 outcome

The outcome in 2022 was affected by acquisitions of companies with a low percentage of women in manager roles. Moreover, the need for new managers has increased the most in engineering, R&D and manufacturing in the US, where there has been a shortage of female candidates.

*with salary-setting responsibilities

Responsible business practices

SUSTAINABLE & PROFITABLE OPERATIONS	BUSINESS ETHICS	COLLABORATIONS
Create value for our shareholders by maintaining a sustainable and profitable business.	The basis of an ethical and sustainable business is compliance with laws and regulations. By acting ethically, we instill trust and build strong relationships.	We require our partners to comply with ethical guidelines equivalent to those we have committed to.

BUSINESS ETHICS

We do not tolerate corruption, bribes or unethical business practices in any form. Operating units and suppliers, and their employees, are not permitted to offer, receive, request or accept bribes or other questionable incentives.

CODE OF CONDUCT

The Code of Conduct and the special Code of Conduct for suppliers are based on the UN Global Compact's ten principles on human rights, labor, the environment and anti-corruption. Compliance with the Code of Conduct is monitored each year and reported to the board.

Code of Conduct training for employees

We have absolutely zero tolerance for corruption and bribes. To ensure that all employees know which principles we follow, we provide periodic training for all employees on our Code of Conduct.

RESULT – TRAINING IN CODE OF CONDUCT

90%

TARGET

90 per cent of white-collar workers to complete the training in 2022

Comment on 2022 outcome

During the year, HR informed employees of the importance of the training and translated it to local languages. In 2023, we will continue to train white-collar employees and increase the target to 100 per cent of all employees, including those in production.

Code of Conduct for suppliers

The aim is that our largest suppliers will follow and sign our Code of Conduct for suppliers. We conduct periodic reviews of our direct suppliers and their compliance with our Code of Conduct. We are taking measures to automate compliance in the supply chain by using a third-party AI tool to review companies' financial records, ESG ratings and any past legal or regulatory violations or liens. This helps to eliminate human error when critical business decisions are made and allows facts to be displayed in a more scalable form. Internal training on sustainability in the supply chain will be offered to everyone in procurement in the coming year.

If a supplier does not meet the requirements, an action plan is drawn up, and if the timetable is not followed, the relationship will be terminated.

RESULT – CODE OF CONDUCT FOR SUPPLIERS

100%

(2021: 100)

TARGET

The target is that 100 per cent of our largest suppliers will sign the Code of Conduct

Comment on 2022 outcome

We reached our target that all major suppliers signed the Code of Conduct for suppliers. Munters continues to encourage employees, suppliers and customers to report cases of unethical behavior such as forced labor, child labor or human trafficking. Munters has an external whistleblower unit where suspicions of unethical behavior can be reported anonymously.

Whistleblower cases

Munters has a web-based whistleblower unit managed by an independent outside party that guarantees anonymity. In 2022, four cases (2) were received and processed through the external channel and one case through internal reporting. All the cases have been investigated and addressed.

ENVIRONMENTAL MANAGEMENT

We attach great importance to reducing the impact on the environment of our business activities. Using less resources is good for the environment and for Munters long-term profitability. Our environmental commitments are described in the Code of Conduct and environmental policy, among other places.

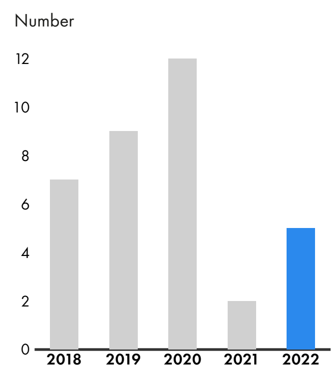
Environmental fines

Munters goal is not to be fined for non-compliance with environmental laws and regulations. In 2022, we received no fines.

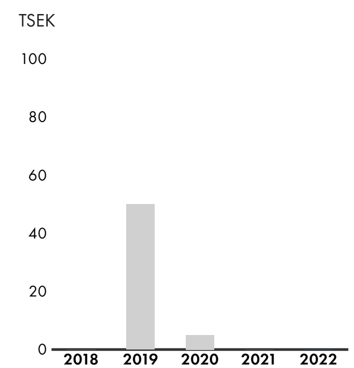
ISO CERTIFICATIONS

Our goal is that all our logistics, manufacturing and R&D operations will receive third-party ISO 9001, ISO 14001 and ISO 45001 certification. We did not reach our ambitious goal to have all production facilities ISO 9001:2015 certified by the end of 2022, mainly because of the extensive resources devoted to due diligence and integration of the acquisitions made in 2022. The Group intends to continue to certify the production facilities in 2023. Compliance with central policies in our facilities is monitored through internal and external audits.

Whistleblower cases



Environmental fines



ISO-certifications

Number of certifications per production site	2020	2021	2022	Planned number 2023
ISO 9001:2015 quality management, number of certifications	14/17	14/17	14/17	16/18
ISO 14001 environmental management, number of certifications	5/17	8/17	8/17	9/18
ISO 45001 occupational health and safety management, number of certifications	3/17	7/17	7/17	8/18

Munters contribution to the Sustainable Development Goals

The UN's Sustainable Development Goals are a call to action to ensure prosperity and at the same time protect the planet. Munters supports all 17 SDGs and has identified the following goals where we feel that we have a greater impact and thereby an opportunity to make a difference. In certain areas Munters can also have a negative impact, as we describe below.

SDG 2 ZERO HUNGER

We offer energy-efficient climate cooling systems for agriculture and the food industry in a broad range of segments, from livestock and egg production to milk farms and greenhouses.

Our most important actions

- To develop and offer products and solutions that optimize product quality while at the same time conserving energy and increasing productivity

Negative impact

Increased food production can lead to increased consumption of meat, which can cause a negative impact.

SDG 6 CLEAN WATER AND SANITATION

Our products can make a big difference, since they use less or no water in the processes where they are installed, an important competitive factor especially in the agricultural and data center segments. We also supply products and solutions that are necessary in the operation of waterworks and water treatment plants.

Our most important actions

- Offer water-efficient products
- Improve water efficiency and treat wastewater in our own operation

Negative impact

We use water in part of the production processes and are working to reduce its consumption. We separate chemicals and particles in the wastewater from our facilities.

OTHER RELEVANT SDG'S

SDG 9 Industry, Innovation and Infrastructure
SDG 16 Peace, Justice and Strong Institutions

SDG 5 GENDER EQUALITY AND SDG 10 REDUCED INEQUALITIES

We are convinced that diversity leads to greater innovation and higher profit. We will have a corporate culture distinguished by equal treatment and equal opportunities for everyone, as well as reasonable compensation. Therefore, we are also working to increase the share of Munters employees and leaders who are women.

Our most important actions

- Anti-discrimination policy and work
- Actively promote diversity and inclusion
- Committed and actively working according to the UN Target Gender Equality program
- Periodic surveys on employee engagement and experiences
- External, independent whistleblower service

SDG 7 AFFORDABLE AND CLEAN ENERGY AND SDG 13 CLIMATE ACTION

We can make a significant difference through our offering and in our own operations. Our products are energy-efficient and help customers in every segment to reduce their energy consumption.

Our most important actions

- Offer innovative products and solutions that help customers to improve their energy efficiency with high quality and thereby lengthen the service life of our products
- Continuously reduce our own electricity consumption and increase the share of renewable electricity. Gradually increase the share of electric vehicles

Negative impact

Primary parts of the value chain where we cannot control the use, for example, of transports by suppliers and subcontractors. To mitigate this and gain a better understanding of our impact, a Group-wide project is underway to calculate indirect carbon emissions according to the GHQ Protocol Scope 3. We also contribute negatively to the goal both directly and indirectly through consumption of non-renewable energy in various parts of the value chain.

SDG 8 DECENT WORK AND ECONOMIC GROWTH

Munters will be an employer of choice. To ensure high employee motivation, the safety and well-being of our employees is our highest priority. We also want our major suppliers to share the same view of their employees as we have.

Our most important actions

- Working proactively to increase risk awareness and continuously improve routines and processes
- Requirement that our major suppliers commit to the ten principles of the UN Global Compact through our Code of Conduct
- We have signed the UN Global Compact

Negative impact

By maintaining a profitable and sustainable business, we create jobs in large parts of the world, including in less developed countries. We are aware of the risks inherent in operating in certain parts of the world. Therefore, the work being done to prevent trafficking and modern slavery is a priority for us. The company is also pursuing this issue together with suppliers and subcontractors. In certain countries the risk that workplace safety will be neglected is higher due to a lower level of safety awareness. We work proactively throughout the Group to increase awareness and continuously improve routines and processes that minimize the risk of workplace accidents.

SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We develop and supply products and solutions that have a positive impact on our customers' and our own use of natural resources. Within the Group, we are working to minimize environmental impacts through systematic quality improvements.

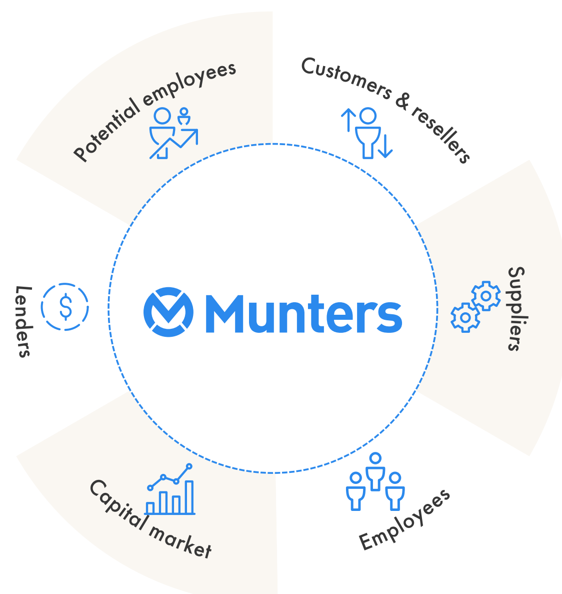
Our most important actions

- When innovating, proactively choose products and solutions with a positive environmental impact
- Efficient use of material and waste management
- Service offer that extends the efficiency and lifespan of our products
- Perform audits among our largest suppliers to ensure that they follow Munters Code of Conduct

Stakeholder dialogue

Munters has operations around the world and collaborates with many stakeholders. Employees, customers, owners, distributors, suppliers, partners and people who work in environments where Munters climate control solutions are installed are examples of important stakeholders. To create long-term shareholder value, we have to create value for all our stakeholders. This is why we closely dialogue and collaborate with our stakeholders. This gives us a better understanding of how and what we can improve in our work and which issues our stakeholders prioritize.

Key stakeholders



The figure below shows opportunities for dialogue and the most important issues for key stakeholders.

Stakeholders	Channels for dialogue	Material topics
CUSTOMERS AND RESELLERS	• Continuous conversations with customers and resellers • Periodic customer surveys • Meetings, conferences and participation in trade shows • Munters.com & social media	• Delivery reliability, quality and suggestions for improvements • Munters offering and contribution to lower carbon emissions and increased resource efficiency
SUPPLIERS	• Periodic customer surveys • Meetings and conferences with suppliers • Munters.com & social media	• Delivery reliability, quality and suggestions for improvements • Compliance on environment, business ethics and social issues such as labor law and human rights
EMPLOYEES	• Performance reviews and employee surveys • Conferences and workplace meetings • Internal training, e.g., Munters Academy • Leadership days and programs, e.g., Munters MovE • Various workshops on, e.g., reducing our climate impact • Union collaboration • Intranet Munters World • Munters.com & social media	• Inclusion and diversity • Health and safety • Discrimination and harassment • Development opportunities • Compensation • Sustainability issues and climate impact • Compliance on social issues such as labor law and human rights
CAPITAL MARKET (Shareholders, potential shareholders, analysts)	• Board meetings • Annual General Meeting and report presentations • Individual meetings and continuous dialogue with shareholders and potential shareholders • Participation in investor conferences • Continuous dialogue with analysts who cover Munters • Munters.com, social media & webinars	• Munters overarching strategy as well as financial and sustainability related targets • Sustainability issues and climate impact • Compliance on social issues such as labor law and human rights • Innovation with a focus on energy efficiency and strategic priorities such as digital solutions and modular platforms
LENDERS	• Individual meetings and continuous dialogue • Munters.com & social media	• Munters overarching strategy as well as financial and sustainability related targets
POTENTIAL EMPLOYEES	• Employment interviews • Munters.com & social media • Participation in job fairs at various universities and business associations • Partner in various projects that promote collaboration between business and academia	• Munters position and offering • Development opportunities and compensation topics • Munters sustainability work

Materiality analysis

Munters Group Management conducted a materiality analysis in 2021, which identified the most important sustainability issues. The analysis included the sustainability issues with the biggest impact on stakeholders' decisions and the sustainability issues with the biggest impact on Munters business. The analysis was based on stakeholder dialogues and the Group's market analysis and strategic priorities. The sustainability issues were ranked by their importance to stakeholders' decisions and the impact on Munters business.

Based on the materiality analysis, the following are our sustainability priorities:

- Equitable and inclusive work environment
- Sustainable products and services
- Innovation
- Sustainable production

UPDATE OF THE MATERIALITY ASSESSMENT

Ahead of the EU's upcoming Corporate Sustainability Reporting Directive (CSRD) which will enter into force in 2024, Munters has launched a comprehensive exercise to update the materiality analysis. The assessment will be based on the principle of double materiality, which is recommended by the European Sustainability Reporting Standard (ESRS). Double materiality means that sustainability topics are assessed both outside-in and inside-out.

Munters strives to maintain a long-term, transparent engagement with stakeholders and therefore plan to have dialogues with affected stakeholders to inform them about the materiality assessment process and the results. The result of the materiality assessment will form the basis for Munters sustainability strategy and the resulting focus areas going forward. We plan to present our updated materiality assessment results in the 2023 sustainability report.

To see how we work with the sustainability priorities and related targets and indicators, see the sections describing our strategy and our business areas.

TIMELINE FOR UPDATED MATERIALITY ASSESSMENT

Q4 2022
Materiality benchmark and internal workshop to update the long materiality list

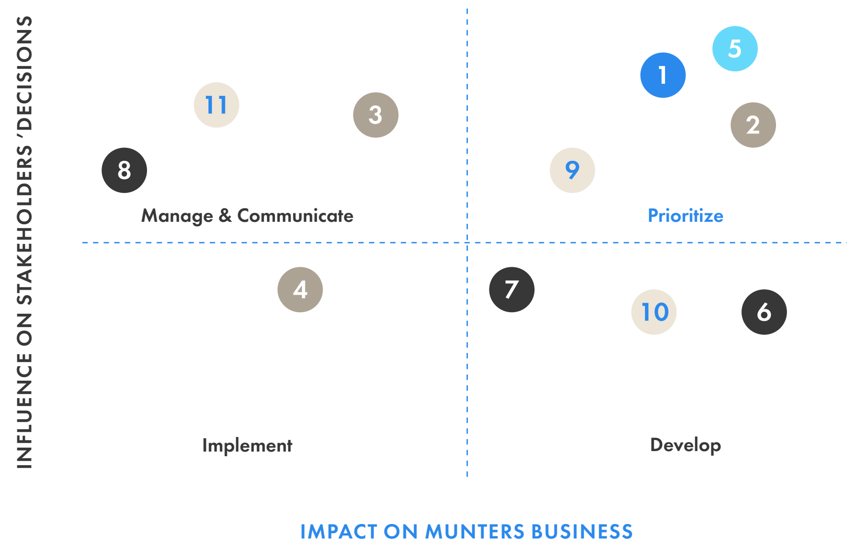
→

Q1 2023
Stakeholder engagement and assessment

→

Q1/Q2 2023 –
Validation of results and support from Board of Directors and Management Team

Based on the 2021 materiality analysis



	Sustainability topic	Strategic priority	How Munters addresses the topic
1	Equitable and inclusive work environment	People	See pages 21–22.
2	Sustainable products and services	Customers	See pages 15–16
3	Collaborations and partnerships	Customers	Munters strategy focuses on deeply understanding customers' needs and utilizing the company's know-how in applications, technology and components to deliver customized climate solutions. We closely collaborate with our customers' production engineers and R&D departments. Munters goal is to have a deep understanding of our customers' needs and processes. We require our partners, such as suppliers and distributors, to comply with our Code of Conduct.
4	Privacy and responsible marketing	Customers	The Munters brand should be associated with socially and ethically responsible behavior, respect for human rights, equal opportunities, good working conditions and high ethical standards. Munters places a premium on customer privacy and follows marketing rules and guidelines. The Code of Conduct and Gifts, corporate hospitality & promotional expenditure procedure govern customer and supplier relationships.
5	New sustainable products and services	Innovation	See pages 17–18.
6	A sustainable and profitable business	Market	Munters overarching goal is to maintain a sustainable and profitable business in order to create value for our stakeholders, such as customers, shareholders and employees. This affects every aspect of daily operations and is monitored at every level.
7	Financing and taxes	Market	The overarching goal is to ensure that Munters has the financial resources to develop the business in the short and long term. Munters complies with applicable regulations on taxes and fees.
8	Local engagement	Market	We dialogue with stakeholders and our local communities. Collaborations with others in our communities are important to attract both customers and new employees. Many of the projects also create camaraderie and engagement among our employees, which creates value for Munters.
9	Sustainable production	Excellence in everything we do	See pages 19–20
10	Sustainable transportation	Excellence in everything we do	We limit the environmental impact of shipping and business travel by choosing low-carbon alternatives and active logistics planning. The company car policy was updated in 2021 and amended with clarifications in 2022.
11	Business ethics and efficient procurement	Excellence in everything we do	Compliance with laws and regulations is fundamental. Ethical behavior instills confidence and builds strong relationships, which create opportunities for promising collaborations and profitable business. The Code of Conduct, which applies to both employees and major suppliers, is the fundamental to Munters operations.

Frameworks we follow

Standardized frameworks make it easier to understand and meet stakeholders' expectations, and we support this by applying the UN Global Compact and the ISO standards, among others. We participate in CDP's annual survey on environmental impacts as well as other sustainability surveys.

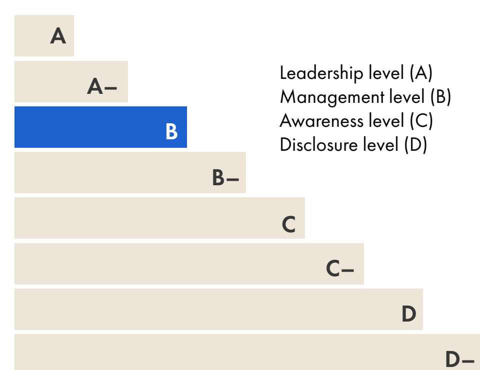
ESG Ratings
Sustainability ratings and scores are becoming increasingly important to investors, customers and other stakeholders. For us, the external assessment of our sustainability work is very important, and we are working continuously to improve and our transparency and our results.

ETT AV SVERIGES MEST JÄMSTÄLLDA BOLAG 2022
ALLBRIGHT

Allbright – ranking among Sweden's top companies in gender equality
Since 2012, the independent foundation Allbright has annually examined gender representation in executive management. It ranks publicly listed companies based on the gender distribution of their management teams. Companies that have reached parity between men and women are considered green, companies that do not make it all the way are yellow, and companies with no women on the management team are red. We have achieved an even gender distribution in our management team and were placed on Allbright's "green stock exchange list."

CDP
DISCLOSER
2022

CPD
Munters joined the CDP in 2018 and since 2019 has reported the work we are doing to reduce our environment impacts. The goal is to improve our rating, and we are proud to have taken another step forward in 2022 when we received a B, which reflects the actions and progress we made during the year mainly in reducing carbon emissions.



Sustainability information according to the Annual Accounts Act and the UN Global Compact

Munters committed in 2018 to follow and implemented the UN Global Compact's ten principles on human rights, labor, the environment and anti-corruption. The Code of Conduct and the separate Code of Conduct for suppliers are based on these ten principles and describe Munters view on issues such as the environment, social responsibility, business ethics and human rights. This annual report constitutes Munters annual Communication on Report to the UN Global.

Area	Disclosure requirement	Environment- & climate impact	Social, labor and human rights	Social, labor and human rights Anti-corruption & business ethics
BUSINESS MODEL	• The sustainability report will describe the company's business model.	Munters business model is described on page 4.		
POLICY	• The sustainability report will describe the policy that the company applies to the issues, including audit procedures that have been used.	Munters sustainability policies and guidelines are described on page 69.		
RESULTS OF THE POLICY	• The sustainability report will describe the results of the policy.	Results are described on pages 52–56.	Results are described on pages 58 and 60.	Results are described on pages 61–62.
MATERIAL RISKS	• The sustainability report will describe the material risks that concern the issues and are tied to the company's operations, including, where applicable, the company's business relationships, products or services that probably have negative consequences.	Munters sustainability risks and how they are managed are described on pages 91–96.		
RISK MANAGEMENT	• The sustainability report will describe how the company manages risks.	Munters risk management is described on pages 91–96.		
PERFORMANCE INDICATORS	• The sustainability report will describe the key performance indicators that are relevant to the business.	Munters performance indicators can be found on pages 52–62.		

Selection of governance documents steering our work within the sustainability area

Sustainability area	Environment and climate impact	Social, labor and human rights	Anti-corruption and business ethics
POLICIES, PROCEDURES AND GUIDELINES	• Code of Conduct (policy) • Sourcing policy including Code of Conduct for suppliers (procedure) • Sustainability policy including Energy & water conservation strategy procedure and Air transport guideline • HR policy including Company car guidelines	• Code of Conduct (policy) including Whistleblower procedure, Anti- Bribery procedure, Gifts, corporate hospitality & promotional expenditure procedure and Trade sanctions & export control procedure • Sourcing policy including Code of Conduct for suppliers (procedure) • HR policy • Work environment policy including Anti-discrimination & harassment procedures, Physical security procedure and Flexible workplace procedure • Data protection policy	• Code of Conduct (policy) including Whistleblower procedure, Anti-Bribery procedure, Gifts, corporate hospitality & promotional expenditure procedure and Trade Sanctions & Export Control procedure • Sourcing policy including Code of Conduct for suppliers (procedure) • Fraud policy • Data protection policy • IT policy • HR policy • Insider policy • Competition and compliance policy • Communication policy • Finance policy including Tax procedure
MAIN TOPICS	• The main focus is on minimizing carbon emissions and increasing resource efficiency by offering energy- and resource-efficient solutions that reduce customers' environmental impact. Munters environmental impact is reduced through energy- and resource-efficient production units and services that extend the life of the products. Munters limits its environmental impact by choosing low-carbon transport modes and smart logistics. • Munters and its partners will comply with environmental laws and provisions. Methods that minimize environmental impacts are encouraged and caution is taken with hazardous substances and processes. Air transport is used only when alternatives are unavailable due to lead times or quality considerations. Munters fleet is being converted to green vehicles. • Munters production facilities will continuously improve their energy efficiency and raise the percentage of electricity from sustainable sources. We work continuously to reduce water consumption in our processes relative to the output value.	• Munters respects human rights and promotes fair labor conditions. • The company's priority is to create an inclusive and safe work environment. • Munters does not accept discrimination based on ethnicity, nationality, religion, disability, gender, sexual identity, union affiliation, political views, parental status, family situation, or age. • Munters does not permit child labor and individuals under the age of 18 may not work the night shift or perform hazardous duties. • Forced labor is strictly forbidden. Munters respects the right to unionize and negotiate collectively. • Employees may not be subjected to corporal punishment, physical, sexual, psychological or verbal harassment or abuse. • Munters expects its suppliers and partners to approve and actively follow the standards and principles laid out in the Code of Conduct. Suppliers are encouraged to develop requirements and systems similar to Munters and promulgate them to their suppliers and subcontractors. • Munters works actively with data security and only collects personal information for specific, express and legitimate purposes.	• Munters promotes accepted business practices and does not accept illegal payments, bribes, kickbacks or other questionable incentives to influence a business transaction. Employees and distributors are prohibited from giving, offering or promising a bribe or other benefit to exercise undue influence over a person's decision-making. Employees and distributors are also prohibited from receiving, requesting or accepting a promise of a bribe or other undue advantage designed to manipulate their decision-making. • Gifts and similar benefits that exceed a value of EUR 400 per occasion or EUR 2,000 per calendar year from the same company must be reported. All gifts to or from officials must be approved in advance by an immediate supervisor and registered.
TARGETS AND INDICATORS	• Energy efficiency in our production plants, reported on page 53. • Share of electricity from renewable sources in our production plants, reported on page 53. • Share of electricity from renewable sources in our offices and other non-production space, reported on page 53. • Waste & recycling rate, reported on page 52. • Services as a percentage of sales, reported on page 56. • Emissions according to the GHG Protocol, reported on pages 54–55. • Carbon Disclosure Rating (CDP), reported on page 67. • Water consumption in factories, reported on page 52.	• Allbright rating, reported on page 67. • Share of women employees and leaders, reported on page 60. • Total Recordable Incident Rate and deaths in our production facilities, reported on page 58.	• Share of largest suppliers that have signed the Code of Conduct for suppliers, reported on page 61. • Training of employees in the Code of Conduct, reported on page 61. • Number of whistleblower cases, reported on page 62. • Fines received due to non-compliance with environmental laws and regulations, reported on page 62. • ISO certifications, reported on page 62.

EU taxonomy report

Munters has analysed and classified its operations in line with the EU taxonomy. On the coming pages we present the economic activities in Munters that we assess are eligible and those that are aligned with the taxonomy for 2022.

The taxonomy applies to listed and large public interest companies with more than 500 employees. Companies must disclose the share of their turnover, capital expenditure and operating expenditure generated by the economic activities that are assessed to be taxonomy eligible and/or aligned. As a listed company, Munters must report according to the taxonomy for 2022.

The taxonomy states that economic activities qualify as sustainable if they:

a. Make a substantial contribution to one or more of the following six environmental objectives:
   1. Climate change mitigation
   2. Climate change adaptation
   3. Sustainable use and protection of water and marine resources
   4. Transition to a circular economy
   5. Pollution prevention and control
   6. Protection and restoration of biodiversity and ecosystems

b. Do no significant harm ('DNSH') to the other environmental objectives

c. Meet minimum safeguards set out in the Article 18 of the Taxonomy Regulation, and

d. Comply with technical screening criteria to be established by the Commission in delegated acts.

Companies must report contributions to environmental objectives 1 and 2 and report activities that meet all relevant technical screening criteria as well as the minimum safeguards. Companies must add environmental objectives 3 to 6 to their annual report for the financial year 2023.

During 2021, Munters performed an analysis in several steps to identify taxonomy-eligible economic activities. As a result, 35% of turnover, 37% of operating expenditure and 49% of capital expenditure were reported as taxonomy eligible for the financial year 2021. In 2022, the analysis was expanded beyond the Taxonomy-eligible economic activities in 2021 to also include points b-d above. An in-depth analysis of the technical screening criteria as the minimum safeguards was performed as well. The included business in 2022 spans five economic activities as defined in the taxonomy and includes parts of Munters' three business areas. The reported KPIs relate to business where required performance data is available and of good quality.

Munters is of the opinion that a majority of its products and services contribute to sustainable business by enabling customers to reduce their energy usage and waste. However, Munters provides expert solutions and services in an industry which is not well defined in the current version of the taxonomy and thus significant parts of our business do not have matching dedicated economic activities with substantial contribution criteria.

INCLUDED ECONOMIC ACTIVITIES

EU Taxonomy economic activity	Munters' business	Business Area
3.5 Manufacture of energy-efficient equipment for buildings	Controllers	FoodTech
3.6 Manufacture of low carbon technologies	Dehumidification – Industrial segment and Component segment, Cooling of data center, SyCool Split product	AirTech and Data Center Technologies
7.3 Installation, maintenance and repair of energy efficiency equipment	Services	AirTech
8.2 Data-driven solutions for GHG emissions reductions	Software	FoodTech

TURNOVER

Economic activities	Taxonomy code(s)	Absolute turnover, MSEK	Proportion of turnover, %	Substantial contribution criteria: 1. Climate change mitigation, %	2. Climate change adoption, %	3. Water and marine resources	4. Circular economy	5. Pollution prevention	6. Biodiversity and ecosystems	Do No Significant Harm criteria (DNSH): 1. Climate change mitigation	2. Climate change adoption	3. Water and marine resources	4. Circular economy	5. Pollution prevention	6. Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned proportion of turnover 2022	Category (enabling activity or)	Category (transitional activity)
(Unit)		*(MSEK)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	(%)	(E)	(T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Taxonomy-aligned activities																			
Manufacture of energy efficiency equipment for buildings	3.5	66	1%	100%							Y	Y	Y	Y	Y	Y	1%	E	
Manufacture of low carbon technologies	3.6	2,892	28%	100%							Y	Y	Y	Y	Y	Y	28%	E	
Installation, maintenance and repair of energy-efficient equipment	7.3	874	8%	100%							Y	N/A	Y	N/A	N/A	Y	8%	E	
Total taxonomy-aligned activities		**3,832**	**37%**	**37%**													**37%**		
A.2. Eligible but not taxonomy-aligned activities																			
Manufacture of low carbon technologies	3.6	280	3%	100%															
Data-driven solutions for GHG emissions reductions	8.2	397	4%																
Total eligible but not taxonomy-aligned activities		**677**	**7%**	**3%**															
Total A.1. + A.2.		**4,509**	**43%**	**43%**													**43%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Non-eligible activities		5,877	57%																
TOTAL A+B		**10,386**	**100%**																

SPECIFICATION OF DISCLOSURE – TURNOVER

Accounting policy

Turnover is defined as net turnover derived from products or services, including intangibles, associated with taxonomy aligned or eligible economic activities. For more information about Munters revenue recognition, see note 1, accounting principles.

When determining and allocating the taxonomy aligned and/or -eligible turnover, businesses have been grouped according to economic activities based on fulfillment of the technical screening criteria, Do No Significant Harm criteria and the Minimum safeguards.

All the taxonomy aligned and/or -eligible net turnover relates to the objective climate change mitigation; no turnover has been defined as derived from products and services associated with the objective climate change adaptation.

Turnover from the three business areas of Munters has been reported and from four different economic activities. Economic activities assessed to be aligned with the taxonomy spans the areas 3.5, 3.6 and 7.3. Economic activities assessed to be eligible but not aligned with the taxonomy are within the areas 3.6 and 8.2.

On coming pages the assessment of the economic activities is described.

ASSESSMENT OF COMPLIANCE WITH REGULATION (EU) 2020/852 BUSINESS AREA AIRTECH

Two economic activities within business area AirTech have been included as aligned. Economic activities within 3.6 and 7.3 are assessed to be aligned with the taxonomy. Here below and on the next pages these activities and their turnover are described.

Manufacture of other low carbon technologies, 3.6

The first economic activity relates to the manufacture of other low carbon technologies. The taxonomy states that the manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered elsewhere in the taxonomy, substantially contribute to climate mitigation. Furthermore, the technical screening criteria specify that such technologies must demonstrate substantial lifecycle GHG emission savings compared to the best performing alternative technology available on the market.

Technical screening criteria

Munters' products within AirTech utilize desiccant dehumidification solutions. This technology is significantly more energy efficient than alternative technology under certain circumstances, i.e., when the installation environment has certain characteristics. These circumstances include, but are not limited to, air temperature and humidity level in the installation environment.

In 2022, Munters performed life cycle analyses of 10 products within AirTech. Through these analyses, Munters can determine that these products meet the technical screening criteria.

The products we performed life cycle analyses of are: IDS, HCD, ICA, GreenDry, DSS PRO, MX2, MX2 Plus, ML, ML Plus and Rotor components.

The turnover from sales of these products has been included in the reported turnover. For AirTech the products are reported within segments Industrial and Components.

Munters estimates that a significantly larger portion of sales than those reported operate under circumstances where alternative technology is less energy efficient and expects the included portion to grow as data accessibility and quality improve.

DNSH – MANUFACTURE OF LOW CARBON TECHNOLOGIES, 3.6

Do No Significant Harm criteria (DNSH)	Munters interpretation of the criteria	Assessment	Comment
2) Climate change adaptation - The activity complies with the criteria set out in Appendix A	Munters shall conduct a climate risk analysis of physical risks.	Compliant	In 2022, Munters started a process to broaden and deepen the analysis and evaluation of risks and opportunities related to climate change. Climate change risks had already been part of the risk analysis carried out locally at our production sites with the support of the Munters Loss Prevention Standard (MLPS, see page 91 for more information). With the help of this analysis, the central sustainability group began during the year to analyze local climate change risks and opportunities (for more information, see page 93). As part of the analysis, an overview of Munters assets was prepared and the most vulnerable asset was determined to be our production plants. The units were evaluated as a first step. The results of the analysis provided the group with a consolidated view of how acute and chronic climate change risks are for our production plants. This has also been discussed and calibrated with Group Management. Identified risks are for example the risk for storm in Florida, Fort Myers. Furthermore, Munters started a process to prepare for a future TCFD (Taskforce for Climate Disclosure) reporting.
3) Sustainable use and protection of water and marine resources – The activity complies with the criteria set out in Appendix B	Munters should identify and address risks related to water quality and should aim to prevent water stress.	Compliant	Munters aim to gradually reduce water consumption and treat wastewater in our production plants and processes. For more information about Munters' water consumption see page 52. The largest part of Munters operations has no material impact on water. Munters has operations in for example Israel where water is scarce.
4) Transition to a circular economy – The activity assesses the availability of and, where feasible, adopts techniques that support:			
(a) reuse and use of secondary raw materials and reused components in products manufactured;	Munters ambition should be to secure a high level of recycling and use of secondary material and components in produced products.	Compliant	We use a common development model in Munters: MPDM, Munters Product Development Model, based on insight into customers' need. We weigh in various sustainability factors early in the process, such as choice of materials, recycling options and energy consumption. For more information about the MPDM see page 17-18. For raw materials purchased, such as steel, we support our suppliers who offer recycled content material. However, in many other cases, the content of recyclability of the component or even the ability to purchase used/reused components is highly unlikely due to many factors such as our custom design requirements. For many of our products it is not possible to source reused or secondary material, for example, steel. In those cases we are seeking to work with suppliers that can prove they are working to lower their emissions and reduce their entire carbon footprint.
(b) design for high durability, recyclability, easy disassembly and adaptability of products manufactured;	Munters ambition should be that every product shall have an optimized design for high durability, recyclability, ease of disassembly and adaptability.	Compliant	Munters has a life-cycle approach towards all product development. This means that we have a product development stage-to-gate process including a sustainability assessment. The new product needs to be assessed comapred to its predecessor, to assess whether it is more or less sustainable. The assessment focuses on each of the 4 stages of the life cycle of the product: raw materials, production, use phase and end-of-life. The criteria to score high on Sustainability are for example reduction of size, lightweighting, use of recycled material, minimization of packaging, ease of disassembly and other eco-design principles that aim to minimize the negative impact of the product already at its design phase. It is our goal that each new generation of all products should be more energy-efficient than the previous one.
(c) waste management that prioritises recycling over disposal, in the manufacturing process;	Munters should have a policy that prioritises recycling over disposal in the manufacturing process.	Compliant	We are working to reduce waste and increase recycling rates in our production facilities, through systematic quality improvements. The recycling rate is measured and followed-up every quarter. For more information see page 52.
(d) information on and traceability of substances of concern throughout the life cycle of the manufactured products.	When substances of concern are used in manufactured products information and traceability about these should be secured.	Compliant	Munters does not use substances of concern in the manufactured products.
5) Pollution prevention and control – The activity complies with the criteria set out in Appendix C to this Annex.	The economic activity shall be aligned with vrious directives such as the RoHS, REACH and directives regarding how to use lead and other substances of concern.	Compliant	Munters is compliant with all relevant directives. Munters does not use substances of concern in the manufactured products.
6) Protection and restoration of biodiversity and ecosystems – The activity complies with the criteria set out in Appendix D to this Annex.	EIAs (Environmental Impact Assessment) shall be conducted in line with the directive 2011/92/EU334	Compliant	Munters is following the Directive 2011/92/EU334. In 2022 one EIA was conducted in the US as a consequence of the plans of moving to a new production facility in Amesbury in 2024. It is mandatory according to local legislation that such an analysis should be conducted.

Installation, maintenance and repair of energy efficiency equipment, 7.3

The second economic activity relates to the installation, maintenance and repair of energy efficiency equipment. Substantial contribution to climate mitigation is defined in the taxonomy as individual renovation measures consisting of installation, maintenance and repair of energy efficiency equipment. Turnover from a portion of the sales within the Service segment has been included in the turnover reported as aligned. The reported portion represents service which relates to the equipment included in the other economic activities within business area AirTech, i.e., taxonomy-aligned products and solutions within the Industrial and Components segments. The included service turnover is calculated using the same portion as taxonomy-aligned equipment sold as a share of total sales of equipment within the Industrial and Component segments.

Technical screening criteria

The share of Munters' installation, maintenance and repair activities that is aligned with the taxonomy is the share that is tied to the products that Munters has performed a Life Cycle Analysis of and aligns with point 3.6. Through the installation, maintenance and repair of energy efficiency products, Munters helps to ensure the energy efficiency and long service life of the installed products. Munters has made the assessment that this activity is aligned with criteria e (installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies) according to the technical screening criteria for 7.3.

DNSH – INSTALLATION, MAINTENANCE AND REPAIR OF ENERGY-EFFICIENT EQUIPMENT, 7.3

Do No Significant Harm criteria (DNSH)	Munters interpretation of the criteria	Assessment	Comment
2) Climate change adaptation – The activity complies with the criteria set out in Appendix A	Munters shall conduct a climate risk analysis of physical risks.	Compliant	In 2022, Munters started a process to broaden and deepen the analysis and evaluation of risks and opportunities related to climate change. Climate change risks had already been part of the risk analysis carried out locally at our production sites with the support of the Munters Loss Prevention Standard (MLPS, see page 91 for more information). With the help of this analysis, the central sustainability group began during the year to analyze local climate change risks and opportunities (for more information, see pages 93–93). As part of the analysis, an overview of Munters assets was prepared and the most vulnerable asset was determined to be our production plants. The units were evaluated as a first step. The results of the analysis provided the group with a consolidated view of how acute and chronic climate change risks are for our production plants. This has also been discussed and calibrated with Group Management. Identified risks are for example the risk for storm in Florida, Fort Myers. Furthermore, Munters started a process to prepare for a future TCFD (Taskforce for Climate Disclosure) reporting.
3) Sustainable use and protection of water and marine resources - The activity complies with the criteria set out in Appendix B	N/A		
4) Transition to a circular economy – The activity assesses the availability of and, where feasible, adopts techniques that supports activities according to a, b, c and d.	N/A		
5) Pollution prevention and control - The activity complies with the criteria set out in Appendix C to this Annex.	In case of addition of thermal insulation to an existing building envelope, a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying. Any stripping of lagging that contains or is likely to contain asbestos, breaking or mechanical drilling or screwing or removal of insulation board, tiles and other asbestos containing materials is carried out by appropriately trained personnel, with health monitoring before, during and after the works, in accordance with national law.	Compliant	Munters does not engage in the service activities referred to in Appendix C.
6) Protection and restoration of biodiversity and ecosystems – The activity complies with the criteria set out in Appendix D to this Annex.	N/A		

Changes compared to the reporting for 2021

In 2021, the portion of the Industrial segment within AirTech that sells solutions to customers that manufacture batteries was classified under 3.4, Manufacture of batteries. Here the taxonomy states that the manufacture of batteries or components substantially contributes to climate mitigation. In 2022, this portion was reclassified to 3.6 since the life cycle analyses were performed on the products that are sold to the battery segment. Consequently, the products that Munters sells to the battery segment meet the technical screening criteria under 3.6.

BUSINESS AREA DATA CENTER TECHNOLOGIES

One economic activity has been included from the business area Data Center Technologies. The economic activity is assessed to be aligned with 3.6 of the taxonomy.

Other low carbon technologies, 3.6

Within the business area, the product SyCool Split is included in the manufacture of other low carbon technologies. The taxonomy states that the manufacture of technologies aimed at substantial GHG emission reductions in sectors of the economy not included elsewhere in the taxonomy substantially contributes to climate mitigation. Furthermore, the technical screening criteria specify that such technologies must demonstrate substantial life cycle GHG emission savings compared to the best performing alternative technology available on the market.

Technical screening criteria

In 2022, Munters performed life cycle analyses of one product within Data Center Technologies, SyCool Split. Through this analysis, Munters was able to determine that this product meets the technical screening criteria.

Turnover from sales of SyCool Split has been included in the reported taxonomy-eligible KPIs. In 2023, the analysis of Data Center Technologies will be expanded with criteria for DNSH and minimum safeguards with the aim that this share will be taxonomy aligned.

BUSINESS AREA FOODTECH

Within business area FoodTech, two economic activities have been included. One economic activity is reported as taxonomy eligible and one economic activity is reported as taxonomy aligned.

Manufacture of energy efficiency equipment for buildings, 3.5

The first activity relates to the manufacture of energy efficiency equipment for buildings where the turnover originating from sales of controllers, sensors and related accessories has been included. The taxonomy states that energy efficient building automation and control systems for residential and non-residential buildings substantially contribute to climate change mitigation. FoodTech's controllers, sensors and accessories are energy efficient products for monitoring and controlling the climate, primarily in livestock farming buildings. Besides being energy efficient in themselves, the products enable customers to increase the overall energy efficiency in their facilities.

Technical screening criteria

Munters' view is that FoodTech's range of controllers, sensors and accessories meets the technical screening criteria since besides being energy efficient in themselves, they enable customers to increase the overall energy efficiency in their facilities.

Data-driven solutions for GHG emissions reductions

The second economic activity relates to data-driven solutions for GHG emissions reductions where MTech Systems' software solutions have been included. The taxonomy states that software solutions primarily aimed at provision of data and analytics enabling GHG emission reductions substantially contribute to climate change mitigation. MTech Systems provides solutions for planning and monitoring operations in livestock farming facilities and enables optimizing on a range of parameters, including water and feed usage, energy usage and waste produced, all of which are drivers of GHG emissions.

Technical screening criteria

Munters' view is that MTech Systems' software solutions meet the technical screening criteria since they clearly help customers to reduce their GHG emissions by providing data on the underlying parameters for controlling them.

Turnover from sales of software has been included in the reported taxonomy-eligible KPI. In 2023, the analysis will be expanded with criteria for DNSH and minimum safeguards with the aim that this share will be taxonomy aligned.

DNSH – MANUFACTURE OF ENERGY EFFICIENCY EQUIPMENT FOR BUILDINGS, 3.5

Do No Significant Harm criteria (DNSH)	Munters interpretation of the criteria	Assessment	Comment
2) Climate change adaptation - The activity complies with the criteria set out in Appendix A	Munters shall conduct a climate risk analysis of physical risks.	Compliant	In 2022, Munters started a process to broaden and deepen the analysis and evaluation of risks and opportunities related to climate change. Climate change risks had already been part of the risk analysis carried out locally at our production sites with the support of the Munters Loss Prevention Standard (MLPS, see page 94 for more information). With the help of this analysis, the central sustainability group began during the year to analyze local climate change risks and opportunities (for more information, see page 92-93). As part of the analysis, an overview of Munters assets was prepared and the most vulnerable asset was determined to be our production plants. The units were evaluated as a first step. The results of the analysis provided the group with a consolidated view of how acute and chronic climate change risks are for our production plants. This has also been discussed and calibrated with Group Management. Identified risks are for example the risk for storm in Florida, Fort Myers. Furthermore, Munters started a process to prepare for a future TCFD (Taskforce for Climate Disclosure) reporting.
3) Sustainable use and protection of water and marine resources – The activity complies with the criteria set out in Appendix B	Munters should identify and address risks related to water quality and should aim to prevent water stress.	Compliant	Israel, Tel Aviv, is located in an area where water is scarce. As a consequence, Munters has identified that a special focus on water is needed in this area. In the manufacturing process Munters does not use any water in Tel Aviv. The water consumption in Israel is used for sanitation purposes. Munters aim at gradually reducing water consumption and treat wastewater in our production plants and processes. For more information about our water consumption see page 52.
4) Transition to a circular economy - The activity assesses the availability of and, where feasible, adopts techniques that support:			
(a) reuse and use of secondary raw materials and reused components in products manufactured;	Munters ambition should be to secure a high level of recycling and use of secondary material and components in produced products.	Compliant	We use a common development model in Munters: MPDM, Munters Product Development Model, based on insight into customers' need. We weigh in various sustainability factors early in the process, such as choice of materials, recycling options and energy consumption. For more information about the MPDM see page 17–18. The production facility in Tel Aviv is certified according to the ISO standard 14001.
(b) design for high durability, recyclability, easy disassembly and adaptability of products manufactured;	Munters ambition should be that every product shall have an optimized design for high durability, recýclability, ease of disassembly and adaptability.	Compliant	Munters has a life-cycle approach towards all product development. This means that we have a product development stage-to-gate process including a sustainability assessment. The new product needs to be assessed compared to its predecessor, to assess whether it is more or less sustainable. The assessment focuses on each of the 4 stages of the life cycle of the product: raw materials, production, use phase and end-of-life. The criteria to score high on Sustainability are for example reduction of size, lightweighting, use of recycled material, minimization of packaging, ease of disassembly and other eco-design principles that aim to minimize the negative impact of the product already at its design phase. It is our goal that each new generation of all products should be more energy-efficient than the previous one.
(c) waste management that prioritises recycling over disposal, in the manufacturing process;	Munters should have a policy that prioritises recycling over disposal in the manufacturing process.	Compliant	We are working to reduce waste and increase recycling rates in our production facilities, through systematic quality improvements. The recycling rate is measured and followed-up every quarter. For more information see page 52.
(d) information on and traceability of substances of concern throughout the life cycle of the manufactured products.	When substances of concern are used in manufactured products information and traceability about these should be secured.	Compliant	Munters does not use substances of concern in the manufactured products.
5) Pollution prevention and control – The activity complies with the criteria set out in Appendix C to this Annex.	The economic activity shall be aligned with various directives such as the RoHS, REACH and directives regarding how to use lead and other substances of concern.	Compliant	Munters is compliant with all relevant directives. Munters does not use substances of concern in the manufactured products.
6) Protection and restoration of biodiversity and ecosystems – The activity complies with the criteria set out in Appendix D to this Annex.	EIAs needed to be carried out in accordance with Directive 2011/92/EU334	Compliant	This economic activity only has operations in Israel and operations are not located in a nature conservation area. Munters has not made any amendments to the site during the last year.

Minimum safeguards related to all economic activities that are assessed to be aligned and/or eligible with the taxonomy

Munters offers innovative, high-quality and energy-efficient solutions for air treatment and the climate to businesses that need precise air and climate control. Munters has three overarching focus areas for its sustainability work: Resource efficiency & environment, People & society, and Responsible business practices. Sustainability is an integrated part of the strategy.

- Within the area of resource efficiency & environment Munters actively work with reducing water consumption, increase our recycling rate and energy efficiency as well as increased the share of electricity from renewable sources in our production plants. We have been reporting energy efficiency and the proportion of electricity from renewable sources in our production plants for several years. In 2020, we began monitoring carbon emissions from our own operations, Scope 1 & 2. In 2021 and 2022, we made significant progress in the mapping of the Scope 3 categories that to date have been deemed most significant. The Scope 3 emissions that are reported for the year therefore do not yet represent 100 per cent of the transactions in the selected Scope 3 categories. The mapping work will continue in 2023.
- Within People & society we are focusing on securing safety in the workplace, our community engagement and to increase diversity at Munters. We are since several years working purposefully to increase the share of women employees and managers.
- In the area of Responsible business practices we continuously work on strengthening and educating employees in the area of business ethics.

Munters adhere to several guidelines and principles all laid out in the policies and guidelines for our sustainability work. You will find more about these on page 68 in the Annual report 2022.

In the area of Human rights Munters is committed to freedom of association & collective bargaining, prohibition of child labour, prohibition of forces labor & human trafficking and anti-discrimination & harassment.

We have conducted a risk analysis of our value chain related to human rights. Based on the outcome of this analysis we have established that the relationship with our suppliers is the highest risk area. Therefore we conduct periodic reviews of our direct suppliers and their compliance with our Code of Conduct. You will find more information about this on page 69.

We actively work with anti-corruption and have various policies in place in the area as well as prevention plans and follow-ups. We do not tolerate corruption, bribes or unethical business practices in any form.

Munters follows OECD Transfer Pricing Guidelines for Multinational Enterprises. For these we have plans and monitoring to ensure we follow the guidelines.

Considering the total work Munters do within the area of sustainability, we assess that the operations is aligned with the Minimum safeguards of the taxonomy.

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CAPITAL EXPENDITURE

				Substantial contribution criteria						Do No Significant Harm criteria (DNSH)									
Economic activities	Taxonomy code(s)	Absolute Capex, MSEK	Proportion of Capex, %	1. Climate change mitigation, %	2. Climate change adoption, %	3. Water and marine resources	4. Circular economy	5. Pollution prevention	6. Biodiversity and ecosystems	1. Climate change mitigation	2. Climate change adoption	3. Water and marine resources	4. Circular economy	5. Pollution prevention	6. Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned proportion of Capex 2022	Category (enabling activity or)	Category (transitional activity)
(Unit)		*(MSEK)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(%)*	*(E)*	*(T)*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Taxonomy-aligned activities																			
Manufacture of energy efficiency equipment for buildings	3.5	48	3%	100%							Y	Y	Y	Y	Y	Y	3%	E	
Manufacture of low carbon technologies	3.6	566	32%	100%							Y	Y	Y	Y	Y	Y	32%	E	
Installation, maintenance and repair of energy-efficient equipment	7.3										Y	N/A	N/A	Y	N/A	Y	0%	E	
Total taxonomy-aligned activities		**614**	**35%**	**35%**													**35%**		
A.2. Eligible but not taxonomy-aligned activities																			
Manufacture of low carbon technologies	3.6	239	13%	100%															
Data-driven solutions for GHG emissions reductions	8.2	45	3%	100%															
Total eligible but not taxonomy-aligned activities		**283**	**16%**	**13%**															
Total A.1. + A.2.		**897**	**51%**	**51%**													**51%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Non-eligible activities		850	49%																
TOTAL A+B		**1,747**	**100%**																

SPECIFICATION OF DISCLOSURE – CAPITAL EXPENDITURE

Accounting policy

Capital expenditure is defined as the proportion of capital expenditure related to taxonomy-aligned economic activities that qualify as any of the following:

» They relate to assets or processes that are associated with taxonomy-aligned economic activities
» They are part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned ("CapEx plan")
» They relate to the purchase of output from taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or lead to GHG reductions, notably activities listed in sections 7.3 to 7.6 of Annex I of the commission delegated regulation on climate change, as well as other economic activities listed in the delegated acts referred to in Articles 10.3, 11.3, 12.2, 13.2, 14.2 and 15.2 of Regulation (EU) 2020/852, provided that such measures are implemented and operational within 18 months.
» The CapEx plan referred to in the second point above meets the following conditions:
» The plan aims either to expand Munters' taxonomy-aligned economic activities
» The plan has been disclosed at economic activity aggregated level.
» Research and development costs accounted for in the capital expenditure KPI have not been counted as operating expenditure.
» All reported taxonomy-eligible capital expenditure relates to the objective climate change mitigation.

Assessment of compliance with Regulation (EU) 2020/852

All reported capital expenditure relates to the same economic activities identified in the turnover section; no further capital expenditure has been added concerning further environmental objectives pursued.

For more information about how Munters defined capital expenditure, see pages 110–113.

BUSINESS AREA AIRTECH

In business area AirTech capital expenditures related to economic activities in 3.6 that are aligned with the taxonomy has been accounted for.

Manufacture of low carbon technologies, 3.6

In this areas capital expenditures are recognised that consist of expenditures related to an expansion of a productionfacility in Sweden as well as expenditures related to leasing of a new production facility in the Czech Republic. In addition, capital expenditures that are aligned with the taxonomy has been determined using the proportion of turnover identified within relevant areas.

BUSINESS AREA FOODTECH

In business area FoodTech capital expenditures related to economic activities in 3.5 and 8.2 been accounted for. The activities in 3.5 are assessed to be aligned with the taxonomy and the activities in 8.2 are assessed to be eligible with the taxonomy.

Manufacture of energy efficiency equipment for buildings, 3.5

In this area capital expenditure related to investments in research and development are accounted for.

Data-driven solutions for GHG emissions reductions, 8.2

In this area capital expenditure related to investments in research and development are accounted for.

BUSINESS AREA DATA CENTER TECHNOLOGIES

In business area Data Center Technologies capital expenditures related to economic activities in 3.6 has been accounted for. The activities are assessed to be eligible with the taxonomy.

Manufacture of low carbon technologies, 3.6

In this area capital expenditure has been accounted for that consist of partly expenditures related to leasing of a new production facility in the US. Furthermore capital expenditures that are eligible with the taxonomy has been determined using the proportion of eligible turnover identified within relevant areas.

OPERATING EXPENDITURE

				Substantial contribution criteria						Do No Significant Harm criteria (DNSH)									
Economic activities	Taxonomy code(s)	Absolute Opex, MSEK	Proportion of Opex, %	1. Climate change mitigation, %	2. Climate change adoption, %	3. Water and marine resources	4. Circular economy	5. Pollution prevention	6. Biodiversity and eco-systems	1. Climate change mitigation	2. Climate change adoption	3. Water and marine resources	4. Circular economy	5. Pollution prevention	6. Biodiversity and eco-systems	Minimum safe-guards	Taxonomy aligned proportion of Opex 2022	Category (enabling activity or)	Category (transitional activity)
(Unit)		*(MSEK)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(Y/N)*	*(%)*	*(E)*	*(T)*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Taxonomy-aligned activities																			
Manufacture of energy efficiency equipment for buildings	3.5	21	9%	100%							Y	Y	Y	Y	Y	Y	9%	E	
Manufacture of low carbon technologies	3.6	57	25%	100%							Y	Y	Y	Y	Y	Y	25%	E	
Installation, maintenance and repair of energy-efficient equipment	7.3	17	8%	100%							Y	N/A	N/A	Y	N/A	Y	8%	E	
Total taxonomy-aligned activities		**95**	**42%**	**42%**													**42%**		
A.2. Eligible but not taxonomy-aligned activities																			
Manufacture of low carbon technologies	3.6	17	7%																
Data-driven solutions for GHG emissions reductions	8.2	26	11%	100%															
Total eligible but not taxonomy-aligned activities		**43**	**19%**	**7%**															
Total A.1. + A.2.		**138**	**61%**	**61%**													**61%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Non-eligible activities		88	39%																
TOTAL A+B		**226**	**100%**																

SPECIFICATION OF DISCLOSURE – OPERATING EXPENDITURE

Accounting policy

Operating expenditure is defined as direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-today servicing of items of property plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. The operating expenditure included if they fall under any of the following areas:

- They relate to assets or processes associated with taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalized costs that present research and development;
- They are part of capital expenditures aiming to expand taxonomy-aligned economic activities.

They relate to purchases of output from taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures as identified in the delegated acts adopted pursuant to in Articles 10(3), 11(3), 12(2), 13(2), 14(2), 15(2) of Regulation (EU) 2020/85, provided that such measures are implemented and operational within 18 months.

All reported taxonomy-eligible operating expenditure relates to the objective climate change mitigation.

For more information about Munters accounting policy for operating expenditure, see note 1, accounting policies.

Assessment of compliance with Regulation (EU) 2020/852

All reported operating expenditures are related to the same economic activities reported as reported in turnover; no additional operating expenditure concerning other objectives has been reported.

BUSINESS AREA AIRTECH

All reported operating expenditure relates to the economic activities in 3.6 and 7.3 assessed to be aligned with the taxonomy.

Manufacture of low carbon technologies, 3.6

In this area operating expenditures related to research and development has been reported.

Installation, maintenance and repair of energy-efficient equipment, 7.3

In this area operating expenditures for installation, maintenance and repair of equipment assessed to be aligned with the taxonomy has been reported. Installation, maintenance and repair has been determined using the proportion of turnover identified within relevant areas, see the specification of disclosure – turnover section.

BUSINESS AREA FOODTECH

In business area FoodTech operating expenditures related to economic activities in 3.5 and 8.2 has been accounted for. The activities in 3.5 are assessed to be aligned with the taxonomy and the activities in 8.2 are assessed to be eligible with the taxonomy.

Manufacture of energy efficiency equipment for buildings, 3.5

In this area are operating expenditures related to research and development are reported.

Data-driven solutions for GHG emissions reductions, 8.2

In this area are operating expenditures related to research and development are reported.

BUSINESS AREA DATA CENTER TECHNOLOGIES

The reported operating expenditures are related to economic activities in 3.6 that are assessed to be eligible with the taxonomy.

Manufacture of low carbon technologies, 3.6

In this area are operating expenditures related to research and development are reported as well as maintenance and repair related to the economic activities assessed to be eligible with the taxonomy.

Roger Östman from our production facility in Tobo, Sweden.

MAGNUS NICOLIN
Chairman of the Board

COMMENTS FROM THE CHAIRMAN OF THE BOARD

Munters now has a solid foundation for continued profitable growth

After nearly a year as Chairman, I can say that Munters has a clear, effective strategy and strong position in the global market for climate solutions for industry, data centers, food production and agriculture. Munters world-leading offering and extensive application know-how give us good opportunities to continue to grow with existing and new customers.

Dear shareholders and other stakeholders in Munters,
I have lived and worked internationally for nearly 40 years and most recently served as CEO for ten years of the publicly traded Australian company Ansell. Ansell is a global leader in personal protective equipment (PPE) with over 14,000 employees and revenue of SEK 20 billion. Like Ansell, Munters is the leading player in its specific niche. I believe that also Munters has a great potential to continue to build our position and thus create value for our shareholders.

It was exciting and interesting to be introduced to Munters in 2022 and learn about the company in depth. In the past year, I and the other members of the Board of Directors, have had the privilege of meeting people from many different parts of the company and visiting operations in various regions. I am impressed by the expertise Munters has built up and the growth we are delivering, both organically and through acquisitions. Strong, longstanding customer relationships have given Munters deep insight into both current issues and future challenges for our customers.

Sustainability is one of the most pressing issues of our time. Electrification and digitization of society, together with growing demand from customers for energy efficient solutions, are raising interest in Munters offering. The major orders that Munters signed in 2022 within the battery segment in AirTech and within Data Center Technologies, to name a few, are clear proof of these trends and our unique competence to deliver the best solutions in these areas. The success we are now achieving in SaaS solutions for food producers also illustrates how we can contribute to a more sustainable society.

Munters has implemented several important changes in the last three years by increasing investments in innovation, in new production capacity, including the US and Czech Republic, and by beginning to implement new, efficient digital processes. We have also placed greater focus on developing the service business to ensure that our solutions always work as expected, extend the life of our products and generate more consistent revenue flows. Our climate solutions are mission-critical for our customers and have to work at all times, e.g., if a fan stops, the temperature can be harmful for chickens; if the cooling in a data center stops working, it can lead to internet shutdowns; or if the cooling and humidity control in a battery factory stop working, production will be disrupted and cause a major fire risk. It is with great satisfaction that I have taken note of Munters structured approach to increasing sustainability in our own operations. To be a credible partner and advisor, we obviously must have internal sustainability as a high priority, and here Munters has made good progress in cutting emissions from operations and reducing waste, among other things. Overall, through the investments we are now making to future-proof Munters, we have laid a solid foundation for continued profitable growth.

One of the most important tasks for us on the Board of Directors is to be an active sounding board for the management team on this journey. One question we are now moving higher up on the agenda is internal talent development, diversity and leadership. A broad global talent pool to recruit from is a key element in order to future-proof the company and enable the growth we want to see.

Lastly, I want to thank all our employees for their fantastic efforts in 2022. Munters is a strong, global company, and I look forward to playing a part as we continue to strengthen the company's position as a world leader in energy-efficient climate solutions.

MAGNUS NICOLIN
Chairman of the Board

Corporate governance at Munters Group

SHAREHOLDERS

The right of the shareholders to decide on Munters affairs is exercised at the General Meeting (GM). Shareholders who are recorded in the share register on the record date and have registered for the GM within the time indicated in the notice to attend have the right to participate in the GM, in person or by proxy.

NOMINATION COMMITTEE

The Nomination Committee is charged with preparing and submitting proposals before the AGM on behalf of the shareholders for the election of the Chairman of the AGM, election of the Chairman of the Board and other Board members, election of the auditors, and fees to the auditors and to the Board. In addition, the Nomination Committee assesses the independence of Board members in relation to the company and major shareholders. The company's Audit Committee assists the Nomination Committee with the proposal for the election of the auditors, and the Nomination Committee's proposals to the General Meeting for auditors' elections contain the Audit Committee recommendation.

BOARD OF DIRECTORS

The Board is responsible for Munters organization and management of Munters affairs. Under the company's Articles of Association, Munters Board of Directors shall consist of at least three and no more than ten members elected by the AGM. The Board members are elected annually by the AGM for the period until the conclusion of the next AGM.

The Chairman of the Board of Directors leads and oversees the work of the Board, ensuring that activities are conducted efficiently. The Chairman also ensures that the Swedish Companies Act and other applicable laws and regulations are observed, and that the Board receives the training it needs to improve its knowledge of Munters. The Chairman monitors operations in close dialogue with the CEO, conveys opinions from shareholders to other Board members, and serves as spokesperson for the Board. The Chairman of the Board is responsible for other Board members receiving sufficient information to perform their work effectively, and for ensuring that the Board's decisions are implemented. The Chairman of the Board is also responsible for the Board's annual evaluation of its work.

BOARD COMMITTEES

The Board of Directors currently has three committees: the Audit Committee, the Compensation Committee and the Investment Committee. The members of the committees are appointed from among the Board of Directors for a period of one year. Reports to the Board on issues addressed at committee meetings are submitted either in writing or verbally. The work of each committee is performed in accordance with the instruction from the Board. Minutes of committee meetings are provided to all Board members.

The Audit Committee

The main tasks of the Audit Committee are to ensure that the Board of Directors fulfills its supervisory duty in relation to internal control, auditing, financial risk management, accounting and financial reporting; to prepare matters concerning the procurement of auditing and other services from the auditor; and to prepare certain accounting and auditing matters to be resolved by the Board.

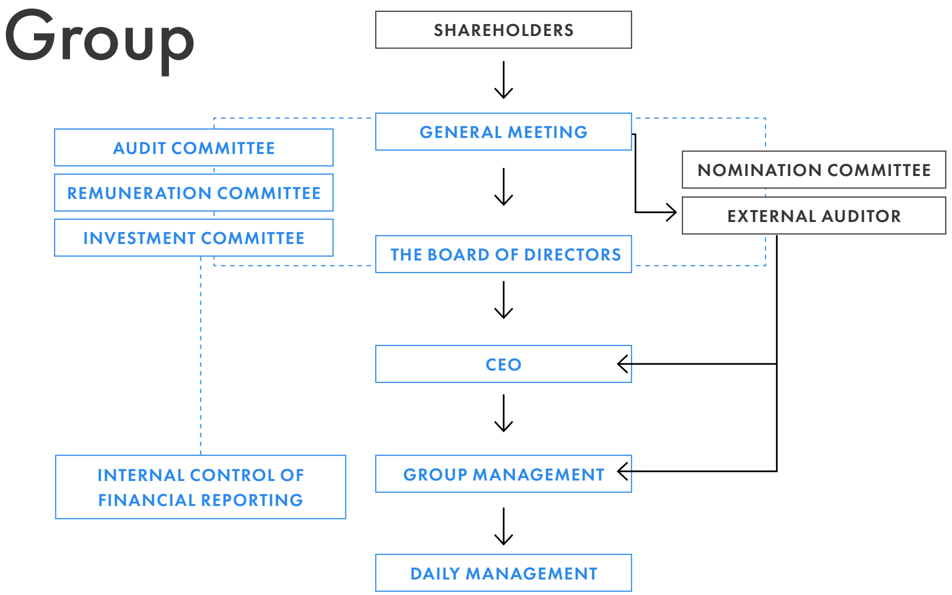
The Compensation Committee

The Compensation Committee prepares compensation and other employment terms for the CEO and decides on them for other senior executives. The committee represents the Board in managerial and succession planning as well as leadership development.

The Investment Committee

The Investment Committee assists the Board of Directors by monitoring material strategic initiatives that are important to the Group's value creation. In addition, the Investment Committee approves and supports the Board and the company's management in material contractual processes.

Corporate Governance Structure



External governance systems
The external governance systems that provide the framework for Munters corporate governance consist primarily of the Swedish Companies Act, the Swedish Annual Accounts Act, the Code and other applicable regulations and relevant legislation.

Internal governance systems and policies
Internal binding policy documents include:

- Rules of Procedure for the BoD
- Instructions for the CEO
- Instructions for the Compensation, the Audit and Investment Committees
- Code of Conduct
- Steering documents
- Finance policy
- Sustainability policy
- Communication policy
- Insider policy
- Internal control policy
- HR policy
- Policy for Munters Group Management Holding of Munters Shares

Policies, procedures & guidelines can be found at www.munters.com

CEO AND GROUP MANAGEMENT

The Board of Directors appoints the President and CEO. The CEO is responsible for day-to-day management according to the Board's instructions as well as for taking all necessary measures to ensure that the organization and the control of the company's accounts comply with current rules and regulations. The CEO also prepares all necessary information and supporting documentation for Board meetings and, if requested by the Chairman of the Board, summons the meeting. The CEO reports at Board meetings and submits motivated proposals for resolution by the Board. The CEO is assisted by a Group Management comprised of the heads of the business areas and staffs.

AUDITORS

The AGM appoints the auditors, who review the annual report, accounts, consolidated financial statements, management of the Board and the CEO, and the annual reports and accounts for subsidiaries, and issues the Audit Report.

Corporate Governance Report 2022

The corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code ("the Code"). Munters did not breach any of the rules of the Code in 2022. The auditors have reviewed the report, and the statement from the auditors can be found on page 143.

2022 Annual General Meeting

The Annual General Meeting (AGM) for 2022 was held on 18 May 2022. Due to the pandemic, the AGM was held according to sections 20 and 22 of the Act (2020:198) on temporary exemptions to facilitate the execution of general meetings, whereby the shareholders were able to exercise their voting rights at the meeting only by postal voting in advance. According to the voting list, approximately 71.8% of the votes were represented. Complete information on the 2022 AGM and the minutes can be found on the Munters website, www.munters.com.

The issues resolved by the AGM included the following:

- Dividend in accordance with the Board's proposal of SEK 0.85 per share.
- Discharge of the Board members and the CEO from personal liability for the administration of the company in 2021.
- Remuneration to the Board of Directors.
- Re-election of Board members Håkan Buskhe, Helen Fasth Gillstedt, Kristian Sildeby and Anna Westerberg.
- Election of Magnus Nicolin, Maria Håkansson and Anders Lindqvist as new Board members.
- Election of Magnus Nicolin as the new Chairman of the Board.
- Remuneration to the auditors according to approved invoices.
- Compensation guidelines for senior executives.
- Approval of the Board's remuneration report.

2023 Annual General Meeting

The 2023 Annual General Meeting will be held on May 17, 2023. For further information, refer to page 148 and the Munters website, www.munters.com.

Nomination Committee for the 2023 AGM

The Nomination Committee for the AGM shall be composed of representatives of the four largest shareholders by votes as listed in the share register maintained by Euroclear Sweden AB as of August 31 of each year.

The Chairman of the Board shall serve as a co-opted member of the Nomination Committee and also convene its first meeting. The member representing the largest shareholder by votes shall be appointed Chairman of the Nomination Committee. The Chairman of the Nomination Committee shall have the deciding vote in a tie.

The composition of the Nomination Committee shall be announced no later than six months prior to the meeting. Changes in the composition of the Nomination Committee shall be made public immediately. No remuneration shall be paid to the members of the Nomination Committee. Any necessary expenses for the Nomination Committee's work shall be paid by the company. The Nomination Committee's term extends until the composition of the next Nomination Committee has been announced.

The reasoned statement of the Nomination Committee for the 2022 AGM declares that in preparing its proposal for the Board of Directors the Nomination Committee has applied Rule 4.1 of the Code as a diversity policy. The goal of the policy is that the Board, given the company's operations, stage of development and conditions in general, shall have an appropriate composition marked by diversity and breadth in terms of the competence, experience, and background of the members elected by the GM, and shall promote gender parity. The 2022 AGM resolved to elect Board members in accordance with the proposal of the Nomination Committee.

From the time it was constituted up until the submission of the Annual Report, the Nomination Committee has held six recorded meetings.

Nomination Committee ahead of the 2023 AGM

Name	Elected by	Holding
Magnus Fernström	FAM AB	28.3%
Hans Christian Bratterud	ODIN fonder	8.20%
Mats Larsson	First Swedish National Pension Fund	7.44%
Lovisa Runge	Fourth Swedish National Pension Fund	6.02%

Board of Directors 2022

Munter's articles of association were adopted at the AGM on 18 May 2022 and contain no special provisions on the appointment and dismissal of board members or on changes to the articles of association. For the complete articles of association, refer to Munter's website.

At the 2022 AGM, seven Board members were elected, three of whom are women and four men. Under Swedish law, the trade unions have the right to representation on the Board and they were represented in 2022 by two members and one deputy. The CEO and the Group Vice President and the CFO of Munters attend the Board meetings. Attorney Johan Lekholm from Mannheimer Swartling Advokatbyrå AB serves as the Board's secretary. Other members of Group Management participate in the Board's meetings to present specific issues.

Board activities

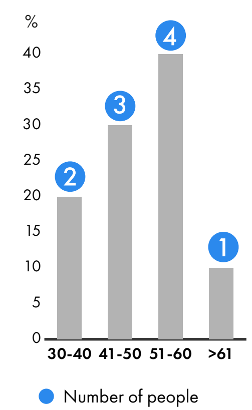
The duties of the Board of Directors are set forth primarily in the Swedish Companies Act and the Code. Board activities are also governed by the rules of procedure adopted annually by the Board. The rules of procedure govern the division of work and responsibility between the members of the Board, its committees, the Chairman and the CEO. The instructions for the CEO also contain instructions for financial reporting. The tasks of the Board include adopting strategies, business plans and targets; issuing interim reports and year-end financial statements; managing risks; and setting policies and guidelines. The Board shall also monitor economic developments, ensure the quality of financial reporting and the internal controls, and evaluate the Group's operations based on the objectives and guidelines set by the Board. Moreover, the Board is responsible for appointing the CEO. The Board also decides on major investments as well as organizational and operational changes.

Composition of the Board of Directors

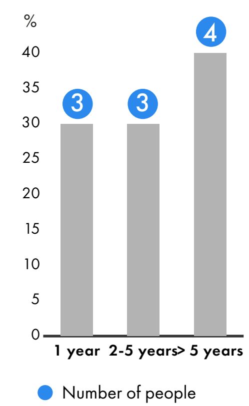
	Attendance			
Name	Board meetings	Audit Committee	Compensation Committee	Investment Committee
Magnus Nicolin, *Chairman of the Board**	7/7	–	3/3	3/3
Helen Fasth Gillstedt	13/13	5/5	–	–
Håkan Buskhe	13/13	–	–	–
Anna Westerberg	11/13	–	–	8/8
Kristian Sildeby	13/13	5/5	7/7	8/8
Maria Håkansson*	7/7	3/3	–	–
Anders Lindqvist*	6/7	–	3/3	–
Simon Henriksson**	13/13	–	–	–
Tor Jansson**	6/13	–	–	–
Robert Wahlgren**	13/13	–	–	–

*Elected at AGM 2022 ** Employee representative

AGE DISTRIBUTION



TIME ON THE BOARD



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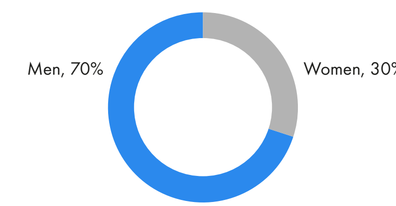


Board meetings 2022

In 2022, the Board of Directors held 12 meetings. Following is an overview of the key issues addressed at these meetings.

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Board meetings	• Report from the Board's committees	• Decision on dividend proposal for the financial year 2021 • Approval and release of the year-end report (Q4 report)	• Approval of Annual and Sustainability Report 2021	• Resolution on notice and proposal for the Annual General Meeting • Approval and release of Q1 report	• Annual General Meeting • Approval of revised policies • Election of members of the Board's committees • Decision to adopt the rules of procedure for the Board and the rules of procedure for the committees		• Approval and release of Q2 report	• Review of HR issues and succession plans	• Review of strategy work	• Approval and release of Q3 report	• Review of strategic plan for the Group	• Approval of proposed financial targets for 2023
Audit Committee		M		M			M			M		M
Compensation Committee	M	M			M		M			M		M M
Investment Committee	M M	M	M		M	M		M			M	

M Committee meetings

The CEO discusses business development at ordinary Board meetings. The auditor holds briefings for the Board where the auditor's reports are discussed. The auditor also meets with the Board without management present.

The company meets the requirements in the Code in that a majority of the members elected by the AGM are independent of the company and company management, and that at least two of them are independent of the major shareholders.

An evaluation is conducted each year to ensure the quality of the Board's work and to identify any need for additional competence or experience. The Chairman of the Board is responsible for conducting the evaluation and reporting it to the Nomination Committee. At the request of the Nomination Committee, the Board members shall take part in interviews with the Nomination Committee to facilitate the evaluation. In 2022, a traditional external evaluation of the Board's work was conducted. The results of the interviews and the Board evaluation have been reported to the Board and the Nomination Committee.

Audit Committee

Recurring agenda items at the Audit Committee's meetings are accounting issues, quarterly reports, the annual report and consolidated financial statements, regular reporting from the Group function Internal Control, legal requirements, risk management and reports from the auditor. In addition, the Audit Committee monitors the impartiality and independence of the auditor, evaluates the audit work, and discusses the collaboration between the auditor and the company's internal control function. The Audit Committee also assists the Nomination Committee in preparing nominations for auditor and proposals in respect of audit fees by submitting recommendations to the Nomination Committee.

During the period between two consecutive AGMs, the Audit Committee is required to hold at least five meetings, normally in conjunction with the ordinary meetings of the Board of Directors.

Compensation Committee

The task of the Compensation Committee is to prepare issues relating to compensation for the CEO and Munters other senior executives. The Compensation Committee proposes guidelines for, among other things, the breakdown between fixed and variable compensation and the relationship between results and compensation, the principal conditions for bonuses and incentive schemes, conditions for other benefits, pensions, termination, and severance pay. The Committee also prepares proposals for individual compensation packages for the CEO and other senior executives. Furthermore, the Compensation Committee monitors and evaluates the outcome of variable compensation schemes and Munters compliance with the compensation guidelines adopted by the Annual General Meeting, in addition to preparing the report that the Board signs off on and submits to the AGM for approval. See also "Remuneration guidelines for senior executives."

Investment Committee

The Investment Committee assists the Board of Directors by monitoring and steering material strategic initiatives that are important to the Group's value creation and by supporting the company's management in this respect, as well as drafting proposals for material strategic initiatives and projects for the Group. Additionally, the Investment Committee approves, as well as supports the Board and management in, the process for control and review of the company's contracts. The Investment Committee's work can largely be divided into:

- Large customer contacts
- Mergers and acquisitions in general as well as strategic alliances; and
- Other strategic initiatives of a material strategic nature where capex exceeds the CEO's authorization limit.

The Investment Committee is convened as needed to carry out its tasks.

External auditor

Ernst & Young AB has been Munters auditor since 2010, and Rickard Andersson, authorized public accountant and member of FAR (the professional institute for authorized public accountants in Sweden), has been auditor-in-charge since 2019. Prior to Munters 2021 AGM, a procurement was made and Ernst & Young AB were re-elected at the AGM as auditor for a mandate period of four years, up to and including the 2025.

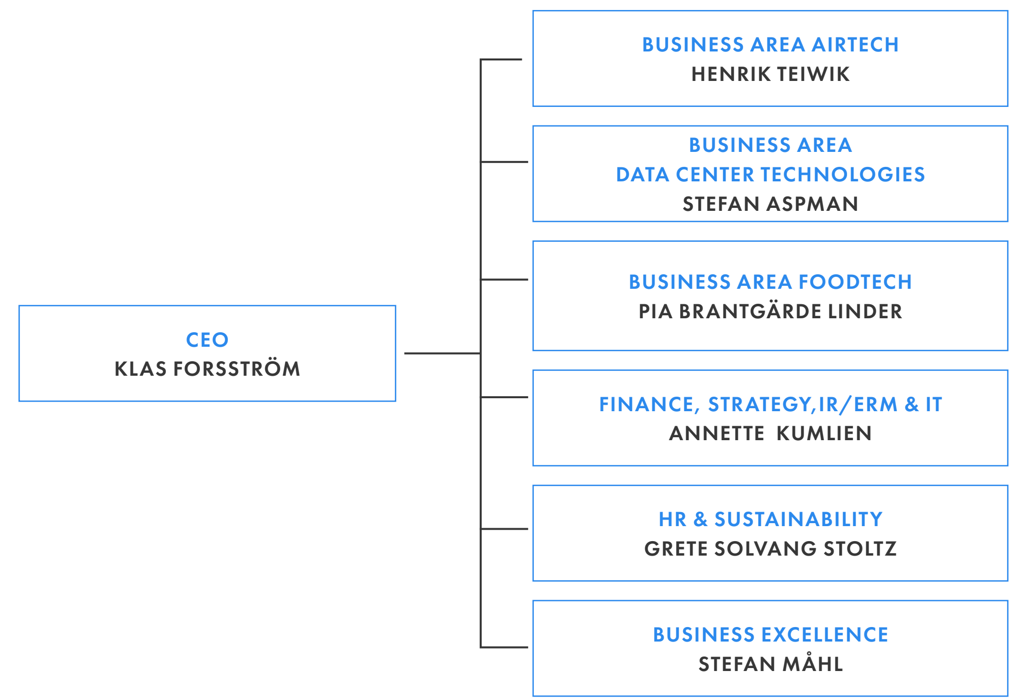
CEO and Group Management

Group Management consisted in 2022 of the CEO, the Group Vice President and CFO, three business area Presidents and two Group Vice Presidents responsible for the central functions Business Excellence; and HR & Sustainability.

Group Management holds monthly meetings with a focus mainly on the Group's strategic and operational development and performance. A number of reviews and progress reports were presented as well on contingency plans for the pandemic, major orders, potential acquisitions, risk management, etc.

Munters organization is distinguished by a decentralized approach where a large share of the responsibility and authority is delegated to each business area and subsidiary. Every legal entity, which does not necessarily reflect operating activities, has a board of directors that focuses on compliance, among other things.

Group structure



Internal control of financial reporting

Internal control entails clarity, orderliness and ensuring that what has to be done is done as intended. Internal control is the collective term for the organization and the systems, processes and routines that enable this.

Munters has an internal control function whose purpose is to support management so that it can continuously ensure good internal control of financial reporting. The work that is conducted through this function is primarily focused on ensuring compliance with directives and guidelines and creating good conditions for control activities in key processes related to the financial reporting. The Audit Committee is regularly informed of the results of the work that the internal control function within Munters performs with regard to risks, control activities and follow-up on the financial reporting. The Audit Committee reports to the Board on a regular basis. In addition, the internal control function maintains good communication with the external auditors.

Munters internal control of the financial reporting is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework covers five main areas: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

Internal control is shaped by the overall control environment. The Board of Directors is responsible for establishing an effective system of internal control and supervising the work through the CEO. Group Management sets the tone for the business and influences employees' awareness with respect to control. One condition for a strong control environment is that there are clearly defined values in terms of ethics and integrity, and that they are communicated through governing documents such as policies, guidelines, manuals and codes.

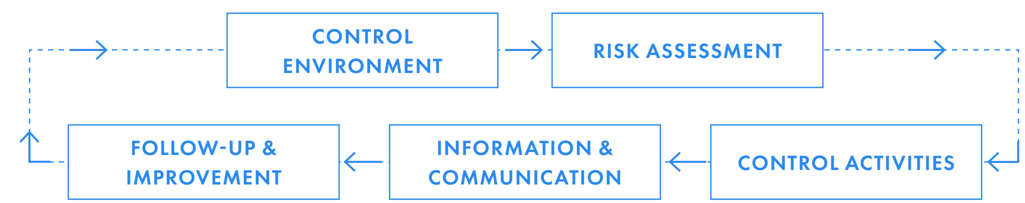
The Group staff function Internal Control serves as the Group's internal audit function and debriefs the Audit Committee. The function works on developing, improving and safeguarding the internal control over the financial reporting in the Group. This is partly done proactively with a focus on the internal control environment and partly by reviewing how well the internal control is working.

Risk assessment

A risk assessment is conducted on a yearly basis pursuant to the Group's risk management policy. The purpose is to identify, document and quantify the consequences and probability of events that would prevent Munters from achieving its objectives.

The Enterprise Risk Management (ERM) framework is an integral part of Munters overarching management system consisting of various policies. The purpose of the ERM framework is to strengthen governance by integrating risk management with the design and implementation of Munters strategy. The ERM framework is designed to identify and manage existing risks in order to reach the company's strategic goals. The framework provides methods to identify and evaluate risks. In addition, the ERM process ensures that Group Management and the Board share a common understanding of Munters risk tolerance in relation to the company's goals.

Munters control environment



Risk responsibility

The ERM function is responsible for implementation of the ERM strategy and ERM activities at the Group level.

Responsibility for the company's primary risks is delegated among members of Group Management, and each line manager is responsible for managing the risks that arise within their respective area of responsibility. Those responsible for each Group function and business area appoint one or more risk officers to implement the risk work within the unit. The Group Vice President and CFO is responsible for oversight of the ERM, and the Board of Directors and the Audit Committee are responsible for monitoring the effectiveness and appropriateness of the ERM. For more information on Munters risk work, refer to pages 91–96 and Note 3.

Control activities

Controls have been designed based on identified risks to detect, prevent and correct errors and discrepancies. Controls take place at the transaction level, at the Group level and as general IT controls. Control activities are carried out in the entire organization, at all levels, and for all functions. Transaction-based controls, which can be either manual or automatic, are performed to manage the risk of errors in the financial reporting. Examples of such controls include reconciliations and analyses. Company-wide controls are designed for among things to ensure that instructions on payment approvals, authorizations and responsibilities in credit granting are followed. Examples of general IT controls are change management, back-up routines and authorizations. The company's Group Vice President and CFO is responsible for ensuring that identified risks relating to the financial reporting at Group level are addressed. In each legal entity, the accounting staff is responsible for having the necessary control activities in place, and that accounting and the financial statements are correct and accurate. Global controllers and finance directors in each legal entity update forecasts and conduct outcome analysis. All business areas present their financial

Rauno Köngäs and Haris Hodovic from our production facility in Tobo, Sweden.

results in written monthly reports to the CEO and the Group Vice President and CFO, who in turn present them to Group Management.

Since 2019, the internal control function carries out and coordinates evaluation activities through Munters internal control system, where the subsidiaries on a quarterly basis report back on whether key controls have been performed in accordance with Munters Risk and Control framework.

After the preparations in 2019, a project called Transformation Towards Operational Excellence (TTOE) was launched in 2020 to increase efficiency through linked processes and information flows. This project continued in 2022. The ambition is to build a leading value chain and processes.

Information and communication

Munters has information and communications channels that aim to ensure that information is identified, collected and communicated in a way and within a time-frame that enables employees and managers to perform their tasks. Reporting instructions and accounting guidelines are conveyed to affected employees through monthly newsletters and quarterly teleconferences. The Group uses a common system for reporting and consolidation of financial information.

Governing documents – in the form of policies, guidelines and manuals for the financial reporting – are communicated primarily via the intranet and the Group's financial handbook, and updated as needed. Information for external parties is communicated on the Munters website together with other news and press releases. Quarterly reports are published and supplemented with presentations and investor meetings. The Annual Report is provided to shareholders and other stakeholders through publication on the Munters website and in a printed version upon request.

Monitoring

Monitoring and testing of control activities are routinely conducted throughout the year to ensure that the risk has been taken into account and satisfactorily managed. Testing is carried out by employees who are independent of the controls and possess the competence to evaluate the controls. Failed controls must be mitigated, which means that actions must be taken and implemented to correct deficiencies. Reports are presented to the Audit Committee twice yearly and the Audit Committee in turn reports regularly to the Board.

The Board of Directors has ultimate responsibility for all decisions regarding compliance within Munters. The Board reviews and approves internal control policies on a yearly basis. If needed, reviews and approvals are more frequent.

Each division manager is ultimately responsible for the financial information for their division. The information is followed up at the business area level by Group Management and, lastly, by the Board of Directors. Munters financial position, strategies and investments are discussed at every Board meeting. The Board is also responsible for monitoring internal control. This includes ensuring that measures are taken to address any shortcomings and following up on proposed measures that were pointed out in conjunction with the external audit.

Assessment of the need for a separate internal audit function

Munters has no internal audit function, as it is the Board's opinion that the company's internal organization and monitoring processes fill this function in a satisfactory manner.

For certain special audits, outside expertise can also be brought in.

Board







	MAGNUS NICOLIN	HÅKAN BUSKHE	HELEN FASTH GILLSTEDT	MARIA HÅKANSSON	ANDERS LINDQVIST	KRISTIAN SILDEBY	ANNA WESTERBERG
	Chairman of the Board since May 2022. Chairman of the Remuneration committee. Member of the Investment committee.	*Board member since 2020.*	*Board member since 2017. Chairwoman of the Audit committee.*	*Board member since 2022. Member of the Audit committee*	*Board member since 2022. Member of the Remuneration committee.*	*Board member since 2017. Member of the Audit Committee, Remuneration Committee, and Investment committee.*	*Board member since 2020. Chairwoman of the Investment committee.*
Born	1956	1963	1962	1970	1967	1976	1975
Education and professional experience	MBA, Wharton – University of Pennsylvania. BSc, Stockholm School of Economics.	M.Sc. Licentiate of Engineering, Chalmers University of Technology, Gothenburg. More than 30 years of experience in program and operations management and business development from national and international commercial industrial companies, including Saab AB, E.ON Nordic AB and E.ON Sverige AB.	M.Sc. in Finance & Control and International Business, Stockholm School of Economics. Studies in Sustainable Development, Stockholm Resilience Center at Stockholm University and KTH Royal Institute of Technology. Over twenty years of experience in senior positions at Statoil and SAS Group.	Master of Economics and Business Administration, Stockholm University. CEO Swedfund International. Extensive experience within sustainable investments and from a variety of global senior positions at Ericsson, with solid knowledge of digitalisation, business models, finance, and the sale of systems and services.	Mechanical engineer and university-level studies in marketing; Marine Officer. Extensive experience in industrial transformation with a strong focus on results. Proven solid leadership and background in international technology companies.	MSc in Business Administration, Stockholm School of Economics. Former Investment Manager at FAM AB, Vice President, and Head of Finance & Risk Management at Investor AB.	MSc, Industrial Engineering and Management, Chalmers University of Technology, Göteborg. Several years of experience in leading positions in the global industrial company AB Volvo. Solid knowledge of digitalization and innovation as well as sales and development of services and products in a global environment.
Current assignments/ positions	Board member of FAM AB and Billerud AB.	CEO of FAM AB. Chairman of the Board of IPCO AB, Deputy Chairman of the Board Stora Enso Oyj, Board member of AB SKF, Kopparfors Skogar AB and The Grand Group.	Board member of Handelsbanken Fonder AB and its representative on nomination committees, Storytel AB, Viva Wine Group AB, PowerCell Group AB and Sortera AB.	CEO Swedfund International, board member Global Impact Investing Network, USA (GIIN), board member European Development Finance Institutions (EDFI).	President and CEO, Mycronic AB (publ), chairman of the board of Dafo Vehicle Fire Protection AB, board member of Gunnebo Holding AB.	Investment Director & Deputy CEO at FAM AB, Chairman of 82an Invest AB, Board member of Höganäs AB, Kivra AB, Nefab Holding AB, Spendrups Bryggeri AB and Peltarion AB.	President Volvo Buses. Board member of Volvo Group Venture Capital.
Selected previous assignments	CEO of Ansell Limited, 2010 – 2021, President, Europe, Middle East, Africa, and Asia Pacific of Newell Rubbermaid Inc. 2006–2010, CEO of Esselte Business Systems Inc 2002 – 2006 following a leveraged buy-out which he led together with a PE company, Executive Vice President & Business Area President of Esselte Business Systems Inc. Senior positions in Bayer AG, Pitney Bowes Inc., and McKinsey & Company. Board assignments in several global boards, such as Ansell, Esselte, Isaberg-Rapid, and Primix	Board member of Nefab AB, Vattenfall AB, and the Association of Swedish Engineering Industries (Teknikföretagen); Vice Chairman of AeroSpace and Defence Industries Association of Europe (ASD); Chairman of Green Cargo AB; President and CEO of Saab AB; President and CEO of E.ON Nordic AB and E.ON Sverige AB; Executive Vice President of E.ON Sverige AB; CEO of Land Operations for Schenker AG, Schenker North, and Schenker-BTL AB; CEO of Storel AB, Carlsberg and Coca-Cola Distribution AB; Production Director of Carlsberg Sweden.	Board member of Samhall AB, Humana AB, AcadeMedia AB, Lindorff Group AS, Swedesurvey AB, Svefa Holding AB (publ), Intrum AB	Vice President Internet of Things (IoT) Ericsson; Vice President Ericsson Commercial Management Northern Europe & Central Asia Ericsson; CFO Ericsson Nordics & Baltics, Business Unit Controller Ericsson Global Services; board member Lindholmen Science Park.	President and CEO of Piab Group AB 2013 – 2019, Divisions Director for Atlas Copco 2007 – 2013, President of Atlas Copco China 2006 – 2007, President of Atlas Copco Nordic 2004 – 2006, different positions, Atlas Copco 1989-2004. Board member of Norican A/S.	Chairman of the Board of Blasieholmen 54 Restaurang AB. Board member of Lindström & Göthberg Executive Development AB and Power Wind Partners AB.	Senior Vice President for Volvo Group Connected Solutions; President for Volvo Group Venture Capital; Vice President of Product Management Industrial for Volvo Penta; Managing Director for Infocandy Group Ltd; Management Consultant at Applied Value LLC and Applied Value AB.
Holding in Munters Group AB	20,000 shares, call options corresponding to 267,522 shares	10,000 shares.	5,000 shares.	3,000 shares.	3,000 shares.	12,000 shares.	–
Independent in relation to the Company's major shareholders	No	No	Yes	Yes	Yes	No	Yes
Independent in relation to the Company and Group Management	Yes	Yes	Yes	Yes	Yes	Yes	Yes

SIMON HENRIKSSON
Board member since 2017.
Employee representative appointed by IF Metall.
Born 1984
Position at Munters: Metrology technician, Tobo site.
Holding in Munters Group AB: 350 shares.

ROBERT WAHLGREN
Board member since 2010.
Employee representative appointed by Unionen.
Born 1969
Position at Munters: Customized Project Engineering Coordinator, Munters Europe AB.
Holding in Munters Group AB: –

TOR JANSSON
Deputy member since 2019.
Employee representative appointed by IF Metall.
Born 1989
Position at Munters: Tobo site, Munters Europe AB.
Holding in Munters Group AB: –

Group management





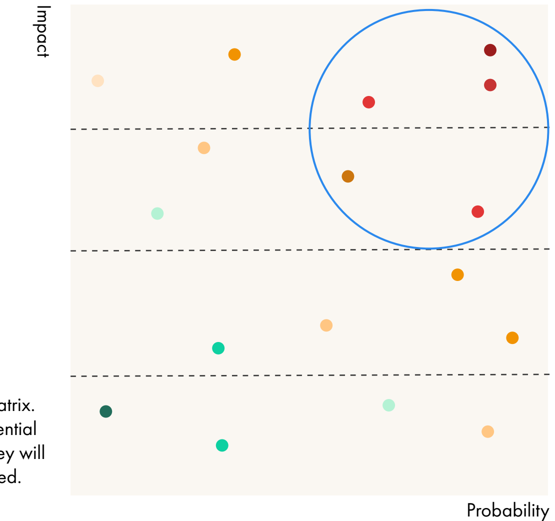


	KLAS FORSSTRÖM	ANNETTE KUMLIEN*	HENRIK TEIWIK	STEFAN ASPMAN**	PIA BRANTGÄRDE LINDER	GRETE SOLVANG STOLTZ	STEFAN MÅHL
Position	*President and CEO since 2019*	*Group Vice President and CFO since 2019*	*Group Vice President and President of AirTech since August 2022*	*Group Vice President and President of Data Center Technologies since July 2022*	*Group Vice President and President of FoodTech since August 2020*	*Group Vice President HR & Sustainability since 2022*	*Group Vice President and Head of Strategic Operations since 2020*
Born	1967	1965	1980	1981	1973	1970	1967
Principal education	Master of Science in Materials Physics and Master in Business Administration from Uppsala University as well as advanced management studies at INSEAD	Bachelor of Science in Business Administration from the Stockholm School of Economics	Master of Science in Business and Economics from Stockholm School of Economics, major in Finance	Master of Science in Business and Economics with a Major in Business Administration and Management, at Dalarna University and Uppsala University and Beijing Jiatong University, China	Master of Science in Mechanical Engineering from Chalmers University of Technology and Executive Master of Business Administration (EMBA) from Stockholm School of Economics	Master in Business Administration from Luleå University of Technology	Bachelor of Science in Mechanical Engineering with focus on Automation Technologies
Professional experience	Previously President of Sandvik Machining Solutions Business area. Prior to that, more than 20 years of different senior management positions at Sandvik, including positions such as President of Sandvik Hard Materials and Sandvik Coromant	SVP and COO at Diaverum and prior to that CFO. Previously CFO at several listed companies as Höganäs and Pergo, as well as business controlling roles at Perstorp and Sandvik	Previously CEO of Handicare Group. Prior to that various senior managerial positions in Alimak Group, including business area manager for Construction and Rental and business development. Also experience from strategy consulting as Associate Principal at McKinsey & Company	Close to 20 years in Strategic Marketing and Offer Management, 10 years in several strategic key positions within Sandvik including Head of Business Control and Performance Management at Sandvik Coromant and Global Head of Commercial Pricing and Profitability Management for the Sandvik Machining Solutions business area. Also experience as business strategy consultant	Previously Business Area Manager for HV Products North Europe at ABB. Prior to that more than 20 years at ABB in various senior management positions globally, including General Manager for HV Breakers, Head of Operations for a global product group, Technology Manager, Project Manager and Area Sales Manager	Previously Senior Vice President HR and Sustainability LKAB group. Prior to that 12 years within SCA in various management positions including Logistic manager, HR manager and CFO for SCA Packaging Munksund	Various management positions at Munters, such as Vice President Global Sourcing and Interim Director of Operations AirTreatment Division Europe. Global Director Strategic Purchasing and Quality Assurance at LPG Allgon/Powerware Technologies and Vice President Strategic Purchasing and Component Engineering at Siemens-Elema AB Medical Solutions
Other current assignments	Board member, IPCO AB.	Board member in Cavotec SA and Dirac Research AB	–	–	Board member in Roxtec Group	Board member in AFA Trygg and AFA Liv	–
Holding in Munters Group AB	131,900 shares	27,000 shares.	6,000 shares	2,000 shares	2,736 shares	–	25,000 shares

* Annette Kumlien has decided to leave the company for a new assignment during the spring 2023.
** Stefan Aspman was also Head of Commercial Excellence, Strategic Marketing and Communications; from February 2021 until January 2023.
Stephane Darcq, Group Vice President Innovation, was part of the management team from November 2020 until January 2023.

Risks and risk management

Risks are a natural element of all businesses and effective risk management and assessment are essential for Munters to achieve its business goals. Risk management is critical to create a base to ensure that we manage and capitalize on the opportunities that every risk entails.



Identified risks are charted in a risk matrix. They are evaluated based on the potential impact on Munters, the probability they will occur and how well the risk is managed.

Munters serves customers in various industries and market segments. Munters has production and assembly plants, along with sales and sales offices, in around 30 countries. Together, this provides underlying risk diversification. At the same time, our global presence creates challenges due to cultural, legal and political differences.

RISK MANAGEMENT

Risk assessment and management are an important part of the company's strategic planning process. Risk management is also an important part of the internal control process.

Management of operational risks at Munters is integrated in the strategic planning process and various business processes and controls, e.g., approval requirement for certain decisions. Several cross-process risks are coordinated centrally, such as risks involving information security, IT security, responsible business practices, and anti-corruption and bribery.

Financial risk management is governed by a Group policy and carried out by Group Treasury. For more information on financial risk management, see Note 3.

The Board of Directors has ultimate responsibility for the Group's risk management and approves the company's risk management policy. Group Management identifies, evaluates and manages risks within their respective areas of responsibility. The Group Vice President and CFO is responsible for coordinating risk evaluation and compiles the documentation reported to the Audit Committee and to the Board of Directors.

RISK EVALUATION PROCESS

Enterprise Risk Management (ERM) is an integral part of Munters overarching management system consisting of various policies. The purpose of ERM is to provide a comprehensive overview of the risks and uncertainties that the company is exposed to and to support value creation, ensure risk awareness and balance risks versus expected return. The ERM framework is designed to identify and manage existing risks in order to reach the company's strategic goals and provide methods to identify and evaluate risks. In addition, the ERM process ensures that Group Management has reached a consensus on Munters risk tolerance in relation to the company's goals. Every business area and Group function within Munters is responsible for identifying and managing risks within their organization in accordance with the Munters risk process and current policies and guidelines.

Risk management planning is done in collaboration with those who have been delegated risk responsibility together with the Enterprise Risk Management function.

The ERM function, which reports to the Group Vice President and CFO, is responsible for the Group-wide risk assessment as part of the strategic planning process. In 2022, this process was carried out in the spring and summer. The assessments are collected from the business areas and Group functions, which identify and evaluate risks based on their probability and potential impact on operations. The most significant risks and uncertainties, and how they are managed, are regularly reported to Group Management, the Audit Committee and the Board of Directors.

Identified risks are charted in a risk matrix. They are evaluated based on the potential impact on Munters, the probability they will occur and how well the risk is managed.

RISK MITIGATION AND RISK CULTURE

The Munters ERM shifts focus based on how the strategic priorities change.

Risk management

The ERM function is responsible for implementation of the ERM strategy and ERM activities at the Group level. Responsibility for the company's primary risks is delegated among members of Group Management, and each line manager is responsible for managing the risks that arise within their respective area of responsibility. Those responsible for each Group function and business area appoint one or more risk officers to implement the risk work within the unit. The Group Vice President and CFO is responsible for oversight of the ERM.

Risk culture

Munters risk culture is the attitude, the conduct and the understanding of risk that affects decision-making. For Munters to manage its risks, strong risk awareness is needed at every level of the organization, and it is important to have the right resources to ensure that the requirements set forth in the framework can be met, monitored and supported in an appropriate way.

RISK IDENTIFICATION

Current risks within each business area are identified through a bottom-up process. Different risk categories are used as inspiration to identify risks as they arise and ensure that the company's risk register covers all applicable risk areas.

RISK ANALYSIS

Munters primary risks are defined as the company's most important identified risks and are presented on pages 95–96. Responsibility for each such risk is delegated to a member of Group Management. The ERM function identifies potential risks in Munters risk register in connection with a workshop with the various business areas and Group functions. These risks are then discussed and consolidated by Group Management. The ERM function is then responsible for coordinating risks and monitoring them within the company.

The impact of an identified risk is estimated from three different perspectives: financial, strategic and operational.

RISK COMMUNICATION AND REPORTING

The Munters Risk Council has been established to facilitate coordination within the company and make improvements to the ERM framework and the management of actual risks. The chairman of this Council, on which Group Management participates, is responsible for ERM.

The ERM function regularly coordinates the reporting of the status of key risks to the Munters Risk Council. All risks identified outside the reporting cycle, and which potentially could be significant at the Group level, are escalated to the ERM function.

The ERM function reports on the status of the company's risks twice a year to the Audit Committee. These reports contain an overarching risk matrix and follow-up on management of the risks. The primary risks are continuously monitored by the ERM function with regard to the status of the implementation or development of the mitigation plan.

RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

In 2022, Munters started a process to broaden and deepen the analysis and evaluation of risks and opportunities related to climate change.

Climate change risks had already been part of the risk analysis carried out locally with the support of the Munters Loss Prevention Standard (MLPS, see page 94 for more information). With the help of this analysis, the central sustainability group began during the year to analyze local climate change risks and opportunities. As part of the analysis, an overview of Munters assets was prepared and the most vulnerable asset was determined to be our production plants. The units were evaluated as a first step. The results of the analysis provided the group with a consolidated view of how acute and chronic climate change risks are for our production plants. This has also been discussed and calibrated with Group Management.

Furthermore, Munters started to work on reporting in the future in accordance with the Task Force for Climate-related Financial Disclosures (TCFD). Last fall the central sustainability group identified business risks and opportunities in two different climate scenarios based on data from the International Panel on Climate Change (IPCC) and the International Energy Agency (IEA). We choose to conduct the analysis according a 2˚C scenario (IEA) and a 4˚C (IPCC). Risks and opportunities and the impact on Munters from these were evaluated for the scenarios.

Leading up to 2023, the central sustainability group will continue its work with climate change risks and opportunities and broaden the analysis to include additional asset classes. Furthermore, the requirement to analyze climate change risks in local business contingency plans (which are based on MLPS) will be tightened.

Risks related to climate change were identified during Munters risk assessment process in 2022. Our carbon footprint together with Climate change was determined to be primary risks for Munters operations; see the description of how these risks are managed on pages 95–96.

International Energy Agency (IEA) Sustainable Development Scenario

SCENARIO 1 – WELL BELOW 2˚SCENARIO

This scenario is an integrated scenario specifying a pathway aiming at: ensuring universal access to affordable, reliable, sustainable and modern energy services by 2030 (SDG 7); substantially reducing air pollution (SDG 3.9); and taking effective action to combat climate change (SDG 13).

This scenario was selected to assess Munters transition risks operating in an economy and society that has to make significant changes to shift to a low carbon world, where temperature rise is limited to 2˚C.

Scenario assumptions

- Staggered introduction of CO2 prices
- Policies to support circular economies
- Adoption of lower carbon technologies
- Increased investment costs connected to reaching Net Zero

ASSESSED TIME-FRAME 2030–2040

Expected impact on Munters

- Stricter regulations and disclosures requiring more resources from Munters to monitor.
- Increased input, shipping, sourcing and materials costs due to introduction of CO2 prices.
- Need to invest in R&D and product management due to increased demand from customers regarding energy efficiency and clean technologies.
- Loss or shift of customer groups, such as lithium, coal, and datacenters, if these are phased out due to changes in the market.
- Potential to become market leader in energy efficient products and solutions.

Primary risks for Munters

- Increased input, shipping, sourcing and materials costs due to introduction of CO2 prices.
- Need to invest in R&D and product management due to increased demand from customers regarding energy efficiency and clean technologies.

Primary opportunities for Munters

- Position Munters as a market leader in energy efficient products and solutions.

Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) 8.5 Scenario

SCENARIO 2 – HIGH EMISSIONS 4˚ SCENARIO

This scenario has the highest emissions of all developed scenarios in combination with the absence of climate policy. It is often referred to as "business as usual" and suggests the outcome if society does not make concerted efforts to cut greenhouse gas emissions.

This scenario was selected to assess Munters physical risks connected to increased emissions and temperature levels.

Scenario assumptions

- Few climate policy changes
- Emissions remain high
- Physical manifestations of climate change are increasingly apparent
- Increased frequency of extreme weather (storms and floods) causes increased incidence of disruption to manufacturing and distribution networks
- Sea level rise 0.3M

ASSESSED TIME-FRAME 2040–2050

Expected impact on Munters

- Supply chain disruptions due to extreme weather events leading to increase in costs, lead times, and availability of materials
- Local workforce disruptions resulting from worsened working conditions (such as high temperatures in factories, ability to get to work due to weather etc.)
- Local and global disruptions resulting from power, phone and internet outages.
- Loss of biodiversity having a snowball effect on the Earth's climate and weather patterns indirectly affecting Munters' operations.
- Increased demand for Munters products including cooling and drying equipment.

Primary risks for Munters

- Supply chain disruptions due to extreme weather events leading to increase in costs, lead times, and availability of materials
- Local workforce disruptions resulting from worsened working conditions (such as high temperatures in factories, ability to get to work due to weather etc.)
- Local and global disruptions resulting from power, phone and internet outages.

Primary opportunities for Munters:

- Increased demand for Munters products including cooling and drying equipment. (energy efficient products)

Risk categories

Munters primary risks are distributed by categories. These risk categories and their risk universe are used as inspiration during the analysis work to identify risks and ensure that the company's risk register covers all applicable risk areas.

RISK CATEGORIES

Risks are divided into four categories: Strategic, Operational, Regulatory and Financial. This encompasses general risks due to political and macroeconomic trends, and specific risks directly related to the Group's operations. A number of risks lie outside Munters direct control, while others can be controlled. Sustainability risks are fully integrated in the framework.

MARKET RISKS

Market risks are related to the development of the market and includes, among other things risks from macro trends, climate change and political risks.

STRATEGIC RISKS

Strategic risks are related to the market's development and include risks from macro trends, climate change and political risks. Strategic risks are also associated with the brand and strategic direction, organizational culture, resource allocation, major investments and acquisitions. Risks associated with internal and external communication also fall into this category.

OPERATIONAL RISKS

Operational risks are associated with the company's internal resources: systems, procedures and employees. This may include environmental risks or the risk of a business interruption due to a data intrusion, fire, machinery breakdown or extreme weather. Examples of operational risks that affect employees are the risks associated with health and safety, succession planning, the ability to retain core competencies and relationships with trade unions.

REGULATORY RISKS

Regulatory risks include the risk of loss of reputation and costs owing to the violation of laws and regulations, and bribes and corruption. This category also covers risks resulting from the violation of human rights and the provisions of signed agreements with employees, customers and other business partners.

FINANCIAL RISKS

The Group's financial risks mainly consist of currency, interest and financing risks. A description of the financial risks and how they are managed can be found in Note 3.

INSURABLE RISKS

Munters works actively with insurance solutions, and Group-wide policies are governed by central guidelines.

This includes all the usual types of business insurance, such as general liability, product liability and injury prevention, the main purpose of which is to prevent property damage and business interruptions.

Also included are property and casualty insurance, directors and officers liability insurance, and employment practices liability insurance.

Insurance is obtained from both the Swedish and international insurance market. In addition, Munters internal audit function is responsible for independently evaluating the effectiveness of a sample of the internal control processes each year.

MUNTERS LOSS PREVENTION STANDARD

We work preventively to minimize the risks related to fire, the work environment, and health and safety. The Munters Loss Prevention Standard (LPS) is built on the Group's guidelines and rules, but also local laws and other regulations as well as insurance requirements. MLPS was used in 2022 in the risk evaluations of our production and assembly plants. The objective is that all plants will be evaluated on a three-year cycle. Due to the pandemic, which broke out in 2020, evaluations and follow-ups in 2021 were largely conducted virtually. In 2022, on the other hand, 11 facilities were inspected in person. MLPS is also used for evaluations in conjunction with acquisitions, investments and new construction. Going forward, MLPS will also be used to minimize risks for Munters other locations such as sales offices.

Risk management

In 2022 Munters focus on continuing the improvement of its risk management, both locally and at a group level. The risk assessment in 2022 resulted in a total of 11 risks that could have a material impact on Munters. A brief description of these risks and how they are controlled and managed is provided below.

Risk category	Risk	Risk description	Management of risk
MARKET RISKS	**Macroeconomic development**	Risk that Munters is not quick and flexible in monitoring and adapting the organization to macroeconomic developments. This could cause Munters to lose sales and market share.	Munters is constantly following the global and local market development. Scenario-planning to handle various macro scenarios are made both globally and locally within the company.
	Climate change	Climate change can lead to an increased temperature globally, which will lead to glaciers melting, increased ocean levels, more and more intense weather events like periods of extreme heat, drought, torrential rain and storms which in turn will increase the risk for consequences such as forest fires and floodings. This in turn leads to increase risk for disruption in Munters operations.	For more information about how these risks are managed, see pages 92 and 93.
	Geopolitical change	Risk that Munters could lose part of a market due to a political change that, for example, shuts off opportunities to sell to that market.	The business areas of Munters are conducting continuous evaluations of the markets we are operating in. As part of this evaluation geopolitical risks are evaluated.
	Increased regulation	Risks associated with increased regulation that leads to stricter requirements on compliance in several areas. The risk is that Munters will not be able to meet the requirements it faces, which could result in lower sales and trust among customers and other target groups.	Munters follows the development of regulations on a central as well as local level through own analysis and with the help of external advise. Through mapping of the impact from various regulations on Munters we can ensure actions are taken to secure that Munters adhere to any changes in relevant legislations.
STRATEGIC RISKS	**Innovation**	Risk that Munters does not develop new innovations fast enough or have a sufficiently effective innovation process. This can lead to the loss of market share.	For more information about how Munters work with innovation, see pages 17–18.
	Digitization	Risk that Munters does not succeed in digitizing its offering or internal processes according to the set targets and ambitions. This can lead to Munters not reaching the economies of scale internally through a transparent data management. It can also lead to Munters loosing market shares.	Munters has several ongoing initiatives driven both on a global as well as local level in order to increase the digitazation of internal processes and the offering. These initiatives are monitored and followed-up on a regular basis centrally and are reported to the group management team as well as the Board of Directors.
	Cyber-security	Cyber-threats are a risk that has also increasingly targeted Munters and its products. Some products contain a large amount of software, and it is becoming more common for products to be connected to various networks. There is a risk that Munters existing IT systems are not structured in a way that optimally supports the company's business processes or strategic ambitions. There is also an information management risk consisting, e.g., of IT attacks.	During 2022 Munters has continued to inform and educate employees about cyber-threats in combination with continued investments in existing and new security systems. Yearly penetration tests are conducted according a set plan in order to ensure that the security demand for our IT-infrastructure are fulfilled and also that precautionary updates and improvements has been executed.

OPERATIONAL RISKS	**Business interruption**	Risks associated with the production of key components in one or a few plants and that an interruption could affect large parts of operations, causing long lead times, for example. Also included is the risk of data intrusion, fire or other natural disasters that could lead to a business interruption.	Since the start of 2020 Munters is actively working to revise its market presence and value chain. In 2022 we continued to evaluate suppliers and to assess our dependency on single components and risks associated with this. In addition we strengthened the local business contingency plans.
	Carbon footprint	Risk that we do not reduce the carbon footprint of our products, e.g., through energy conservation by customers, or that we do not reduce the carbon footprint of our operations in line with our ambition. This risk could mean that we lose trust among customers and other target groups and that we could see a loss of sales.	In 2022 we conducted 11 life cycle analysis of our products and solutions. This strengthens our efforts to secure that our products reach the energy efficiency demands our customers have. For more information about how we work with minimizing our impact on the environment, see pages 50–57.
	Quality control	Risk of insufficient quality control processes, which could result in the company's products having to be recalled or not working as promised, negatively impacting earnings and customer relationships.	The focus on quality and the processes needed to increase the knowledge and awareness of quality has increased at Munters in recent years. Several initiatives has been conducted with the focus to strengthen customer satisfaction, reduce warranty notifications and strengthen the production process. As in 2021, the focus during 2022 was on strengthening and streamline production processes to increase the quality.
	Recruit and retain talent	In recent years, Munters need for specialists in several areas has increased. As the company grows, the need for employees increases in all areas to ensure that Munters can meet its customers' expectations. In a highly competitive market, there is a risk that employees will be recruited by competitors or other companies and that Munters will lose out on talent. Munters also has to ensure that they are offered a competitive and attractive work environment. There is otherwise a risk that Munters will not succeed in recruiting and cannot effectively run its operations.	During 2022 Munters has taken several measures to strengthen the attractiveness of Munters as an employer, for example a project aiming at strengthening Munters employer brand. A global Human Capital Management platform was introduced in 2022 (Workday).

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Board of Directors' report

The Board of Directors and the CEO of Munters Group AB (publ), corp. reg. no. 556819-2321, with its registered office in Stockholm, Sweden, hereby submits the consolidated accounts and annual report for the fiscal year January 1 to December 31 2022.

The address of the headquarter is Munters Group AB, Box 1188, SE-164 40 Kista, Sweden, visiting address Borgafjordsgatan 16 in Kista. "Munters Group AB" or "the Parent Company" refer to Munters Group AB (publ), and "Munters" or "the Group" refer to the Munters Group, which comprises Munters Group AB and its Group companies.

The Board of Directors approved the annual accounts for publication February 28, 2023. The Group and Parent Company statement of comprehensive income and financial position will be submitted for approval at the Annual General Meeting on May 17, 2023.

OPERATIONS

The Munters Group is a world-leading supplier of energy efficient dehumidification and air treatment solutions. Using innovative technology, Munters' experts create the perfect climate for customers in a variety of business segments. Munters has been a pioneer in the field of air treatment since the company was founded in 1955. As of now production and sales occur in over 30 countries by about 4,000 coworkers. Munters Group AB has been listed on Nasdaq Stockholm since 2017 and is organized into three business areas: AirTech, Data Center Technologies and FoodTech.

Financial information by segment is presented in Note 5, Operating segments.

FIVE-YEAR SUMMARY

MSEK unless otherwise stated	2022	2021	2020	2019	2018
Order intake	16,830	9,013	7,249	7,302	6,698
Net sales	10,386	7,348	7,015	7,153	6,412
Operating profit	881	753	707	556	529
Operating margin, %	8.5	10.2	10.1	7.8	8.3
Profit/loss after financial items	739	668	552	367	404
Net income	577	515	432	283	327
Net debt	3,825	2,389	2,116	3,062	2,843
Equity/assets ratio, %	34	41	39	36	40
Total assets	15,419	10,742	9,574	10,093	9,268
Investments in tangible and intangible assets	539	342	217	191	232
Number of employees at the end of the year	3,940	3,315	3,214	3,088	3,518

In 2020 Munters Data Center business in Belgium was discontinued. The summary above refers to continuing operations and is restated for the years 2018–2020 to reflect only continuing operations.

NET SALES AND RESULT

Order intake and net sales

Order intake increased by 87% to MSEK 16,830 (9,013), primarily driven by increased demand within Data Center Technologies and AirTech. Data Center Technologies received multiple large orders from colocation operators in the US during the year. In September the Groups largest order ever was received valued at MUSD 176 for SyCool Split systems.

Net sales increased by 41% to MSEK 10,386 (7,348), organic growth was 23%. Growth was driven by strong demand in AirTech and Data Center Technologies with organic growth of 31% and 35% respectively while FoodTech showed negative organic growth of –2%.

Operating profit

Operating profit amounted to MSEK 881 (753), which constitutes an operating profit margin of 8.5% (10.2). AirTech showed somewhat improved operating margin while the profitability in Data Center Technologies and FoodTech decreased.

Further operating profit was negatively impacted by central expenses following investments in digitalization and automization to build a scalable business to capture continued growth.

Amortization and write-downs of intangible assets for the year was MSEK –114 (–74), where MSEK –36 (–30) related to amortization of intangible assets from acquisitions.

Operating profit includes items affecting comparability of MSEK –75 (–62). Items affecting comparability primarily relates to the on-going restructuring projects in AirTech and FoodTech amounting to MSEK –35 (–124) and costs related to closure of business activities in Russia and Belarus following the war in Ukraine amounting to MSEK –27. In addition, items affecting comparability of MSEK –12 (62), mainly related to M&A activities, have been recognized during the year.

Adjusted EBITA amounted to MSEK 1,070 (889), corresponding to an adjusted EBITA margin of 10.3% (12.1).

Financial items

Financial income and expenses amounted to MSEK –142 (–84), whereof interest expense on lease liabilities amounted to MSEK –23 (–15). The average weighted interest rate including fees per the end of December was 6.0% (2.2).

Taxes

Income taxes for the year was MSEK –162 (–153). The effective tax rate in 2022 was 22% (23).

Investments and leases

Investments in property, plant and equipment amounted to MSEK 222 (138). Investments in intangible assets amounted to MSEK 317 (204) and was primarily related to capitalized R&D expenses in Sweden, Israel, and US but also capitalization of expenses related to a new global ERP system that have not yet been taken into use.

The Group entered into new lease contracts amounting to MSEK 482 (124). The new contracts primarily relate to production facilities in US and Czech Republic.

Goodwill

Goodwill at December 31, 2022, amounted to MSEK 5,359 (4,248). Business combinations made up MSEK 598 of the increase while currency exchange-rate differences explained the remaining part.

Financial position and liquidity

Interest-bearing liabilities, including lease liabilities, increased by MSEK 1,745 during the year and amounted to MSEK 4,495 (2,750) as of December 31. Cash and cash equivalents amounted to MSEK 914 (674) as of year-end.

Munters primary financing facilities consists of a term loan of MUSD 165 and a Revolving Credit Facility (RCF) of MEUR 250 with final maturity date in June 2026. The facilities are granted by a group of six banks and have no mandatory amortization requirement. Since November 2021 Munters has linked the loan facilities to sustainability targets. The primary financing facilities have one financial covenant, consolidated net debt in relation to adjusted EBITDA, with some adjustments made in accordance with the loan agreement. The accounting standard for leases, IFRS 16, does not affect the covenant calculation according to the loan agreement definition and neither does the net pension liability.

Munters also has a backup facility of MSEK 750 maturing in 2023 which is secured by a guarantee from EKN (The Swedish Export Credit Agency). In December 2022 a new 7-year term loan of MSEK 750 from the Nordic Investment Bank (NIB) was signed.

Net debt as of December 31 amounted to MSEK 3,825 compared to MSEK 2,389 at the end of December 2021. Net debt in relation to Adjusted EBITDA was 2.9x at the end of December 2022 compared to 2.2x at the end of December 2021. The slightly higher leverage ratio is mainly a consequence of acquisitions and increased lease liabilities related to the new factories.

At the end of December the term loan facility of MUSD 165 was fully drawn. Of the RCF of MEUR 250 an amount of MEUR 185 (87) was utilized. Unutilized part of the RCF as of December 31 amounted to MEUR 65 (163).

Along with the primary loan facilities, an amount of MSEK 2 (13) in local debt is outstanding in, for example, Ireland. The backup facility with EKN was unutilized and the new loan from NIB undrawn.

SIGNIFICANT EVENTS DURING THE YEAR

New business area Data Center Technologies

During the year Data Center Technologies became a separate business area after previously having been a part of AirTech.

Data centers is a prioritized and growing market segment for Munters, which has achieved high traction and strong growth. Our data center solutions, technologies and customer projects are specialized for the segment and will benefit from increased focus in the organization. The change also aims to decentralize business responsibility and simplify the way we work.

Stefan Aspman, former Group Vice President and Head of Commercial Excellence and Strategic Marketing at Munters, was appointed President of business area.

Closure of business activities in Russia

As a consequence of the war in Ukraine, Munters stopped all business activities in Russia and Belarus. In 2021, net sales in Russia amounted to approximately 1,5 percentage of the Group's total net sales. Munters had no employees in the area.

Large orders

During the year Munters has seen a large increase in demand and signed a number of large orders..

In July, Munters announced the signing of a large order of climate control solutions from a large car manufacturer in the USA. The order had a value of approximately MUSD 65 and deliveries are expected to start in the second quarter of 2023 and continue through the third quarter of 2024. The battery market segment is one of Munters prioritized areas for growth.

In August, Munters received multiple orders from a US-based colocation data center company. The value of the orders amounted to approximately MUSD 63 and deliveries are expected to start in the fourth quarter of 2023 and to be finalized in the first quarter of 2025.

In August, Munters announced an order for Sycool Split Systems from a leading Data Center colocation operator in the US with a value of approximately MUSD 176, including Munters SyCool Split systems as well as field service work. Deliveries are expected to take place over a period of up to 12 months throughout 2024, starting in January 2024.

Acquisitions

In January, Munters acquired EDPAC, an Ireland-based manufacturer of data center cooling equipment and air handling systems for a purchase price of MEUR 29. The acquisition is part of Munters strategy to grow in the prioritized data center segment and strengthens its presence in Europe through the acquisition.

In November, Munters announced the acquisitions of Hygromedia and Rotor Source, both located in Baton Rouge, Louisiana, USA. Hygromedia LLC specializes in components, supplying desiccant rotor manufacturers in the US, Europe and Asia. Rotor Source Inc. provides desiccant dehumidification and energy recovery products to OEMs, mainly for heating, ventilation, and air conditioning (HVAC) systems. Customer segments include lithium-ion battery, pharmaceuticals, electronics, food processing, aerospace, among others. Through the acquisitions we strengthen our position as a leading supplier of desiccant dehumidification technology systems for numerous industrial processes. These acquisitions provide Munters with an additional channel to market to serve it even better.

Munters opened new factories

To meet growing demand from battery producers, the food industry, as well as the pharmaceutical industry a new factory for production of industrial dehumidification systems was opened in September. The factory with its 10,000 m² of workspace, will mainly produce the dehumidification system Munters DSS Pro. The new factory is designed with sustainability in mind, giving our employees the best, modern, working environments.

In September, a new factory for the production of advanced and energy-efficient cooling equipment for data centers was opened. The new 34,000 m² manufacturing facility is Munters largest plant in the Americas. The factory is designed with Munters net-zero emissions target in mind with upcoming installation of solar panels on the roof, estimated to cover a large part of the daily energy consumption.

Munters builds new facility in US

In November, Munters announced that an all-new site in the US will be built, to house desiccant dehumidification products and services for the North American market. The new facility will house fabrication, assembly, rotor production, a new R&D lab, as well as a service training academy. The ~ 38,000 m² flagship facility will be located in Amesbury, Massachusetts, USA and will be home to the Munters workforce in Amesbury. In-line with Munters sustainability goals, investments will be made in equipment that does not rely on fossil fuels, and renewable energy sources will be used for the building's electrical consumption. The plan is to be fully operational at the new site during 2024.

Changes to the management team

In May Henrik Teiwik was appointed Group Vice President and President for business area AirTech. Henrik has extensive leadership experience as CEO of Handicare Group and before that as Vice President of Alimak Group.

In June Stefan Aspman, previously Group Vice President and Head of Commercial Excellence and Strategic Marketing was appointed President of the newly formed business area Data Center Technologies.

Annual General Meeting 2022

The Annual General Meeting of Munters Group AB was held on Wednesday, May 19, 2022. Due to the corona virus and in order to reduce the risk of infection, the Board of Directors decided that the Meeting should be held only by postal vote on the basis of the temporary legal rules that applied in 2022. This meant that the meeting was held without the physical presence of shareholders, representatives or third parties. The AGM resolved in accordance with the Nomination Committee's proposal and re-elected board members Håkan Buskhe, Helen Fasth Gillstedt, Kristian Sildeby and Anna Westerberg and elected Maria Håkansson, Anders Lindqvist and Magnus Nicolin.

Nomination Committee for the Annual General Meeting 2023

In October, the Nomination Committee of Munters Group AB was appointed. Magnus Fernström, FAM AB, Chairman of the Nomination Committee, Hans Christian Bratterud, ODIN Fonder, Lovisa Runge, Fourth Swedish National Pension Fund, Mats Larsson, First Swedish National Pension Fund. Prior to the Annual General Meeting 2023, the Nomination Committee shall submit proposals for the Chairman of the Annual General Meeting, the Board of Directors, The Chairman of the Board, auditor, Board fees with a division between the Chairman and other members and remuneration for committee work, fees to the company's auditor and, if necessary, proposals for changes to the Nomination Committee instruction.

FINANCIAL INSTRUMENTS

The financial instruments in the Group, in addition to those arising from operating activities, consists of interest-bearing bank borrowing and currency derivatives. Further information on financial instruments can be found in Notes 3, 23 and 24.

RESEARCH AND DEVELOPMENT

Research and development costs amounted to MSEK 236 (162), corresponding to 2.3% (2.5) of net sales. Capitalization of internally generated intangible assets amounted to MSEK 159 (118). Activities in the field include research collaborations, technology and product development and product ownership. To ensure sustainable value creation, innovation, development and product launches are balanced. A clear trend has been to focus on digitization and smarter products.

Sustainability and energy efficiency are something Munters considers very important, and a large part of our research resources are used for the development of new technologies in these areas.

EMPLOYEES

At the end of the year, the number of permanent full-time equivalents was 3,940 (3,315). The increase was linked to business combinations, investments in research and development, staff in factories and a strengthening of the company's group corporate functions.

For remuneration to senior executives as well as adopted remuneration guidelines for this remuneration see Note 33.

SIGNIFICANT RISKS & 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 from 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.

A risk assessment is performed annually for the purpose of identifying and remedying the most important risks. Munters' primary risks are defined as the company's most important identified risks and are presented on the pages 91–96 of this report.

The Group's financial risks mainly consist of currency, interest and financing. Munters works actively with insurance solutions, and Group-wide policies are governed by central guidelines. These include general liability and product liability, property, business interruptions, transportation, director and officer liability insurance and employment practice liability, the main purpose of which is to prevent property damage and business interruptions. A more extensive description of financial risks and how these are managed can be found in note 3.

PARENT COMPANY

The parent company has no sales of goods and services to external customers. Cash and cash equivalents at the end of the year amounted to MSEK 0 (0). At the end of the year, the parent company had five permanent employees, three men and two women.

SHARE CAPITAL AND OWNERSHIP IN MUNTERS GROUP AB

The share capital of 5,533,735 SEK comprises of 184,457,817 shares with a par value of SEK 0.03 per share where of 2,389,358 treasury shares The shares in Munters Group AB are listed on Nasdaq Stockholm under the name MTRS. The ten largest owners in Munters Group AB hold a total of 64,9% (71,0) of outstanding shares. Of these, FAM AB holds 28,0% (27,8). No other shareholder holds more than ten per cent of the shares, either directly or indirectly, in Munters Group AB.

PROPOSAL ON DISTRIBUTION OF DIVIDEND

At the disposal of the Annual General Meeting are the following earnings; KSEK 3,893,879. The Board of Directors of Munters Group AB proposes that the Annual General Meeting 2023 resolves that a dividend of SEK 0.95 be paid for 2022, implying MSEK 175 and that other retained earnings amounting to MSEK 3,719 be carried forward.

PROVISIONS IN ARTICLES OF ASSOCIATION

The Annual General Meeting is charged with appointing and dismissing Board members. The Annual General Meeting decides on changes to the Articles of Association.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The guidelines for remuneration to senior executives that has applied in 2022 are shown in Note 33. The company's auditors have reviewed that the guidelines decided by the Annual General Meeting have been followed.

The Board of Directors proposes that the 2023 annual general meeting resolve on guidelines for the remuneration of senior executives to be in force until further notice, pursuant to the following.

The group of executives encompassed by the guidelines comprises the CEO and other members of the group management. The guidelines also encompass any remuneration to Board members, other than Board fees. The guidelines shall apply to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2023 annual general meeting. The guidelines do not apply to any remuneration resolved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Munters business strategy is to be a global leader in energy-efficient and sustainable climate solutions. Our solutions enable energy efficient production processes with reduced carbon dioxide emissions for our customers. Using innovative technologies, Munters creates the perfect climate for demanding and sophisticated industrial applications and processes, of which the largest segments are food, pharmaceuticals, and agriculture.

Munters conducts operations in three business areas:

- AirTech is a global leader in energy-efficient air treatment for industrial and commercial fields of application.
- Data Center Technologies is a leading supplier of advanced climate cooling solutions using a wide range of heat rejection technologies that create sustainable climate solutions for data center operators worldwide..
- FoodTech is one of the world's leading suppliers of innovative and energy-efficient climate systems for livestock farming and greenhouses, as well as software for controlling and optimising the entire food production value chain.

For further information regarding Munters business strategy, see Munters website (https://www.munters.com/en/about-us/munters-in-short/).

A prerequisite for the successful implementation of Munters business strategy and safeguarding of the company's long-term interests, including its sustainability, as well as delivery on the ambitions the company has, is that the company is able to recruit and retain qualified personnel. In order to do so, Munters must be able to offer a competitive total remuneration based on market terms, which these guidelines enable.

Munters has implemented long-term share-related incentive programs in 2017–2020, in which some senior executives have had the opportunity to participate. These programs have been resolved by each general meeting and are therefore excluded from these guidelines. For information regarding performance criteria, terms and conditions, and costs for these programs, see the Board of Directors' complete proposal for each general meeting on Munters website and in Munters annual report.

Variable cash remuneration covered by these guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability

Types of remuneration

The remuneration shall be on market terms and may consist of the following components: fixed annual cash salary, variable cash salary, pension and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, for example, share and share price-related remuneration.

Fixed cash salary

The fixed cash salary shall reflect the demands and responsibility that the position entails as well as individual performance. The fixed cash salary shall be revised annually.

Variable cash salary

Variable cash salary may consist of annual variable cash salary and /or long-term variable cash salary.

The annual variable cash salary shall be maximized to 50 per cent of the fixed annual cash salary for the CEO and other senior executives. The satisfaction of criteria for awarding variable cash salary shall be measured over a period of one year.

The annual variable cash salary shall be linked to predetermined and measurable financial criteria, such as operating result and working capital. By linking the remuneration of the senior executives to the company's earnings and financing of its operating activities, the criteria promote the implementation of the company's business strategy and long-term interests, including its sustainability. Furthermore, the criteria for variable cash salary shall be designed so that they do not encourage excessive risk taking.

The long-term variable cash salary shall be awarded after one, two, and three years, respectively, and shall be maximized to a total of 150 per cent of the annual fixed cash salary for the CEO, and 55 per cent of the annual fixed cash salary for other members of Group Management, distributed pro-rata over the three years. The satisfaction of criteria for pay out of long-term variable cash salary shall be measured during a one-, two- and three-year period, respectively, before pay out.

The long-term variable cash salary shall be linked to predetermined and measurable financial criteria (weighting 70 per cent) and non-financial criteria (weighting 30 per cent). The financial criteria may consist of, for example, adjusted EBITA and Operating Working Capital and the non-financial criteria may consist of, for example, weighted sustainability goals (such as the annual increase in the share of electricity from renewable sources in our production facilities, the annual share of female managers who have been appointed within the group, as well as the annual service growth within the group). By linking the remuneration of the senior executives to the company's earnings, financing of day-to-day operations, and sustainability, the criteria promote the implementation of the company's business strategy and long-term interests, including its sustainability. The criteria for long-term variable cash salary shall be designed so that they do not encourage excessive risk-taking.

A certain part of the net amount after tax of paid out as long-term variable cash salary is expected to be invested in Munters shares, according to the share ownership policy which the Board has adopted. The entire net amount after tax is expected to be invested in Munters shares until the holding in value corresponds to 200 per cent of the gross annual fixed cash salary for the CEO and 100 per cent of the gross annual fixed cash salary for other members of Group Management. When such a holding has been achieved, half of the net amount after tax is expected to be invested in Munters shares.

To which extent the criteria for awarding variable cash salary have been satisfied shall be evaluated when the measurement period has ended. The Board of Directors is responsible for the evaluation so far as it concerns variable cash salary to the CEO. The Remuneration Committee is responsible for the evaluation so far as it concerns variable cash salary to other members of the Group Management. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Terms and conditions for both annual variable cash salary and long-term variable cash salary shall be designed so that the Board of Directors, if exceptional economic circumstances prevail, has the option of limiting or refraining from payment if such a measure is considered reasonable.

Additional variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 per cent of the fixed annual cash salary and shall not be paid more than once per year and per individual. Resolution on such remuneration shall be made by the Board of Directors based on a proposal from the Compensation Committee

Pension

For the CEO, pension benefits, including health insurance, shall be defined contribution. Variable cash salary shall not qualify for pension benefits. Pension contributions for defined contribution pension shall amount to not more than 35 per cent of the fixed annual cash salary.

For other members of the group management, pension benefits, including health insurance, shall be defined contribution unless the executive concerned is subject to defined benefit pension under mandatory collective agreement provisions. Variable cash salary shall qualify for pension benefits to the extent required by mandatory collective agreement provisions applicable to the executive. Pension contributions for defined contribution pension shall amount to not more than 35 per cent of the fixed annual cash salary.

Other benefits and compensation

Other compensation may consist of other benefits that are customary and in line with market terms, such as medical insurance, life insurance and company cars, which shall not constitute a significant part of the total remuneration. Such benefits may amount to not more than 10 per cent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Consultancy fee to Board members

In specific cases, and for a limited time, Munters Board members elected by the general meeting may be able to be remunerated for services within their respective areas of expertise, which does not constitute board work. For these services (including services performed by a Board member wholly-owned company), a fee on market terms can be paid, provided that such services contribute to the implementation of Munters business strategy and safeguarding of Munters long-term interests, including its sustainability. Such consultancy fee may, for each Board member, in no case exceed one year's Board fee.

Termination of employment

Fixed cash salary during the notice period and severance pay, as well as remuneration for any non-compete restrictions, shall in total not exceed an amount corresponding to the fixed cash salary for two years for the CEO and 18 months for other members of the group management. Severance pay shall not be paid if notice of termination of employment is made by the CEO and other members of the group management. The notice period between the company and the CEO, and other members of the group management, shall not exceed 6 months.

Remuneration for any non-compete restrictions shall compensate for any loss of income and shall only be paid for such period as the former executive does not have the right to severance pay. The remuneration shall amount to not more than 60 per cent of the fixed annual cash salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and shall be payable during the period subject to the non-compete restriction, which shall not exceed 12 months after termination of employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company and the group's Swedish operation have been taken into account by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time, in the Compensation Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable In the company, i.e. in Munters Group AB, there are only five employees, all are senior executives.

Preparation and decision-making process

The Board of Directors has established a Compensation Committee. The committee's tasks include, among other things, preparing the Board of Directors' decision to propose guidelines for remuneration to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit the proposal to the annual general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Compensation Committee shall also monitor and evaluate programs for variable remuneration for the group management, the application of the guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the group management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters. Remuneration to the CEO is prepared by the Compensation Committee and decided by the Board of Directors. Remuneration to other members of the group management is prepared by the CEO and decided by the Compensation Committee.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines resolved by the general meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, the Compensation Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters, which includes preparing any resolutions to derogate from the guidelines.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

CORPORATE GOVERNANCE REPORT AND SUSTAINABILITY REPORT

Munters Group AB has chosen to prepare the Corporate Governance Report and Sustainability Report as a separate document from the Annual Report.

The Corporate Governance Report is outlined on Pages 84–90 and the Sustainability Report on Pages 3–4, 10, 12–22 and 49–80. The sustainability report now also includes Munters taxonomy report. For descriptions of risks and controls in conjunction with preparation of the consolidated accounts, refer to the Corporate Governance Report.

FINANCIAL STATEMENTS AND NOTES

The Group's income and financial position in other respects are presented in the following statements of comprehensive income, financial position, cash flows and changes in equity, as well as in the Notes. The Parent Company's income and financial position in other respects are presented in the following income statement and balance sheet, statement of changes in equity, cash flow statement and notes. All amounts are in millions of Swedish kronor (MSEK) unless otherwise specified.

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source and rounding differences may therefore arise.

Consolidated statement of comprehensive income

MSEK	Note	2022	2021
Net sales	4, 5	10,386	7,348
Cost of goods sold		–7,368	–4,994
Gross profit		**3,017**	**2,354**
Selling expenses		–1,079	–844
Administrative expenses		–800	–556
Research and development costs		–236	–162
Other operating income and expenses	9	–19	–39
Share of earnings in associates		–2	–
Operating profit	5, 6, 7, 8	**881**	**753**
Financial income	10	7	2
Financial expenses	10	–150	–86
Profit after financial items		**739**	**668**
Tax	11	–162	–153
Net income		**577**	**515**
Attributable to Parent Company shareholders		577	513
Attributable to non-controlling interests		–0	3
Earnings per share attributable to Parent Company shareholders			
Earnings per share before dilution, SEK	12	3.18	2.81
Earnings per share after dilution, SEK	12	3.17	2.81

MSEK	Note	2022	2021
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange-rate differences on translation of foreign operations		483	268
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses on defined-benefit pension obligations incl. payroll tax	25	91	–3
Income tax effect not to be reclassified to profit or loss	11	–18	–0
Other comprehensive income		**555**	**264**
Total comprehensive income		**1,132**	**779**
Attributable to Parent Company shareholders		1,133	779
Attributable to non-controlling interests		–1	1

Consolidated statement of financial position

MSEK	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	8, 13	7,386	5,834
Property, plant and equipment	8, 14	825	611
Right-of-Use assets	8, 15	751	360
Participations in associated companies	17	34	–
Other financial assets	23	83	20
Deferred tax assets	11	298	278
Total non-current assets		**9,376**	**7,103**
Current assets			
Inventory	18	1,956	1,073
Accounts receivable	3, 19, 23	2,235	1,394
Derivative instruments	23	2	1
Current tax assets		93	52
Other receivables	23	159	78
Prepaid expenses and accrued income	20	684	368
Cash and cash equivalents	23	914	674
Total current assets		**6,042**	**3,639**
TOTAL ASSETS		**15,419**	**10,742**

MSEK	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Attributable to Parent Company shareholders	21		
Share capital		6	6
Other capital contributions		5,144	5,144
Reserves		1,096	610
Profit brought forward		–943	–1,401
Total equity attributable to Parent Company shareholders		**5,303**	**4,360**
Non-controlling interests		3	3
Total equity		**5,307**	**4,363**
Non-current liabilities			
Interest-bearing liabilities	23, 24	3,721	2,362
Lease liabilities	23, 24	640	273
Provisions for pensions	25	227	303
Other provisions	26	65	62
Other non-current liabilities	23	223	140
Deferred tax liabilities	11	442	405
Total non-current liabilities		**5,318**	**3,546**
Current liabilities			
Interest-bearing liabilities	23, 24	–	11
Lease liabilities	23, 24	135	103
Provisions for pensions	25	–	6
Other provisions	26	150	157
Accounts payable	23	1,288	771
Current tax liabilities		55	40
Advances from customers	4	1,715	648
Other current liabilities	23	257	100
Accrued expenses and deferred income	27	1,194	998
Total current liabilities		**4,794**	**2,833**
TOTAL EQUITY AND LIABILITIES		**15,419**	**10,742**

Consolidated statement of changes in equity

	Attributable to Parent Company shareholders						
MSEK	Share capital	Other capital contributions	Translation reserve	Profit brought forward	Total	Non-con-trolling interests	Total equity
Opening balance, January 1, 2022	**6**	**5,144**	**610**	**–1,401**	**4,360**	**3**	**4,363**
Net income	–	–	–	577	577	–0	577
Other comprehensive income	–	–	484	72	556	–1	555
Total comprehensive income	**–**	**–**	**484**	**649**	**1,133**	**–1**	**1,132**
Transactions with owners in their capacity as owners:							
Exercised share options	–	–	–	25	25	0	25
Change in non-controlling interests	–	–	–	–3	–3	3	–
Put/call option related to non-controlling interests	–	–	–	–58	–58	–	–58
Dividends paid	–	–	–	–154	–154	–2	–156
Share option plan incl. deferred tax	–	–	–	0	0	–	0
Other	–	–	1	–1	–	–	–
Total transactions with owners	**–**	**–**	**1**	**–191**	**–190**	**1**	**–189**
Closing balance, December 31, 2022	**6**	**5,144**	**1,096**	**–943**	**5,303**	**3**	**5,307**
Opening balance, January 1, 2021	**6**	**5,144**	**341**	**–1,745**	**3,746**	**5**	**3,751**
Net income	–	–	–	513	513	3	515
Other comprehensive income	–	–	270	–4	266	–2	264
Total comprehensive income	**–**	**–**	**270**	**509**	**779**	**1**	**779**
Transactions with owners in their capacity as owners:							
Exercised share options	–	–	–	40	40	–	40
Change in non-controlling interests	–	–	–	–0	–0	–1	–1
Put/call option related to non-controlling interests	–	–	–	–4	–4	–	–4
Dividends paid				–127	–127	–2	–129
Repurchase of shares	–	–	–	–69	–69	–	–69
Share option plan incl. deferred tax	–	–	–	–5	–5	–	–5
Other	–	–	–	1	1	–	1
Total transactions with owners	**–**	**–**	**–**	**–165**	**–165**	**–3**	**–168**
Closing balance, December 31, 2021	**6**	**5,144**	**610**	**–1,401**	**4,360**	**3**	**4,363**

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Financial information

Consolidated cash flow statement

MSEK	Note	2022	2021
Operating activities			
Operating profit		881	753
Reversal of non-cash items			
Depreciation, amortization and impairments		377	303
Other profit/loss items not affecting liquidity		–24	16
Change in provisions:			
Provisions		–24	–97
Cash flow before interest and tax		**1,210**	**974**
Paid financial items		–121	–99
Taxes paid		–233	–181
Cash flow from operating activities before changes in working capital		**856**	**694**
Cash flow from changes in working capital:			
Change in accounts receivable		–635	–253
Change in inventory		–706	–316
Change in accrued income		–236	49
Change in accounts payable		397	204
Change in advances from customers		977	96
Cash flow from changes in operating working capital		**–203**	**–220**
Change in other working capital		119	45
Cash flow from changes in working capital		**–84**	**–175**
Cash flow from operating activities		**772**	**519**

MSEK	Note	2022	2021
Investing activities			
Business acquisitions	30	–721	–
Investments in associated companies		–34	–
Investments in participations and securities in other companies		–62	–
Sale of property, plant and equipment		27	2
Sale of intangible assets		0	–
Investments in property, plant and equipment	14	–222	–138
Investments in intangible assets	13	–317	–204
Cash flow from investing activities		**–1,330**	**–341**
Financing activities			
Exercised share options		25	40
Loans raised	24	1,503	2,311
Amortization of loans	24	–504	–2,550
Repayment of lease liabilities	24	–122	–105
Repurchase of shares	21	–	–69
Dividends paid	21	–154	–127
Dividends paid to non-controlling interests		–2	–2
Other changes to financing activities		–5	–
Cash flow from financing activities		**743**	**–503**
Cash flow for the period		184	–324
Cash and cash equivalents at January 1		674	970
Exchange-rate difference in cash and cash equivalents		56	28
Cash and cash equivalents at December 31	23	**914**	**674**

Parent company income statement

MSEK	Note	2022	2021
Net sales		–	–
Gross profit		**–**	**–**
Administrative costs		–8	–12
Other operating income and expenses	9	8	11
Operating profit		**1**	**–0**
Financial expenses	10	–5	–1
Profit after financial items		**–4**	**–1**
Group contributions		7	8
Profit before tax		**3**	**7**
Tax	11	1	1
Net income		**4**	**8**
STATEMENT OF COMPREHENSIVE INCOME			
Net income		4	8
Other comprehensive income, net after tax		–	–
Comprehensive income for the year		**4**	**8**

Parent company balance sheet

MSEK	Note	2022	2021
ASSETS			
Non-current assets			
Participations in subsidiaries	16	4,098	4,094
Deferred tax assets		4	5
Total non-current assets		**4,103**	**4,100**
Current assets			
Prepaid expenses and accrued income	20	1	1
Current tax assets		1	1
Receivables from subsidiaries		14	13
Cash and cash equivalents		0	0
Total current assets		**15**	**15**
TOTAL ASSETS		**4,118**	**4,115**
EQUITY AND LIABILITIES			
Equity	21		
Restricted equity			
Share capital		6	6
Unrestricted equity			
Share premium reserve		4,136	4,136
Other capital contributions		18	18
Profit brought forward		–265	–146
Income for the year		4	8
Total equity		**3,899**	**4,022**
Non-current liabilities			
Provisions for pensions and similar commitments		3	2
Total non-current liabilities		**3**	**2**
Current liabilities			
Accounts payable		1	3
Accrued expenses and deferred income	27	16	18
Liabilities to subsidiaries		192	65
Other liabilities		6	4
Total current liabilities		**215**	**91**
TOTAL EQUITY AND LIABILITIES		**4,118**	**4,115**

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Financial information

Parent company change in equity

	Restricted equity	Unrestricted equity				
MSEK	Share capital	Share premium reserve	Other capital contributions	Profit brought forward	Income for the year	Total equity
Opening balance, 1 January, 2022	**6**	**4,136**	**18**	**–146**	**8**	**4,022**
Income for the year	–	–	–	–	4	4
Transactions with owners in their capacity as owners:						
Exercised share options	–	–	–	25	–	25
To be carried forward	–	–	–	8	–8	–
Dividends paid	–	–	–	–154	–	–154
Share option plan incl. deferred tax	–	–	–	2	–	2
Total transactions with owners	–	–	–	–119	–4	–123
Closing balance, 31 December, 2022	**6**	**4,136**	**18**	**– 265**	**4**	**3,899**
Opening balance, 1 January, 2021	**6**	**4,136**	**18**	**14**	**–3**	**4,171**
Income for the year	–	–	–	–	8	8
Transactions with owners in their capacity as owners:						
Exercised share options	–	–	–	40	–	40
To be carried forward	–	–	–	–3	3	–
Dividends paid	–	–	–	–127	–	–127
Repurchase of shares	–	–	–	–69	–	–69
Share option plan incl. deferred tax	–	–	–	0	–	0
Total transactions with owners	–	–	–	–160	3	–157
Closing balance, 31 December, 2021	**6**	**4,136**	**18**	**–146**	**8**	**4,022**

Parent company cash flow statement

MSEK	Note	2022	2021
Operating activities			
Profit after financial items		–4	–1
Profit/loss items not affecting liquidity		2	6
Taxes paid		0	–1
Cash flow from operating activities before changes in working capital		**–2**	**5**
Cash flow from changes in working capital		–3	3
Cash flow from operating activities		**–5**	**7**
Financing activities			
Exercised share options		25	40
Group contributions		8	22
Loans raised from subsidiaries		126	65
Repurchase of shares	21	–	–69
Dividends paid	21	–154	–127
Cash flow from operating activities		**5**	**–70**
Cash flow for the year		0	–62
Cash and cash equivalents at January 1		0	62
Cash and cash equivalents at December 31		**0**	**0**

Notes

NOTE 1 ACCOUNTING PRINCIPLES

Munters Group AB, corp. reg. no. 556819-2321, is a Swedish public limited company registered in Sweden with its registered office in Stockholm, Sweden. This Annual Report and Consolidated Accounts were signed by the Board of Directors for Munters Group AB on February 28, 2023, and approved for release by the Board on the same date. The income statements and balance sheets for the Parent Company and the Group published in the Annual Report and Consolidated Accounts is to be adopted by the Annual General Meeting on May 17, 2023. The most important accounting policies applied in preparing the financial reports are reported below. In general, the same principles applies for both the Parent Company as for the Group. To the extent which the Parent Company's accounting policies differ from those of the Group, or to which it was deemed important to explain the principle applied in the Parent Company, is indicated under a separate heading at the end of this Note.

BASIS OF PREPARATION

The Consolidated Accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 – Supplementary Accounting Rules for Corporate Groups. The Parent Company's Annual Report has been prepared in accordance with the Annual Accounts Act and with the application of the Swedish Financial Reporting Board's recommendation RFR 2 – Accounting for Legal Entities. IFRS rules for measurement and disclosure are thus applied, with the exception of the deviations indicated in the section titled Accounting Policies of the Parent Company.

Basis for assessment

The Consolidated Accounts are based on historical acquisition costs with the exception of financial derivatives, shares and participations, acquisition options and purchase considerations that are valued at fair value.

New and amended IFRS applied by the Group

None of the changes related to new and changed standards have had any impact on any reported amounts and are not expected to have a material impact on future periods

New and amended IFRS that have not started being applied

A number of new standards and interpretations enter into force for the financial year beginning after 1 January 2022 and have not been applied to the preparation of this financial report. None of these new IFRS or IFRIC changes are expected to have a significant impact on the Group's financial statements.

BASIS OF CONSOLIDATION

The Consolidated Accounts encompass Munters Group AB (the Parent Company) and its subsidiaries. Subsidiaries are all companies over which the Group has a controlling influence. The Group has controlling influence over a company when it is exposed to, or has the right to, variable returns from its holdings in the company and can impact the returns through its controlling influence in the company. Subsidiaries are included in the Consolidated Accounts as of the date on which controlling influence was transferred to the Group. They are excluded from the Consolidated Accounts as of the date on which controlling influence ceases.

The financial statements for the Parent Company and its subsidiaries included in the Consolidated Accounts refer to the same period and have been prepared in accordance with the accounting policies that apply to the Group. All intra-group transactions, revenues, costs, gains, or losses that arise in transactions between companies included in the Consolidated Accounts have been wholly eliminated.

Business acquisitions

The Group assesses for each transaction whether a business combination or an asset acquisition exists. A business combination exists when the entity acquires controlling influence over a business/businesses. A business consists of activities and assets, which at the minimum consist of inputs and substantial processes that can produce goods or services to customers to provide returns in the ordinary business.

For transactions where essentially the fair value of the acquired assets consists of an asset or a group of similar assets, a simplified assessment is recognized as an asset acquisition. The choice to use the simplified assessment is applied transaction by transaction.

The Consolidated Accounts have been prepared using application of the acquisition method, which involves eliminating the acquisition cost of shares in subsidiaries against their equity at the time of acquisition. Transaction costs related to acquisitions are not included in the acquisition cost, but are expensed on an ongoing basis. The equity acquired in the subsidiaries is established using a market-based evaluation of assets, liabilities and contingent liabilities at the time of acquisition. The Group's equity thus includes only that part of the subsidiaries' equity that arose after the time of acquisition. In the event of business combinations where the sum of (i) the acquisition cost of shares in subsidiaries; (ii) the value of holdings without controlling influence; and (iii) the fair value of previous holdings exceeds the fair value at the time of acquisition as regards the Group's share of the identifiable net assets acquired, the difference is recognized as goodwill. A potential negative difference – negative goodwill – is recognized as income immediately after being established.

The useful life of each individual intangible asset is established and then amortized over the established useful life. If the useful life is deemed indefinite, no amortization is recognized. An assessment that causes the useful life of an intangible asset to become indefinite takes all the relevant circumstances into account and is based on the premise that there is no predictable maximum time limit for the net cash flow generated by the asset. The useful life of goodwill is assumed to be indefinite and goodwill is not amortized.

If the initial recognition of a business combination is incomplete at the end of the reporting period when the business combination took place, the amounts for items where recognition is incomplete is recognized on a preliminary basis. These preliminary amounts can be adjusted during the evaluation period, or additional assets or liabilities can be recognized, to reflect new information obtained about the facts and conditions that existed as of the time of acquisition, and would have impacted the recognized amounts at that time if the information had been available.

Contingent considerations are classified as financial liabilities and re-evaluated every period to fair value. Re-evaluation profits and losses, if any, are recognized in income for the year. If the business combination is carried out in several steps, the previous equity shares in the acquired company are re-evaluated to their fair values at the time of acquisition. Any resulting profit or loss arising out of the re-evaluation is recognized in income for the year.

Munters has call options and has issued put options regarding non-controlling interests, which were agreed on in conjunction with the business combination. Depending on the conditions in the options as well as in the shareholder agreements, each of the options are classified and recognized based on one of the two following principles:

- In the event the conditions are deemed to mean that all economic benefits and disadvantages accrue to Munters right from the time of acquisition, no non-controlling interest is recognized but a liability equivalent to the fair value of the future redemption price, on the other hand, is; changes in value attributable to the liability are recognized over the income statement. At 31 December 2022, Munters recognizes no options based on this principle.

- In the event the conditions in the put/call options are not deemed to mean that all financial benefits and disadvantages accrue to Munters as of the time of acquisition, Munters recognizes non-controlling interests initially and allocates this part of the income. The Group also recognizes a liability corresponding to the discounted expected redemption price for the options whereupon non-controlling participations attributable to the options are eliminated. The difference between liabilities for the options and the non-controlling participations to which the options refer is recognized directly in equity and disclosed separately from other changes in equity. The dissolution of the discounting effect is also therefore directly recognized against equity. Munters recognized the option attributable to MTech Systems in the US based on this principle.

Non-controlling interests

In the event of acquisitions under one hundred per cent but where controlling influence is achieved, non-controlling interest is determined either as a proportional share of fair value on identifiable net assets excluding goodwill, or at fair value. This choice of principle is made for each individual business combination.

Non-controlling interests are recognized as individual items in the Group's equity. The Group's earnings and each component in other comprehensive income are attributable to the Parent Company's owners and to non-controlling interests. Losses attributable to non-controlling interests, if any, are also recognized if it means that the share is negative. Transactions with non-controlling interests that do not lead to loss of control are recognized as equity transactions (i.e. as transactions with owners in their role as owners). A change in holdings is recognized through an adjustment of the recognized values for controlling and non-controlling interests so that they reflect the changes in their relative interests in the subsidiary. Upon acquisition from non-controlling interests, the difference between fair value of purchase consideration paid and the actual share acquired of the recognized value of the subsidiary's net assets are recognized in equity. Profits and losses on divestments to non-controlling interests are also recognized in equity.

When the Group no longer has controlling interest, each remaining holding is evaluated at fair value at the time when controlling interest was lost. The change in recognized value is recognized in the income statement. Fair value is used as the initial recognized value and constitutes the basis for the continued recognition of the remaining holding as an associated company, joint venture or financial asset.

Translation of the accounts, functional currency and reporting currency of foreign subsidiaries

Items included in the financial reports for the various units in the Group are valued in the currency used in the economic environment where the respective companies primarily operate (functional currency).

The Consolidated Accounts are prepared in SEK, which is the functional and reporting currency of the Parent Company. Results of operations and financial condition for all Group companies that have a functional currency other than the reporting currency are translated into the Group's reporting currency as follows:

- assets and liabilities are translated into the exchange rate on the balance date;
- revenue and costs are translated into the average exchange rate; and all exchange-rate differences that arise are recognized in other comprehensive income.

Goodwill and adjustments of fair value that arise in connection with acquisition of foreign operations are handled as assets and liabilities in that operations and are translated into the exchange rate as of the balance date. Exchange-rate differences attributable to translation of a net investment in foreign operations are recognized in the Consolidated Accounts, together with exchange rate differences attributable to borrowing or other financial instruments classified as hedging instruments for such investments, in Other comprehensive income and classified as translation reserves in equity. Accumulated gains and losses in equity are recognized in the income statement when foreign operations are fully or partially divested.

The following foreign exchange rates have been used in translating accounts:

		Average rate		Closing rate	
Currency	Country	2022	2021	2022	2021
AUD	Australia	7.01	6.44	7.09	6.56
CAD	Canada	7.77	6.85	7.71	7.06
CNY	China	1.50	1.33	1.50	1.42
DKK	Denmark	1.43	1.36	1.50	1.38
EUR	Euro zone	10.63	10.14	11.13	10.23
GBP	United Kingdom	12.47	11.80	12.58	12.18
JPY	Japan	0.08	0.08	0.08	0.08
NOK	Norway	1.05	1.00	1.06	1.03
SGD	Singapore	7.34	6.38	7.78	6.68
THB	Thailand	0.29	0.27	0.30	0.27
USD	United states	10.12	8.58	10.44	9.04
ZAR	South Africa	0.62	0.58	0.61	0.57

TRANSACTIONS IN FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates that apply on the transaction date. Exchange rate gains and losses that arise in connection with payment of such transactions and upon translation of monetary assets and liabilities in foreign currency to the exchange rate on the balance date are recognized in the income statement. Exchange rate differences concerning operating receivables and operating liabilities are recognized in EBIT, while exchange rate differences attributable to financial assets and liabilities are recognized as financial income or financial expense. Realized and unrealized exchange rate differences are thus recognized in income for the year.

SEGMENT REPORTING

Operating segments are reported using a method that tallies with the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and evaluating the Group's financial position and earnings. In Munters, this function has been identified as Group Management. Group Management monitors operations from a product-based perspective, which also constitutes Munters operating segments: AirTech, Data Center Technologies and FoodTech, which are also the Groups reportable segments. The accounting policies applied by the segments are the same policies applied by the Group.

REVENUE RECOGNITION

Munters provides goods such as equipment, components and spare parts to customers within two operating segments. Customer contracts can contain pure equipment or component sales or sales of equipment including activities such as installation, startup and commissioning services. Both equipment and installation, startup and commissioning services are all distinct in accordance with the definitions in IFRS 15 meaning any bundled sales will comprise several performance obligations.

Sale of goods

The majority of customer contracts within Munters fulfill the requirement to recognize revenue at a point in time, which means revenue for the performance obligation to deliver equipment is recognized when this performance obligation is satisfied (when control passes of the equipment).

Customer contracts within the segment Data Centers Technologies fulfill the requirement to recognize revenue over time, i.e. equipment is highly customized and customer contract terms stipulate that cost incurred will be recovered with a reasonable profit margin should the customer decide to terminate the contract. Revenue for the performance obligation to deliver equipment is recognized over time using a measurement of progress towards complete satisfaction method. Munters uses an output method for this purpose (equipment produced and passed internal quality control), meaning number of produced units in relation to total number of units in the customer contract.

Contracts including installation, startup and commissioning activities (bundled sales) include several separate performance obligations and the performance obligations to provide installation, startup and commissioning services are satisfied over time, which means revenue related to these performance obligations is recognized over time as the activities are being performed.

In a bundled sale the total transaction price is allocated to each performance obligation according to each performance obligations relative standalone selling price.

There are in general no significant variable considerations in the customer contracts, but some contracts agree to volume and cash discounts. In such cases an estimate is made of the variable considerations that is expected to be refunded to the customer and that part of the transaction price is recognized as a liability.

Rendering of service

In addition to installation, startup and commissioning services that comes from bundled sales Munters provides other kind of services to customers such as maintenance services. Revenue from service contracts are recognized over time as the customer simultaneously receives and consumes the benefits of the services.

Warranty obligations

Munters provides assurance-type warranties where the warranty is a guarantee of quality of the goods provided. These warranties will continue to be accounted for under IAS 37 Provision, Contingent Liabilities and Contingent Assets. Munters commitment to repair or replace defective products in accordance with normal warranty rules is reported as a provision, see Note 26 for details.

There are a number of contracts with customers that include extended warranty. These warranties are regarded as service-type warranties and accounted for as separate performance obligations with revenue recognized over the contracted time.

Interest income

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

Dividends

Dividends are recognized as revenue when the right to receive payments has been established. This applies even if the dividends are disbursed from profits resulting before the time of acquisition. Consequently, the investment may need to be tested for impairment.

REPORTING OF GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

Munters, like other employers, was eligible for different personnel-related government assistance in connection with the Covid-19 pandemic. All government assistance relating to personnel-related expenses are recognized in the income statement as cost reductions in the same period as the corresponding underlying cost. Munters has also received government grants in a few countries. When it's reasonably certain that these grants will be received, they are reported as other operating income in the same period as the attributable costs arise.

WARRANTY COMMITMENTS

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

INCOME TAXES

Tax expenses for the period cover current tax calculated on taxable earnings according to the prevailing tax rate. Current tax costs are adjusted with changes to deferred tax assets and liabilities attributed to temporary differences and loss carry-forwards. Current tax costs are calculated on the basis of the tax regulations decided, or decided in practice, in the countries where the Parent Company and its subsidiaries operate and generate taxable income. Taxes are recognized in the income statement except when the underlying transaction is recognized directly in equity or other comprehensive income, in which case the associated tax is also recognized in equity or other comprehensive income.

Deferred tax is recognized on all temporary differences arising between the carrying amount on assets and liabilities and their recognized tax base in the Consolidated Accounts. Deferred tax liability, however, is not recognized if it arises out of the initial recognition of goodwill. Nor is deferred tax liability recognized if it arises out of a transaction constituting the initial recognition of an asset or liability that is not a business combination and at the time of the transaction impacts neither recognized nor taxable earnings. Deferred income tax is calculated by applying the prevailing tax rate (and laws) that were decided or announced as of the balance date and are expected to be in effect when the deferred tax asset is realized or a deferred tax liability is settled. Deferred tax assets on loss carry-forwards are recognized to the extent that it will be possible to deduct such losses from future profits.

Deferred taxes attributed to temporary differences regarding holdings in subsidiaries, associated companies or joint ventures are recognized only to the extent to which the Parent Company can control the timing of reversal of the temporary differences and that it is probable that such a reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legal right to offset for current tax assets and tax liabilities, and when the deferred tax assets and liabilities are attributed to taxes levied by the same tax authority and relate to either the same tax subject, or different tax subjects when there is an intent to settle accounts through net payments

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Non-current assets with definite useful life are recognized in the statement of financial position at acquisition cost, less accumulated depreciation or amortization according to plan and any impairment losses. The assets of acquired companies are recognized at fair value on the date of acquisition.

The acquisition cost of the asset is depreciated or amortized on a straight-line basis to the estimated residual value over the anticipated useful life of the asset. For anticipated useful lives, refer to Note 8, Depreciation, amortization and impairment losses. Each asset's remaining useful life is tested at the end of each accounting period, and adjusted as necessary.

Non-current assets with indefinite useful life are recognized in the statement of financial position at acquisition cost and tested for impairment when there is an indication of impaired value or at least once a year.

Buildings, Land, machinery and equipment

Land is not subject to depreciation because it is considered to have an indefinite useful life. Normal maintenance and repair costs are expensed as they arise. More extensive renovation and upgrade costs are reported as an asset and depreciated over the remaining useful life of the asset.

Leasing

Leases are recognized as right-of-use assets and a corresponding liability on the day that the leased asset is available for use by the Group.

Assets and liabilities arising from leases are initially recognized at present value. The lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments) after deducting any incentives in connection with the signing of the lease as well as variable lease payments that depend on an index or a rate, initially measured with the help of an index or rate on the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of an option to purchase the underlying asset if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects that the Group will exercise an option to terminate the lease.

Lease payments that will be made for reasonably certain options to extend the lease are also included in the measurement of the liability.

The lease payments are discounted by the lease's implicit interest rate. If this interest rate cannot be determined easily, which is normally the case for the Group's leases, the marginal loan rate is used, i.e. the rate that the individual lessee would have paid to borrow the necessary funds to buy an asset of similar value as the right-of-use asset in a similar economic environment with similar terms and collateral.

The Group is exposed to future increases in variable lease payments based on an index or a rate, which are not included in the lease liability until they take effect. When adjustments of lease payments based on an index or a rate take effect, the lease liability is remeasured and adjusted against the right-of-use asset. Lease payments are divided between amortization of the liability and interest. The interest is recognized in profit and loss over the lease term in a way that produces a fixed rate for the lease liability recognized in each period. On the other hand, Munters has no variable payments such as turnover-based rents or the like.

Options to extend and terminate contracts are included in a number of the Group's leases primarily of factories. The terms are used to maximize flexibility. The overwhelming share of the options to extend and terminate leases can only be exercised by the Group and not by the lessors.

Munters has no appreciable residual value in the leases.

Right-of-use asset are measured at cost and include the following:

- the amount that the lease liability was originally measured at;
- lease payments paid on or before the commencement date, after deducting any incentives received upon signing the lease;
- initial direct costs;
- costs to restore the asset to the condition under the terms of the lease.

Right-of-use assets are normally subject to straight-line depreciation over the shorter of the useful life and the lease term. If Munters is reasonably confident of exercising a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Payments for short-term leases and all leases of low-value assets are expensed on a straight-line basis in the income statement. Short-term leases have a term of 12 months or less. Leases of low-value assets include IT equipment, telephones and some office furniture

Goodwill

Goodwill relates to the value by which consideration remitted, non-controlling interest (if any) in one's own company and the fair value of previous equity share in the acquired company at the date of acquisition (if the business combination was carried out in steps) exceed the fair value of identified net assets. If the amount falls below fair value for the net assets acquired (in the event of an acquisition at low price), the difference is recognized directly in the income statement.

Goodwill is not amortized, but is tested for impairment annually or more often if events or changes in circumstances indicate a possible decrease in value. Goodwill is reported at acquisition cost less accumulated impairment. In connection with the sale of a unit, the recognized value of goodwill is included in the resulting profit/loss.

Patents, licenses and similar intellectual property rights

Direct external expenses for the development of software for internal administrative use are capitalized, provided future efficiency gains are probable and exceed the expenses committed. Activities during the feasibility study phase, and maintenance and training costs, are expensed as they are incurred.

Research and development

Costs for research are expensed as they are incurred. Research expenses are recognized as an intangible asset in the statement of financial position, provided that it is technically feasible and also that the Group intends to complete the asset for use or sale. There should also be conditions to use and sell the asset, and it should be possible to demonstrate the probability of future financial benefits. In addition, adequate resources are required to complete the development and to use or sell the asset. Costs arising before the mentioned criteria are met are expensed. Amortization of capitalized development starts when the asset is complete and ready to use. Amortization occurs on a straight-line basis over the useful life, usually three to five years, and is recognized in the report on comprehensive income as research and development costs.

Impairment test

When there is an indication that a non-current asset's value has declined, the carrying value of the asset is assessed. Goodwill and other intangible assets with an indefinite useful life are impairment tested on a yearly basis, or more often if there are indications of impairment.

Impairment testing of individual assets

In the event a carrying value of an asset exceeds its estimated recoverable amount, the asset is impaired to its recoverable amount. The recoverable amount is the higher of the asset's fair value less sales costs, and its value in use. The recoverable amount is assessed individually for each cash-generating unit.

Fair value refers to the most likely sale price in a normally functioning market. Value in use refers to the present value of the estimated future cash flows that are expected to result from the use of the asset plus the estimate residual value at the end of the asset's useful life.

Value in use is normally measured using discounted cash flow models, which requires assumptions of such parameters as a discount rate, future cash flows, and the expenses necessary to generate the estimated cash flows. Any impairment previously recognized is reversed, if the recoverable amount is deemed to exceed the carrying amount. The reversal amounts are limited such that a carrying amount must not exceed what it would have been if no impairment had been recognized in prior periods.

Impairment testing of goodwill

For the purpose of testing the need for impairment, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units expected to be favored by synergies in the acquisition. Each unit or group of units goodwill has been allocated to correspond to the lowest level in the Group at which the goodwill in question is monitored in internal governance. The Group's cash-generating units consist of the Group's segments: AirTech, Data Center Technologies and FoodTech. Impairment of goodwill is never reversed.

INVENTORY

Inventory (raw materials and consumables, products in process and finished products and goods for resale) is valued at the lower of acquisition cost and net sales value. Net sales value is the estimated sale price in operating activities less applicable variable sales costs. For products manufactured in-house, the acquisition cost consists of direct manufacturing costs plus a reasonable share of indirect manufacturing costs. Interest expenses are not included in the value of inventory. Valuation is based on normal capacity utilization. The acquisition cost is determined using the first-in, first-out method. Otherwise, weighted average cost may be used if this method is a good approximation of the first-in, first-out method. Required impairment is recognized for obsolescence based on each item's age and rate of turnover.

FINANCIAL INSTRUMENTS

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

Classification

Munters classifies its financial assets and financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVPL), and
- those to be measured at amortized cost.

Measurement

At initial recognition, the group measures a financial instrument at its fair value plus, in the case of a financial instruments not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial instruments. Transaction costs directly attributable to financial instruments carried at FVPL are expensed in profit or loss. Subsequent measurement depends on the group's business model for managing the instruments and the cash flow characteristics of the instruments. There are three measurement categories under IFRS 9.

Amortized cost

Instruments that are held for collection/payment of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income/expense from these financial instruments are included in finance income/expense using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Fair value through profit and loss statement (FVPL)
Instruments that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Accounts receivable and other receivables
As the expected tenor of accounts receivable is short, they are recognized at the amount expected to be paid based on estimated credit losses with consideration of historical default rates. Any impairments of accounts receivable affects operating profit or loss. Accounts receivables and other receivables are measured at amortized cost.

Derivatives
Derivatives are recognized in the statement of financial position on the trading date and measured at fair value both initially and in subsequent revaluations at the end of every reporting period. Changes in value are recognized in the income statement, no hedge accounting is applied.

Cash and cash equivalents
Cash and cash equivalents are defined as cash, bank balances, investments in securities maturing in three months or less and utilized overdraft facilities. Utilized overdraft facilities are recognized in the statement of financial position as current liabilities.

Accounts payable and other payables
Accounts payable are commitments to pay for goods and services acquired from suppliers in operating activities. Accounts payable and other liabilities are classified as current liabilities if they fall due within one year. If not, they are recognized as non-current liabilities. Accounts payables and other liabilities are measured at amortized cost.

Borrowing
Borrowing is initially recognized at fair value, net after transaction costs. It is subsequently recognized at amortized cost, as described above under accounts payable and other payables, and any difference between the amount received and the amount repaid is recognized in the income statement, allocated over the borrowing period using the effective-interest method.

Fees paid for loan facilities are recognized as transaction costs for borrowing to the extent it is probable that the credit line will be used, either in whole or in part. In such cases, the fee is recognized when the credit line is used. When no proof exists that it is probable the credit line will be used, either in whole or in part, the fee is recognized as an advance payment for financial services and allocated over the tenor of the loan commitment in question.

Contingent purchase considerations
Contingent purchase considerations are initially and thereafter, recognized at fair value in the statement of financial position. Changes in value are recognized in other operating income and expenses.

Recognition and derecognition
Purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Impairment
The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 19 for further information.

Offsetting of financial instruments
Financial assets and liabilities may be offset against each other and recognized net in the Consolidated Accounts in cases where Munters has agreed with the counterparty that assets and liabilities will be netted. No offsetting has taken place in the statement of financial position.

PROVISIONS
Provisions are recognized when the Group has or may be considered to have an obligation as a result of events that have occurred, and where it is probable that payments will be required to fulfil the obligation. A prerequisite is that it must be possible to reliably estimate the amount to be paid. Provisions for restructuring measures are allocated when a detailed, formal plan for the measures is established and well-founded expectations have been created among those who will be affected by the measures.

Provisions are measured as the present value of the amount expected to be required to settle the obligation. In this connection a discount rate before tax is used that reflects a current market assessment of the time value of money and the risks associated with the provision. The increase in the provision owing to time passing is recognized as an interest expense.

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

A contingent asset is a possible inflow of resources and is not recognized as an asset in the statement of financial position before it is as good as certain that an inflow of resources will arise as an asset.

EMPLOYEE BENEFITS
Short-term employee benefits
Liabilities for salaries and benefits expected to be settled within 12 months after the end of the fiscal year are recognized as current liabilities at the undiscounted amount that is expected to be paid when the liabilities are settled. The cost is recognized as the services are performed by the employees.

Post-employment benefits
Within the Group, there are several defined-contribution as well as defined-benefit pension plans and other non-current employee benefits, including some with pension plan assets.

Defined-contribution pension plans
In defined-contribution pension plans, the Group pays a predetermined premium to a separate legal entity and does not have any legal or informal obligation to make additional payments if, when compensation to the employee is to be paid, the legal entity has insufficient assets. The Group's payments relating to defined-contribution plans are recognized as an expense during the period the employee performed the services to which the expense relates. Deferred fees are recognized as an asset to the extent that cash repayment or reduction in future payments can be of benefit to the Group.

Defined-benefit pension plans
All other plans for post-employment benefits other than defined-contribution plans are defined-benefit plans. The liability or asset regarding defined-contribution pension plans that is recognized in the statement of financial position is the present value of the defined-benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined-benefit pension obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is established by discounting estimated future cash flows using the interest rate for high-quality corporate or housing bonds issued in the same currency that the benefits will be paid in, with tenors comparable to the pension obligation in question.

For Swedish plans, the discount rate equals the housing bond rate. Net interest is calculated by applying the discount rate to defined-benefit plans and to the fair value of the plan assets. This cost is included in operating profit.

Revaluation gains and losses arising out of experience adjustments and changes to actuarial assumptions are recognized in other comprehensive income during the period in which they arose. They are included in profit brought forward in the statement of changes in equity and in the statement of financial position. Expenses for employment during previous periods are recognized directly in the income statement. Expenses for the year for employment in the current year are included in operating profit and the interest expense for the defined-benefit net liability is recognized in financial expenses in the income statement.

Special employer's contribution in Sweden is calculated on the difference between the pension obligation adopted according to IAS 19 and according to the rules applied for the legal entities. Calculated future employer's contribution is recognized in the statement of financial position as a part of the pension obligation. The change in the provision is recognized, to the extent that it pertains to the effects of revaluations, in other comprehensive income.

Share-based payment

The Group has a number of share-based payment plans where the company obtains services from employees as consideration for the Group's equity instruments. Information on these plans is disclosed in Note 34.

Employee stock option program

The fair value of the service that entitles employees to an allotment of options through the Munters employee stock option program is recognized as a employee cost with a corresponding increase in equity. The total amount to expense is based on the fair value of the options that are allotted:

- including all market related terms (e.g., target share price)
- excluding any impact from service terms and non-market related terms for vesting (e.g., profitability, sales goals and that the employee remains employed by the company for a given period of time),
- including the impact of terms that do not constitute vesting terms (e.g., requirement that employees retain the shares for a given period of time).

The total cost is recognized over the vesting period, i.e., the period over which all the specified vesting terms will be met. At the end of each reporting period, the Group revaluates its assessments of how many shares are expected to be vested based on the non-market related vesting terms and the service terms. Any difference compared with the original estimates that the revaluation gave rise to, is recognized in profit or loss with corresponding adjustments in equity.

The social security contributions that arise on the allotment of stock options are regarded as an integral part of the allotment, and the cost is treated as cash settled share-based payment.

When the options are exercised, the correct number of shares are transferred to the employee. Payments received, after deducting any directly related transaction costs, are credited to equity.

Synthetic options

Share-based payment settled in cash is recognized as staff costs over the time the service is performed. The fair value of the liability is remeasured at the end of each reporting period and recognized as a commitment for employee benefits in the balance sheet.

SHARE CAPITAL

Ordinary shares are classified as equity. Transaction costs that can be directly attributed to issue of new shares or options are reported, net after tax, in equity as a deduction from proceeds.

DIVIDENDS

Dividends to the Parent Company's shareholders are recognized as a liability in the Group's financial reports in the period when the dividend was approved by the Parent Company's shareholders.

EARNINGS PER SHARE

Earnings per share before dilution are calculated by dividing earnings attributable to the Parent Company's shareholders by a weighted average number of shares outstanding during the period. Earnings per share after dilution are calculated by adjusting the amount used for calculating earnings per share before dilution through observing the effect after tax of dividends and interest expenses on potential ordinary shares and of the weighted average of additional ordinary shares that would have been outstanding in the event of a conversion of all potential ordinary shares.

RELATED PARTY DISCLOSURES

The companies related to Munters are defined as the Parent Company, subsidiaries, associated companies and owners with an ownership exceeding 10% (FAM AB) as well as other companies managed by FAM AB. "Related physical persons" are defined as Board members, senior executives, and close family members of such persons. Companies in which any of the mentioned physical persons have significant influence are also defined as companies related to Munters. Information on transactions that entail a transfer of resources, services, or obligations between related parties is disclosed, regardless of whether or not remuneration is paid. The disclosure contains information as to the character of the relationship and the effect of the relationship on the financial statements.

EVENTS AFTER THE END OF THE REPORTING PERIOD

If events arise that are significant but should not be taken into account when the amounts in the statement of comprehensive income and statement of financial position are adopted, then the character of the event and, if possible, an estimate of its financial impact will be disclosed in the Board of Directors' Report and notes. Significant implies that an omission to disclose the information could influence financial decisions made by users of the financial statements.

Significant events that confirm the situation existing at the end of the reporting period and occur after the reporting period but prior to the signing of the Annual Report will result in adjustments to the amounts in the Annual Report.

ACCOUNTING POLICIES OF THE PARENT COMPANY

The Parent Company's Annual Report has been prepared in accordance with the Annual Accounts Act and with the application of the Swedish Financial Reporting Board's recommendation RFR 2 – Accounting for Legal Entities. This means that IFRS are applied with the deviations and additions presented below.

Statutory sustainability report

Munters Group AB has prepared a sustainability report in accordance with the Sixth Chapter of the Annual Accounts Act, paragraph 11. The report relates to the Group and also constitutes Munters Communication on Progress (CoP) report according to the Global Compact. The report consists of pages 3–4, 10, 12–22 and 49–80.

Financial statements

Under the requirements in RFR 2, the Parent Company's financial statements deviate from those presented for the Group. This means that the Parent Company has the following five statements in the Annual Report: income statement, other comprehensive income, balance sheet, statement of cash flow and statement of changes in equity.

Financial instruments: Recognition and measurement

The Parent Company does not apply IFRS 9 Financial Instruments. Instead, measurements are based on the acquisition costs of assets and liabilities.

Ownership of subsidiaries

Holdings in subsidiaries are recognized in the Parent Company using the cost method. If there are indications of a decline in value, the value is tested and, if required, the holdings are impaired.

Group contributions

The Parent Company recognized all Group contributions, paid and received, as appropriations.

Shareholders' contribution

Shareholders' contributions from the Parent Company are recognized directly in the receiver's equity and capitalized in the shares and participations of the Parent Company, to the extent impairment is not required.

Leasing

In the event that the Parent Company has any leases, these are not recognized in the balance sheet but are expensed linearly over the contract period of the lease.

NOTE 2 SIGNIFICANT ESTIMATES AND ASSESSMENTS

In preparing the financial statements, Group Management and the Board of Directors makes assessments and assumptions that affect the final accounts and disclosures. These assessments are based on experience and the various assumptions that management and the Board consider reasonable under the prevailing circumstances. The conclusions thus drawn form the basis for determinations concerning carrying amounts of assets and liabilities in cases where they cannot be readily determined using information from other sources. Actual outcomes may differ from these assessments, if other assumptions are made or other conditions applied. The estimates and assessments that are considered to have the greatest impact on Munters earnings and financial position are outlined below.

Measurement of goodwill

The Group tests for impairment of goodwill each year. This test requires an estimation of parameters affecting future cash flows and a determination of a discount rate. Then the recoverable amount of each individual cash-generating unit is established by calculating the value in use. Note 13 presents the significant assumptions made to test goodwill and describes the effects of reasonable and possible changes to the assumptions on which the calculations were based. At the end of 2022 the Group recognized goodwill to a value of MSEK 5,359 (4,248).

Acquired intangible assets and establishing useful lives

When businesses are acquired, the intangible assets acquired are measured at fair value. In cases where there is an active market for the acquired assets, the fair value is determined based on prices in that market. Because active markets are often lacking for these assets, valuation models have been developed to estimate fair values. One example of a valuation model is discounted future cash flows. These assets are amortized based on established useful lives. Company management makes assumptions and judgements regarding how long each asset will generate financial benefits for the Group. At the end of 2022 the Group recognized Technology, Customer relationships and Brands to a value of MSEK 1,366 (1,175).

Development expenses

Determining whether an intangible asset resulting from development should be recognized as an asset requires an assessment of the extent to which certain specific conditions are satisfied. With regard to capitalized development projects, management's assessment is that their technical and financial feasibility are confirmed. At the end of 2022 the Group recognized intangible assets regarding product development to a value of MSEK 392 (268).

Deferred tax assets on loss carry-forwards

The Group recognizes deferred tax assets on loss carry-forwards to the extent that it is probable such losses can be deducted from future profits. The actual outcome may deviate from the assessments made because of factors such as changes in the business climate or to tax regulations

At the end of 2022 the Group's total tax loss carry-forward was MSEK 1,284 (1,149). In the consolidated balance sheet, a value for tax purposes of capitalized loss carry-forwards was recognized in the amount of MSEK 101 (75) relating primarily to Belgium, Sweden and Germany.

Contingent purchase considerations

A contingent purchase consideration in connection with acquisitions is often dependent on future financial performance related to the acquired unit. Actual results may differ from these assumptions, which involve changing a previously recognized contingent consideration.

Legal disputes

Provisions for legal disputes are estimates of the future cash flows that will be required to settle the obligations. The disputes primarily relate to contracted obligations attributable to contracts with customers and suppliers, though other types of disputes also arise in normal business operations.

Group Management considers it improbable that any of the known disputes in which Munters is currently involved, and where no provisions have been recorded, will have a significant negative impact on the Group's accounts.

Warranty provision

Munters warranty provision is based upon management's best estimates of amounts necessary to settle future and existing claims. The provision is based on historical trends of units sold and payment amounts, combined with current understanding of the status of existing claims. Regular evaluations are made of the adequacy of these provisions, and they are adjusted when appropriate. However, the future realized outcome for settling the warranty claims can differ materially from the provision recorded.

Revenue recognition

A number of customer contracts fulfill the requirement to be recognized over time based on the degree of completion. The forecasts for each contract constitute an estimate of final revenue and expenses.

Leasing

When defining the lease period, management takes into account all available information that provides a financial incentive to exercise an extension option, or not to exercise an option to terminate a contract. Opportunities to extend a contract are included only in the lease period if it is reasonable certain to extend the contract (or not terminate the contract). The majority of the extension options in lease agreements of office premises and vehicles have not been included in the reported lease liability as the Group can compensate the assets without significant costs or interruptions in the business.

NOTE 3 FINANCIAL RISK MANAGEMENT

Through its operations in a global environment, Munters is exposed to several different financial risks, such as currency risk, interest rate risk, credit risk, and liquidity risk.

The financial risks are controlled and managed based on a financial policy approved by the Board of Directors. The policy covers the entire Group and is updated on an annual basis. The purpose of the policy is to create a framework for managing the various financial risks. Risk management and financing activities are handled centrally by CFO and the Group Treasury function, monitored and controlled by the Board of Directors, Audit Committee and CEO. The overall objective is to limit the volatility attributable to financial factors in the income statement and balance sheet, protect financial assets and future cash flows, as well as optimize the Group's financing and meet financial covenants in banking agreements. The Treasury function, which acts as the Group's internal bank, identifies, evaluates, and hedges financial risks in close cooperation with the Group's operational units.

	Percentage of revenue		Percentage of costs	
Currency	2022	2021	2022	2021
USD	44.2%	40.6%	37.5%	37.5%
EUR	21.9%	24.3%	22.9%	23.7%
CNY	19.2%	17.9%	15.6%	16.2%
SEK	2.2%	2.6%	8.3%	8.8%
GBP	1.7%	2.0%	1.8%	2.1%
JPY	1.4%	2.3%	1.6%	2.3%
BRL	1.3%	1.5%	1.5%	1.2%
AUD	1.1%	1.2%	0.8%	0.9%
DKK	1.0%	0.8%	0.5%	0.7%
SGD	0.9%	1.0%	0.4%	0.6%
KRW	0.9%	1.3%	0.4%	0.8%
THB	0.5%	0.8%	0.5%	0.7%
Other	3.7%	3.6%	5.0%	4.6%
Total	**100%**	**100%**	**100%**	**100%**

Currency risk

Due to Munters global presence, the Group is exposed to transaction exposure by transactions in foreign currency and through translation exposure when translating income statements and balance sheets into SEK.

Transaction exposure

Group internal sales in foreign currency primarily occur through the Group's production companies, which invoice the Group's sales companies in their functional currency. By doing so, transaction exposure and hedging operations are concentrated to a few companies in the Group.

NOT 3 FINANCIAL RISK MANAGEMENT, CONT.

The hedging of transaction exposure shall primarily occur through so-called natural hedges, whereby incoming and outgoing cash flows in foreign currencies are matched in order to minimize the net exposure. For example, Munters has decided to have major part of its external loans in USD to get a natural hedge towards the large inflows of USD presented in the table earlier in this note. Otherwise, hedging shall primarily occur through forward selling of currency. The value of forward contracts at year-end was MSEK 1.5 (0.9), see Note 23. Munters does not apply hedge accounting for these financial instruments.

A significant proportion of Munters income and expense is generated in foreign currencies, of which the most significant are presented in the table earlier in this note. The geographic distribution of Munters production plants results in a matching of revenues and expenses in local currencies, which limits the currency exposure.

Munters sensitivity to variations in exchange rates is presented in the table below. The analysis includes transaction exposure and is based on EBIT for 2022. All other factors influencing earnings are assumed unchanged in the calculation.

SEK +10% compared with	Estimated effect on EBIT MSEK
USD	–90.0
CNY	–61.4
EUR	–12.4
KRW	–5.9
AUD	–4.3
INR	–4.2
GBP	0.1
JPY	0.3
BRL	1.4
ILS	8.1
CZK	9.1
MXN	9.8
Other currencies	41.7
Total	**–107.7**

Translation exposure

A large proportion of Munters subsidiaries have net assets in their functional currency, which is different from the Group's reporting currency. When these are translated into SEK, translation differences arise which are recognized in other comprehen-sive income. Translation differences attributable to net investments in foreign currency are not hedged. However, pursuant to the financial policy, this is monitored and calculated regularly in order to determine its impact on earnings and financial position. The effect on other comprehensive income of the translation of foreign subsidiaries' net assets into SEK totaled MSEK 483 (268). This refers mainly to subsidiaries that have USD, EUR and CNY as functional currency.

Interest rate risk

Interest rate risk refers to the risk of the value of financial instruments and interest-bearing assets and liabilities changing due to changes in interest rate levels. To ensure efficiency and risk control according to policy, the majority of borrowings are managed by the Group Treasury function.

Munters is exposed to interest rate risk through interest-bearing borrowings, which are one of the Group's sources of financing in addition to equity and cash flow from operating activities. Interest-bearing borrowings consist primarily of a long-term bank loan with a variable interest rate. In addition, few subsidiaries are permitted to keep individual third party bank debt. The Group has no significant interest-bearing assets besides bank balances, so revenues and cash flow from operating activities are largely independent of changes in market interest rates.

The Group had at the end of 2022 no outstanding interest rate derivatives.

Interest exposure

The average fixed interest term for the Group's external loans was 1.7 months (2.7) at year-end 2022. If the interest rate increases with one percentage in all countries where Munters has loans or investments, the impact on net financial income and expense would be approximately MSEK 32 (18). This sensitivity analysis assumes that all other factors, such as exchange rates, remain unchanged.

Credit risk

Credit risk is the risk of Munters incurring losses due to a counter-party failing to pay.

Credit exposure

For Munters, the predominant portion of credit risk relates to accounts receivable. Munters works actively to limit this risk. An approved credit rating is required for a counterparty to be approved. Advance payment is generally encouraged, and a partial advance payment is a requirement when the value of the order is a significant amount and delivery extends over a long period of time. Accounts receivable are also mainly spread among many customers, primarily companies in different industries and with wide geographical distribution, which limits concentration of the credit risk.

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

Counterparty exposure

A list of approved counterparties and maximum exposure to each approved counterparty is established in the financial policy. Approved counterparties should be characterized by high ethical values and have a credit rating of at least A-/A2 according to Standard & Poor's/Moody's credit assessments. Exceptions may sometimes be made for local banks, but such cases must have the advance approval of the CFO.

Liquidity risk

Liquidity risk refers to the risk of Munters, at a given point in time, not having sufficient liquidity to cover expected or unforeseen expenses.

The liquidity reserve is defined as bank balances or invested funds that can be released within two banking days without any additional or minor cost, plus any unutilized credit facilities, committed for minimum 12 months, less any outstanding uncommitted debt. Management continually monitors forecasts of Group cash flows and liquidity reserves to ensure that the Group has sufficient funds to satisfy the needs of operating activities and to cover interest payments and loan repayments. According to the financial policy, the long-term liquidity reserve shall exceed an amount equivalent to 1.5 months of disbursements. A risk to go below the permitted threshold level requires immediate actions. At the end of 2022, the Group had unutilized credit facilities of MSEK 2 228 (2 417). The Group's total liquidity reserve less restricted cash per end of 2022 amounted to MSEK 2 944 (2 906).

Group Treasury works actively to ensure an effective cash management structure within the Group by centralizing the liquidity to the parent company through cash pools and other form of sweeping mechanisms. Cash surplus shall primarily be used to repay on external debt. The Group's cash and cash equivalents shall be deposited in bank accounts or high-liquidity interest-bearing instruments. Any surplus liquidity in subsidiaries shall be deposited with Group Treasury. By securing accessibility to guaranteed long-term credit facilities, spreading maturities and sources of financing for borrowings, the Group will avoid expensive financing and refinancing difficulties. For more information about the Group's borrowings, see Note 24.

Capital structure

Munters aims to have a capital structure that ensures long-term stability in operations, satisfies various investment requirements and safeguards the value of the Group. Munters endeavors to ensure that Group's subsidiaries shall have an optimal capital structure relating to financing requirements, foreign exchange and tax regulations in each jurisdiction. Subsidiary financing shall mainly be done by internal loans or capital contributions. Requirements in the Groups external loan agreement and common praxis following the type of business of the individual subsidiary and country shall be taken into consideration when deciding form of financing. An analysis of the subsidiaries' capital structure is done on a yearly basis to secure that the different requirements are met.

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NOTE 4 NET SALES

Satisfaction of performance obligations and payment terms

Munters overall supply consists of goods, such as equipment, components and spare parts, and services, such as installation, startup commissioning and maintenance services.

Customer contracts range from pure component deliveries, mainly within FoodTech and in segment Clean Technologies within AirTech, to contracts comprising equipment, installation, start-up and commissioning services, within other parts of AirTech and Data Center Technologies.

The performance obligation to deliver goods within AirTech and FoodTech is in the great majority of contracts satisfied when Munters delivers the goods according to the delivery terms in the contract, however there are contracts within AirTech that are satisfied over time as Munters produces the goods. The performance obligation to deliver goods in Data Center Technologies is satisfied over time as Munters produces the goods. This because the Data Centers customer contracts are customer-specific deliveries without alternative use for Munters and with the right to recover cost incurred with a reasonable profit margin if the customer should decide to terminate the contract.

Installation, startup and commissioning services are services satisfied over time as Munters performs. The same relates to aftermarket services, such as maintenance services and extended warranties, and services and subscription contracts within Munters software delivery.

Within FoodTech and in segment Clean Technologies within AirTech, payment terms are in general at point of delivery, which also correlates to time of revenue recognition. Within other parts of AirTech and within Data Center Technologies customer advance payment is generally encouraged, and partial advance payment is required when the value of the order is a significant amount and delivery extends over a long period. In these customer contracts, there is not a one-to-one correlation between payment terms and revenue recognition, which creates customer balances in the financial statement..

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, even though there are a number of customer contracts within these business areas that requires to recognize net sales over time, which is reflected in the below matrix. In contrast, the majority of customer contracts within Data Center Technologies requires to recognize net sales over time.

In addition to sales of equipment, Munters also provides different kinds of services to customers such as installation, commissioning, start-up and maintenance. Net sales from services are recognized over time as these services are performed.

Allocation of the transaction price in a customer contract with several performance obligations is based on standalone selling prices.

2022, MSEK	AirTech	Data Center Technologies	FoodTech	Total
Goods transferred at a point in time	5,097	180	1,842	7,119
Goods transferred over time	1,156	1,192	120	2,468
Services transferred over time	564	28	207	799
Total	**6,816**	**1,400**	**2,170**	**10,386**

2021, MSEK	AirTech	Data Center Technologies	FoodTech	Total
Goods transferred at a point in time	3,554	56	1 743	5,353
Goods transferred over time	679	619	99	1, 397
Services transferred over time	420	27	150	598
Total	**4,653**	**702**	**1,993**	**7,348**

Contract balances

Accounts receivables are non-interest bearing receivables with a general payment term of 30-90 days. Within FoodTech and segment Clean Technologies within AirTech revenue recognition and billing in general aligns. However, within FoodTech there are contracts with billing annually in advance. These contracts qualifies for revenue recognition over time and therefore deferred revenue balances arises. Within FoodTech there is also other contracts qualifying for overtime reporting where payment terms deviates from revenue recognition, which result in both deferred revenue and accrued income balances.

Within AirTech it is common with advanced billings, which creates advances from customers. Within AirTech the great majority of customer contracts qualifies for at a point in time revenue recognition meaning that once equipment are delivered, revenue is recognized fully for that performance obligation and any advances in the balance sheet is netted off and remaining balance is recognized as an accounts receivable.

Within segment Data Center Technologies the great majority of the customer contracts qualifies for over time revenue recognition meaning that as soon as the measurement of progress of a performance obligation exceeds any advanced billings contract assets are recognized due to the fact that the billing terms does not allow for further billing until further milestones have been reached.

Contract balances

MSEK	2022	2021
Accounts receivables (Note 19)	2,235	1,394
Accrued income (Note 20)	515	235
whereof Contract assets	497	226
Contract liabilities		
Advances from customers	1,715	648
Deferred revenue (Note 27)	80	64

Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to remaining performance obligations at the balance sheet date amounts to MSEK 11,463, whereof MSEK 6,866 is expected to be recognized as revenue during 2023 and MSEK 4,598 is expected to be recognized as revenue during 2024 or later.
Per December 31, 2021, the aggregate transaction price allocated to remaining performance obligations amounted to MSEK 4,198.

NOTE 5 OPERATING SEGMENTS

REPORTABLE OPERATING SEGMENTST

The Group's reportable operating segments have been identified from a management perspective. Thus, the segment information disclosed is based on internal reporting to the chief operating decision maker, which at Munters has been equated with Group Management. The Group's operations are managed and reported by three business segments, AirTech, Data Center Technologies and FoodTech.

AirTech manufactures and markets products and holistic solutions for controlling humidity and improving the indoor climate. Customers' manufacturing processes and warehousing are becoming more efficient and product quality, shelf life, and hygiene are improving. Data Center Technologies is a leading supplier of advanced climate cooling solutions using a wide range of heat rejection technologies. FoodTech manufactures and markets energy-efficient products and systems to create the right indoor climate for the animal husbandry and horticultural industries.

Business segment consolidation is performed applying the same policies as for the Group as a whole. Transactions between business segments are conducted on market terms. Key control and reporting concepts are order intake, net sales, EBIT, and operating working capital.

No individual external customer represents 10% or more of Munters sales.

	AirTech		Data Center Technologies		FoodTech		Other and elimination		Total	
MSEK	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Order intake	8,399	5,842	6,245	1,051	2,242	2,166	–56	–46	16,830	9,013
Order backlog	4,698	2,796	5,937	703	828	700	–	–	11,463	4,198
Net sales, external	6,816	4,653	1,400	702	2,170	1,993	0	0	10,386	7,348
Net sales, internal	14	10	0	0	42	35	–56	–46	–	–
Net sales	**6,830**	**4,664,**	**1,401**	**702**	**2,211**	**2,028**	**–56**	**–46**	**10,386**	**7,348**
Adjusted EBITA	**1,014**	**682**	**84**	**92**	**128**	**210**	**–156**	**–95**	**1,070**	**889**
Amort. intangible assets	–29	–22	–20	–8	–59	–40	–6	–4	–114	–74
Items affecting comparability	–9	–11	8	62	–64	–97	–10	–16	–75	–62
Re-allocation int. services	–	–12	–	1	–	–2	–	13	–	–
Operating profit (EBIT)	**976**	**635**	**71**	**148**	**5**	**71**	**–171**	**–101**	**881**	**753**
Changes in acc. receivable	–705	–122	–4	–70	73	–56	1	–5	–635	–253
Changes in inventory	–384	–207	–316	–46	–6	–62	–	0	–706	–316
Changes in accrued income	–86	–37	–152	72	2	14	–	0	–236	49
Changes in acc. payable	302	109	119	47	–44	30	–	17	397	204
Changes in adv. from customers	570	178	406	–65	1	–17	21	0	977	96
Cash flow from operating working capital	**–304**	**–79**	**53**	**–62**	**25**	**–91**	**22**	**12**	**–203**	**–220**
Other disclosures										
Investments	204	157	44	17	168	104	123	64	539	342
Number of employees	2,693	2,256	355	176	791	796	99	87	3,940	3,315

GEOGRAPHIC INFORMATION

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

External net sales

MSEK	2022	2021
US	4,317	2,440
China	1,878	1,336
Germany	521	437
Sweden	295	222
Mexico	226	135
United Kingdom	198	160
Italy	197	153
Brazil	190	516
India	183	114
Japan	170	193
France	165	119
Ireland	163	56
Netherlands	163	129
Denmark	153	94
Belgium	152	118
Canada	137	52
Poland	129	33
Australia	111	87
Other countries	1,036	957
Total	**10,386**	**7,348**

Non-current assets

MSEK	2022	2021
US	923	467
Sweden	545	298
Israel	164	137
Czech republic	136	21
Ireland	112	0
Other countries	504	551
Total	**2,383**	**1,473**

The information presented in the table above regarding non-current assets is grouped according to assets location, i.e. where the entity carries on its production of goods and services. Non-current assets consist of tangible assets, right-of-use assets and intangible assets excluding goodwill and brands with an indefinite useful life.

NOTE 6 COST BY NATURE

MSEK	Group 2022	Group 2021
Material costs	–4,592	–3,003
Personnel costs (Note 32)	–2,786	–2,124
Depreciation	–377	–303
Other purchase costs etc	–1,728	–1,126
Total	**–9,483**	**–6,556**

NOTE 7 FEES TO AUDITORS

Fees and remuneration recognized as an expense to the Group's auditors during the period are shown below. Audit engagement refers to the statutory audit of the annual report and accounts, as well as the administration of the Board of Directors and the President, other tasks which the Company's auditors are responsible for performing, and advice or other assistance occasioned by observations in such audits or the performance of other similar tasks. Tax advice is consulting on fiscal issues. Other services are advice that cannot be attributed to any of the above-mentioned categories.

KSEK	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Ernst & Young				
Audit engagements	11,398	9,745	681	794
Audit business beyond audit engagements	523	1,144	163	–
Tax advice	1,576	858	–	–
Other services	760	58	–	–
Other auditors				
Audit engagements	560	–	–	–
Tax advice	36	–	–	–
Other services	88	–	–	–
Total	**14,932**	**11,804**	**845**	**794**

NOTE 8 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Amortization of intangible assets and depreciation of property, plant, and equipment are based on the historical acquisition cost and the estimated useful life of different groups of assets. For assets acquired during the period, depreciation or amortization is calculated from the acquisition date. Depreciation and amortization are charged primarily on a straight-line basis over the following useful lives.

Research and development work	3–5 years
Patents, licenses, brands (with definitive useful life)	3–10 years
Customer relationships	7–12 years
Technology	6–10 years
Brands (with indefinitive useful life)	Not amortized
Machinery and equipment	3–10 years
Buildings	20–33 years

Depreciation, amortization, and impairment losses on non-current assets were charged to income for the year as shown below:

MSEK	Group 2022	Group 2021
Cost of goods sold	–187	–160
Selling expenses	–88	–74
Administrative expenses	–40	–36
Research and development costs	–62	–33
Total	**–377**	–303

NOTE 9 OTHER OPERATING INCOME AND EXPENSES

MSEK	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Capital gains on sale of tangible asset	24	–	–	–
Internal operating income	–	–	8	13
Government grants related to R&D	15	11	–	–
Insurance reimbursements	–	61	–	–
Restructuring costs	–58	–110	–	–
Exchange rate differences	11	4	–0	–0
Other	–10	–4	–	–1
Total	**–19**	**–39**	**8**	**11**

Restructuring expenses are mainly related to on-going strategy implementation initiatives within AirTech and FoodTech.

NOTE 10 FINANCIAL INCOME AND EXPENSES

MSEK	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Financial income				
Interest income, other	7	2	–	–
Other financial income	0	0	–	–
Total	**7**	**2**	**–**	**–**
Financial expenses				
Interest expenses, subsidiaries	–	–	–5	–1
Interest expenses, loans	–101	–47	–	–
Interest expenses, leases	–23	–15	–	–
Financing fees	–28	–31	–	–
Exchange-rate differences	10	15	–	–0
Other financial expenses	–7	–8	–	–
Total	**–150**	**–86**	**–5**	**–1**
Net financial items	**–142**	**–84**	**–5**	**–1**

NOT 11 INCOME TAXES

	Group		Parent Company	
MSEK	2022	2021	2022	2021
Current tax	–206	–172	–	–0
Deferred tax	43	19	1	1
Income tax for the year	**–162**	**–153**	**1**	**1**
Reconciliation of effective tax				
Profit/loss before tax	**739**	**668**	**3**	**7**
Tax according to prevailing tax rate for the Parent Company	–152	–137	–0	–1
Tax effect of:				
Differences attributable to foreign tax rates	–13	–16	–	–
Non-deductible expenses	–9	–7	–0	–0
Non-taxable income	15	10	2	–
Utilization of losses not recognized	8	17	–	–
Change in valuation of deferred tax	–4	8	–	0
Tax attributable to prior years	6	–7	–	–
Withholding tax	–8	–20	–	–
Other	–5	–1	–	2
Tax recognized in income statement	**–162**	**–153**	**1**	**1**

Tax attributable to components of OCI

	Group	
MSEK	2022	2021
Deferred tax attributable to:		
Actuarial gains and losses on defined benefit pension obligations	–18	–0
Total	**–18**	**–0**

Deferred tax assets

	Group	
MSEK	2022	2021
Intangible assets	3	4
Property, plant and equipment	11	14
Inventory	48	42
Accounts receivable	5	6
Provisions for pensions	15	29
Provisions	32	25
Accrued expenses and deferred income	65	65
Other items	18	8
Loss carry-forward	101	75
Closing balance	**298**	**278**

Deferred tax liabilities

	Group	
MSEK	2022	2021
Intangible assets	405	363
Property, plant and equipment	36	29
Inventory	–	6
Accounts receivable	1	6
Accrued expenses and deferred income	–	0
Other items	1	1
Closing balance	**442**	**405**

Reconciliation of net change in deferred tax assets from the beginning of the year to the end of year:

Change in deferred taxes

	Group	
MSEK	2022	2021
Opening balance	127	125
Changes recorded in this year's profit	–43	–19
Tax on amounts recorded in OCI	18	0
Tax on amounts recorded in equity	–	6
Acquisition of subsidiaries	9	–
Exchange-rate differences	34	16
Closing balance	**144**	**127**

Deferred tax assets for pension provisions refer to the difference between the calculation of defined benefit pension obligations based on local tax legislation and IAS 19 Employee Benefits..

Deferred tax assets relating to loss carry-forwards are recognized to the extent that it is deemed likely that the losses will be used to offset taxable income.

At year end, there were tax loss-carry forwards in the group companies amounting to MSEK 1,284 (1,149), whereof the majority maybe carried for an unlimited period of time.

Loss carry-forwards for which deferred tax assets are not recognized totaled MSEK 850 (832), Consequently, deferred tax assets on loss carry-forwards totaling MSEK 433 (317) were recognized. These losses relate to the subsidiaries in Belgium, Germany and Sweden. In all countries, losses may be carried forward for an unlimited period of time.

Deferred tax liabilities are mainly attributable to the surplus values identified in connection with the acquisition of Munters AB in 2010.

NOTE 12 EARNINGS PER SHARE

KSEK	2022	2021
Net income	576,918	515,417
Attributable to Parent Company shareholders	577,114	512,861
Attributable to non-controlling interests	–196	2,557
Average number of outstanding shares before dilution	181,752,465	182,207,520
Average number of outstanding shares after dilution	181,932,090	182,548,017
Whereof treasury shares	2,389,358	2,883,300
Earnings per share before dilution, SEK	3.18	2.81
Earnings per share after dilution, SEK	3.17	2.81

Computing earnings per share, basic and diluted, is based on the net income attributable to the Parent Company's ordinary shareholders. The number of shares used in the calculation consists of a weighted average of outstanding ordinary shares during the year. The average share price during the year exceeded the exercise price for the two employee stock option programs outstanding, implying a minor dilution effect on the number of average outstanding shares for the year.

NOTE 13 INTANGIBLE ASSETS

2022 Group, MSEK	Goodwill	Brands	Technology	Customer relationships	Internally generated intangible assets	Other intangible assets	Total
Acquisition cost							
Opening balance	4,599	1,090	635	940	415	284	7,963
Capital expenditure	–	–	26	–	159	132	317
Acquisition of subsidiaries	598	–	–	55	–	11	665
Exchange-rate differences	556	140	77	112	38	8	931
Closing balance	**5,753**	**1,230**	**737**	**1,107**	**612**	**436**	**9,877**
Accumulated amortization and impairment							
Opening balance	–351	–6	–565	–919	–147	–141	–2,129
Amortization for the year	–	–	–20	–18	–54	–17	–109
Impairment	–	–	–	–	–	–5	–5
Exchange-rate differences	–43	–5	–70	–108	–19	–3	–248
Closing balance	**–394**	**–11**	**–654**	**–1,044**	**–220**	**–167**	**–2,491**
Closing carrying amount	**5,359**	**1,220**	**83**	**63**	**392**	**269**	**7,386**

2021 Group, MSEK	Goodwill	Brands	Technology	Customer relationships	Internally generated intangible assets	Other intangible assets	Total
Acquisition cost							
Opening balance	4,294	1,016	591	880	270	193	7,245
Capital expenditure	–	–	–	–	118	86	204
Sold/scrapped	–	–	–	–	–	–0	–0
Reclassifications, internal	–	–	–	–	–	1	1
Exchange-rate differences	305	74	43	60	28	4	514
Closing balance	**4,599**	**1,090**	**635**	**940**	**415**	**284**	**7,963**
Accumulated amortization and impairment							
Opening balance	–343	–5	–511	–846	–106	–128	–1,939
Amortization for the year	–	–	–	–	–	0	0
Impairment	–	–	–17	–14	–32	–11	–74
Exchange-rate differences	–8	–0	–37	–59	–10	–2	–116
Closing balance	**–351**	**–6**	**–565**	**–919**	**–147**	**–141**	**–2,129**
Closing carrying amount	**4,248**	**1,084**	**70**	**21**	**268**	**143**	**5,834**

INTANGIBLE ASSETS

Goodwill

In the year, Goodwill has increased by MSEK 598 as a result of business acquisitions. Further information about the acquisitions is found in Note 30.

Technology

The item mainly consists of technology identified in conjunction with the acquisition of MTech Systems during 2017.

Customer relationships

The item consists of customer relationships identified in conjunction with the acquisition of subsidiaries. During the year customer relationships of 55 MSEK related to the acquisition of EDPAC has been identified.

Internally generated intangible assets

Internally generated intangible assets relates to recognized development costs

Other intangible assets

Other intangible assets mainly include patents, tradenames, licenses, and similar rights in Sweden, Germany, the United States, the Netherlands and China.

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NOTE 13 INTANGIBLE ASSETS, CONT.

IMPAIRMENT TESTING OF GOODWILL AND BRANDS

The values of goodwill and brands are tested annually, or more frequently if necessary, to ensure that the value does not deviate negatively from book value. The carrying amounts for goodwill and brands were tested in November, since then, no impairment indication has occurred.

Goodwill and brands with an indefinite useful life are allocated to the Group's cash-generating units, which are the smallest identifiable groups of assets that, as part of continual usage, generate cash inflows that are substantially independent of other assets or groups of assets. The Group's cash-generating units consists of the Groups three business areas: AirTech, Data Center Technologies and FoodTech.

Recognized goodwill per cash-generating unit

MSEK	2022	2021
AirTech	3,777	2,930
Data Center Technologies	214	–
FoodTech	1,368	1,318
Closing carrying amount	**5,359**	**4,248**

Recognized brands per cash-generating unit

MSEK	2022	2021
AirTech	1,071	951
FoodTech	149	133
Closing carrying amount	**1,220**	**1,084**

Goodwill as of December 31, 2022, amounted to MSEK 5,359 (4,248). The increase is explained by acquisitions and exchange-rate effects, mainly as a result of a weaker SEK against USD compared to prior year.

Management estimates that brands have an indefinite useful life because there is no predictable limit for the period of time during which the brand is expected to generate net payments for the company

Impairment testing of recognized goodwill and brands has been based on recoverable amounts for cash-generating units established through calculating future value in use. Future cash flows for the first five years are mainly based on the strategic plan for 2023–2027 approved by the Board and Group Management, and projections thereof. The growth rate in the terminal period after the first five years has been determined as 2% (2).

Significant assumptions used to calculate values in use are sales growth and the EBITA margin, utilization of operating capital employed, other capital employed and the discount rate. Management has established the growth rate forecast based on previous results and expectations about future market trends by operating segment based on the adopted strategic plan. These assessments take into account various economic indicators and internal and external analyses thereof. Also taken into account are important aspects of financial performance described in the Group's strategic plan.

This year's impairment test did not result in any impairment, nor did the previous year's test.

The calculations for 2022 used a nominal discount rate (average weighted cost of capital before tax) of 11.7% (11.4).

A sensitivity analysis for the parameters discount rate, sales growth and EBIT margin has been performed for each cash-generating unit, as below. The effects refer to a change in the individual parameter, all else being equal.

SENSITIVITY ANALYSIS

Discount rate

An increase in the discount rate of one percent would reduce the recoverable amount of each cash-generating unit as follows: AirTech –13%, Data Center Technologies –13% and FoodTech –14%. The change would not result in an impairment being required for any of the cash-generating units.

Net sales growth

A decrease in the net sales growth in the terminal period of one percentage would reduce the recoverable amount of each cash-generating unit as follows: AirTech –10%, Data Center Technologies –10% and FoodTech –11%. The change would not result in an impairment being required for any of the cash-generating units.

EBITA margin

A decrease in the EBITA margin in the terminal period of one percentage would reduce the recoverable amount of each cash-generating unit as follows: AirTech –6%, Data Center Technologies –7% and FoodTech –8%. The change would not result in an impairment being required for any of the cash-generating units.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

2022 Group, MSEK	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Acqusition cost					
Opening balance	431	928	577	78	2,014
Capital expenditure	3	47	53	118	222
Acquisition of subsidiaries	50	4	6	–	61
Sold/scrapped	–9	–11	–34	–	–54
Reclassifications	–18	14	59	–28	27
Exchange-rate differences	41	97	59	9	207
Closing balance	**499**	**1,080**	**720**	**176**	**2,475**
Accumulated depreciation and impairment					
Opening balance	–2,945	–669	–441	–	–1,404
Depreciation for the year	–11	–58	–57	–	–127
Sold/scrapped	7	10	33	–	49
Reclassifications	13	–7	–32	–	–27
Exchange-rate differences	–29	–69	–45	–	–143
Closing balance	**– 315**	**–794**	**–542**	**–**	**–1,650**
Closing carrying amount	**185**	**287**	**178**	**176**	**825**

2021 Group, MSEK	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Acquisition cost					
Opening balance	392	849	505	41	1,787
Capital expenditure	6	30	54	48	138
Sold/scrapped	–0	–13	–21	–1	–35
Reclassifications	3	6	4	–12	0
Exchange-rate differences	30	56	35	2	123
Closing balance	**431**	**928**	**577**	**78**	**2,014**
Accumulated depreciation and impairment					
Opening balance	–254	–591	–382	–	–1,227
Depreciation for the year	–20	–53	–49	–	–122
Sold/scrapped	0	12	17	–	30
Reclassifications	–	–	–2	–	–2
Exchange-rate differences	–20	–37	–26	–	–83
Closing balance	**–295**	**–669**	**–441**	**–**	**–1,404**
Closing carrying amount	**137**	**260**	**137**	**78**	**611**

PROPERTY, PLANT AND EQUIPMENT

Depreciation is based on acquisition cost of the assets and applied estimated useful lives are presented in note 8.

Buildings and land

The carrying amount of Buildings and land amount to MSEK 185 (137). During the year the value has increased by MSEK 50 due to acquisitions (see note 30). The carrying amount for land amounts to MSEK 41 (35).

NOTE 15 RIGHT-OF-USE ASSETS

2022 Group, MSEK	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Total
Acquisition cost				
Opening balance	198	339	91	628
New contracts	451	2	29	482
Sold/scrapped	–46	–35	–25	–106
Exchange-rate differences	34	34	7	75
Closing balance	**636**	**342**	**102**	**1,078**
Accumulated depreciation and impairment				
Opening balance	–96	–129	–42	–268
Depreciation for the year	–53	–54	–30	–136
Sold/scrapped	45	35	24	104
Exchange-rate differences	–10	–14	–3	–28
Closing balance	**–114**	**–163**	**–51**	**–327**
Closing carrying amount	**522**	**178**	**51**	**751**

2021 Group, MSEK	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Total
Acquisition cost				
Opening balance	148	285	79	512
New contracts	60	27	37	124
Sold/scrapped	–19	–1	–28	–48
Exchange-rate differences	9	28	3	40
Closing balance	**198**	**339**	**91**	**628**
Accumulated depreciation and impairment				
Opening balance	–77	–76	–42	–194
Depreciation for the year	–35	–45	–26	–106
Sold/scrapped	19	1	27	47
Exchange-rate differences	–4	–9	–1	–15
Closing balance	**–96**	**–129**	**–42**	**–268**
Closing carrying amount	**102**	**209**	**49**	**360**

RIGHT-OF-USE ASSETS

Munters leases various offices, warehouses, equipment and vehicles. In addition, Munters leases half of its manufacturing facilities around the world, which amounts to around ten factories. The leases are normally signed for fixed periods, but with the option to extend some contracts. The terms are negotiated separately for each lease and contain a number of covenants.

The leases only include variable payments that are based on an index, which is taken into account in the valuation of the lease liability and the right-of-use asset on the day the index is remeasured. The leases contain both lease and non-lease components and it is only the lease component that has been included in the calculation of the lease liability and the right-of-use asset.

Options to extend or terminate a lease are included in a number of the Group's leases. The terms are used to maximize flexibility in the management of the assets used in operations. The overwhelming share of the options to extend or terminate leases can only be exercised by the Group and not by the lessor.

Note 24 discloses the lease liabilities associated with the leased assets.

Total interest expenses, which are included in financial expenses, amounted to MSEK –21 (–15) during the year. Depreciation and write downs for the year amounted to MSEK –136 (–106).

Short-term leases and leases of low-value assets were expensed for MSEK 9 (9). These leases will entail payments of MSEK 8 (12) during the years 2023-2027 and MSEK 1 (1) for 2028 and beyond.

The total cash flow from leases recognized in the balance sheet in 2022 was MSEK 144 (120) and is presented partly under financing activities as repayment of lease liabilities and partly under the operating activities as paid interest, see Note 24.

NOTE 16 PARTICIPATIONS IN SUBSIDIARIES

Direct shareholding, 100%	Country	Carrying amount
Munters Holding AB (corp reg.no 556818-9749) Registered office: Stockholm	Sweden	4,098
		4,098

Material indirect shareholdings	Country	Share, %
Munters AB (corp. reg. no. 556041-0606)	Sweden	100
AB Carl Munters (corp. reg. no. 556035-1198)	Sweden	100
Munters Europe AB (corp. reg. no. 556380-3039)	Sweden	100
Munters Frontier Invest AB (corp. reg. no. 556904-0891)	Sweden	100
Proflute AB (corp. reg. no.. 556558-3415)	Sweden	100
Munters Corporation	USA	100
Munters Frontier US Holdco Inc.	USA	100
Hygromedia, LLC	USA	100
RotorSource Inc	USA	100
Munters Canada Inc	Canada	100
Munters de Mexico S de RL de CV	Mexico	100
Munters Ireland Limited	Ireland	100
EDPAC Holdings Ltd	Ireland	100
EDPAC International Ltd	Ireland	100
Munters Brasil Industria e Commércio Ltda	Brazil	100
Munters Beteiligungs GmbH	Germany	100
Munters Euroform GmbH	Germany	100
Munters GmbH	Germany	100
Munters Reventa GmbH	Germany	100
EDPAC International GmbH	Germany	100
Munters Netherlands BV	Netherlands	100
Munters Spain S.A.U.	Spain	100
Munters Czech s.r.o.	Czech republic	100
Munters France S.A.S.	France	100
Munters Italy SpA	Italy	100
Munters Ltd	UK	100
Munters Belgium SA	Belgium	100
Munters AS	Norway	100
Munters Finland OY	Finland	100
Munters Israel Ltd	Israel	100
Munters A/S	Denmark	100
Munters (Pty) Ltd	South Africa	100
Munters-Form Endüstri Sistemleri Sanayive Ticaret A.Ş.	Turkey	80
Munters India Humidity Control Private Ltd	India	100
Munters Air Treatment Equipment (Beijing) Co., Ltd	China	100
Jiangyin SAT Air Treatment Equipment Co Ltd	China	100
Munters Korea Co., Ltd	South Korea	100
Munters Company Ltd	Thailand	100
Munters (Thailand) Co., Ltd	Thailand	100
Munters (Vietnam) Co., Ltd	Vietnam	100
Munters K.K.	Japan	100
Munters Pte Ltd	Singapore	100
Munters Pty Ltd	Australia	100
MTech Systems USA, LLC	USA	66
MTech Systems America Latina Ltda	Brazil	66

Parent company participation in subsidiaries

MSEK	2022	2021
Acquisition cost at January 1	4,094	4,099
Share option program	4	–5
Accumulated acquisition cost at December 31	**4,098**	**4,094**

No restrictions exist regarding Group's access to the subsidiaries assets, as a result of regulations or minorities.

NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

Associate company/Corp. reg. no./ Registered office	Ownership, %	2022	2021
BarrnTools LLC, 622795, USA	25.0	32	–
Combient Catalys AB, 556985-1560, Sweden	49.9	1	–
Carrying amount		**34**	–

During the year a share of earnings in associates of MSEK –2 regarding BarnTools LLC has been recognized in profit and loss.

NOTE 18 INVENTORY

MSEK	2022	2021
Raw materials and consumables	893	532
Products in process	541	170
Finished products and goods for resale	460	347
Projects in progress	8	11
Advances to suppliers	54	12
Total	**1,956**	**1,073**

Impairment losses on inventories are based on the age of the items and the turnover rate. Most of the write-downs and reversal of write-downs are related to the obsolescence that is made at each period end. No significant part of the inventory is valued at the net realizable value.

Inventory provision

MSEK	2022	2021
Opening balance	–119	–112
Acquisition of subsidiaries	–0	–
Write down current year	–39	–21
Reversal of previous year write down	11	20
Exchange-rate differences	–11	–8
Closing balance	**–159**	**–119**

NOTE 19 ACCOUNTS RECEIVABLES

Time analysis of accounts receivable net after provision for bad debt

MSEK	2022	2021
Current	1,645	1,077
< 30 days	339	175
30–90 days	189	109
91–180 days	47	19
> 180 days	14	14
Closing balance	**2,235**	**1,394**

NOTE 19 ACCOUNTS RECEIVABLES, CONT.

Provision for bad debts corresponded to 2% (3) of total receivables and changed as follows.

Provision for bad debts

MSEK	2022	2021
Opening balance	37	45
Provision for anticipated losses	17	11
Realized losses	–1	–4
Reversals of unutilized amounts	–16	–17
Exchange-rate differences	3	3
Closing balance	**42**	**37**

The group applies the simplified approach under IFRS 9 Financial Instruments to measure expected credit losses. This "expected credit loss model" uses a lifetime expected loss allowance for all trade receivables and contract assets. The model is based on historical default rates over the expected life of the trade receivables adjusted for forward looking estimates. Based on Munters historical statistic from confirmed credit losses the historical default rate has an insignificant effect on the credit loss provision and therefore the provision for bad debt is built on individual forward-looking estimates.

NOT 20 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
MSEK	2022	2021	2022	2021
Prepaid leases	11	8	–	–
Prepaid insurance premiums	28	26	1	0
Accrued income	515	235	–	0
Prepaid expenses for goods and services	16	17	0	–
Other items	113	81	–	0
Closing balance	**684**	**368**	**1**	**1**

NOTE 21 EQUITY

Share capital

The share capital of 5,533,735 (5,533,735) SEK comprises of 184,457,817 (184,457,817) shares with a par value of SEK 0.03 (0.03) per share. The shares in Munters Group AB are listed on Nasdaq Stockholm under the symbol MTRS. The ten largest owners in Munters Group AB hold a total of 64,9 % (71,0) of outstanding shares. Of these, FAM AB holds 28,0% (27,8). No other shareholder holds more than ten per cent of the shares, either directly or indirectly, in Munters Group AB.

Holding of treasury shares

As of December 31, 2022, Munters Group AB hold 2,389,358 treasury shares (2,883,300 at December 31, 2021), equal to 1,3% of the registered share capital. The shares have a par value of SEK 0.03 per share. The share have been repurchased during in prior years following a decision by the Board of Directors in Munters Group AB "Munters") pursuant to authorization granted by the Annual General Meeting. The purpose of the repurchase was to ensure delivery of shares to the participants in the incentive programs that the Annual General Meetings 2018-2020 decided to establish and to hedge costs related to the programs.

During 2022 a total of 493,942 stock options related to the employee stock option programs from 2018 and 2019, "LTIP 2018" and "LTIP 2019" respectively, have been exercised. Per December 31, 2022, Munters holds a total of 2,389,358 treasury shares.

The number of outstanding shares at December 31, 2022, amounted to 182,068,459.

Dividend during the period

A dividend has been paid during the year in accordance with the Board of Directors' proposal to the Annual General Meeting for 2022, implying 30% of 2021 earnings, a total of MSEK 154 and a dividend per share of SEK 0.85. No dividend is paid on treasury shares.

Translation reserve

The reserve for exchange rate differences consists of differences that arise when the income statements and balance sheets of foreign subsidiaries are translated into SEK. The positive exchange-rate effects during 2022 were mainly due to a weaker SEK against USD compared to previous year.

Reserve for exchange rate-differences

Opening balance, January 1, 2021	341
Exchange-rate differences	270
Closing balance, December 31, 2021	610
Exchange-rate differences	484
Closing balance, December 31, 2022	1,096

NOTE 22 PROPOSED DISTRIBUTION OF EARNINGS

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

Unrestricted equity in parent company:

KSEK	2022
Unrestricted equity at the start of the year	**4,016,393**
Dividend	–154,369
Exercise of share options	25,213
Employee share options	2,412
Income for the year	4,230
Total	**3,893,879**
The board proposes that earnings be distributed as follows:	
Dividend	175,235
To be carried forward	3,718,644
Total	**3,893,879**

According to the dividend policy adopted by Munters´ Board of Directors, Munters shall aim to pay an annual dividend corresponding to 30-50 per cent of the profit for the year. Decisions on any dividend proposals are made by the Board, taking into account Company's financial position, investment needs, acquisitions and liquidity.

During 2022, Munters showed continued strong growth as well as solid profitability and capital structure. The Board therefore proposes a dividend of SEK 0.95 (0.85) per share for 2022, totaling MSEK 175 (157), which corresponds to 30 percent of the profit for the year 2022.

NOTE 23 FINANCIAL INSTRUMENTS BY CATEGORY

Book value of financial assets and liabilities by category

MSEK	2022	2021
Financial assets measured at amortized cost		
Other non-current financial assets	21	20
Accounts receivable	2,235	1,394
Other current receivables	159	78
Cash and cash equivalents	914	674
Closing balance	**3,329**	**2,165**
Financial assets measured at fair value through profit/loss		
Financial investments	62	–
Currency derivatives whose cash flows are not subject to hedge accounting	2	1
Closing balance	**64**	**1**
Total	**3,393**	**2,166**

MSEK	2022	2021
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	3,721	2,362
Non-current interest-bearing lease liabilities	640	273
Current interest-bearing liabilities	–	11
Current interest-bearing lease liabilities	135	103
Accounts payable	1,288	771
Accrued expenses	6	5
Other non-current liabilities	6	3
Other current liabilities	257	100
Closing balance	**6,053**	**3,629**
Financial liabilities measured at fair value through profit/loss		
Currency derivatives whose cash flows are not subject to hedge accounting	–	–
Acquisition option Mtech, non-current	217	137
Closing balance	**217**	**137**
Total	**6,270**	**3,766**

Fair value of assets and liabilities

The carrying amounts of interest-bearing assets and liabilities in the statement of financial position may deviate from their fair value for reasons such as changes in market interest rates. Munters deems that the interest rate on interest-bearing liabilities is in line with market terms at December 31, 2022, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount.

The fair value of financial instruments such as accounts receivable, accounts payable, and other non-interest-bearing financial assets and liabilities, which are recognized at amortized cost less any impairment, is deemed equal to the carrying amount because of the short maturities of these instruments.

Derivative instruments

The Group's derivatives, recognized at fair value in the statement of financial position, are measured according to IFRS 9 categorized in level 2 according to the fair value hierarchy to IFRS 13. This means that fair value is based on data for the asset or liability other than quoted prices on an active market for identical assets or liabilities that are observable either directly (as quoted prices) or indirectly (derived from quoted prices).

At year-end, there were forward currency contracts in the Group as follows below:

	2022		2021	
	Nominal amount in local currency	**Carrying amount**	**Nominal amount in local currency**	**Carrying amount**
AUD/SEK	6	–0.7	5	0.6
CAD/SEK	1	–0.1	–	–
CNH/SEK	2	–0.0	–	–
DKK/SEK	5	0.1	3	–0.0
EUR/SEK	29	2.0	13	–0.1
GBP/SEK	0	0.0	–	–
JPY/SEK	60	3.1	88	0.1
SGD/SEK	1	0.2	3	0.3
USD/SEK	–30	–2.7	–38	0.2
ZAR/SEK	–14	–0.4	–14	–0.1
Total		**1.5**		**0.9**

Negative net amounts refer to sales, and positive net amounts refer to purchases. The forward contracts fall due in 2023.

Financial assets and liabilities that are offset, or which are covered by a legally binding master netting arrangement or similar agreement

Financial assets and liabilities that can be offset against each other consist of foreign exchange derivatives covered by a legally binding master netting arrangement. In the year 2022 these items are offset in the balance sheet. The carrying amounts of such assets and liabilities are listed in the table above.

Contingent earn-outs and put/call acquisition options

The groups contingent earn-out and put/call option, recognized at fair value in the statement of financial position, are measured in accordance with IFRS 9 and is categorized as level 3 in the fair value hierarchy. The opening balance in the period was related to the put/call option from the acquisition of MTech Systems in 2017. The put/call option has been amended during the year meaning that the exercise period was changed. The option can be exercised from 1 January, 2025, until 31 December, 2025. As a result of the renegotiation the fair value has been remeasured as of the balance sheet date resulting in an increase in the value of MSEK 57. The value is based on EBITDA in the last 12 months before exercise of the option.

Contingent purchase price considerations

MSEK	2022	2021
Opening balance	137	121
Remeasurements	57	–
Discounting	–	4
Exchange-rate differences	23	13
Closing balance	**217**	**137**

NOTE 24 INTEREST-BEARING LIABILITIES

Interest bearing liabilities, non-current

Munters primary financing facilities consist of a term loan of MUSD 165 and a Revolving Credit Facility (RCF) of MEUR 250. The facilities have no mandatory amortization requirement. The final maturity date is in June 2026. Before end of 2022 a new 7 year term loan of MSEK 750 from the Nordic Investment Bank (NIB) was signed. The facility was not yet utilized per end of the year. The facility of MSEK 750 secured by a guarantee from EKN (The Swedish Export Credit Agency) will mature in 2023.

The loan agreements have one financial covenant, consolidated net debt in relation to adjusted EBITDA, with some adjustments made in accordance with the loan agreement. The accounting standard for leases, IFRS 16, does not affect the covenant calculation according to the loan agreement definition and neither does the net pension liability.

As of December 31, the total Interest-bearing liabilities amounted to MSEK 3,721 (2,374). The table outlines the long term debt on Group level together with local bank debt in group companies. Munters financial policy regulates the management of external borrowings. The Group's forecasted performance in relation to the limits stipulated by the covenant is closely monitored. This ensures that the Group fulfills its commitments to external lenders and minimizes the liquidity and financing risk. At December 31, 2022, the covenant was met.

Total amount of unutilized credit facilities is showed in Note 3 under header Liquidity Risk.

The total average weighted interest rate including both long- and short term financing at the end of the year was 5.5% (1.7) and 6% (2.2) including financing cost. Refinancing fees activated in balance sheet amounts to MSEK 15 which will be allocated to P&L over the loans respective lifetime.

Term Loan is deducted by financing cost activated in balance sheet. Drawings under the revolving credit facility are listed among non-current loans below.

Interest bearing loans, non-current

				Book value	
Maturity	**Type of loan**	**Interest rate**	**Currency**	**2022**	**2021**
2026	Term loan	Variable	USD	1,707	1,470
2026	Utilized committed credit facilities US	Variable	USD	438	181
2026	Utilized committed credit facilities Sweden	Variable	EUR	398	310
2026	Utilized committed credit facilities Sweden	Variable	SEK	1 175	400
	Other non-current loans	Fixed/Variable	Various currencies	2	–
Total				**3,721**	**2,362**

Interest bearing liabilities, current

The table outlines current bank debt in Munters subsidiaries in Brazil and India, which has been repaid during 2022.

Interest bearing loans, current

				Book value	
Maturity	**Type of loan**	**Interest rate**	**Currency**	**2022**	**2021**
	Other current loans	Fixed/Variable	Various currencies	–	11
Total				**–**	**11**
Total non-current and current loans				**3,721**	**2,373**

Changes in interest-bearing liabilities

Munters has during the year net increased borrowing in SEK, EUR and USD under the revolving credit facility. The change during the year is also caused by currency effects originating from fluctuations in EUR and USD exchange rate.

MSEK	2022	2021
Opening balance	2,373	2,455
Acquisition of subsidiaries	50	–
Loans raised	1,503	2,295
Amortization of loans	–504	–2,553
Non-cash movements	7	–14
Exchange-rate differences	292	190
Closing balance	**3,721**	**2,373**
Whereof non-current interest-bearing liabilities	3,721	2,362
Whereof current interest-bearing liabilities	–	11

Change in lease liabilities

Munters had during the year the following changes related to lease liabilities, involving signing of new lease agreements, amortization of current agreements and interest and currency effects.

MSEK	2022	2021
Opening balance	377	332
New contracts during the year	481	124
Cancelled contracts	–9	–1
Capitalized interest	23	15
Amortization of loans	–144	–120
Exchange-rate differences	47	26
Closing balance	**774**	**377**
Whereof non-current lease liabilities	640	273
Whereof current lease liabilities	135	103

Maturity analysis of lease liabilities

The remaining undiscounted lease payments have the following due date:

Undiscounted leasing liabilities

MSEK	2022	2021
Remaining term 1 year or less	168	114
Remaining term 1 to 5 years	410	215
Remaining term over 5 years	390	76
Total	**968**	**405**

NOTE 25 PROVISIONS FOR PENSIONS

2022 Group, MSEK	Present value of DBO	Plan assets	Net pension provision
Opening balance	327	–19	308
Recognized in profit/loss			
Current service cost	9	–	9
Interest cost/income	6	–	6
	15	–	15
Recognized in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	–104	–	–104
Experience adjustments	13	–	13
	–91	–	–91
Transactions			
Benefits paid by employer	–6	0	–6
Benefits paid by to plan assets	–	0	0
	–6	0	–6
Exchange-rate differences	1	0	1
Closing balance	246	–19	227

2021 Group, MSEK	Present value of DBO	Plan assets	Net pension provision
Opening balance	310	–19	291
Recognized in profit/loss			
Current service cost	17	–	17
Interest cost/income	4	0	4
	21	0	21
Recognized in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	–5	0	–5
Experience adjustments	8	–	8
	3	0	3
Transactions			
Benefits paid by employer	–7	0	–7
Benefits paid by to plan assets	–	0	0
	–7	0	–7
Exchange-rate differences	0	–0	–0
Closing balance	327	–19	308

The Group finances pension plans for its employees in several countries. These plans mainly follow practice in the country in question and may be defined-contribution or defined-benefit plans or a combination of both. The most important defined-benefit pension plans cover employees in Sweden, Belgium, Italy and France. In France and Italy, provisions are made for mandatory remuneration when employment ceases. For senior executives of the Group, there are guidelines regarding pension rights and pension plans described in Note 33.

Provisions for pensions amount to MSEK 227 (308) at the balance sheet date, whereof the defined-benefit plans in Sweden constitute MSEK 216 (295) representing 95% of the Groups provisions recognized under IAS 19. The calculations are primarily based on final salary and the plans are unfunded. The pension plans in Italy and France, which constitute 2% respectively 1% (2 respectively 1) of total pension provisions, are also unfunded.

The Swedish pension plans (known as ITP plans) supplement the country's social insurance system, and result from agreements between employer and employee organizations. ITP plans mainly comprise retirement pensions, disability pensions and survivor's pensions. The ITP plan has two parts, firstly, ITP1, which is a defined-contribution pension plan applying to employees born in 1979 or later, and secondly, ITP2, which is a defined-benefit pension plan applying to employees born before 1979. White-collar employees within the Group in Sweden were covered by both these parts. The ITP2 plan is managed within Munters in the FPG/ PRI system. Financing occurs through provisions to an account in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti.

Defined-benefit pension plans subjects the Group to different kinds of risk attributable to increases in life expectancy, inflation and salary.

In the Group, there are also defined-contribution plans that mainly comprise retirement pensions, disability pensions and survivor's pensions. The premiums are paid continuously during the year by each Group company to separate legal entities, such as insurance companies. The size of the premium is based on salary. The cost of these defined-contribution plans for the period totaled MSEK 78 (59).

Plan assets comprise insurance contracts signed with independent insurance companies. No portion of plan assets in 2022 or 2021 was invested in the Company's equity instruments, debt instruments, real estate, or other assets used by the Company. The Group only has a minor share of funded plans.

Significant actuarial assumptions

	Sweden	
Weighted values, %	**2022**	**2021**
Discount rate	3.60	1.95
Future inflation	2.00	2.20
Future wage and salary increases	2.75	2.95
Pension in creases	2.00	2.20
Social security increases	2.75	2.95

At the end of the reporting period, the discount rate is derived from a functioning market based on investment-grade corporate bonds adjusted for the duration of the commitment.

Assumptions about life span are based on public statistics and experience from mortality surveys in each country, and are set in consultation with actuarial experts. As of this year, for Swedish pension plans, the most current life span investigation DUS21. Munters budgeted fees for defined-benefit obligations ("DBO") equal MSEK 8 (13) for 2023.

Sensitivity analysis - effect of a 0.5% change

	Sweden	
MSEK	**–0.5%**	**+0.5%**
Discount rate	23	–21
Future inflation	–16	18

The table shows the effect on the liability of a 0.5% change in discount rate and future inflation. The sensitivity analysis is performed by changing one actuarial assumption while the other remain constant. This is a simplified method as actuarial assumptions are usually correlated.

Age analysis - expected payments

MSEK	**2022**	**2021**
Within the next 12 months	6	6
Between 1-2 years	6	6
Between 2-5 years	19	19
Total	32	31

The table shows expected payments related to pension benefits in Sweden over the coming five years (undiscounted). The weighted average duration of the defined-benefit obligations in Sweden is 18 years (20).

NOTE 26 OTHER PROVISIONS

2022 Group, MSEK	Warranty provisions	Restruc-turing	Other provisions	Total
Opening balance	69	84	65	219
Acquisition of subsidiaries	2	–	–	2
Additional provisions	33	2	12	48
Reversal of unutilized provisions	–13	–9	–2	–24
Utilized during the year	–6	–29	–10	–46
Exchange-rate differences	8	7	2	16
Closing balance	**94**	**54**	**67**	**216**

2021 Group, MSEK	Warranty provisions	Restruc-turing	Other provisions	Total
Opening balance	105	103	90	299
Additional provisions	9	63	11	83
Reversal of unutilized provisions, discontinued operations	–4	–6	–	–10
Reversal of unutilized provisions	–44	–22	–1	–66
Utilized during the year	–4	–59	–39	–104
Exchange-rate differences	7	6	4	17
Closing balance	**69**	**84**	**65**	**219**

Provisions consist of:

MSEK	2022	2021
Non-current portion	65	62
Current portion	150	157
Closing balance	**216**	**219**

During the year, provisions for warranties amounting to MSEK 33 (9) was recognized, an increase compared to last year, which is due to the cost for actual warranty commitments having increased which affected the provision factor.

No significant restructuring provisions have been made during the year. The provisions that were made relating to strategy implementation projects in business areas AirTech and Food Tech during 2020 and 2021 have been utilized throughout the year and the projects are expected to be in all material respects finalized during 2023.

NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
MSEK	2022	2021	2022	2021
Personnel related expenses	457	372	15	17
Received goods not yet invoiced	408	324	–	–
Commissions	70	57	–	–
Interest expenses	16	5	–	–
Deferred income	80	64	–	–
Audit and lawyers fees	14	13	0	0
Other	149	163	0	1
Closing balance	**1,194**	**998**	**16**	**18**

Deferred revenue mainly refers to subscription agreements within Munters software business

NOTE 28 PLEDGED ASSETS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities

	Group		Parent Company	
MSEK	2022	2021	2022	2021
PRI guarantees	–	–	3	3
Guarantees from banks and insurance companies	209	161	486	436
Closing balance	**209**	**161**	**489**	**439**

PRI guarantees refers to pension liabilities in Sweden. Guarantees from banks and insurance companies are operational guarantees, such as advances and completion guarantees. Within Munters there are no pledged assets

Litigation

Munters is involved in a small number of commercial disputes. It is the management's assessment that none of these disputes, where there has not been a provision recorded, will involve an outflow of resources.

Munters subsidiary in the United States, Munters Corporation is, and has historically been, named as co-respondent in asbestos-related cases. In the past few years, Munters Corporation has won a number of cases through summary judgments, and these are no longer in progress. Munters Corporation is of the firm opinion that the remaining claims are unfounded. Munters Corporation has coverage for the asbestos-related claims through several insurance policies subject to certain reservations, the insurance companies have confirmed that, until further notice, they will pay a significant portion of the expenses for legal defence. The company is currently also party to a dispute in New Jersey, US, regarding environmental damage to a property that had previously been leased by a company acquired by Munters and later merged with one of Munters subsidiaries in the US. An investigation of the cause and extent of the environmental damage is ongoing and is under supervision by New Jersey Department of Environmental Protection ("NJDEP"). Although a potential environmental liability is difficult to estimate, the company assesses that there is insurance cover for any environmental liability.

NOTE 29 TRANSACTIONS WITH RELATED PARTIES

The shares in Munters Group AB are held by FAM AB by 28.0% (27.8). Other related parties to Munters include other portfolio companies managed by FAM AB and Munters Board of Directors and Group Management. During the year no significant transactions with related companies occurred.

The Parent Company has a related party relationship with its subsidiaries. Information about participations in subsidiaries is provided in Note 16. Transactions between Munters Group AB and its subsidiaries have been carried out on market terms.

Remuneration for individual members of the Board and senior executives is presented in Note 33. Munters has not provided guarantees or securities to or on behalf of Board members or senior executives.

NOTE 30 BUSINESS COMBINATIONS

Consolidated acquisitions 2022

Company (country)	Business area	Month acquired	Number of employees	Net sales
EDPAC (IE)	DCT	Jan	150	MEUR 17
Hygromedia (US)	AirTech	Nov	30	USD 12
Rotor Source (US)	AirTech	Nov	See above	See above

The table shows number of full time equivalent employees at the acquisition date. Revenue refers to estimated net sales in 2021. The amounts presented for Hygromedia reflect Hygromedia and Rotor Source combined.

During the year three acquisitions have been completed. In January 2022 Munters acquired 100% of the shares of EDPAC, an Irish manufacturer of cooling equipment for Data Centers and air handling systems for a purchase price of MEUR 29. The acquisition is a part of Munters strategy to growth in the prioritized Data Center segment. The acquisition strengthens Munters presence in Europe. In the purchase price allocation intangible assets in the form of technology, brands and customer relationships have been identified. Remaining goodwill is mainly related to synergy effect and other intangible assets that do not meet the criteria for separate recognition.

In November 2022 Munters acquired 100% of the shares in Hygromedia LLC and Rotor Source Inc. Hygromedia LLC specializes in components, supplying desiccant rotor manufacturers in the United States, Europe and Asia. Rotor Source Inc. provides desiccant dehumidification and energy recovery products to OEMs, mainly for heating, ventilation, and air conditioning (HVAC) systems. Customer segments include lithium-ion battery, pharmaceuticals, electronics, food processing, aerospace, among others. Through the acquisition Munters strengthen its position as a leading supplier of systems for dehumidification of multiple industrial processes. The acquisition provides Munters an additional distribution channel and opportunities to improve service delivery to the market. Both companies are based in Baton Rouge, Louisiana, USA and together they employ about 30 employees.

At the balance sheet date the purchase price allocation is preliminary in regards to valuation of intangible assets.

The net sales of acquired companies from the date of acquisition amounted to MSEK 308. Operating profit from the date of acquisition amounted to MSEK 7 and net income amounted to MSEK 5.

Acquired entities net sales in 2022 amounted to 434 MSEK (–) and operating profit amounted to MSEK 29 (–). Acquisition related costs in 2022 amounted to MSEK 19 (–).

The table below presents an overview of paid purchase consideration and acquired net assets for the three business combinations performed during 2022. No business combinations were made in the comparison year.

Purchase price

MSEK	2022	2021
Cash purchase consideration paid	774	–
Total purchase consideration paid	**774**	–
Fair value of acquired net assets	–177	–
Goodwill	**598**	–

Acquired net assets

MSEK	2022	2021
Assets		
Intangible assets	67	–
Property, plant and equipment	61	–
Inventory	49	–
Accounts receivables	81	–
Other receivables	12	–
Prepaid expenses and accrued income	1	–
Cash and cash equivalents	53	–
Total assets	**324**	–
Liabilities		
Non-current interest-bearing liabilities	2	–
Deferred tax liabilities	9	–
Current interest-bearing liabilities	50	–
Other provisions	2	–
Accounts payable	47	–
Current tax liabilities	2	–
Advances from customers	0	–
Accrued expenses and deferred income	35	–
Total liabilities	**147**	–
Net identifiable assets and liabilities	**177**	–
Cash purchase consideration paid	–774	–
Cash and cash equivalents in acquired companies	53	–
Change in Group's cash and cash equivalents	**–721**	–

NOTE 31 AVERAGE NUMBER OF EMPLOYEES AND GENDER

Average number of employees

	2022		2021	
Group	Number	of which men, %	Number	of which men, %
US	1,221	81	972	81
Sweden	469	69	405	68
China	406	80	350	78
Mexico	290	70	215	70
Germany	246	79	246	81
India	166	90	164	89
Brazil	162	80	143	80
Czech Republic	147	83	118	81
Ireland	139	91	2	100
Israel	137	77	140	78
Italy	133	78	145	78
United Kingdom	94	78	76	78
Japan	62	84	66	85
Netherlands	47	77	44	78
Belgium	38	82	39	90
France	36	83	37	78
Australia	32	78	29	83
Singapore	25	72	25	76
Korea	22	64	22	64
Thailand	22	68	18	67
South Africa	21	75	19	79
Denmark	16	81	16	81
Turkey	13	69	12	67
Spain	12	83	10	80
Finland	11	82	12	83
Vietnam	7	43	2	50
Canada	5	60	4	75
Poland	4	100	3	100
United Arab Emirates	4	75	4	75
Austria	3	100	4	76
Norway	3	100	1	100
Other countries	19	83	7	71
Total	**4,013**	**79**	**3,350**	**78**

Gender distribution – Board of Directors and Group Management
At year-end, the Board of Directors consisted of four men and three women. Group Management, including the CEO, consisted of five men and three women.

NOTE 32 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	Group		Parent Company	
MSEK	2022	2021	2022	2021
Salaries and remuneration	2,188	1,648	27	27
Social security expenses	512	400	11	8
Pension expenses	87	77	8	8
Total	**2,786**	**2,124**	**45**	**43**

NOTE 33 REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

Guidelines

The group of executives encompassed by the guidelines comprises the CEO and other members of the group management. The guidelines also encompass any remuneration to board members, other than board fees. The guidelines shall apply to remuneration agreed, and amendments to remuneration previously agreed, after adoption of the guidelines by the 2022 annual general meeting. The guidelines do not apply to any remuneration resolved on by the general meeting.

The guidelines' promotion of the company's business strategy, long term interests and sustainability

Munters business strategy is to be a global leader in energy-efficient and sustainable climate solutions. Our solutions enable energy-efficient production processes with reduced carbon dioxide emissions for our customers. Through innovative technologies, the Group creates the perfect climate for demanding industrial applications, the largest segments of which are manufacturing, defense, data centers, food, pharmaceutical and agriculture.

Munters conducts operations in two business areas (as of the date of the guidelines):

» AirTech is a global leader in energy-efficient air treatment for industrial and commercial fields of application.
» FoodTech is one of the world's leading suppliers of innovative and energy-efficient climate systems for livestock farming and greenhouses, as well as software for controlling and optimizing the entire food production value chain.

A prerequisite for the successful implementation of Munters business strategy and safeguarding of the company's long-term interests, including its sustainability, as well as delivery on the ambitions the company has, is that the company is able to recruit and retain qualified personnel. In order to do so, Munters must be able to offer a competitive total remuneration based on market terms, which these guidelines enable.

Munters has implemented long-term share-related incentive programs during 2017-2020, in which some senior executives have had the opportunity to participate. These programs have been resolved by each general meeting and are therefore excluded from these guidelines. For information regarding performance criteria, terms and conditions, and costs for these programs, see the Board of Directors' complete proposal for each general meeting on Munters website and in Munters annual report, Note 34.

NOT 33 RENUMERATION TO THE BOARD AND SENIOR EXECUTIVES, CONT.

Variable cash remuneration covered by these guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability.

Types of remuneration

The remuneration shall be on market terms and may consist of the following components: fixed annual cash salary, variable annual cash salary, pension and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, for example, share and share price-related remuneration.

Fixed cash salary

The fixed cash salary shall reflect the demands and responsibility that the position entails as well as individual performance. The fixed cash salary shall be revised annually.

Variable cash salary

Variable cash salary may consist of annual variable cash salary and/or long term variable cash salary.

The annual variable cash salary shall be maximized to 50 per cent of the fixed annual cash salary for the CEO and for other members of the group management. The satisfaction of criteria for awarding variable cash salary shall be measured over a period of one year.

The annual variable cash salary shall be linked to predetermined and measurable financial criteria, such as operating result and working capital. By linking the remuneration of the senior executives to the company's earnings and financing of its operating activities, the criteria promote the implementation of the company's business strategy and long term interests, including its sustainability. Furthermore, the criteria for variable cash salary shall be designed so that they do not encourage excessive risk taking. The long-term variable cash salary shall be awarded after one, two, and three years, respectively, and shall be maximized to a total of 150 per cent of the annual fixed cash salary for the CEO, and 55 per cent of the annual fixed cash salary for other members of the group management, distributed pro-rata over the three years. The satisfaction of criteria for pay out of long-term variable cash salary shall be measured during a one-, two- and three-year period, respectively, before pay out. The long-term variable cash salary shall be linked to predetermined and measurable financial criteria (weighting 70 per cent) and non-financial criteria (weighting 30 per cent). The financial criteria may consist of, for example, adjusted EBITA and Operating Working Capital and the non-financial criteria may consist of, for example, weighted sustainability goals (such as the share of renewable electricity in the group's production facilities, the share of female leaders within the group, and the service growth within business area AirTech). By linking the remuneration of the senior executives to the company's earnings, financing of day-to-day operations, and sustainability, the criteria promote the implementation of the company's business strategy and long-term interests, including its sustainability. The criteria for long-term variable cash salary shall be designed so that they do not encourage excessive risk-taking. A certain part of the net amount after tax of paid out long-term variable cash salary is expected to be invested in Munters shares, according to the share ownership policy which the board of directors has adopted. The entire net amount after tax is expected to be invested in Munters shares until the holding in value corresponds to 200 per cent of the gross annual fixed cash salary for the CEO and 100 per cent of the gross annual fixed cash salary for other members of the group management. When such a holding has been achieved, half of the net amount after tax is expected to be invested in Munters shares. The extent to which the criteria for awarding variable cash salary have been satisfied shall be evaluated following expiration of the measurement period. The board of directors is responsible for the evaluation so far as it concerns variable cash salary to the CEO. The remuneration committee is responsible for the evaluation so far as it concerns variable cash salary to other members of the group management. For financial objectives, the evaluation shall be based on the latest financial information made public by the company. Terms and conditions for both annual variable cash salary and long-term variable cash salary shall be designed so that the board of directors, if exceptional economic circumstances prevail, has the option of limiting or refraining from payment if such a measure is considered reasonable. Additional variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 per cent of the fixed annual cash salary and shall not be paid more than once per year and per individual. Resolution on such remuneration shall be made by the board of directors based on a proposal from the remuneration committee.

Pension

For the CEO, pension benefits, including health insurance, shall be defined contribution. Variable cash salary shall not qualify for pension benefits. Pension contributions for defined contribution pension shall amount to not more than 35 per cent of the fixed annual cash salary. For other members of the group management, pension benefits, including health insurance, shall be defined contribution unless the executive concerned is subject to defined benefit pension under mandatory collective agreement provisions. Variable cash salary shall qualify for pension benefits to the extent required by mandatory collective agreement provisions applicable to the executive. Pension contributions for defined contribution pension shall amount to not more than 35 per cent of the fixed annual cash salary.

Other benefits and compensation

Other compensation may consist of other benefits that are customary and in line with market terms, such as medical insurance, life insurance and company cars, which shall not constitute a significant part of the total remuneration. Such benefits may amount to not more than 10 per cent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines

Consultancy fee to Board members

In specific cases, and for a limited time, Munters Board members elected by the general meeting may be able to be remunerated for services within their respective areas of expertise, which does not constitute board work. For these services (including services performed by a Board member wholly-owned company), a fee on market terms can be paid, provided that such services contribute to the implementation of Munters business strategy and safeguarding of Munters long-term interests, including its sustainability. Such consultancy fee may, for each Board member, in no case exceed one year's Board fee

NOTE 33 REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES, CONT.

Termination of employment
Fixed cash salary during the notice period and severance pay, as well as remuneration for any non-compete restrictions, shall in total not exceed an amount corresponding to the fixed cash salary for two years for the CEO and 18 months for other members of the Group Management. Severance pay shall not be paid if notice of termination of employment is made by the CEO and other members of the Group Management. The notice period between the company and the CEO, and other members of the Group Management, shall not exceed 6 months.

Remuneration for any non-compete restrictions shall compensate for any loss of income and shall only be paid for such period as the former executive does not have the right to severance pay. The remuneration shall amount to not more than 60 per cent of the fixed annual cash salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and shall be payable during the period subject to the non-compete restriction, which shall not exceed 12 months after termination of employment.

Salary and employment conditions for employees
In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company and the group's Swedish operation have been taken into account by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time, in the Compensation Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. In the company, i.e. in Munters Group AB, there are only five employees (all are senior executives).

Preparation and decision-making process
The board of directors has established a remuneration committee. The committee's tasks include, among other things, preparing the board of directors' decision to propose guidelines for remuneration to senior executives. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit the proposal to the annual general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the group management, the application of the guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the group management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters. Remuneration to the CEO is prepared by the remuneration committee and decided by the board of directors. Remuneration to other members of the group management is prepared by the CEO and decided by the remuneration committee.

Derogation from the guidelines
The Board of Directors may temporarily resolve to derogate from the guidelines resolved by the general meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, the Compensation Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters, which includes preparing any resolutions to derogate from the guidelines.

2022, KSEK	Board fee/ Base salary	Variable remuneration	Other benefits	Pension expenses	Share based payments	Total
Members of the Board: *(3 women and 4 men)*						
Magnus Nicolin, chairman since the AGM 18 May, 2022	1,035					1,035
Magnus Lindquist, chairman until the AGM 18 May, 2022 and chairman in the remuneration committee	527					527
Helen Fasth Gillstedt, board member and chairman of the audit committee	680					680
Anna Westerberg, board member and chairman of the investment committee	546					546
Håkan Buskhe, board member	443					443
Maria Håkansson, board member since the AGM 18 May, 2022	450					450
Anders Lindqvist, board member since the AGM 18 May, 2022	383					383
Kristian Sildeby, board member	704					704
Per Hallius, board member until the AGM 18 May, 2022	221					221
Lena Olving, board member until the AGM 18 May, 2022	227					227
Juan Vargues, board member until the AGM 18 May, 2022	198					198
CEO Klas Forsström	7,900	4,054	192	2,526	492	15,164
Other senior executives, *(3 women and 4 men)*	15,854	5,240	768	3,903	498	26,263
Total	**29,167**	**9,294**	**960**	**6,429**	**990**	**46,840**

2021, KSEK	Board fee/ Base salary	Variable remuneration	Other benefits	Pension expenses	Share based payments	Total
Members of the Board: *(3 women and 5 men)*						
Magnus Lindquist, chairman and chairman of rem. committee	1 ,249					1,249
Helen Fasth Gillstedt, board member and chairman of audit committee	603					603
Per Hallius, board member and chairman of investment committee	498					498
Håkan Buskhe, board member	415					415
Lena Olving, board member	534					534
Kristian Sildeby, board member	629					629
Juan Vargues, board member	506					506
Anna Westerberg, board member	456					456
CEO Klas Forsström	7,150	5,120	285	2,344	138	15,036
Other senior executives, *(3 women and 4 men)*	15,701	3,525	3,431	4,155	–386	26,425
Total	**27,740**	**8,644**	**3,716**	**6,498**	**–248**	**46,350**

Board of Directors
Fees to the Chairman of the Board and other external Board members are paid in accordance with the decision of the Annual General Meeting. No board fees are paid to the company's CEO or to the employee representatives.

Salaries and other remuneration paid to the Board for the year 2022 amounted to KSEK 5,413 (4,889) excluding social security contributions. In accordance with the resolution of the 2022 Annual General Meeting, the fee for external board members elected at the AGM amounted to KSEK 1,200 to the Chairman of the Board and KSEK 450 each to other external members of the Board.

NOTE 33 REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES, CONT.

The Committees
In addition to these amounts, the AGM has decided to pay a fee for committee work shall be paid to board members elected at the meeting, with a total amount of KSEK 250 to the chairman of the audit committee, and with KSEK 150 to each of the other members of the audit committee, a total amount of KSEK 120 to the chairman of the remuneration committee and KSEK 60 to the other members of the remuneration committee and KSEK 120 to the chairman of the investment committee, and KSEK 60 to each of the other members of the investment committee.

President and CEO
According to the agreement, Munters President and CEO, Klas Forsström, has a fixed annual salary of KSEK 7,900. In addition, there is a variable cash salary linked to Munters annual incentive program, which amounts to a maximum of 50 per cent of the fixed salary. The variable remuneration also includes the cost from the first measurement period in the long-term cash program launched in 2022 (LTIP 2022), as well as the cost for the second measurement period in the long-term cash program launched in 2021 (LTIP 2021).

In addition to this, an extraordinary cash compensation of an extra monthly salary is also included in the variable compensation.

The total variable salary for the financial year 2022 thus amounted to a total of KSEK 4,054 (5,120)

Other Senior Executives
Salaries and other remuneration to other senior executives for the year 2022 amounted to KSEK 26,263 (26,425) excluding social security contributions.

Munters annual incentive program
Munters annual incentive program (Performance Pay) for senior executives and other managers within the Group, is based on predetermined and measurable financial criteria, measured during the financial year. All senior executives except the business area managers are measured 100 per cent on the Group's result. The business area managers are measured 70 per cent on the business area's result, and a share of 30 per cent on the Group's result. In 2022, the criteria were related to Munters operating profit (adjusted EBITA) and operating working capital, with a strong connection to Munters medium-term goals and the needs the company sees as essential to pursue during the year.

During the year the Board of Directors implemented a cash based long term incentive program (LTIP 2022) for senior executives and key personnel within the group, see note 34 and guidelines for remuneration of senior executives in this note for further information regarding the program.

NOTE 34 LONG TERM INCENTIVE PROGRAMS

Long-term cash-based incentive program 2021 and 2022
On behalf of the board, the company has introduced a long-term cash-based incentive program for senior executives and key personnel within the group in 2021 and 2022. The programs link the participants' compensation to the company's earnings, financing of the current operations, and sustainability; they promote the implementation of the company's business strategy and long-term interests, including its sustainability. The programs have a three-year earning period, and the outcome is paid out after one, two, and three years, respectively, distributed pro rata over the three years. Fulfillment of criteria for the payment of long-term variable cash salary must be measured over a one-, two- or three-year period before the payment. Participants in the program are expected to invest the net payout in Munters shares until they reach a defined investment level. The board nominates the CEO and Munters group management; each member of the group management has nominated additional participants. A total of 72 employees were nominated for the program in 2021 and 74 employees for the program in 2022. Each category has a maximum opportunity based on the participant's current annual base salary percentage. For senior executives, the program is regulated in the remuneration guidelines approved by the general meeting, and for other participants, the outcome amounts to a maximum of 30% of the gross annual base salary. The performance criteria in the program are linked to predetermined and measurable financial criteria (weighting 70 percent) and non-financial criteria (weighting 30 percent). The financial criteria can consist of, for example, adjusted EBITA and operational working capital, and the non-financial criteria can consist of, for example, weighted sustainability goals (such as share of renewable electricity in the group's production facilities, the share of female leaders within the group, and service growth within the AirTech business area).

Employee stock option program 2020
At the Annual General Meeting in May 2020, it was resolved in accordance with the Board's proposal to introduce a performance based long-term employee stock option program to members of Group Management and certain other key employees ("LTIP 2020"). The program should comprise no more than 1,699,000 employee stock options to be granted to members of Group Management and certain other key employees, approximately 74 employees in total. A total of 70 employees accepted the offer, resulting in 1,580,000 employee stock options, whereof 90,000 cash settled.

Each employee stock option that is not cash settled shall entitle the holder to acquire one share in the company at an exercise price of SEK 45.82. 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 on Nasdaq Stockholm during a period of ten business days immediately prior to the exercise of the option, with a deduction of the exercise price described above. The share options are vested over a three-year period and the participants shall be able to exercise the employee stock options during a one-year period as of the last date of the vesting period.

Exercise of the employee stock options shall, as a rule, be conditional upon the program participant still being employed by the Group at time of exercise and during the full vesting period.

The options are dived into three series. Exercise of the employee stock options for all series are dependent on the extent to which performance targets are satisfied related to the compounded annual growth rate of the adjusted EBITA, the compounded annual growth rate of net sales and a composite sustainability target consisting of three sub-components, are met during 2020–2022.

The assessed fair value on the grant date, June 30, 2020, was SEK 14.43 per option. The fair value on the grant date is independently determined using an adjusted form of the Black-Scholes model, see more information on the data to the model further below. During the year, the program entailed a cost, excluding social security contributions, of MSEK 3.6.

Employee stock option program 2019
At the Annual General Meeting in May 2019, it was resolved in accordance with the Board's proposal to introduce a performance based long-term employee stock option program to members of Group Management and certain other key employees ("LTIP 2019"), totaling approximately 72 employees. The program should 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 (also called synthetic options) and the remainder shall entitle the right to acquire one share in the company. A total of 68 employees accepted the offer, totaling 1,498,000 employee stock options, whereof 80,000 cash settled. The employee stock options were allotted for no consideration.

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 fiscal years 2019-2021 (the "performance period"). The performance conditions determine the extent to which (if any) the employee stock options in each series may be exercised to acquire shares or receive a cash amount at the conclusion of the three-year period from the grant date 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 of 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 on Nasdaq Stockholm during a period of ten business days immediately prior to the exercise of the option, with a deduction of the exercise price of SEK 50.27.

The participants shall be able to exercise the employee stock options during a one-year period as of the last date of the vesting period.

NOTE 34 LONG TERM INCENTIVE PROGRAMS, CONT.

The assessed fair value on the grant date, July 19, 2019, was SEK 8.62 per option. The fair value on the grant date is independently determined using an adjusted form of the Black-Scholes model, see more information on the data to the model further below. During the year, the program entailed a cost, excluding social security contributions, of MSEK 0.7.

Employee stock option program 2018

At the Annual General Meeting on May 17, 2018, it was resolved in accordance with the Board's proposal on the implementation of a long-term employee stock option program ("LTIP 2018"). The program should comprise no more than 1,257,000 employee stock options to be granted to members of Group Management and certain other key employees, approximately 75 employees in total. A total of 1,239,190 employee stock options was accepted.

Participation in the plan was at the Board's discretion and no individual had a contractual right to participate in the plan or to receive any guaranteed benefits. Options were granted under the plan for no consideration and carry no dividend or voting rights.

Each employee stock option that is not cash settled shall entitle the holder to acquire one share in the company at an exercise price of SEK 55. 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 on Nasdaq Stockholm during a period of ten business days immediately prior to the exercise of the option, with a deduction of the exercise price of SEK 55.

The participants shall be able to exercise the employee stock options from the third anniversary of the allotment up to and including the fourth anniversary of the allotment. Exercise of the employee stock options shall, as a rule, be conditional upon the program participant still being employed by the Group.

The assessed fair value on the grant date, June 27, 2018, was SEK 5.97 per option. The fair value on the grant date is independently determined using an adjusted form of the Black-Scholes model, see more information on the data to the model further below. The program ended in June 2022. The program has not resulted in any expense during the year.

Below is a summary of allotted and outstanding options (including synthetic) in the three plans.

	2022		2021	
	Average exercise price per share option	**Number of options**	**Average exercise price per share option**	**Number of options**
Opening balance	48.22	2,582,490	49.60	3,867,240
Exercised during the year	50.98	–524,899	55.00	–793,940
Forfeited during the year	46.43	–740,303	48.14	–490,810
Closing Balance	**44.79**	**1,317,288**	**48.22**	**2,582,490**

Grant date	Maturity	Exercise price	Share options December 31, 2022	Share options December 31, 2021
June 27th, 2018	27 June 2021	55.00	–	114,490
July 19th, 2019	1 June 2022	50.27	66,288	1,157,000
June 30th, 2020	30 June 2023	45.82	1,251,000	1,311,000
Total			**1,317,288**	**2,582,490**

Fair value of allotted options

The estimated fair value on the grant date for LTIP 2020 was SEK 14.43 per option, for LTIP 2019 SEK 8.62 and LTIP 2018 SEK 5.97. The fair value on the grant date is estimated using an adjusted form of the Black-Scholes model, which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price on the grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of peer group companies. The inputs in the model for options allotted has been;

- The options are allotted for no consideration and vested over a three-year period. Vested options can be exercised within one year after vesting
- Exercise price: LTIP 2020: SEK 45.82, LTIP 2019: SEK 50.27; LTIP 2018: SEK 55.00
- allotment date: LTIP 2020: June 30 2020, LTIP 2019: July 19, 2019; LTIP 2018: June 27, 2018
- maturity date: LTIP 2020: June 30, 2023, LTIP 2019: July 19, 2022; LTIP 2018: June 27, 2021
- share price on the grant date: LTIP 2020: SEK 49, LTIP 2019: SEK 42; LTIP 2018: SEK 47
- expected price volatility of the company's share: LTIP 2020: 40%, LTIP 2019: 36%; LTIP 2018: 26%
- expected dividend yield: LTIP 2020: 0, LTIP 2019:0; LTIP 2018:0
- risk-free interest rate: LTIP 2020: -0.41%, LTIP 2019: -0.36%; LTIP 2018: 0.24%

Assurance 2022

The undersigned assures that the Annual Report has been prepared in accordance with generally accepted accounting principles, and that the consolidated accounts have been prepared in accordance with international accounting standards as referred to in Regulation EC 1606/2002 of the European Parliament and of the Council of July 19, 2002, on the application of international accounting standards, provide a true and fair view of the Company's and the Group's financial position and earnings, and that the Board of Directors' report and the Board of Directors' report for the Group provide a fair view of the development of the Company's and the Group's operations, financial position, and earnings and describe material risks and uncertainties to which the Company and the companies in the Group are exposed.

Stockholm, February 28, 2023

Magnus Nicolin
Chairman of the Board

Klas Forsström
President and CEO

Håkan Buskhe
Board Member

Helen Fasth Gillstedt
Board Member

Maria Håkansson
Board Member

Anders Lindqvist
Board Membert

Kristian Sildeby
Board Member

Anna Westerberg
Board Member

Simon Henriksson
Board Member,
employee representative

Robert Wahlgren
Board Member,
employee representative

Our Auditor's report was submitted on
March 2, 2023

Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Munters Group AB, corporate identity number 556819-2321

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Munters Group AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 99–138 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the group statement of comprehensive income and statements of financial position and the parent company income statement and balance sheet.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

TIMING OF REVENUE RECOGNITION

Description

As described in note 1, revenues from sale of goods are recognized at a point in time when risks and rewards are transferred to the buyer in accordance with the delivery terms. Revenues from larger project assignments are recognized over time in proportion to progress of completion at the reporting date using an output method.

The company´s customer agreements contain several different performance obligations, as described in note 1 and 4. In order to allocate revenue to different performance obligations, and to determine the progress of completion of performance obligations within project assignments, certain estimates have to be made which affects the timing of revenue recognition. As a result of the above, we have assessed that the timing of revenue recognition is a key audit matter.

How our audit addressed this key audit matter

In our audit of the fiscal year 2022, we have evaluated the company´s principles of revenue recognition in accordance with applicable GAAP. We have reviewed the company´s processes for revenue recognition and evaluated the internal control within these processes.

Also, we have audited revenue transactions close to the yearend by reviewing customer agreements and delivery notes to verify that revenue is recognized in the correct period. Where applicable, we have evaluated the company´s estimates for determining percentage of completion and revenue recognition related to material project assignments.

Lastly we have reviewed the disclosures regarding revenue in the annual accounts and consolidated accounts.

VALUATION OF GOODWILL AND TRADEMARKS

Description

Goodwill and trademarks amount to SEK 6 579 (5 332) in the consolidated statement of financial position. As described in note 13 the company annually, or when indicators of impairment are identified, performs an impairment test to verify that the carrying values do not exceed the calculated recoverable amounts. Recoverable amounts are determined by calculating the value in use for the respective cash generating unit using a discounted cash flow model. As also described in note 13, forecasts of future cash flows for the next five years are based on financial plans approved by the board of directors. The financial plans include assumptions of future sales growth and operating margin, as well as utilization of operating capital employed. Furthermore, assumptions of discount rates and growth beyond the five-year period are required.

The impairment tests of the fiscal year did result in any impairment. In note 13, the effects on carrying amounts from changes in significant assumptions and estimates are disclosed. Due to the assumptions and estimates made in conjunction with these impairment tests, and due to the total amount of the carrying value, we have considered valuation of goodwill and trademarks as a key audit matter.

How our audit addressed this key audit matter

In our audit of the fiscal year 2022, we have evaluated the company's process for preparing impairment tests. We have audited the cash flow models used for the impairment tests and evaluated how cash generating units are identified. We have also evaluated the significant assumptions related to future cash flows and forecasts used in the impairment test by comparing to historical outcome, as well as performing sensitivity analyzes. Furthermore, we have assessed the discount rate used and the assumptions of long-term growth rate after the forecast period by comparisons to peers and external sources. With support from our internal valuation specialists, we have evaluated the valuation methods used.

We have reviewed the disclosures regarding goodwill and trademarks provided in the annual accounts and consolidated accounts.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–98. The renumeration report for the financial year 2022, which will be submitted after the date of this auditor's report, also constitutes of other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning the other information we obtained before the date of this audit report, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

If, when reading the remuneration report, we conclude that there is a material error in it, we must raise that issue with the Board of Directors and request that it be corrected.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Munters Group AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

OPINION

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Munters Group AB for the year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

BASIS FOR OPINION

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Munters Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Ernst & Young AB, Box 7850, 203 99 Stockholm, was appointed auditor of Munters Group AB by the general meeting of the shareholders on the 18 May 2022 and has been the company's auditor since the 2010.

Stockholm 2 March, 2023
Ernst & Young AB

RICKARD ANDERSSON
Authorized Public Accountant

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Munters Group AB (publ.), corporate identity number 556819-2321

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2022 on pages 84–90 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 2 March 2023
Ernst & Young AB

RICKARD ANDERSSON
Authorized Public Accountant

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Munters Group AB (publ.), corporate identity number 556819-2321

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2022 on pages 3–4, 10, 12–22 and 49-80 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A statutory sustainability statement has been prepared.

Stockholm 2 March 2023
Ernst & Young AB

RICKARD ANDERSSON
Authorized Public Accountant

Definitions of key financial indicators

In this annual report as well as in the quarterly interim reports, there are references to a number of performance measures. Some of the measures are defined in IFRS, others are alternative performance measures and are not disclosed in accordance with applicable financial reporting frameworks or other legislations. The performance measures are used by the Group to assist both investors and management in analyzing Munters' business. Below are the performance measures found in this annual report described, defined and the reason for use disclosed.

ORGANIC GROWTH
Change in net sales compared to the previous period, excluding acquisitions and divestments and currency translation effects. The measure is used by Munters to monitor net sales growth driven by changes in volume and price between different periods.

ORDER BACKLOG
Received and confirmed sales orders not yet delivered and accounted for as net sales. Order Backlog is a useful measure to indicate the efficiency of the conversion of received and confirmed sales orders into net sales in future periods, and is used by Munters to monitor business performance and customer demand, and adjust operations.

ORDER GROWTH
Received and confirmed sales orders minus cancelled orders during the reporting period. The order intake is an indicator of future revenues and, consequently, an important KPI for the management of Munters' business.

OPERATING PROFIT (EBIT)
Earnings before interest and tax. Munters believes that EBIT shows the profit generated by the operating activities.

ADJUSTED EBITA
Operating profit, adjusted for amortizations, write-downs of intangible assets and items affecting comparability. Munters believes that using adjusted EBITA is helpful in analyzing our performance as it removes the impact of items considered not to be of recurring character and therefore do not reflect our core operating performance.

ADJUSTED EBITA MARGIN
Adjusted EBITA as a percentage of net sales. Munters believes that Adjusted EBITA margin is a useful measure for showing the Company's profit generated by the operating activities.

ADJUSTED EBITDA
Operating profit, adjusted for depreciations and amortizations, write-downs of tangible and intangible assets and items affecting comparability.

ADJUSTED EBITDA MARGIN
Adjusted EBITDA as a percentage of net sales.

ITEMS AFFECTING COMPARABILITY (IAC)
Items affecting comparability are events or transactions with significant financial effects, which are relevant for the understanding of the financial performance when comparing the current period to previous periods. Items included are for example, restructuring activities, capital gains and losses from business divestments and M&A related costs.

CAPITAL EMPLOYED
Capital employed is calculated as the total equity plus interest bearing liabilities.

RETURN ON CAPITAL EMPLOYED (ROCE)
Average operating profit (EBIT) plus financial income, divided by the average capital employed, where capital employed is total equity plus interest-bearing liabilities. The average capital employed is calculated based on the last 12 months.

CASH AND CASH EQUIVALENTS
Cash and bank balances plus investments in securities and the like with maturity periods not exceeding three months. This is a measure that highlights the short-term liquidity.

LTM
LTM (last twelve months) after any key indicator means that the KPI corresponds to an accumulation of previous twelve month reported numbers. The measure highlight trends in different KPIs, which is valuable in order to gain a deeper understanding of the development of the business.

NET DEBT
Net debt calculated as interest bearing debt and pension liabilities, deducted by cash and cash equivalents. This is a measure of the ability to repay the debt if it was all due.

NUMBER OF EMPLOYEES
Number of employees is presented recalculated as full time positions, if not otherwise stated. Average number of employee is calculated as the sum of permanent employees at the end of each of the last 13 months divided by 13.

OPERATING CASH FLOW
Earnings adjusted for depreciation, amortization, and impairments, as well as for investments and operating capital.

OPERATING WORKING CAPITAL/NET SALES
Average Operating Working Capital last twelve months as a percentage of Net sales for the same period.

EARNINGS PER SHARE
Net income adjusted for the right of preferential shares to dividend, divided by the weighted average number of ordinary shares.

SAAS RECURRING REVENUE
Total recurring revenue from SaaS contracts (Software-as-a-Service) recognized in the period. The KPI is also presented annualized and named SaaS ARR, which is calculated by multiplying SaaS Recurring Revenue in the last quarter by four.

EQUITY/ASSETS RATIO
Equity (including non-controlling interests) divided by total assets.

AMERICAS
Refers to North-, Central and South America.

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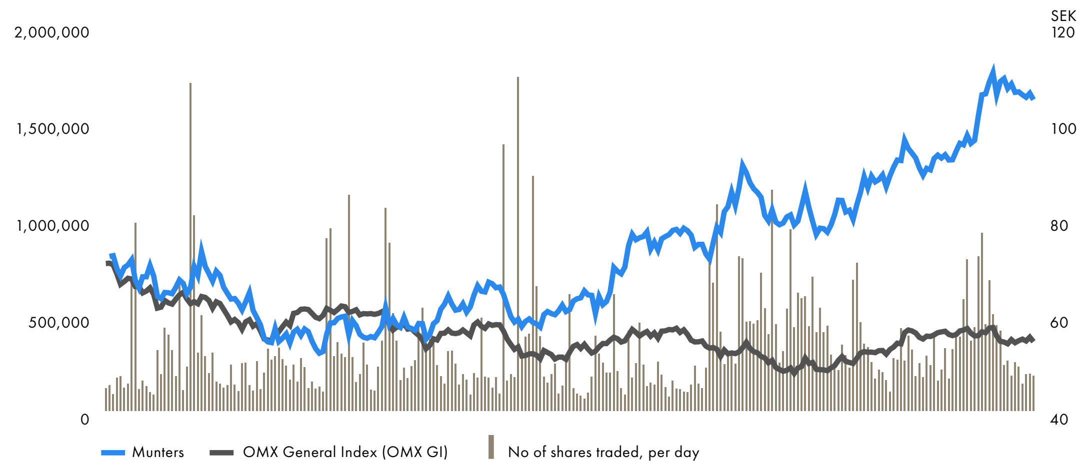
Other information

Sara Melin from our production site in Tobo, Sweden.

The share

THE SHARE 2022 MUNTERS



The development for Munters share was positive during the year. During 2022, the share price increased by 46 per cent while the Stockholm Stock Exchange OMXS30 during the same period decreased by 23 per cent. The closing price on the last trading day of the year was SEK 102.90 (69.95), equivalent to a market capitalization of SEK 18.9 billion (12.9). The highest rate paid in 2022 was SEK 108.40 (88.45) and the lowest price was SEK 51.90 (62.90).

TRADING IN THE MUNTERS SHARE

During 2022, a total of 142.1 million shares (58.1) were sold. Average turnover during the year was 561,544 shares per day (229,558). Munters share trading took place to 42 per cent on Nasdaq Stockholm and to 58 per cent on other marketplaces.

DIVIDEND

Under the dividend policy adopted by the Board of Directors, Munters aims to pay an annual dividend that corresponds to 30–50 per cent of net income for the year. Decisions on any dividend proposals are taken by the Board in consideration of the company's financial position, investment needs, acquisitions and liquidity position. The Board of Directors proposes a dividend for 2022 of SEK 0.95 (0.85) per share. This represents 30 per cent of net income for 2022.

SHARE CAPITAL

At December 31, 2022, the number of shares and votes in Munters totaled 184,457,817. Each share has a quota value of SEK 0.03, and the share capital totaled SEK 5,533,735. Munters share capital is composed of one share class, in which each share has the same number of votes and yields the same right to a dividend. Under the Articles of Association, the number of shares may not fall below 150,000,000 and not exceed 600,000,000. The company's share capital may not fall below SEK 4,500,000 and not exceed SEK 18,000,000. The company's shares are registered with Euroclear Sweden AB, which administers the company's share register and records the shares for individual investors. Munters Group AB has its own holding of 2,389,358 shares related to employee incentive programs.

OWNERS

The number of shareholders at December 31, 2022 was 10,859 and the proportion of shareholders outside Sweden at year-end was 44.8 per cent. The ten largest individual shareholders had 64.9 per cent of the share capital at that time. FAM AB was the largest shareholder, with 28.0 per cent of the share capital.

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Other information

The ten largest shareholders as of December 31, 2022

	Owner	MTRS	Capital	Votes
1	FAM AB	51,701,057	28.0%	28.0%
2	ODIN Funds	15,117,971	8.2%	8.2%
3	Fourth Swedish National Pension Fund	12,117,477	6.6%	6.6%
4	First Swedish National Pension Fund	11,107,008	6.0%	6.0%
5	Swedbank Robur Funds	6,990,649	3.8%	3.8%
6	Capital Group	6,425,000	3.5%	3.5%
7	C WorldWide Asset Management	4,600,605	2.5%	2.5%
8	Columbia Threadneedle	4,450,378	2.4%	2.4%
9	Vanguard	3,729,677	2.0%	2.0%
10	La Financière de l'Echiquier	3,512,035	1.9%	1.9%
Total ten largest		**119,751,857**	**64.9%**	**64.9%**
Other		64,705,960	35.1%	35.1%
Total		**184,457,817**	**100.0%**	**100.0%**

Shareholding by size

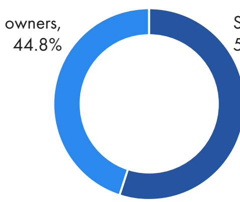
Size	Number of shares	Capital	Votes	Number of known shareholders	Share of known shareholders
1 – 1,000	1,813,846	1.0%	1.0%	9,713	89.4%
1,001 – 10,000	2,820,967	1.5%	1.5%	944	8.7%
10,001 – 50,000	2,262,352	1.2%	1.2%	109	1.0%
50,001 – 500,000	10,092,874	5.5%	5.5%	59	0.5%
500,001 – 1,000,000	9,104,517	4.9%	4.9%	13	0.1%
1,000,001 – 10,000,000	48,418,741	26.2%	26.2%	17	0.2%
10,000,001 - 20,000,000	38,342,456	20.8%	20.8%	3	0.0%
20,000,001 –	51,701,057	28.0%	28.0%	1	0.0%
Unknown shareholder size	19,901,007	10.8%	10.8%	–	0.0%
Totalt	**184,457,817**	**100.0%**	**100.0%**	**10,859**	**100.0%**

Owner distribution

Owner type	Number of shares	Capital	Votes	Number of known owners	Share of known owners
Other	5,984,426	3.2%	3.2%	553	5.1%
Swedish Institutional Owners	90,329,512	49.0%	49.0%	59	0.5%
Foreign Institutional Owners	61,421,474	33.3%	33.3%	74	0.7%
Swedish Private Individuals	6,821,398	3.7%	3.7%	10,173	93.7%
Unknown owner type	19,901,007	10.8%	10.8%	–	0.0%
Total	**184,457,817**	**100.0%**	**100.0%**	**10,859**	**100.0%**

Source: Data compiled by Modular Finance

OWNER DISTRIBUTION



CEO and President Klas Forsström and IR Director Line Dovärn visiting Munters Japan. Here together with Keiko Asano, Managing Director, and the management team of Munters Japan.

Analysts who actively cover the Munters share

KARL BOKVIST	ABG Sundal Collier
KARL-OSKAR VIKSTRÖM	Berenberg
GUSTAV ÖSTERBERG	Carnegie Investment Bank
LUCAS FERHANI	Jefferies
MATS LISS	Kepler Cheuvreux
CARL RAGNERSTAM	Nordea
ANDERS ROSLUND	Pareto Securities

FINANCIAL INFORMATION

Munters uses several channels to inform about the company's operations and financial development. The website – www.munters.com – is continuously updated with annual reports, quarterly reports, press releases and presentations. The annual report and the interim report can be ordered on the website, via email: info@munters.se or at the address: Munters Group AB, Box 1188, 164 26 KISTA if desired.

Web presentations and telephone conferences are organized for analysts, investors and the press in connection with the publication of the company's quarterly reports. About once a year, a capital market day is arranged where representatives of the financial market are offered in-depth information about the company's operations. A number of times a year, webinars are also arranged that focus on various growth areas for Munters. In addition, representatives of the group management regularly meet with analysts, investors and journalists to ensure that they have correct and up-to-date information. In accordance with the agreement with Nasdaq OMX Stockholm, share price sensitive information, which is not already generally known, is never provided at this type of meeting or contact. Munters applies a silent period that begins on the first day of a month in which financial reporting occurs and continues until the report is published. During this period, no meetings are held with investors or financial analysts. Before the full-year reporting, the quiet period begins on the first of January.

FINANCIAL CALENDAR

2023	
April 21	Interim report January–March 2023
May 17	Annual general meeting
July 18	Interim report April–June 2023
October 24	Interim report July–September 2023

2024	
February 1	Year-end report 2024

ANNUAL GENERAL MEETING

The Annual General Meeting of Munters Group AB will be held on Wednesday May 17, 2023 in Kista

Right to participate in the general meeting

Shareholders who wish to participate in the Annual General Meeting must:

- be registered in the share register maintained by Euroclear Sweden AB on Tuesday, May 9 2023,
- notify their intention to attend in accordance with what is stated in the notice convening the Annual General Meeting.

The notice will be published in April. To be entitled to participate in the Annual General Meeting, shareholders whose shareholding is registered in the name of a trustee must reregister their shares in their own name in the share register on May 9, 2023. Re-registration may be temporary and requested from the trustee well in advance in accordance with the trustee's procedures. Re-registration by the trustee not later than May 11, 2023 will be taken into consideration in the share register.

Additional information will be stated in the notice convening the Annual General Meeting, which will be published in April.

Investor Relations contacts:

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EMAIL: ann-sofi.jonsson@munters.com

Line Dovärn, *Director,*
Investor Relations
PHONE: + 46 (0)730 488 444
EMAIL: line.dovarn@munters.com

Three reasons to invest in Munters

1. World-leading supplier of energy-efficient climate solutions

- We are a leading global supplier with a local presence
- We offer ground-breaking technology that we gradually develop to create increased customer value
- Our business model generates a strong and stable cash flow that creates room for innovations and acquisitions.

2. Well positioned to meet megatrends

- Munters has solutions that make our customers more climate-neutral and reduce both their electricity and water consumption
- Our products contribute to a more efficient digitized business for our customers
- With our products for agriculture and the food industry, we enable higher productivity in food production, which is required to meet the world's increasing population
- Higher demands in production environments within, for example, battery factories and livestock farming place great demands on climate solutions, which we offer.

3. The sustainable alternative

- We make our customers more sustainable
- We have a clear and integrated sustainability strategy where our actions and priorities enable long-term profitable growth and an increasingly sustainable business
- Our strong position gives us the opportunity to influence and take an active role for a more sustainable value chain
- We are part of the solution to a more sustainable world

Innovation and continuous improvements

Munters has been a pioneer in climate control solutions since its founding in 1955. Munters culture has always been built on curiosity and innovation. We strive for continuous improvements in order to remain successful globally.

1950s – founding
Munters is founded in 1955 by inventor and entrepreneur Carl Munters together with Marcus Wallenberg, among others. The company develops modern air-conditioning systems based on evaporative cooling, dehumidification and heat recovery. The business gets off the ground in 1958, when the Swedish Armed Forces orders 200 dehumidifiers.

1960s – Establishment in the U.S.
Expansion both in Sweden and internationally. Production is established in the U.S. Launch of several new, innovative products. The best-selling dehumidifier of all time, the M100, is launched in 1964.

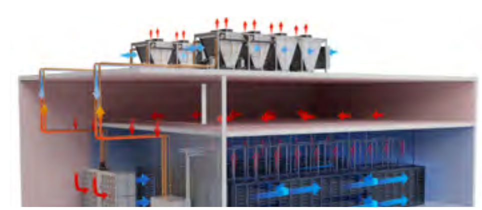
1970s – Oil crisis creates potential
Product range, customer segments and applications are expanded. An international distribution network is established. The oil crisis of 1973 leads to energy conservation measures and gives Munters major market potential. In 1974, Munters is acquired by Incentive AB.

1980s – Acquisition of agents
Resellers and distributors are acquired over several years to broaden and strengthen the business. Operations expand to several countries, including Japan in 1987.

Focus on environmental improvements leads to the acquisition of a unique Swedish air purification technology, Zeol, which is further developed with Munters rotor technology.

1990s – An international group
The expansion continues and Munters becomes an international group with sales offices in over 25 countries. Environmental issues become increasingly important, laying a foundation for new products in evaporative cooling. In 1997, Munters AB is listed on the Stockholm Stock Exchange. Acquisition of Euroemme, which offers climate solutions for the growing business of chicken farming.

2000s – World leader in climate systems for agricultural customers
Further investment in sales and production in Asia. Several acquisitions make Munters a world leader in climate systems for livestock farming and greenhouse cultivation. Acquisition of Des Champs Technologies in the U.S. and Toussaint Nyssenne, a leading European manufacturer of large-scale air treatment systems.



2010s – Focus on core business
Focus on the core business. In 2010, Munters is acquired by Nordic Capital Fund VII and the company is de-listed from the Stockholm Stock Exchange. A three-phase plan on stability, profitability and growth is launched. In 2017, Munters is re-listed on Nasdaq Stockholm. Several new products are launched with a focus on optimizing the climate while reducing energy consumption, such as DryCool® Focus and SonarEcho.

2020s – Increased demand for climate smart solutions
New organization in 2020 with two business areas: AirTech and FoodTech, and an updated strategy. In 2022, a third business area, Data Center Technologies, is formed in response to increased demand. New production facilities are built in Hodonin in the Czech Republic and in Virginia, USA.

Acquisitions were carried out in all three business areas. Within DCT, Edpac, an Irish manufacturer of cooling equipment for data centers, is acquired. Within AirTech, Hygromedia, manufacturer of components for use in rotors, and RotorSource, supplier of rotors and cassettes to OEM manufacturers, were acquired. Within FoodTech, InoBram, a Brazilian manufacturer of control units for climate solutions for agriculture and food producers, was acquired.*

* Subject to certain corporate and regulatory approvals, including CADE (Brazilian antitrust) approval).

Munters