

Q4

"A stronger base for
the future growth journey"**October-December 2020**

- Munters was impacted by the outbreak of Covid-19 in the fourth quarter with delays both in deliveries to customers as well as postponed investments by customers.
- Order intake decreased -13%, currency adjusted -4%, mainly driven by lower order intake in Data Centers US on the back of a strong 2019.
- Net sales was flat, currency adjusted strong growth of +8%, mainly driven by good growth in business area AirTech's pharma sub-segment and Services as well as the swine segment in business area FoodTech.
- The adjusted EBITA-margin improved to 13.3% (12.5). The improvement was driven by an improved gross margin and continued low indirect costs in business area AirTech.
- Leverage (net debt/adjusted EBITDA, LTM*) decreased to 1.9x from 2.5x end of September 2020. The decrease was mainly driven by a strong cash flow development and a positive exchange rate effect of MSEK 200 on outstanding interest bearing borrowings (USD/SEK).
- The measures for implementing a sharpening of the customer offering and footprint optimization were implemented according to plan. The main focus during the fourth quarter has been to prepare for execution of the measures in 2021. In the fourth quarter, only minor costs has been incurred.

January-December 2020

- The impact from the outbreak of Covid-19 was mixed with the largest impact experienced in the second and fourth quarter. All production units, except for one minor unit, have been operational throughout the year with only minor disturbances.
- Order intake decreased -1%, currency adjusted +2%. The slight increase was because of a good order intake in business area FoodTech.
- Net sales declined by -2%, currency adjusted +1% with a strong development in the swine segment in China for business area FoodTech. This was offset by a weak development in Mist Elimination in business area AirTech.
- The adjusted EBITA-margin improved to 12.9% (12.2). The improvement was driven mainly by higher net sales and a tight cost control.
- Leverage (net debt/adjusted EBITDA, LTM*) decreased to 1.9x from 2.9x at the end of December 2019. The decrease in net debt was mainly driven by a strong cash flow development and a positive exchange rate effect of MSEK 282 on outstanding interest bearing borrowings (USD/SEK).
- At the end of June 2020, a total of MSEK 188 relating to the measures for implementing a sharpening of the customer offering and footprint optimization were estimated to be recorded as Items Affecting Comparability (IAC) over the coming 18 months. The measures have been implemented according to plan with focus on the exit of the non-core part of the commercial business in the US as well as the consolidation of operations in Netherlands during the second half of 2020.

Events after year-end 2020:

- The Board of Directors proposes a dividend for 2020 of SEK 0.70 (0) per share.

Financial summary

MSEK	Q4			Jan-Dec		
	2020	2019	Δ%	2020	2019	Δ%
Order intake	1,611	1,845	-13	7,249	7,302	-1
Net sales	1,841	1,842	-0	7,015	7,153	-2
Operating profit (EBIT)	250	159	58	707	556	27
Adjusted EBITA	245	229	7	906	871	4
Adjusted EBITA margin, %	13.3	12.5		12.9	12.2	
Net income	172	76	126	432	283	52
Earnings per share before dilution, SEK	0.93	0.42		2.35	1.55	
Earnings per share after dilution, SEK	0.93	0.42		2.35	1.55	
Average number of outstanding shares before dilution	181,423,919	181,745,802		181,545,456	181,983,219	
Average number of outstanding shares after dilution	182,151,560	181,745,802		181,557,708	181,983,219	
The KPI's below includes discontinued operations **						
Net income	171	12		426	-164	
Earnings per share before dilution, SEK	0.92	0.07		2.32	-0.91	
Earnings per share after dilution, SEK	0.92	0.07		2.32	-0.91	
Cash flow from operating activities	416	282		977	669	
Net debt	2,116	3,062		2,116	3,062	
Net debt/Adjusted EBITDA, LTM				1.9	2.9	

* Last twelve months

** The income statement has been restated for 2019 to reflect the discontinued operation in line with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Discontinued operations is defined as the business connected to the Data Centers operations in Dison, Belgium, where the production has ceased during fall 2019 but minor installation services remains at customer sites during 2020. All income statement items in this report refers to Munters continuing operations, if not otherwise stated. See more information on page 23.

CEO comments

Strong performance despite the on-going pandemic

Despite a challenging market environment in 2020 we continued the journey to transform Munters. Our focus continues to be on strengthening the base and turn Munters into a more customer centric company striving for zero impact on the planet. Our efforts resulted in growing currency adjusted net sales and profitability for the year. Efficiency improvement initiatives led to strong operating cash flow, up almost 50 per cent vs 2019, and a leverage at 1.9x down from 2.9x at year end 2019.

Stable net sales, improved profitability

Currency adjusted order intake decreased in the fourth quarter mainly as a result of lower order intake in Data Centers US on the back of a strong 2019. For the year order intake was flat with a good order intake in business area FoodTech driven by a strong swine segment in China.

Currency adjusted net sales in the fourth quarter was strong with a flat development for the full year. In the quarter we had an increase in the pharma-subsegment and Services in business area AirTech as well as the swine segment in China in business area FoodTech. For the full year the stable net sales was driven by a strong development in the swine segment in China for business area FoodTech offset by a weak development in Mist Elimination in business area AirTech.

The adjusted EBITA-margin was strengthened in the fourth quarter as well as in the full year mainly by the ongoing efficiency improvements initiatives and net sales growth in business area FoodTech.

Entering a new phase of our growth journey

Since the start of 2020 we constantly have secured the execution of our strategy. In 2020 we achieved growth in prioritized areas, a pruning of our product portfolio and improved ways-of-working. In addition, we launched new, innovative products, for example in business area FoodTech the modular fan series Saturn that increase the functionality and reduce complexity was launched. The organization structure now has been adapted for our future ambitions with clear responsibilities and accountability.

The implementation of measures announced in July 2020 aiming at driving a sharpening of our customer offering and optimize our footprint are running according to plan. We expect all measures to be implemented throughout 2021.

Going forward, we will continue to invest in product rationalization and standardization together with digitalization of our offering. Digitalization of the customer offering and our value chain is a key enabler for enhanced sustainability and growth.

Market conditions challenging

Market conditions continued to be challenging in the fourth quarter with delays both in deliveries to customers as well as postponed investments by customers. Currently, the market visibility continues to be low due to the lingering Covid-19 outbreak.

I want to thank our employees for their dedication during the year. Their fantastic capability to handle the effects of the pandemic and at the same time focus on our strategy implementation has resulted in a strong performance.

Klas Forsström, President and CEO

» **Digitalization of the customer offering and our value chain is a key enabler for enhanced sustainability and growth.**



Klas Forsström, President and CEO

Mid-term financial targets

Net sales growth: Annual growth in currency adjusted net sales of 5%, as of 2019, supplemented with selected add-on acquisitions. *Performance 2020:* +1%.

Adjusted EBITA-margin: An adjusted EBITA-margin of 14%. *Performance 2020:* 12.9%.

Capital structure: A ratio of net debt to adjusted EBITDA of 1.5x to 2.5x, and may temporarily exceed this level (e. g. as a result of acquisitions.) *Performance 2020:* 1.9x

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

Proposal 2020: 30% (SEK 0.70 per share, totalling MSEK 129)

For full description of the dividend policy, see the Annual and Sustainability report 2019, page 18.

Sustainability

In 2020 Munters has:

- Created conditions for setting more ambitious sustainability goals during 2021 and integrated sustainability throughout the strategy
- Focused on analyzing and following up the company's carbon dioxide emissions and on strengthening safety, diversity and environmental work
- Conducted an employee survey for 2020 that showed great commitment and motivation among employees and that there is a high level of confidence in management's decisions and actions during the pandemic

Please see the Munters Annual and Sustainability report 2019, page 46-55, for further information on goals and outcome.

Financial performance

During the third and fourth quarter 2019, Munters reported the business within the Data Centers operations in Belgium as a discontinued operation. Therefore all income statement has been restated for 2019 to reflect the discontinued operation in line with IFRS 5, for information see page 23. All income statement items in this report refers to Munters continuing operations, if not otherwise stated.

MSEK	Q4			Jan-Dec		
	2020	2019	Δ%	2020	2019	Δ%
Order intake	1,611	1,845	-13	7,249	7,302	-1
AirTech	1,172	1,361	-14	5,101	5,253	-3
FoodTech	450	491	-8	2,196	2,087	5
Other and eliminations	-11	-8	43	-48	-38	25
Net sales	1,841	1,842	-0	7,015	7,153	-2
AirTech	1,323	1,382	-4	4,937	5,159	-4
FoodTech	531	470	13	2,126	2,032	5
Other and eliminations	-12	-9	33	-48	-38	26
Adjusted EBITA	245	229	7	906	871	4
AirTech	211	186	14	689	662	4
FoodTech	66	61	7	310	278	12
Other and eliminations	-32	-17	83	-94	-69	35
Adjusted EBITA margin, %	13.3	12.5		12.9	12.2	
AirTech	15.9	13.4		14.0	12.8	
FoodTech	12.3	13.0		14.6	13.7	

**Order intake Q4,
currency adjusted change**

-4%

**Net sales Q4,
currency adjusted change**

+8%

Adj. EBITA-margin Q4

13.3%

ORDER INTAKE

October-December 2020

Order intake decreased by -13%, currency adjusted decrease of -4%, mainly due to a lower order intake in Data Centers US on the back of a strong 2019. This was partly offset by good demand from the broiler segment and for MTech Systems software solutions in business area FoodTech.

Business area AirTech order intake decreased by -14%, currency adjusted decrease of -5%. The decrease was mainly due to a lower order intake in Data Centers US on the back of a strong order intake in 2019. This was partly offset by a strong order intake in the pharma sub-segment driven by Covid-19 relief efforts and the production of test equipment. Also the lithium battery sub-segment had good growth with several orders mainly in Europe. The supermarket sub-segment improved and achieved good growth in Americas. Services had good order intake driven by a good development mainly in Americas, with increased orders to the existing installed base. Mist Elimination order intake increased slightly, driven by a good development of pollution control solutions for the power segment in India.

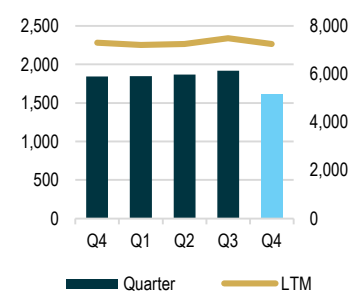
Business area FoodTech order intake decreased by -8%, currency adjusted increase of +1%. Region EMEA had a slight increase in currency adjusted order intake driven by growth in the broiler segment, despite negative effects from the Covid-19 outbreak due to lack of access to customer sites. Americas had flat development compared with 2019 with good development in the broiler segment in Mexico and Brazil as well as the software and SaaS business for MTech Systems in the US. Region APAC had a flat order intake, with good growth in China that continued to see growth driven by the swine segment on the back of a weak 2019 when it was negatively impacted by the African Swine Fever (ASF). The growth in this segment in the fourth quarter was lower than the growth experienced in the previous quarters.

January-December 2020

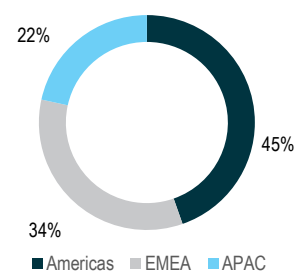
The order intake decreased -1%, currency adjusted increase of +2%. The currency adjusted increase was because of good order intake in FoodTech. The impact on demand from the Covid-19 outbreak was mixed with the largest impact experienced in the second and fourth quarter.

Business area AirTech order intake decreased -3%, currency adjusted flat development. The currency adjusted order intake was flat mainly due to AirTech exiting the non-core Commercial segment in July 2020. Excluding

**Quarterly order intake, 2020
(MSEK)**



**Order intake per region Q4,
2020 (MSEK)**



this exit, the currency adjusted order intake increased slightly. Order intake in the Industrial segment in the US was strong. This was driven by the pharma sub-segment where Covid-19 relief efforts and the production of test equipment led to a good growth. Also, the lithium battery sub-segment experienced good growth with several orders in US and Europe. Services had a positive development, mainly driven by the industrial and commercial segments in the US. The order intake of humidification components (WET-pads) increased driven by demand from OEMs in Europe. Data Centers US had weaker order intake on the back of a very strong development in 2019. Mist Elimination had a weaker order intake, primarily driven by a weaker marine sub-segment that was negatively impacted by a low oil price in combination with the effects from the Covid-19 pandemic.

Business area FoodTech order intake increased by +5%, currency adjusted increase of +9%. The increase was mainly because of a very good development of order intake in Asia, driven by the swine segment in China. In Americas and Europe, demand was softer. Both Americas and Europe has been negatively affected by the Covid-19 pandemic throughout the year, mainly as access to customers' sites has been limited combined with delayed customer investments. Americas was also soft due a continued weak demand in the swine segment.

NET SALES

October-December 2020

Net sales was flat, currency adjusted increase of +8%, driven by an increase in the pharma-subsegment and Services in business area AirTech as well as the swine segment in China in business area FoodTech. Services net sales amounted to 17% of total net sales.

Net sales in business area AirTech declined -4%, currency adjusted increase of +4%. The currency adjusted growth was driven mainly by good growth in the pharma sub-segment and Services. The pharma sub-segment increased driven by Covid-19 relief efforts and production of test equipment, mainly in Americas. Services grew driven by the supermarkets sub-segment and the industrial segment, primarily in the Americas. Mist Elimination declined due to a continued weak development in the marine sub-segment. Data Centers US also declined on the back of a strong fourth quarter 2019. AirTech decided to exit the non-core Commercial segment in July 2020, which has had a slight negative effect in the quarter.

Net sales in business area FoodTech increased by +13%, currency adjusted a strong growth of +22%, driven by a good growth in the swine segment in China. Region EMEA had a slight currency adjusted growth driven by the broiler segment, mainly in Northern Africa and the Middle East. This was partly offset by negative effects from the Covid-19 pandemic in Europe and Americas. Americas experienced continued weak net sales with a weak swine segment in US, partly offset by good growth in the broiler segment in Brazil.

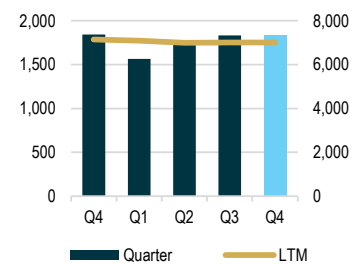
January-December 2020

Net sales decreased by -2%, currency adjusted increase of +1%. The stable net sales was driven by a strong development in the swine segment in China for business area FoodTech, offset by a weak development in Mist Elimination in business area AirTech. Services net sales amounted to 14% of total net sales.

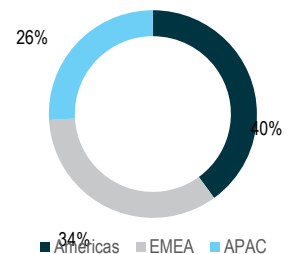
Net sales in business area AirTech declined -4%, currency adjusted decrease of -2%. The decline was mainly due to a decline in Mist Elimination primarily driven by a weaker marine sub-segment that was impacted negatively by a low oil price in combination with the effects from the Covid-19 pandemic. The pharma sub-segment had good growth driven by Covid-19 relief efforts and production of test equipment. Services had a good growth because of a good development in Americas where net sales to the existing installed base grew despite facing challenges to access customer sites due to the Covid-19 pandemic. In region APAC net sales was slightly lower on the back of a very strong net sales to the lithium battery sub-segment in 2019. AirTech also decided to exit the non-core Commercial segment in July 2020, which had a slightly negative effect.

Net sales in business area FoodTech increased +5%, currency adjusted increase of +8%, driven by a good growth in the swine segment in China on the back of a weak 2019 when it was negatively impacted by the African Swine Fever (ASF). Europe had a flat development with growth in the broiler segment, mainly in Germany that had good export sales to the CIS countries. This was offset by negative effects from the Covid-19 pandemic in Europe and Americas especially, which affected net sales negatively in Asia early in the year and later in Europe and Americas. In Americas, net sales declined mainly due to continued weak net sales in the swine segment, partly offset by a slight growth for MTech Systems in the US and the broiler segment in Brazil.

Quarterly net sales, 2020 (MSEK)



Net sales per region Q4, 2020 (MSEK)



RESULTS

Adjusted EBITA excludes Items Affecting Comparability, IAC, see page 6 for disclosure of the IACs.

October-December 2020

The gross margin increased to 32.9% (31.0) with a strengthened gross margin in business area AirTech driven mainly by continued efficiency improvements and a positive product mix.

Adjusted EBITDA increased to MSEK 300 (280), corresponding to an improved adjusted EBITDA-margin of 16.3% (15.2).

Adjusted EBITA increased to MSEK 245 (229), corresponding to an improved adjusted EBITA-margin of 13.3% (12.5). Depreciation amounted to MSEK -55 (-51), whereof depreciation of leased assets was MSEK -29 (-26). Adjusted EBITA for business area AirTech amounted to MSEK 211 (186) corresponding to a EBITA margin of 15.9% (13.4). The stronger EBITA-margin was a result of an improved gross margin and continued lower indirect costs. Adjusted EBITA in business area FoodTech increased to MSEK 66 (61), corresponding to a slightly decreased adjusted EBITA margin of 12.3% (13.0). The margin decreased on the back of a strong margin in 2019.

Operating profit (EBIT) in the fourth quarter was MSEK 250 (159), corresponding to an operating margin of 13.6% (8.6). Amortization and write-downs on intangible assets in the fourth quarter was MSEK -17 (-29), where MSEK -8 (-15) was related to amortization of intangible assets from acquisitions.

January-December 2020

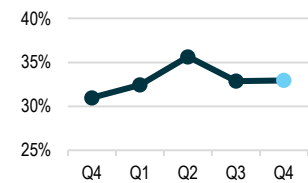
The gross margin was slightly above 2019 at 33.5% (32.6) with an improved margin development in AirTech driven mainly by continued efficiency improvements and a positive product mix.

Adjusted EBITDA increased to MSEK 1,126 (1,079), corresponding to an improved adjusted EBITDA-margin of 16.1% (15.1).

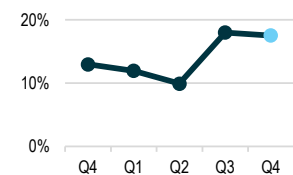
Adjusted EBITA increased to MSEK 906 (871), corresponding to a higher adjusted EBITA-margin of 12.9% (12.2). Depreciation amounted to MSEK -221 (-208), whereof depreciation of leased assets was MSEK -113 (-138). Adjusted EBITA for business area AirTech amounted to MSEK 689 (662), corresponding to an improved adjusted EBITA margin of 14.0% (12.8). The higher EBITA-margin was a result of an improved gross margin and continued lower indirect costs. Adjusted EBITA in business area FoodTech increased to MSEK 310 (278), corresponding to an improved adjusted EBITA margin of 14.6% (13.7). The improvement was driven by increased net sales.

Operating profit (EBIT) for the full year was MSEK 707 (556), corresponding to an operating margin of 10.1% (7.8). Amortization and write-downs on intangible assets for the full year was MSEK -87 (-134), where MSEK -39 (-88) was related to amortization of intangible assets from acquisitions.

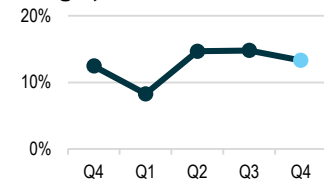
Quarterly development gross-margin, %



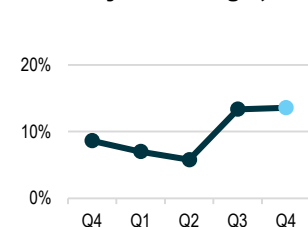
Quarterly adjusted EBITDA-margin, %



Quarterly adjusted EBITA-margin, %



Quarterly EBIT-margin, %



ITEMS AFFECTING COMPARABILITY (IAC)

During the second quarter 2020, Munters decided upon a further step in the implementation of the strategy, focused on sharpening the customer offering and footprint optimization measures. At the end of June, 2020 Munters made a restructuring and inventory provision of MSEK -136, mainly within business area AirTech, related to severance costs, warranty claims and winding down activities for the exit of the non-core part of the commercial business in the US. The full amount was expensed to other operating expenses and recorded as an IAC. Another MSEK -52 associated with the strategy was at the end of June identified to be recognized and reported as IACs when incurred.

In the second half of 2020, the implementation of measures have proceeded according to plan. As a result of an analysis made of the business during the fourth quarter, a provision related to inventory was partly released of MSEK 12, and in addition to this, minor of the additionally identified costs to be reported as incurred have been reported as items affecting comparability. Total items affecting comparability for the full year amounts to MSEK -124.

Of the originally communicated total cost of MSEK -188, which after adjustment of the inventory item during the fourth quarter is estimated to MSEK -176, costs of MSEK -44 have been realized. MSEK -41 has been used of the provision, and another MSEK -3 of the additionally identified costs have been reported as IAC when incurred.

Corona related IACs, comprising of a net of sanitation and hazard pay expenses and received government grants/government assistance for e.g. salary payments and social security contributions, amounted to MSEK 1 in the fourth quarter and MSEK 8 for the full year.

Other IACs in the fourth quarter relates to MSEK -8 for a previous customer claim, a net gain of MSEK 6 for a sale of a previous office building and an income of MSEK 12 for refund of sales tax in Brazil. Other IACs for the full year also comprises a MSEK -5 provision for legal fees and fines.

For further information, see the reconciliation of Munters alternative performance measures on page 24.

Continuing operations

MSEK	Q4		Jan-Dec	
	2020	2019	2020	2019
AirTech	26	-19	-95	-67
Munters Full Potential Program	-	-19	-	-67
Severance costs	-	-13	-	-52
Consulting fees and other	-	-6	-	-15
Covid-19 related items	1	-	7	-
Implementation refined strategy	13	-	-109	-
Other items affecting comparability	13	-	7	-
FoodTech	6	-3	1	-36
Munters Full Potential Program	-	-3	-	-36
Severance costs	-	-0	-	-10
Consulting fees and other	-	-2	-	-26
Covid-19 related items	1	-	1	-
Implementation refined strategy	-1	-	-6	-
Other items affecting comparability	6	-	6	-
Other	-10	-21	-18	-78
Munters Full Potential Program	-	-21	-	-78
Severance costs	-	-6	-	-27
Consulting fees and other	-	-15	-	-51
Covid-19 related items	-	-	1	-
Implementation refined strategy	-2	-	-10	-
Other items affecting comparability	-8	-	-8	-
Total	22	-42	-111	-181
Munters Full Potential Program	-	-42	-	-181
Covid-19 related items	1	-	8	-
Implementation refined strategy	10	-	-124	-
Other items affecting comparability	11	-	5	-

FINANCIAL ITEMS

Financial income and expenses for the fourth quarter amounted to MSEK -45 (-55). The financial expenses were positively impacted by a lower USD interest rate compared to same quarter last year. Interest expense on lease liabilities amounts to MSEK -4 (-3). The average weighted interest rate including fees per end of the quarter was 3.1% (4.2).

Financial income and expenses for the full year amounted to MSEK -156 (-189).

TAXES

Income taxes for the fourth quarter was MSEK -33 (-27) and the effective tax rate was 16% (26). In Q4, the low effective tax rate is driven mainly by a tax refund received in Brazil, increased tax credits in the US due to the CARES Act as well as revaluation effects on deferred taxes mainly in China.

Income taxes for the full year was MSEK -120 (-83) and the effective tax rate was 22% (23).

Effective tax rate, 2020
%

22%

EARNINGS PER SHARE

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to MSEK 168 (13) for the fourth quarter. Earnings per share, before and after dilution, in the fourth quarter 2020 was SEK 0.92 (0.07).

EPS, 2020 SEK

2.32

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to MSEK 420 (-166) for the full year. Earnings per share, before and after dilution, for the full year was SEK 2.32 (-0.91).

The average number of outstanding ordinary shares in the fourth quarter, for the purpose of calculating earnings per share, was 181,423,919 before dilution and 182,151,560 after dilution.

FINANCIAL POSITION

Interest-bearing liabilities amounted to MSEK 2,786 (3,497). Cash and cash equivalents amounted to MSEK 970 (722) as of December 31.

ROCE %, 2020

9.5%

Munters primary financing facilities consists of a term loan of MUSD 250 and a revolving credit facility (RCF) of MEUR 185 with final maturity date in May 2022. The loan agreements have one financial covenant, consolidated net debt in relation to adjusted EBITDA, with some adjustments. 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 part of an agreement reached with the bank group in the second quarter 2020 the covenant is temporarily eased. Therefore until the first quarter 2021, the threshold for the leverage ratio, as mentioned above, is set to 5.5x. In addition, in July 2020 Munters established a back up facility of MSEK 750 maturing in 2023. This is secured by a guarantee from EKN (The Swedish Export Credit Agency). The purpose of the MSEK 750 RCF is to serve as a back-up facility. It was established as a precautionary measure in the challenging business environment due to the Covid-19 outbreak. The combined facilities have no mandatory amortization requirement.

Net debt as of December 31 amounted to MSEK 2,116 compared to MSEK 2,694 at the end of September 2020. The decrease in net debt was driven by a strong cash flow development and a positive exchange rate effect on outstanding borrowings related to USD/SEK of MSEK 200 in the quarter. See more information about reconciliation of net debt and leverage on page 24.

The leverage ratio per end of December was 1.9x compared to 2.5x at the end of September and 2.9x at year-end 2019. During 2020 the exchange rate USD/SEK impacted outstanding debt positively with MSEK -282 and together with strong cash flow during the year the leverage ratio was 1.0x lower than year-end 2019.

At quarter end the term loan was fully drawn with MUSD 250 and MEUR 56 (91) of the total revolving credit facilities were utilized in EUR and SEK. Available unutilized credit facilities as of December 31 amounted to MEUR 129 (94). Along with the main loan facility, an amount of MSEK 15 (25) in local debt is outstanding in i.a. Brazil and India.

Average capital employed for the last twelve months was MSEK 7,433 (7,647). Return on capital employed, including the discontinued operation, (ROCE) for last twelve months was 9.5% (1.5). EBIT plus financial income was affected by a restructuring provision related to the closure of the Data Center operation in Dison, Belgium, in

the third quarter of 2019, impacting the last year period return. Return on capital employed, where EBIT plus financial income is adjusted for items affecting comparability (IAC) and average capital employed adjusted for goodwill, for the last twelve months was 26.0% (20.6). Munters changed the definition of the ROCE in the third quarter, see more information on page 21.

CASH FLOW

Cash flow from operating activities was MSEK 413 (282) in the fourth quarter and MSEK 977 (669) for the full year 2020. Cash flow improved as a consequence of a good improvement in EBIT as well as the ongoing focus to improve operating working capital.

Cash flow from changes in working capital had a positive impact on the cash flow with MSEK 161 (286) in the fourth quarter and MSEK 183 (221) for the full year 2020. The positive impact from changes in working capital in the fourth quarter was driven by reduced inventories and lower account receivables, mainly in business area Air-Tech. For the full year the positive impact was mainly because of decreased accounts receivables and increased advances from customers.

Cash flow for the fourth quarter amounted to MSEK 201 (236) and for the full year 2020 MSEK 287 (310). Cash flow for the fourth quarter was negatively impacted by a repayment of outstanding RCF drawings of MEUR -14 equivalent to MSEK 141.

PARENT COMPANY AND OWNERSHIP

The parent company for the Group is Munters Group AB. All Group supporting functions within Munters is accounted for within Munters Group AB. The company holds shares in subsidiaries, cash and accounts payables. The Parent Company does not engage in sales of goods and services to external customers. Cash and cash equivalents at the end of the period amounted to MSEK 62 (28).

EMPLOYEES

The number of permanent FTEs (Full Time Equivalents), at December 31, 2020 was 3,214 (3,088). The amount of FTEs at December 31, 2020 in business area AirTech was 2,286 (2,184), in FoodTech 861 (833) and at Group functions 68 (71).

OUTSTANDING SHARES AND REPURCHASES

In November 851,500 subscription warrants in Munters' warrant program series 2017/2020 were exercised. As a consequence, the number of shares and votes in the company increased by 860,015.

As of 31 December 2020, Munters held 2,537,000 treasury shares of the total outstanding shares of 184,457,817.

The Annual General Meeting in May 2020 authorized the Board of Directors to repurchase of shares in the company in relation to the Long Term Incentive Programme 2020 (LTIP 2020). Acquisitions could be made of no more than 685,000 shares in order to secure the delivery obligations of shares to participants in the LTIP 2020 and for subsequent transfers on a regulated market to cover cash-flow effects associated with the Programme, primarily social security charges and cash settled employee stock options. The shares could only be acquired on Nasdaq Stockholm and be acquired at a price per share within the from time to time registered trading interval. In July and August 2020 Munters repurchased a total number of 685,000 shares at an average price of SEK 63.25.

DIVIDEND

During 2020 Munters has established a solid base with increased profitability and a strengthened capital structure. The leverage was at 1.9x at year-end, which is within the mid-term target range for net debt to adjusted EBITDA of 1.5x-2.5x. Therefore the Board of Directors proposes a dividend of SEK 0.70 (0.0) per share for 2020. This represents 30 per cent of the net income 2020.

Ten largest shareholders	31 Dec
%	Total
FAM AB	26.0
ODIN Funds	8.5
First Swedish National Pension Fund	8.4
Swedbank Robur Funds	8.3
Fourth Swedish National Pension Fund	4.9
Handelsbanken Funds	3.9
Columbia Threadneedle	3.6
C WorldWide Asset Management	2.4
La Financière de l'Echiquier	2.3
Norges Bank	1.8

Source: Modular Finance

OTHER EVENTS

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

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

New President business area FoodTech announced – In February, it was announced that Pia Brantgärde Linder, previously Senior Vice President and Business Unit Manager of High Voltage Products in Northern Europe at ABB, had been appointed President of Business Area FoodTech. Pia started her position at Munters on August 16, 2020.

2020 Annual General Meeting - The Annual General Meeting of Munters Group AB was held on 7 May in Kista, Stockholm. In accordance with the Nomination Committee's proposal the following Board members were re-elected as ordinary members proposal: Magnus Lindquist, Helen Fasth Gillstedt, Per Hallius, Lena Olving, Kristian Sildeby and Juan Vargues. In addition, Håkan Buskhe and Anna Westerberg were elected as new Board members and Magnus Lindquist was re-elected as Chairman of the Board of Directors.

Nomination committee for the 2021 Annual General Meeting – In October Munters announced the nomination committee for the 2021 Annual General Meeting. The Nomination Committee shall be composed of the representatives of the four largest shareholders in terms of voting rights listed in the shareholders' register maintained by Euroclear Sweden AB as of 31 August each year, and the Chairman of the Board, who will also convene the first meeting of the Nomination Committee. The committee comprises: Magnus Fernström, FAM AB, Chairman of the Nomination Committee, Jan Dworsky, Swedbank Robur Funds, Mats Larsson, First Swedish National Pension Fund, Jonathan Schönback, Odin Fund Management and Magnus Lindquist, Chairman of the Board of Munters Group AB.

Change in number of shares - In November 851,500 subscription warrants in Munters' warrant program series 2017/2020 have been exercised. As a consequence, the number of shares and votes in the company increased by 860,015 and as at 30 November 2020, there were in total 184,457,817 shares and votes in Munters Group AB.

Head of Innovation announced - In November it was announced that Munters had appointed Stéphane Darcq, as Group Vice President and Head of Innovation as of December 1 2020. In this role, he reports to CEO Klas Forsström and is part of Munters Group Management team. Stéphane combines this role with the role he also previously had, as responsible for Product Management, Product Development and Marketing within business area FoodTech.

Head of Commercial Excellence announced – In November Stefan Aspman, previously Head of Business Control and Performance Management at Sandvik Coromant, Product Management and R&D, had been appointed Head of Commercial Excellence as of February, 2021. He will report to CEO Klas Forsström and be a part of Munters Group Management Team.



In 2019, a strategic evaluation of the Data Centers and Mist Elimination operations was conducted. In 2020 this resulted in a decision to keep these businesses in Munters. The businesses are today part of business area AirTech.

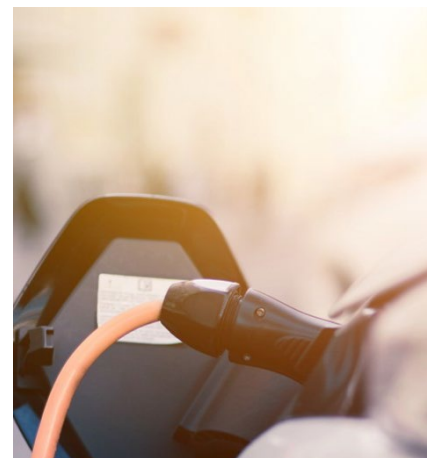
AirTech



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 energy-efficiency and sustainable climate systems. Our climate systems also provide better indoor air quality and comfort, as well as increased production capacity.

- Order intake decreased in the fourth quarter. The decrease was mainly due to a lower order intake in Data Centers US on the back of a strong order intake in 2019. This was partly offset by a strong order intake in the pharma, lithium battery and supermarket sub-segment. Services had good growth driven by a good development mainly in Americas.
- Currency adjusted net sales increased driven mainly by good growth in the pharma sub-segment and Services. Mist Elimination declined due to a continued weak development in the marine sub-segment. Data Centers US also declined on the back of a strong fourth quarter 2019.
- The adjusted EBITA-margin improved as a result of an improved gross margin and continued lower indirect costs.

MSEK	Q4			Jan-Dec		
	2020	2019	Δ%	2020	2019	Δ%
Order intake	1,172	1,361	-14	5,101	5,253	-3
Growth	-14%	6%		-3%	14%	
Net sales	1,323	1,382	-4	4,937	5,159	-4
Growth	-4%	9%		-4%	17%	
of which organic growth	4%			-2%		
of which currency effects	-8%			-3%		
Operating profit (EBIT)	234	159	47	565	565	-0
Adjusted EBITA	211	186	14	689	662	4
Growth	14%	0%		4%	27%	
Adjusted EBITA margin, %	15.9	13.4		14.0	12.8	



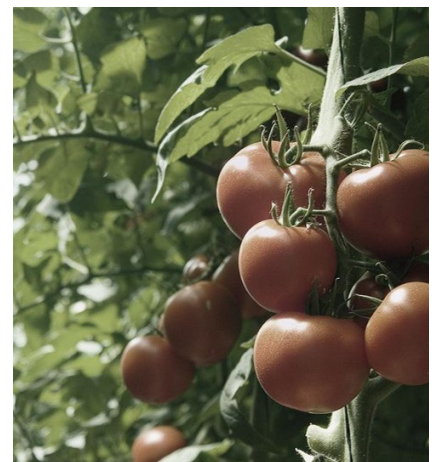
FoodTech



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

- Order intake decreased in the fourth quarter, currency adjusted increased. Region EMEA had a slight increase driven by currency adjusted growth in the broiler segment. Region Americas and region APAC had flat development. Region APAC had continued good growth in China.
- Net sales increased driven by a good growth in the swine segment in China. Region EMEA had a slight currency adjusted growth driven by the broiler segment, mainly in Northern Africa and the Middle East. Americas experienced continued weak net sales with a weak swine segment in US.
- The EBITA-margin decreased in the fourth quarter on the back of a strong margin in 2019.

MSEK	Q4			Jan-Dec		
	2020	2019	Δ%	2020	2019	Δ%
Order intake	450	491	-8	2,196	2,087	5
Growth	-8%	9%		5%	-1%	
Net sales	531	470	13	2,126	2,032	5
Growth	13%	-6%		5%	1%	
of which organic growth	22%			8%		
of which currency effects	-9%			-3%		
Operating profit (EBIT)	67	55	22	291	226	28
Adjusted EBITA	66	61	7	310	278	12
Growth	7%	24%		12%	11%	
Adjusted EBITA margin, %	12.3	13.0		14.6	13.7	



About Munters

Munters is a global leader in energy-efficient and sustainable climate solutions. The solutions guarantee temperature and humidity control, which is mission-critical for customers. Munters offers solutions to many different industries where controlling temperature and humidity is mission-critical. Our solutions reduce customers' climate and environmental impact through lower resource consumption, and in the process contribute to cleaner air, higher efficiency and reduced carbon emissions. Sustainability is an important part of Munters' business strategy and value creation.

Short facts

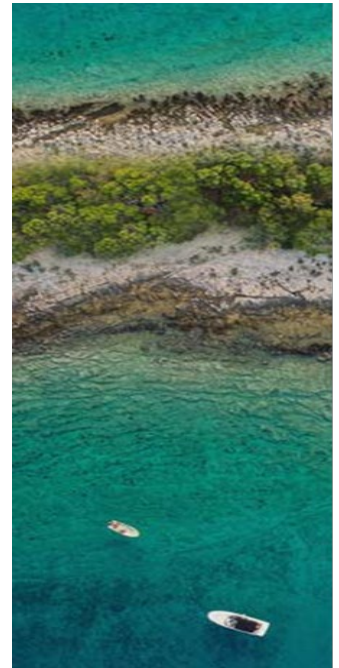
- 3,500 employees
- 30 countries with sales and manufacturing
- 17 production units
- 22% female leaders
- Two business areas: AirTech and FoodTech

In 2020 AirTech generated 70% of the total net sales of Munters and FoodTech 30%.

Purpose

For customer success and a healthier planet

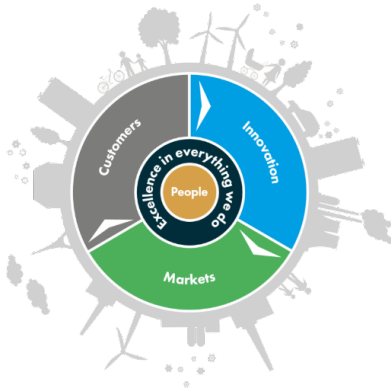
Curiosity and a drive to create pioneering technologies are part of our DNA. Our climate solutions are mission-critical to our customers' success and contribute to a more sustainable planet.



The strategy of Munters

Munters has a strong position in most of our markets. We see major opportunities to improve and strengthen our market position and to achieve our mid-term financial targets and deliver on our strategy. The key to success is how we respond in working toward our goals. Our overarching strategic priorities show which areas we regard as important to our success. For each strategic priority we have clear action plans and ambitions what we want to achieve. Sustainability is a priority issue reflected in every strategic priority.

People - The employees at Munters are the hub of our business. Through collaboration and a passion for creating sustainable solutions for our customers and partners, we contribute to our customers' success and a better world.



Customers - We closely cooperate our customers. We try not only to understand their needs today, but also in the future. Our expertise is built through unique insight into our customers' businesses and production processes. Munters works every day to deliver value over and above our customers' expectations.

Innovation - We at Munters work in a structured way to optimize innovation in the organization. We continually monitor technological developments in the market and work closely with our customers to understand their needs. We also work with other institutions that strengthen our competence and create value for customers. By continuously questioning and improving how we work, we create sustainable solutions, technologies and business models for the future.

Market - Munters is active around the world in a market driven by strong trends in sustainability and digitization. We focus resources on strengthening our position in areas where we can be a market leader. For Munters, a market leader not only has a leading position but also higher profitable growth than others in the industry.

Excellence in everything we do - We strive for quality and efficiency in everything we do. We work with continuous improvements in every area. We prioritize and focus on selected investments and areas of improvement. We follow up, learn, correct and improve.

Sustainability

Sustainability is one of the most important drivers for Munters' strategy today and in the future. Everything we do has to be sustainable for all our stakeholders and the environment. Our medium-term financial targets are important to create room for investments in the future. As we work toward these targets, we make various decisions and act in the best way to achieve our ambitions. These ambitions contain priorities on resource efficiency, responsible business practices and people & society. These three parts today constitute the framework for Munters' sustainability agenda.



Quarterly overview

Group and Segments

Group	2020				2019				2020	2019	
	MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year
Order backlog	2,253	2,664	2,660	2,808	2,307	2,440	2,496	2,554	2,253	2,307	
Order intake	1,611	1,919	1,870	1,849	1,845	1,680	1,840	1,938	7,249	7,302	
Net sales	1,841	1,833	1,773	1,566	1,842	1,813	1,877	1,620	7,015	7,153	
Operating profit (EBIT)	250	245	103	110	159	174	185	38	707	556	
Financial income and expenses	-45	-30	-50	-31	-55	-40	-51	-43	-156	-189	
Tax	-33	-51	-13	-22	-27	-34	-30	8	-120	-83	
Net income	172	163	39	57	76	100	104	3	432	283	
Amortization and write-down	-17	-30	-20	-20	-29	-32	-41	-32	-87	-134	
Items affecting comparability (IAC)	22	4	-138	-	-42	-42	-36	-61	-111	-181	
Adjusted EBITA	245	271	260	130	229	248	262	131	906	871	
Adjusted EBITA margin, %	13.3	14.8	14.7	8.3	12.5	13.7	13.9	8.1	12.9	12.2	
AirTech											
MSEK	2020				2019				2020	2019	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year	
External order backlog	1,737	2,025	2,003	2,186	1,780	1,886	1,926	1,993	1,737	1,780	
Order intake	1,172	1,354	1,231	1,343	1,361	1,179	1,264	1,449	5,101	5,253	
External net sales	1,321	1,270	1,205	1,127	1,378	1,286	1,323	1,164	4,924	5,151	
Transactions between segments	2	9	2	0	4	1	1	2	13	8	
Operating profit (EBIT)	234	185	51	94	159	151	173	82	565	565	
Amortization and write-down	-4	-16	-5	-5	-9	-5	-13	-5	-30	-31	
Items affecting comparability (IAC)	26	3	-125	-	-19	-11	-14	-23	-95	-67	
Re-allocation of internal services	-0	-	-	-	-1	-	-	-	-0	-1	
Adjusted EBITA	211	198	181	100	186	167	199	110	689	662	
Adjusted EBITA margin, %	15.9	15.4	15.0	8.8	13.4	12.9	15.1	9.4	14.0	12.8	
FoodTech											
MSEK	2020				2019				2020	2019	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year	
External order backlog	516	640	656	622	526	554	570	561	516	526	
Order intake	450	575	656	515	491	513	582	500	2,196	2,087	
External net sales	520	563	568	440	464	527	554	456	2,091	2,002	
Transactions between segments	11	9	7	9	5	7	8	9	35	31	
Operating profit (EBIT)	67	90	87	47	55	75	74	24	291	226	
Amortization and write-down	-5	-5	-5	-5	-4	-4	-4	-4	-20	-15	
Items affecting comparability (IAC)	6	0	-6	-	-3	-6	-8	-19	1	-36	
Re-allocation of internal services	-0	-	-	-	-	-	-	-	-0	-	
Adjusted EBITA	66	95	98	52	61	85	85	46	310	278	
Adjusted EBITA margin, %	12.3	16.5	17.1	11.5	13.0	15.9	15.2	9.9	14.6	13.7	
Other and eliminations											
MSEK	2020				2019				2020	2019	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year	
Order intake	-11	-10	-17	-10	-8	-13	-7	-11	-48	-38	
Transactions between segments	-12	-18	-8	-9	-9	-9	-9	-11	-48	-38	
Operating profit (EBIT)	-50	-31	-36	-32	-55	-52	-62	-67	-149	-236	
Amortization and write-down	-8	-10	-10	-10	-16	-24	-24	-23	-37	-88	
Items affecting comparability (IAC)	-10	-0	-7	-	-21	-24	-14	-18	-18	-78	
Re-allocation of internal services	0	-	-	-	1	-	-	-	0	1	
Adjusted EBITA	-32	-21	-19	-22	-17	-3	-23	-25	-94	-69	

Discontinued operation

MSEK	2020				2019				2020	2019
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full year	Full year
External order backlog	-	-	-	-	2	8	43	111	-	2
Order intake	-	-1	1	-	4	-3	3	11	-	15
External net sales	-0	13	3	-0	9	38	87	42	16	176
Operating profit (EBIT)	-2	-3	-1	0	-65	-341	-20	-24	-6	-450
Amortization and write-down	-	-	-	-	0	3	-0	0	-	3
Items affecting comparability (IAC)	-	-	-	-	-45	-325	-3	-0	-	-373
Adjusted EBITA	-2	-3	-1	0	-20	-19	-17	-24	-6	-80

Condensed income statement

MSEK	Q4		Jan-Dec	
	2020	2019	2020	2019
Net sales	1,841	1,842	7,015	7,153
Cost of goods sold	-1,235	-1,271	-4,665	-4,822
Gross profit	606	571	2,350	2,331
Selling expenses	-195	-207	-818	-970
Administrative costs	-144	-148	-538	-610
Research and development costs	-41	-53	-186	-197
Other operating income and expenses	24	-4	-101	2
Operating profit	250	159	707	556
Financial income and expenses	-45	-55	-156	-189
Profit/Loss after financial items	205	104	552	367
Tax	-33	-27	-120	-83
Net income for the period from continuing operations	172	76	432	283
Net income from discontinued operations	-2	-65	-6	-448
Net income for the period	171	12	426	-164
Attributable to Parent Company shareholders	168	13	420	-166
Attributable to non-controlling interests	3	-1	6	2
Average number of outstanding shares before dilution*	181,423,919	181,745,802	181,545,456	181,983,219
Average number of outstanding shares after dilution*	182,151,560	181,745,802	181,557,708	181,983,219
Earnings per share for net income for the period from continuing operations attributable to the ordinary equity holders of the company:				
Earnings per share before dilution, SEK	0.93	0.42	2.35	1.55
Earnings per share after dilution, SEK	0.93	0.42	2.35	1.55
Earnings per share for net income for the period attributable to the ordinary equity holders of the company:				
Earnings per share before dilution, SEK	0.92	0.07	2.32	-0.91
Earnings per share after dilution, SEK	0.92	0.07	2.32	-0.91
Other comprehensive income				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange-rate differences on translation of foreign operations	-232	-128	-325	122
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax	-2	-44	-7	-44
Income tax effect not to be reclassified to profit or loss	-0	10	1	9
Other comprehensive income, net after tax	-234	-162	-331	87
Total comprehensive income for the period	-64	-150	95	-77
Attributable to Parent Company shareholders	-64	-150	91	-79
Attributable to non-controlling interests	0	-0	4	2

*Excluding shares held in own custody.

Condensed balance sheet

MSEK	2020-12-31	2019-12-31
ASSETS		
NON-CURRENT ASSETS		
Goodwill	3,952	4,348
Patents, licenses, brands, and similar rights	1,356	1,469
Buildings and land	209	248
Plant and machinery	467	554
Equipment, tools, fixtures and fittings	161	162
Construction in progress	41	55
Financial assets	19	19
Deferred tax assets	246	249
Total non-current assets	6,451	7,103
CURRENT ASSETS		
Raw materials and consumables	350	350
Products in process	118	107
Finished products and goods for resale	215	296
Projects in progress	3	7
Advances to suppliers	5	12
Accounts receivable	935	1,050
Prepaid expenses and accrued income	376	288
Derivative instruments	-	5
Current tax assets	55	56
Other receivables	96	96
Cash and cash equivalents	970	722
Total current assets	3,123	2,989
TOTAL ASSETS	9,574	10,093

Condensed balance sheet

MSEK	2020-12-31	2019-12-31
EQUITY AND LIABILITIES		
EQUITY		
Shareholders' equity	3,746	3,628
Non-controlling interests	5	-0
Total equity	3,751	3,627
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	2,690	3,371
Provisions for pensions and similar commitments	299	282
Other provisions	33	24
Other liabilities	132	134
Deferred tax liabilities	371	409
Total non-current liabilities	3,525	4,221
CURRENT LIABILITIES		
Interest-bearing liabilities	96	126
Advances from customers	509	374
Accounts payable	529	556
Accrued expenses and deferred income	742	716
Derivative instruments	2	-
Current tax liabilities	52	32
Other liabilities	111	153
Provisions for pensions and similar commitments	10	9
Other provisions	248	278
Total current liabilities	2,299	2,244
TOTAL EQUITY AND LIABILITIES	9,574	10,093

CONDENSED STATEMENT OF CHANGES IN EQUITY

MSEK	2020-12-31	2019-12-31
Opening balance	3,627	3,716
Total comprehensive income for the period	95	-77
New share issue	61	-
Change in non-controlling interest	0	0
Put/call option related to non controlling interests	-4	0
Repurchase of shares	-43	-16
Share option plan inc deferred tax	14	4
Closing balance	3,751	3,627
Total shareholders' equity attributable to:		
The parent company's shareholders	3,746	3,627
Non-controlling interests	5	-0

Condensed cash flow statement

MSEK	Q4		Jan-Dec	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Operating profit	248	94	701	105
Reversal of non-cash items				
Depreciation, amortization and impairments	72	82	308	408
Other profit/loss items not affecting liquidity	-9	37	38	63
Change in provisions				
Provisions	14	-134	-1	158
Cash flow before interest and tax	326	79	1,047	735
Paid financial items	-37	-51	-151	-177
Taxes paid	-37	-32	-102	-111
Cash flow from operating activities before changes in working capital	252	-5	794	448
Cash flow from changes in working capital	161	286	183	221
Cash flow from operating activities	413	282	977	669
INVESTING ACTIVITIES				
Business acquisitions	0	0	-9	-0
Sale of tangible fixed assets	14	15	14	18
Sale of intangible fixed assets	2	0	2	2
Investment in tangible assets	-28	-23	-114	-118
Investment in intangible assets	-43	-28	-103	-76
Cash flow from investing activities	-56	-36	-209	-174
FINANCING ACTIVITIES				
New share issue	61	0	61	0
Loan raised	3	170	329	284
Amortization of loans	-188	-149	-698	-332
Repayment of lease liabilities	-33	-32	-130	-123
Repurchase of shares	-	-	-43	-16
Cash flow from financing activities	-156	-10	-481	-185
Cash flow for the period	201	236	287	310
Cash and cash equivalents at period start	790	497	722	404
Exchange-rate differences in cash and cash equivalents	-21	-12	-38	7
Cash and cash equivalents at period end	970	722	970	722

Operating profit includes the discontinued operation. Isolated cash flow from the discontinued operations is disclosed in a separate note, see page 23.

Parent company

CONDENSED INCOME STATEMENT

MSEK	Q4		Jan-Dec	
	2020	2019	2020	2019
Net sales	-	-	-	-
Gross profit/loss	-	-	-	-
Administrative costs	-5	-8	-22	-44
Other operating expenses	-3	-	-5	0
Profit/Loss before interest and tax (EBIT)	-8	-8	-27	-44
Financial income and expenses	-0	-0	0	0
Profit/Loss after financial items	-8	-8	-28	-44
Group contributions	23	43	23	43
Profit/Loss before tax	15	35	-5	-1
Tax	2	0	2	0
Net income for the period	17	35	-3	-1

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q4		Jan-Dec	
	2020	2019	2020	2019
Profit/Loss for the period	17	35	-3	-1
Other comprehensive income, net after tax	-	-	-	-
Comprehensive income for the period	17	35	-3	-1

Parent company

CONDENSED BALANCE SHEET

MSEK	2020-12-31	2019-12-31
ASSETS		
NON-CURRENT ASSETS		
Participations in subsidiaries	4,099	4,086
Other financial assets	4	0
Total non-current assets	4,104	4,086
CURRENT ASSETS		
Other current receivables	-	-
Prepaid expenses and accrued income	0	0
Current tax assets	1	0
Receivables from subsidiaries	27	45
Cash and cash equivalents	62	28
Total current assets	90	74
TOTAL ASSETS	4,194	4,160

MSEK	2020-12-31	2019-12-31
EQUITY AND LIABILITIES		
EQUITY		
Share capital	6	6
Share premium reserve	4,135	4,074
Profit brought forward	33	60
Income for the period	-3	-1
Total equity	4,171	4,139
NON-CURRENT LIABILITIES		
Provisions for pensions and similar commitments	1	0
Total non-current liabilities	1	0
CURRENT LIABILITIES		
Accounts payable	1	3
Accrued expenses and deferred income	21	11
Liabilities to subsidiaries	-	0
Other liabilities	-	2
Other provisions	-	5
Total current liabilities	22	21
TOTAL EQUITY AND LIABILITIES	4,194	4,160

Other disclosures

ACCOUNTING POLICIES

This report has been prepared, with regards to the Group, in accordance with IAS 34 *Interim Financial Reporting*, recommendation RFR 1 of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act and, with regards to the Parent Company, in accordance with recommendation RFR 2 of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. The accounting principles applied correspond to those presented in the Annual- and Sustainability report 2019 (Note 1).

Munters has received government grants to cover e.g. salary payments, in order to reduce the financial effects of the current Covid-19 pandemic. When it is reasonably certain that this grant is being received, the grant is recognised as other operating income in the period in which the related costs arise. These grants, together with other government assistance, e.g. social security contributions, are reported as items affecting comparability.

DEFINITION OF KEY FINANCIAL INDICATORS

The Group presents certain financial metrics in the Interim report that are not defined in accordance with IFRS. The Group is of the opinion that these metrics provide valuable complementary information, in that they enable an evaluation of the Group's performance. The financial metrics are calculated in accordance with the definitions presented on page 127 of the Annual- and Sustainability report 2019, except for the ROCE, where the definition was changed during the third quarter 2020. The background to this is the fact that the capital employed used in the denominator in the former definition was closer to invested capital, used for ROIC, than capital employed to be used for ROCE. Also, the former definition used EBIT, instead of EBIT plus financial income in the numerator. This change of definition has had only insignificant impact on ROCE for the last twelve months prior year. Both under the old definition and new definition, ROCE was 1%, however ROCE adjusted for IAC and goodwill was 23% under old definition and 21% under the new definition.

TRANSACTIONS WITH RELATED PARTIES

At the annual general meeting in May 2020 it was resolved in accordance with the Board's proposal on the implementation of a performance based long-term incentive programme ("LTIP 2020" or the "Programme"). The programme was to comprise no more than 1,699,000 employee stock options to be granted to members of the group management and certain other key employees, approximately 74 employees in total. A total of 69 employees has accepted the offer comprising 1,513,000 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 equivalent to 110% of the volume-weighted average price paid for the company's shares at Nasdaq Stockholm during a period of ten business days immediately following the date of the 2020 annual general meeting. Each cash-settled employee stock option shall entitle the holder to a cash amount equivalent to the value of one share in the company calculated as the volume-weighted average price paid for the company's shares at

Nasdaq Stockholm during a period of ten business days immediately prior to the exercise of the option, with deduction of an exercise price determined according to the method mentioned above. The employee stock options vest during a three year period and the programme participants shall be able to exercise employee stock options during a one year period as from and including the date of the expiry of the vesting period. Exercise of the employee stock options shall as a principal rule be conditional upon the programme participant still being employed with the group at the time of exercise and has been employed with the group during the whole vesting period. The employee stock options are divided in three series. Exercise of employee stock options of all series is dependent on the extent to which performance targets, linked to the compound annual growth rate in adjusted EBITA for Munters, the compound annual growth rate in Munters net sales and a compounded sustainability goal consisting of three sub-components, respectively, are satisfied during the financial years 2020-2022. The costs of the programme, based on the assumptions stated in the notice of the annual general meeting, is estimated to MSEK 8.

At the extraordinary General Meeting on May 7, 2017, it was resolved to issue warrants as part of an incentive program for certain members of the Group Management at that time. The warrants were issued in two separate series. The first series expired already last year, however the series 2017/2020 was exercisable up until November 19, 2020 and comprised 2,611,000 warrants. During the fourth quarter, a total of 851,500 was exercised resulting in 860,015 new shares, impacting the share capital and share premium with MSEK 62, corresponding to approximately 0.5% of the share capital. The average exercise price for these warrants was SEK 72.

ENVIRONMENTAL IMPACT AND ENVIRONMENTAL POLICY

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

LEGAL CASES

Since 10 years, Munters US has been party to a dispute with the New Jersey Department of Environmental Protection ("NJDEP") regarding a potential liability under ISRA (*Industrial Site Recovery Act*). This relates to environmental conditions on a property previously leased by a company subsequently acquired by and merged into Munters US. In the first half year 2020, this case was resolved and further appeal denied by the Supreme Court in New Jersey, resulting in Munters US being responsible to conduct investigative and remedial activities on the property.

Munters US has insurance cover for the expected costs associated with the investigative and remedial activities. Since Munters will likely have to bear approximately MSEK 6 in regulatory fines and fees issued by the NJDEP, however subject to ongoing discussions with the NJDEP, a provision of the MSEK 6 was booked in Q2 2020, and reported as an item affecting comparability.

Hunter New England Health District has sued Munters' Australian subsidiary, Munters Pty Ltd., for breach of contract in relation to services provided to John Hunter Hospital in the spring of 2008. The services were provided as part of Munters Pty Ltd.'s Moisture Control Services, which were later divested in 2010. Munters Pty Ltd. disputes the claim.

Munters Pty Ltd is protected under local liability insurance and for surplus amounts up to the limit in effect at the time under Munters AB's insurance. In the event Munters Pty Ltd. is held liable for the damage, there is a risk that the company will have to bear that part of the damage that exceeds the part covered by insurance.

RISKS AND UNCERTAINTIES

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

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

Munters made a provision for warranty costs of estimated MSEK 3.5 in the third quarter 2020 related to a limited number of customer claims where Munters have not fulfilled agreed specifications. The estimated costs will be incurred because of certain components having to be replaced at the relevant customer installations. During the fourth quarter and additional provision of MSEK 3.8 was made, relating to an increased cost per installation, and 1.5 MSEK of the total provision has

been used for actual replacements. Although the company's current assessment is that the risk is limited, it cannot be excluded that additional customer claims may arise.

Financial risks mainly consist of currency, interest and financing risks. Munters works actively with insurance solutions, and group-wide insurances are governed by central guidelines. This includes for example coverage for general liability and product liability, property, business interruption, transportation, the liability of Board members and the CEO and employment practices liabilities.

During 2020 the Covid-19 outbreak had a mixed impact on Munters with the largest impact experienced in the second and fourth quarter, with delays both in deliveries to customers as well as postponed investments by customers. All our production units, except one minor unit, upheld production with only minor disturbances throughout the year. We have continuously been implementing mitigating actions and adjusting our cost base and investments as well as our supply chain. So far, we have not had any major disturbances.

Currently, the market visibility of demand remains low due to the lingering Covid-19 outbreak.

A more detailed description of the Group's risks and how they are managed can be found in the Annual- and Sustainability report 2019.

ALLOCATION OF NET SALES

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

MSEK	Q4 2020			Jan-Dec 2020		
	AirTech	FoodTech	Total	AirTech	FoodTech	Total
Allocation timing of revenue recognition						
Goods transferred at a point in time	906	473	1,379	3,136	1,883	5,019
Goods transferred over time	264	7	271	1,408	59	1,466
Services transferred over time	151	40	191	397	150	546
Total	1,321	520	1,841	4,940	2,091	7,031
whereof related to the discontinued operation	0	-	0	16	0	16
Total net sales from continuing operations	1,321	520	1,841	4,924	2,091	7,015
SEKm	Q4 2019			Jan-Dec 2019		
	AirTech	FoodTech	Total	AirTech	FoodTech	Total
Allocation timing of revenue recognition						
Goods transferred at a point in time	932	410	1,342	3,509	1,793	5,302
Goods transferred over time	380	10	390	1,361	57	1,418
Services transferred over time	74	45	118	457	151	608
Total	1,387	464	1,851	5,327	2,002	7,329
whereof related to the discontinued operation	9	-	9	176	-	176
Total net sales from continuing operations	1,378	464	1,842	5,151	2,002	7,153

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Group's contingent earn-outs and put/call acquisition options, recognized at fair value in the statement of financial position, are measured according to IFRS 9 and are categorized in level 3 in the fair value hierarchy. The opening balance for the period was related to the put/call option from the acquisition of MTech Systems in 2017 and a contingent consideration related to the acquisition of Humi-Tech Services Ltd in July 2018. The put/call option related to MTech Systems matures in

MSEK	2020-12-31	2019-12-31
Contingent considerations and put/call options		
Opening balance	142	137
Payments	-9	-
Discounting	4	1
Exchange-rate differences for the period	-16	5
Closing balance	121	142

DISCONTINUED OPERATIONS

On September 9, 2019 Munters decided to close its European Data Center factory in Dison, Belgium, following the finalization of negotiations with the unions. The production has ceased but minor installation services remains at customer sites. Therefore, this business was classified as a discontinued operation in Q3, 2020. The table below shows the

January, 2023 and is based on EBITDA for the 12 months prior to execution. The earn-out in Humi-Tech Services Ltd was based on EBITDA for the fiscal years of 2018 and 2019 and has been paid during the year. The remaining change relates to a discounting effect and currency translations on the put/call option in MTech.

Munters deems that the interest rate on interest-bearing liabilities are in line with market terms at December 31, 2020, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount.

income statement for the discontinued operation as well as the cash flow from operating activities, since the discontinued operations has mainly had cash flows from operating activities.

The net sales for the fourth quarter and the full year 2020 relates to installations done at customer site, with associated costs.

MSEK	Q4		Jan-Dec	
	2020	2019	2020	2019
Net sales	-0	9	16	176
Cost of goods sold	-1	-56	-11	-427
Gross profit	-1	-47	6	-251
Selling expenses	2	-12	-8	-39
Administrative costs	-1	-9	-2	-39
Research and development costs	0	-1	0	-9
Other operating income and expenses	-2	3	-2	-113
Operating profit	-2	-65	-6	-450
Financial income and expenses	0	-2	-0	-5
Profit/Loss after financial items	-2	-67	-6	-455
Tax	0	2	0	8
Net income for the period from discontinued operations	-2	-65	-6	-448
Cash flow from operating activities	-43	-190	-149	-431

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Below is a reconciliation of Munters adjusted performance measures from items affecting comparability. These items originates from the implementation of the refined strategy in terms of restructuring activities, a net gain from a sale of an office building in the Netherlands, legal cases outside the ordinary business operation related to a previous customer claim and regulatory fines and fees from a ten year old dispute regarding a potential liability under the US Industrial Site Recovery Act, and an earned refund of several years of incorrectly charged sales tax in Brazil.

In addition to this, Munters has due to the current Covid-19 pandemic incurred Covid-19-related IACs, which comprises of a net of sanitation and hazard pay expenses and received government grants/government assistance for e.g. salary payments and social security contributions.

During 2019 Munters incurred IACs from Full Potential Program (FPP), launched in February 2019.

The reconciliation below does not include the discontinued operation.

MSEK	Q4		Jan-Dec	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Adjusted EBITDA	300	280	1,126	1,079
Amortizations and write-downs of tangible assets	-55	-50	-221	-208
Adjusted EBITA	245	229	906	871
Amortizations and write-downs of intangible assets	-17	-29	-87	-133
Adjusted operating profit (EBIT)	228	201	818	737
Restructuring activities	10	-42	-124	-181
Gains/losses from sale of fixed assets	6	0	6	0
Legal cases outside the ordinary business operation	-8	0	-14	0
Received government grants/government assistance	6	0	20	0
Corona related expenses	-4	0	-12	0
Earned refund of sales tax in Brazil	13	0	13	0
Operating profit (EBIT)	250	159	707	556

RECONCILIATION OF NET DEBT AND LEVERAGE

The reconciliation of net debt and leverage below includes the discontinued operation.

MSEK	2020-12-31	2019-12-31
CURRENT ASSETS		
Cash and cash equivalents	-970	-722
NON-CURRENT LIABILITIES		
Interest-bearing liabilities, excluding leases	2,440	3,057
Interest-bearing lease liabilities	250	314
Provisions for pensions	285	268
CURRENT LIABILITIES		
Interest-bearing liabilities, excluding leases	14	24
Interest-bearing lease liabilities	82	102
Accrued expenses	9	12
Provisions for pensions	6	6
Total Net debt	2,116	3,062
Operating profit (EBIT)	701	105
Depreciations	-221	-277
Amortization and write-down	-87	-131
EBITDA	1,010	514
Items affecting comparability	-111	-525
Adjusted EBITDA, LTM	1,121	1,039
Net debt/Adjusted EBITDA, LTM	1.9	2.9

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

INFORMATION AND REPORTING DATES

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On February 4, at 9:00 the President and CEO, Klas Forsström, together with the Group Vice President and CFO, Annette Kumlien will present the report in a live webcast simultaneously with a telephone conference.

Webcast:

<https://tv.streamfabriken.com/munters-q4-2020>

Dial-in number for the telephone conference:

SE: +46 8 56642693

UK: +44 3333009035

US: +1 8335268397

This interim report, presentation material and a link to the webcast will be available on <https://www.munters.com/en/investor-relations/>

Financial calendar:

April 22, 2021, Interim report January-March 2021

May 19, Annual General Meeting 2021 in Stockholm, Kista, Sweden.

July 16, Interim report January-June 2021

October 22, Interim report January-September 2021

This information is information that Munters Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on February 4, 2021.

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

About Munters Group

Munters is a global leader in energy efficient air treatment and climate solutions. Using innovative technologies, Munters creates the perfect climate for customers in a wide range of industries. Munters has been defining the future of air treatment since 1955. Today, around 3,500 employees carry out manufacturing and sales in more than 30 countries. Munters Group AB reported annual net sales of more than SEK 7 billion in 2020 and is listed on Nasdaq Stockholm. For more information, please visit www.munters.com.

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

