



ANNUAL AND SUSTAINABILITY REPORT 2021

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The audited annual report for Munters Group AB (publ), corp. reg. no. 556819-2321, refers to pages 74-124.

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 10, 11, 18-27 and 40-58.

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.



Cover: Munters' products are installed in critical infrastructure such as bridges and water treatment plants. Inside the Öresund Bridge, and for sensitive parts and equipment, Munters dehumidifiers prevent condensation and corrosion, by keeping the humidity between 45-50% RH. It significantly extends the life of the bridge and reduces ongoing maintenance needs.

Sales in number
of countries

>30

Sales,
MSEK

7,348

Number of
production plants

17

Number of
employees

3,350

Proportion of women in
management, %

23

World leader in energy-efficient climate solutions

Munters has played a role in shaping the industry for climate solutions since the company was founded in 1955. Curiosity and an ambition to create pioneering technologies are a part of our DNA. Our climate solutions are mission-critical to our customers' success and contribute to a more sustainable planet.



We make our customers more sustainable

Munters offers innovative, efficient and sustainable solutions for customers in many different industries where controlling indoor humidity, temperature and energy efficiency is mission-critical. Our solutions reduce customers' climate and environmental impact through efficient resource consumption. In this way our solutions contribute to better climate, higher efficiency and reduced carbon emissions.



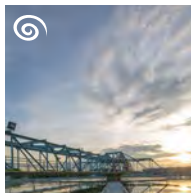
Battery production

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



Data centers

Digitization and global data traffic are growing and more data centers are being built around the world. Advanced climate cooling solutions are critical to low energy consumption as well as reliability and help to reduce carbon emissions.



Infrastructure

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



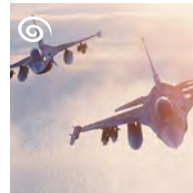
Retail

Retail and grocery stores can achieve lower operating costs with Munters' efficient, high-performance climate systems. Our climate systems ensure that a store's heating and ventilation system and its refrigerators and freezers are working efficiently.



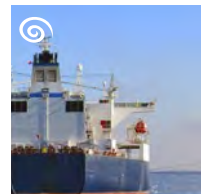
Electronics

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




Defense and aviation industry


In the defense and aviation industry dehumidification is critical to protect sensitive equipment, electronic systems and components. Climate control in hangars and storage areas increases service life of vehicles and material as well as reduces building maintenance.



Power & marine industry

Munters' mist eliminators remove up to 95 percent of the harmful sulfur from flue gases emitted by the power industry and ships. Engines and ventilation systems on ships also have to be protected, so we offer modern air intake systems that stop rain, snow, sea salt and harmful particles.

 Business area AirTech

 Business area FoodTech



Quchao,
Group Controller at Munters.



Barns with digital solutions

For large restaurant chains, for example, a controlled production chain is important. Through our AI solutions, large parts of the production process can be controlled, which helps improve animal health as well as reduce waste and thereby increase profitability.



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.



Greenhouses

By offering them the perfect indoor climate for cultivating plants, growers can produce under optimal conditions. Our innovative product range includes control equipment, ventilation, evaporative cooling and heating.



Agriculture

Munters develops and manufactures energy-efficient 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 meet strict quality and food safety requirements.



Food & Beverages

Our solutions control climate conditions the whole way from farm to table, ensuring hygiene and optimal product quality at the same time that they conserve energy and increase productivity.

Events during the year

January

New drying cabinet customized for kindergarten

Munters' new drying room for day-care centers and schools makes drying children's clothing more efficient, cheaper and less damaging to the clothing. With a rack system at different heights, even small children can hang up their own clothes.



February

Net zero greenhouse gas emissions by 2030

We have focused for some time on reducing our climate impact and improving energy and resource efficiency. In April, management decided that Munters' operations will reach net zero by 2030.

March



Expansion in Virginia

Demand for data center cooling has soared in recent years, driven by online shopping, social media traffic and new AI technology, among other things. In response to the growth and to expand the business, Munters is moving to a new, sustainable production facility in Botetourt County, Daleville, Virginia.

April

Munters and CTT create the perfect climate onboard aircraft

Munters and CTT, the market leader in aircraft humidity control, will team up to develop a new type of evaporative media to improve the efficiency and performance of CTT's aircraft humidifiers. The combination of CTT's humidification systems and Munters' evaporative filters can lessen the problem of dry air onboard aircraft.

May



Next strategy step for FoodTech

We continue to implement our strategy and presented the strategic review of the business area FoodTech. The goal of FoodTech's new strategy is to strengthen the digital area and the climate control offering. The strategy is to combine FoodTech's market-leading digital offering with Munters' climate control products. In this way we create a unique, competitive offering of digital solutions.

June

Managers receive sustainability training

We are introducing mandatory web-based sustainability training for our leaders and other key employees. In 2022, more employees will be offered sustainability training.

Munters walks 3.9 times around the globe

To strengthen team spirit and improve health, a four-week step counting contest was launched for employees. The goal was to reduce the amount of sitting and encourage exercise. Employees walked over 200 million steps, enough to circumnavigate the globe 3.9 times.

Webcast Capital Markets Day

Munters regularly meets with investors and analysts. During a webcast of "Capital Markets Update," we reviewed Munters' development and operations with a focus on the implementation of the business strategy. Presenters included CEO Klas Forsström and CFO Annette Kumlien. FoodTech President Pia Brantgärde-Linder provided a deep dive on FoodTech's strategy.

July

August

September

October

November

December

Next level of dehumidification: DSS Pro

The new DSS Pro takes our dehumidification offer to a new level. DSS Pro can be installed indoors or outdoors and is equipped with the new AirPro casing, which significantly improves sustainability, reduces air leakage and consumes much less energy. DSS Pro has a longer lifecycle than previous products and is designed for the pharmaceutical and food industries as well as battery production. We received our initial customer contracts in 2021.



Contract for Scandinavian lithium battery lab

A strategic turnkey contract was received to design and build a Scandinavian lithium battery lab, reaffirming Munters' position as a leading supplier to lithium battery producers. The agreement calls for Munters to design and build a full-scale lab for lithium batteries in Scandinavia.

We track our indirect emissions

We are beginning to train our top managers on how the indirect emissions in our value chain will be measured according to Scope 3 of the GHG protocol. Measuring Scope 3 is a part of our ambition to reduce emissions throughout our value chain, from suppliers to customers.

SyCool Split wins prestigious award

Our product SyCool Split has received Mission Critical's Top Tier Product Award in cooling solutions. Designed for data centers, SyCool Split is a waterless thermosiphon-based system that does not consume water, providing an efficient cooling solution for new and retrofit installations where access to a suitable water supply may be limited, expensive or unreliable.

Visionary Explorers

We are launching a one-year leadership program – MovE (Munters' orchestra of visionary Explorers) – with a focus on key strategic projects such as how we will reduce our carbon emissions.



Appointment of Grete Solvang Stoltz as Group Vice President HR and Sustainability

Grete Solvang Stoltz was appointed new Group Vice President of HR and Sustainability and part of Munters' management team. Grete has extensive experience in running global strategic programs with focus on corporate culture as well as organizational and sustainable development. She has previously held a number of highly qualified HR positions at LKAB and SCA.

New factory in Czech Republic to meet lithium battery demand

The lithium battery market has grown dramatically in recent years, largely driven by increased global demand for electric vehicles. To meet this growth, we are building a new manufacturing facility in Hodonin, in the Czech Republic, about 10 km from the current location in Hrusky. We will recruit at least 100 new team members to the new factory.



Help for disaster victims in Germany

After the damaging flooding in Germany, it was difficult to clean up due to a shortage of the right clothing and tools. Munters participated in a relief effort, sending five box trucks to the devastated Ahr Valley to donate 300 pairs of rubber gloves and equipment such as electric generators to the disaster-stricken communities.

Sustainable financing

Sustainability targets are linked to the primary financing facilities according to the Sustainability Linked Loan Principles (SLL). The principles facilitate and support environmentally and socially sustainable economic activity and growth.

Focus on gender equality

We joined the UN Global Compact's Target Gender Equality initiative. The program is designed to facilitate performance analysis and peer-to-peer learning at the country level to increase women's representation and leadership.

Strong demand for our climate smart solutions

Demand for Munters high-quality, efficient climate solutions is higher than ever. The strong megatrend to slow climate change continues to be an important driver of our business. With our solutions the world becomes more climate smart and sustainable.

Our customers are aiming to improve their energy and resource efficiency and reduce their environmental impact, which is driving demand for our solutions. Demand for our world-leading climate systems is also driven by battery manufacturers, which are benefiting from the growing global market for electric vehicles. In addition, we are seeing the positive effects of expanding global data traffic – partly due to the decrease in travel caused by the pandemic – which is growing our sales of data center cooling equipment.

At the same time, there are more industries – especially the food industry, where Munters is a leading supplier – that realize the benefits of connecting the processes in their value chain in order to increase productivity and at the same time reduce their climate impact. The global digitization trend will therefore continue to drive demand for our solutions.

The pandemic affected 2021

Last year was challenging since we were forced to manage the pandemic's impact on the supply chain and raw material prices. It was fantastic to see how hard Munters' employees worked to get hold of inputs and get our finished products out. In response to the price hikes in raw materials, we continuously raised our prices during the year and instituted new pricing strategies that will create value.

The order intake jumped by 24 percent to MSEK 9,013, while sales increased by 5 percent to MSEK 7,348. Sales was impacted by the supply-chain challenges, which lengthened lead times. Supply chain constraints and a depressed Chinese swine

segment affected profitability, and the adjusted EBITDA margin decreased from 12.9 percent to 12.1 percent.

What I mostly take away from 2021 is how professionally and energetically sustainability was integrated in our business strategy. We also decided that Munters will reach net zero greenhouse gas emissions from our operations by 2030. It is an important target to ensure that every aspect of our operations gives consideration to Munters' climate impact.

In December 2018, Munters joined the UN Global Compact's Target Gender Equality initiative and we continue to work actively with the Global Compact's ten principles on sustainable development in the areas of human rights, labor, the environment and anti-corruption. This work now is also a natural element of our business strategy.

Strategy for sustainable growth

Munters' strategy is to grow sustainably. Growth will be achieved both organically and through acquisitions. We have five strategic priorities that we focus on to deliver profitable growth.

Markets – good underlying growth

The business area AirTech is seeing continued strong underlying growth from the prioritized segments battery and data center as well as the food industry. In 2021, FoodTech conducted a strategic review to benefit from the digitization trend. As a result, FoodTech will create a unique linked offering for the entire value chain around food production. Through its strong market position and software development expertise, FoodTech will accelerate

growth. In February this year, FoodTech was recognized for its connected offering through a breakthrough Software-as-a-Service solution (SaaS) contract with one of the world's largest food producers.

For both business areas, service is an important growth area. Services are a recurring business with good profitability that is growing in pace with our installed product base. We are also seeing the service offering increase in importance for customers, since service extends the life of the products, improves efficiency and has a positive impact on the customer's sustainability work.

Strong, long-term customer relationships

In 2021, we conducted a survey of our 300 largest customers, which confirmed that they most of all appreciate the high quality and long operating life of our products, as well as our long-term relationships. Munters always tries to understand customers' needs and processes better than they do themselves and deliver more value than they expect. In this way, we create long-term relationships and a strong market position to continue to build on.

Innovation – new, high-quality products

Since Carl Munters founded the company nearly 70 years ago, innovation has been part of our DNA. In 2021, we launched Munters DSS Pro, a unique new dehumidification solution for use both outdoors and indoors. DSS Pro is designed for battery manufacturers as



The sustainability work has been seamlessly integrated in our business strategy

well as the food and pharmaceutical industries.

The sustainability aspect is a heavy sales argument, since DSS Pro has a longer lifecycle than previous products.

In 2021, we also reached our target to reduce the product range by 40 percent, which significantly improves efficiency.

Quality and efficiency – digital processes

Back in 2019 we decided to increase our efficiency through digital information flows and processes. This is a project that will take several years and lays the groundwork for increased scalability and profitable growth.

As mentioned, sustainability and Munters' own climate impact was an overarching theme in 2021. Among other things, we have decided to introduce a sustainability evaluation requirement with all major investment decisions. Before any big investment, we perform a climate analysis and apply internal carbon pricing.

In addition, we analyze social factors such as human rights, working conditions and diversity. This is another step in making Munters more sustainable.

People – passion for results

I am pleased and proud when I see our employees' engagement and their efforts to strengthen Munters' position as an innovative, leading global supplier of high-quality climate solutions. Everyone at Munters is energized by the knowledge that our solutions help make the world more sustainable. I want to thank all our employees for their fantastic work during a year distinguished by a high order intake and the impact of the pandemic.

Outlook

We have entered 2022 with a record-high order book as an effect of robust demand and the supply chain challenges in 2021, which lengthened delivery times. We expect these challenges to continue in the next six months. In 2022, we will see the full effect of the price increases we implemented in 2021. We also continue to build out our capacity and improve our efficiency and routines. Through the acquisition in January this year of EDPAC, an Irish manufacturer of cooling systems for data centers and air handling systems, we are strengthening our presence in the important European market for data centers. This, together with the strong megatrends driving the markets for our high-quality climate solutions, make me optimistic about Munters' opportunities for further profitable and cash flow generating growth.

Stockholm, February 2022

Klas Forsström,
President and CEO

Sustainable value creation targets

Munters' overarching target is sustainable value creation. 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 can steer operations and set priorities that help us reach our overarching targets.

Financial targets

Munters' Board of Directors adopted the following medium-term financial targets in 2019:

- Annual organic, currency adjusted net sales growth of 5 percent supplemented by selected add-on acquisitions.
- An adjusted EBITA margin of 14 percent.
- A ratio of consolidated net debt to adjusted EBITDA of 1.5x to 2.5x, which may temporarily exceed the target level, e.g., in connection with acquisitions.

Dividend policy

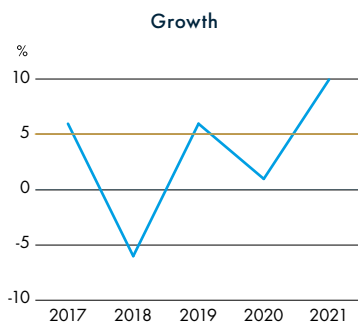
According to the dividend policy adopted by the Board of Directors, Munters' aim is to pay an annual dividend corresponding to 30–50 percent of net income for the year. The pay-out decision will be taken by the Board in consideration of the company's financial position, investment needs, acquisitions and liquidity position. There can be no assurance whether a dividend will be proposed or declared in any given year, however. The Board of Directors is proposing a dividend for 2021 of SEK 0.85 (0.70) per share, which represents 30 (30) percent of the net income for 2021.

Payout ratio

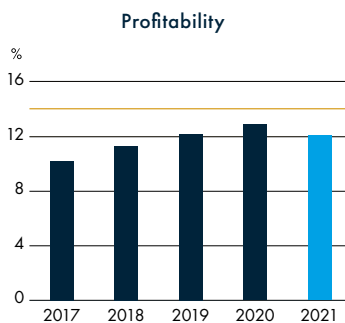
30%

(2020: 30)

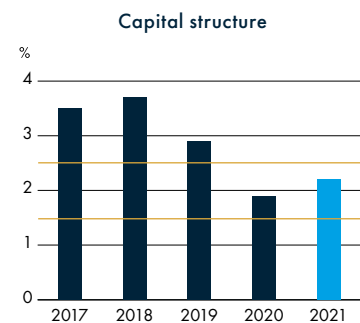
Proposed dividend as a percentage of income for 2021 and actual payout ratio in 2020.



Target: Annual organic, currency adjusted net sales growth of 5% supplemented by selected add-on acquisitions.



Target: An adjusted EBITA margin of 14%.



Target: A ratio of consolidated net debt to adjusted EBITDA of 1.5x to 2.5x, which may temporarily exceed the target level, e.g., in connection with acquisitions.



Sustainability goals

■ **The sustainability goals** are a central part of Munters' strategy. Our success is based on the skill of delivering on the strategic priorities as well as our ability to act sustainably with high ethics and respect for human rights, the pursuit of increased diversity, good health and workplace safety as well as reduced environmental impact. Munters manages the business with many goals and indicators in the area of sustainability. In 2021, we decided on the goal of net zero emissions from our operations by 2030. Our key sustainability areas are:

- Offer our customers high-quality, resource-efficient climate solutions that contribute to achieving their sustainability targets.
- Reduce carbon dioxide emissions, increase energy efficiency and the share of renewable electricity in our operations.
- Increase diversity and ensure an inclusive culture and workplace safety
- Ensure high ethics and respect for human rights throughout the value chain.

Green electricity

53%

(2020: 50)

Proportion of suppliers who signed Code of Conduct

100%

(2020: 100)

Proportion of women in management

23%

(2020: 22)

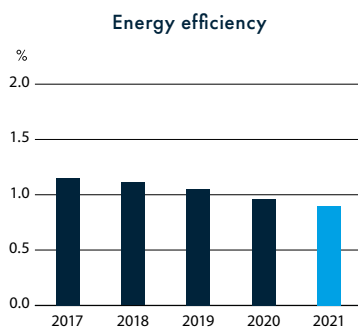
Total recordable incident rate

1.7

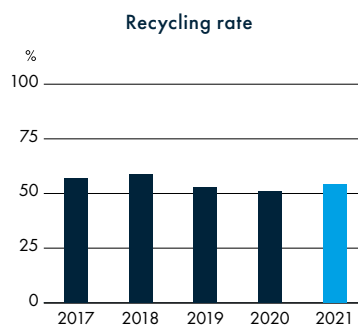
(2020: 1.2)

Target: Eliminate accidents in production. 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.

Read more about the outcomes in the sustainability goals and indicators and how Munters works with the goals on pages 40-43 and in the sustainability report.



Continuous reduction of electricity consumption in our production units.



Our goal is to continually raise our recycling rates (i.e., the percentage of waste reused or recycled out of the total amount of waste generated at our production sites).

Climate change is our most important megatrend

Munters’ most important megatrend is climate change. Climate change is driving and impacting our market, demand and our strategic priorities.

We see strong global drivers and trends that support the use of efficient climate control solutions. Munters is well-positioned to meet these trends and is part of the solution for a more sustainable world.

Climate change

Climate change is a growing, global concern for politicians, businesses and consumers. We see that the EU’s Green Deal and the results of the COP26 conference are raising the pressure on businesses to take action and reduce their climate impact. There is a growing trend among companies to take responsibility and want to ensure the sustainability of their entire value chain. For them, like us, more efficient use of the earth’s finite resources and a smaller climate impact are an important success factor. This is leading to growing global demand for sustainable and energy-efficient climate solutions that reduce our customers’ climate impact.

How Munters is addressing the trend

Munters’ energy-efficient solutions help our customers to reduce their environmental impact and ensure sustainable business.

Examples:

- Munters products can extend the service life of bridges, wind turbines and other infrastructure and thereby increase resource efficiency.
- Our solutions eliminate up to 95 percent of the harmful sulfur emitted from ships.
- Munters facilitates a large share of the world’s production of lithium-ion batteries for electric cars by supplying ultra-dry air. We can also reduce electricity consumption in production to create more sustainable battery solutions.

Increased digitization

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

How Munters is addressing the trend

Munters’ solutions that connect products and systems enable more data and control in the customer’s production environment and entire value chain.

Examples:

- Digitization facilitates new systems and solutions with long-term potential for Munters to sell indoor climate as a service.
- High demand for cooling systems for data centers. Our data center solutions produce significant energy savings compared with traditional cooling.
- Munters’ IoT solution links farms with food processors to optimize livestock farming and the logistics chain while minimizing resource consumption.

Population growth

The increased focus on climate change and resource shortages due to population growth around the world, as well as a growing urban middle-class that consumes more animal and vegetable-based protein, are driving demand for energy- and resource-efficient solutions.

How Munters is addressing the trend

Munters offers energy-efficient solutions that contribute to increased efficiency with higher production for customers and reduced carbon emissions.

Examples:

- In livestock farming, the right indoor climate is important to the well-being of the animals and to optimize resource consumption as well as for the employees’ work environment and to increase productivity.
- Efficient refrigeration units in grocery stores reduce energy consumption by up to 40 percent.
- Environmentally friendly and energy-efficient air handling systems facilitate the manufacture of powdered milk and pharmaceuticals.

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 lithium-ion batteries, require an extremely precise climate. Even stricter regulations and increased control traceability in livestock farming and food production are driving demand.

How Munters is addressing the trend

Munters offers a precise climate for customers, so that they can better control their production environment.

Examples:

- Energy-efficient HVAC solutions (Heating, Ventilation and Air Conditioning) can meet the demand for higher energy efficiency in the food industry.
- Elimination of volatile organic compounds (VOC) from the auto industry's paint processes and semiconductor production.
- Connected products in agriculture ensure control and a safe, healthy climate in barns.

Strong portfolio to meet customers' needs

Munters has two business areas: AirTech and FoodTech. Both offer attractive solutions and products that meet customers' demands for high quality, long service life and resource efficiency.



World leader in rotor based dehumidification technology

AirTech is a global leader in rotor based dehumidification technology for industrial and commercial applications. This type of dehumidification creates the optimal climate when humidity, temperature, energy consumption and reliability are mission-critical to the customer's success. Our systems provide better indoor air quality and comfort as well as increased production capacity.

Munters dehumidifiers are based on Carl Munters' over 65-year-old innovation with a rotating desiccant drying wheel with a paper or glass fiber evaporative media.

The dehumidifier works according to the sorption principle, which is the process by which air is dried by passing through a desiccant drying wheel that removes the water vapor from the air and retains it in the desiccant drying wheel while it slowly rotates. When the humidity-laden wheel passes through the reactivation sector, the humidity is transferred to a heated air flow

and carried away by the reactivation air. This creates a dry indoor climate in the facility or production plant.

This continuous process facilitates highly efficient, uninterrupted dehumidification with low energy consumption.

A large part of AirTech's offering is based on rotor based dehumidifiers, which are available in a number of sizes and are designed for a range of applications. Examples from AirTech's offering:

- Dehumidifiers for industrial and commercial applications
- Efficient desiccant drying wheels and evaporative media in different materials and formats
- Aftermarket service and upgrades

The technology is offered as complete units and systems for climate control as well as components for other OEMs (Original Equipment Manufacturers). We also offer a number of other climate solutions for demanding applications. We have indirect evaporative systems, direct evaporative

pads and other cooling solutions that can be used to control the temperature in data centers, for example.

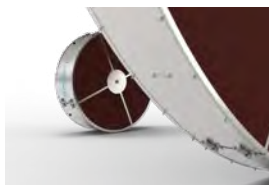
A growth area is connected products with various sensors and controllers, where the customer can track a variety of information and efficiently adapt their indoor climate. Another adjacent growth area is solutions to connect climate systems to the customer's industrial operations.

We also offer equipment to reduce contaminants from coal-fired and other power plants, industrial processes and marine environments. For this we use eliminators for contaminants in gases and air purification wheels. These can reduce Volatile Organic Compounds (VOC) in for example a factory by up to 99 percent.

Our service organization ensures that customers have an optimal solution right from installation and throughout the product's lifecycle. We offer aftermarket services, upgrades, spare parts and maintenance.



DSS dehumidifiers



Rotors with desiccant drying wheel



SyCool cooling for data centers



Saturn fan



Software



Solutions for high food quality and animal health

Business area FoodTech is one of the world's leading suppliers of innovative and

energy-efficient climate control systems for livestock farming and greenhouses, as well as software to control and optimize the entire food production value chain. Our solutions increase productivity while enabling sustainable food production where strict requirements are placed on quality, animal health and food safety.

FoodTech's solutions help control the climate in barns and greenhouses. In food production it is critical to have the right climate for animals and vegetables. By maintaining the right climate in barns, for example, antibiotic use can be reduced. We offer turn-key solutions to control indoor climate. This includes products such as fans, coolers, heaters and air intakes as well as climate controllers that monitor the environment and control the equipment.

A large part of FoodTech's offering is based on different types of energy-efficient fans and fan systems.

Examples from FoodTech's offering:

- Fans for agricultural applications
- Efficient evaporative media in various materials and formats
- Air inlets
- Climate controllers
- Sensors and software

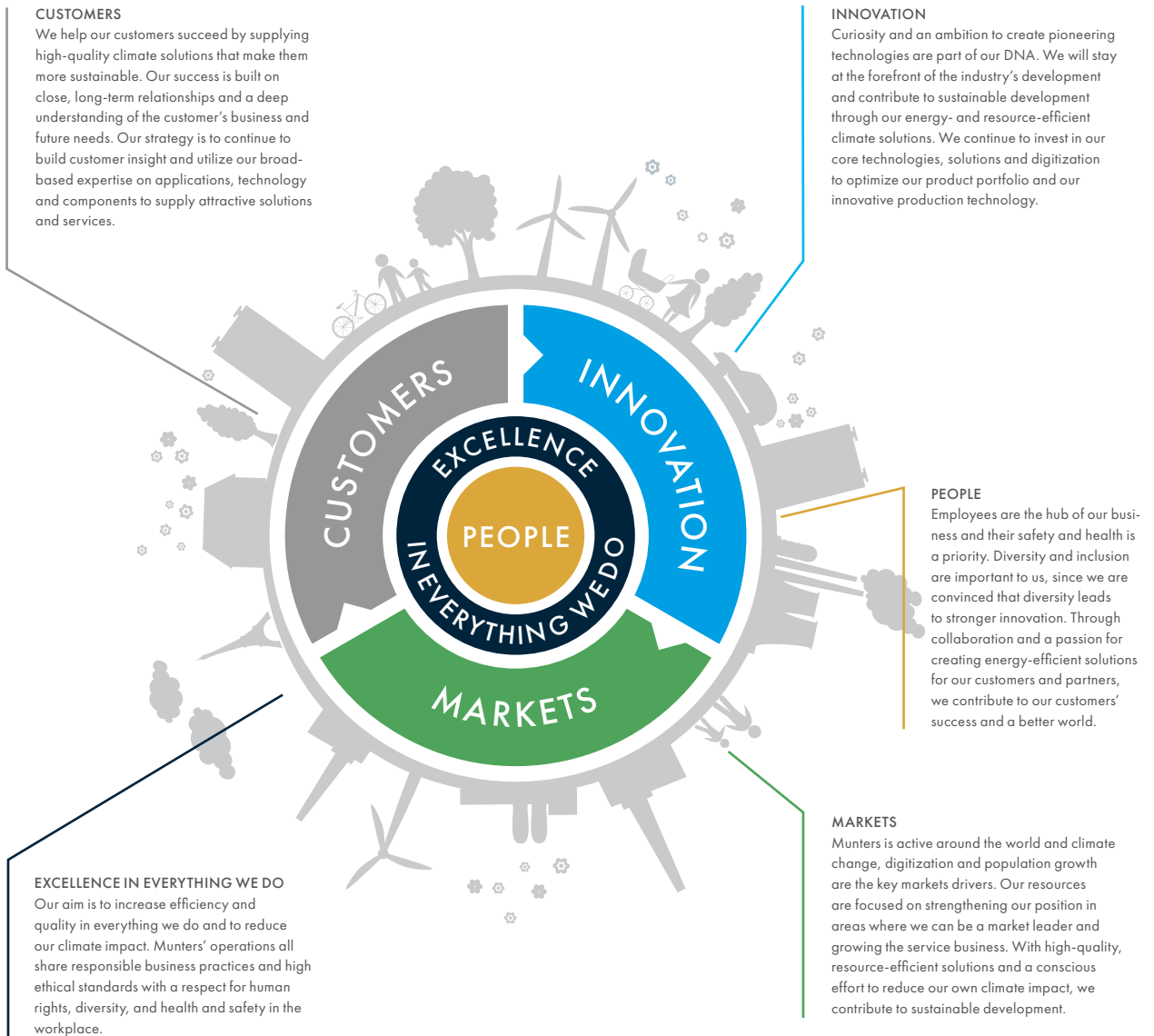
We also offer software for large food companies to manage and optimize their internal supply chain through hatcheries, feedmill farms and processing facilities.

Our products help customers manage their day-to-day operations and supply chain.

It is becoming increasingly important to integrate to and connect our installed products and software from individual farms and production data for large food producers. This creates many opportunities to improve the customer's future business. By analyzing large volumes of data from the farms, animal welfare can be improved, resource consumption reduced and productivity raised.



Trio controller



Munters' strategic priorities for sustainable value creation

Munters has a strong position in most of our markets. We see great opportunities to deliver profitable growth and sustainable value creation.

The key is to have clear action plans and an ambition to achieve targets of which sustainability is an integral aspect.



Cecilia from marketing and
Igor, who works in R&D.



Ehsan, engineer, and Camilla, from Munters' finance department.

CLEAR STRATEGY FOR SUSTAINABLE GROWTH

The strong sustainability trend in society is a key driver of our growth. With our technical expertise, application know-how and global service organization, we are well-positioned to create profitable growth. At the same time, we contribute to sustainable development with high quality, resource-efficient solutions as well as our internal focus on reducing our own direct climate impact.

The most important megatrend driving our business is the growing interest in climate-smart, energy-efficient solutions that reduce electricity and water consumption. Another important sustainability trend is the demand for solutions that reduce waste and contribute to production environments with better animal health.

Demand for our solutions is also driven by the industry's high demands on production efficiency and quality to support advanced climate solutions. Other factors that favor growth are digitization, sustainable production demands and the continued industrialization and rising living standards of emerging countries.

Global leader

Munters is a global leader in climate- and

energy-related solutions, as well as in livestock farming and greenhouses, where we have a leading position with innovative products and software to control and optimize the entire food production value chain.

Munters continuously evaluates and improves its offering with the aim of remaining at the forefront of development. This means that the product portfolio is changed depending on the priorities in R&D and the service offering. Several of our products and solutions are adapted to meet local demand.

Stable, growing market

The climate control market is undergoing a consolidation with a few global players. Growth has historically been stable in

most customer segments and the market is expected to continue to grow. We are focused on strengthening our position in markets where we are or can be a leader, i.e., where we see that we can be one of the three leading suppliers. Our strategy is to grow in the following priority markets:

Business area AirTech

Industrial segment focused on lithium battery production, the food industry, data centers and mist elimination.

Business area FoodTech

Climate control and data analysis for the chicken and swine segments as well as software.

Shared growth areas

Data-driven products and solutions as well as services.

Acquisitions are important to future

We work actively to identify acquisitions and see them as part of our growth strategy in three possible situations:

1. Smaller acquisitions of local companies that give us a stronger market presence. This could, for example, be a strategy to grow the service business.

2. Acquisitions of companies with a technology that strengthens our global or regional offer.

3. Larger acquisitions that create an increased market presence and broaden our product offer.



Munters is well-positioned for profitable growth

Net sales by region



■ Americas 43%
■ EMEA 30%
■ APAC 27%

Munters has historically acquired several companies; for more information, see page 135. No acquisitions were made in 2021.

We also work with various types of partnerships, e.g., with universities and other companies, which are an important part of the strategy to strengthen our local presence and drive innovation.

Net zero emissions by 2030

In 2021, we fully integrated sustainability in the business strategy. We began the work to measure the climate impact of our entire value chain and have set a target to reach net zero emissions from our operations by 2030. We will achieve the target by reducing direct emissions in our operations and production facilities and by contributing to the development of renewable electricity sources in our markets.

In 2018, we signed the CDP (formerly Carbon Disclosure Project) and we have since 2019 reported our progress on reducing climate impacts. After Munters received a D- rating in 2019, we focused on developing new strategies and initiatives on improving our carbon footprint and improved the rating to a C in 2020.

Scope 1, 2 and 3 are reported in accordance with the GHG (Greenhouse Gas) Protocol. According to the recommendation, the organizational boundaries have been identified and set to the following:

- Scope 1 and 2 include emissions from factory operations and company vehicles. Numbers exclude emissions

from offices and other non-production locations, which Munters will start to measure in 2022.

- Scope 3 includes emissions from landfill waste generated in factory operations and from air travel. Work was initiated in 2021 to be able to measure relevant emissions from additional upstream and downstream activities in the next few years.

EU Taxonomy

Munters is subject to the Taxonomy Directive adopted by the EU in June 2021. The purpose of the taxonomy is to help investors identify and compare sustainable investments through a harmonized classification system for sustainable activities. The Taxonomy is a tool to reach the EU's climate targets and the goals of the EU's Green Deal.

An internal project in 2021 identified how large a percentage of Munters' net sales, operating expenses and investments is affected by the taxonomy. This work will continue in 2022 and is affected by new definitions and amendments that the EU periodically adds to the classification system.

CDP rating

C

Munters joined the CDP in 2018 and since 2019 has reported its activities to reduce climate impacts. In 2020, Munters received a C rating. The goal is to improve the rating and despite the fact that the CDP result in 2021 also became C, a higher rating was achieved in almost all sub-areas, ie CDP 2021 meant a stronger C compared to the previous year.

EU Taxonomy

35%

of net sales subject to the taxonomy

The EU adopted the Taxonomy Directive in 2021 and this is the first year that Munters is reporting how large a percentage of net sales is subject to the taxonomy.

Sustainable Development Goals



Climate impact according to the GHG Protocol

Scope 1 emission increased in absolute terms as a function of increased production level and increased number of vehicles used in Services and Sales, driven by growth.

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

Scope 1 and 2 market based emissions decreased relative to production value.

Scope 3 emissions increased as a result of higher production volume generating more waste. However, air travel decreased even further from the low level in 2020 when COVID drastically reduced business travel.

CO2e emissions in tons	2021	2020
Scope 1 direct emissions	7,526	7,070
Scope 2 indirect emissions - location based	14,934	15,126
Scope 2 indirect emissions - market based	13,376	15,332
Scope 3 other indirect emissions	1,983	1,886
Scope 1 - 2 emissions in relation to production value in kg CO ₂ e/ produktionsvärde 000 kr ¹⁾	0.48%	0.57%
Scope 1-3 per employee ²⁾	6.8	6.9
Scope 1-3 per SEK of profit ²⁾³⁾	25.7	26.8

1) Scope 1 and 2 emissions in relation to production value is based on market based Scope 2 emissions. Emissions from non-factory locations such as offices, are not yet measured.

2) Scope 1 and 3 emissions in relation to average full-time employees in the year and profit is based on market based Scope 2 emissions. Emissions from non-factory locations such as offices, are not yet measured.

3) SEK of profit refers to adjusted EBITA.



Claudia, project leader for Munters Digital Communications, and Jan, from research and development.

CLOSE CUSTOMER RELATIONSHIPS AND HIGH ETHICAL STANDARDS BUILD SUCCESS

We contribute to our customers' success through high-quality, energy-efficient climate solutions that make them more sustainable. Our success is built on close, long-term relationships and a deep understanding of the customer's business and future needs. A prerequisite for our success is our high ethical standards and professionalism.

We contribute to our customers' success through high-quality, energy-efficient climate solutions that make them more sustainable. Our success is built on close, long-term relationships and a deep understanding of the customer's business and future needs. A prerequisite for our success is our high ethical standards and professionalism.

Our strategy is to continue to develop our deep understanding of customers'

needs and utilize our extensive expertise in applications, technology and components.

Customers want sustainable solutions

In discussions with current and potential customers we are seeing demand for products and services that help make their operations more sustainable. Climate change and lower emissions in the air and water are strong sustainability trends that are driving growth as well as our own focus

in terms of product development and the service offer. Another strong sustainability trend that is driving growth is the requirements customers face to reduce waste and improve livestock farming.

Munters' systems are used in many mission-critical applications and processes where precise control of moisture, temperature and other environmental parameters have a critical impact on production safety, production quality and energy efficiency. At the same time, these systems often represent a small share of the total investment in a customer's project, e.g., a production facility or a farm.

Close collaboration with customers

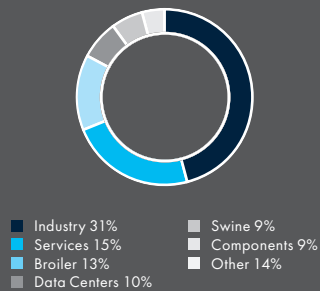
Through a close collaboration between our sales team and the customer's production engineers and research and development department, we ensure that our solutions are adapted to the customer's specific criteria and application requirements and deliver high energy-efficiency. Our goal is to understand the customer's needs and processes better than they do themselves and in that way supply value beyond their expectations.

We benefit from the insight on our customers' needs within the entire customer base in a cost-effective way. Mist elimination products and solutions are often based, for example, on a similar



We strive to understand our customers' needs better than they do themselves

Percentage of Group sales



Increase share of Service

15%

(2020: 14)

Target: The share of Service shall in the long term amount to 30 percent of net sales. In 2021, the share increased, mainly due to a larger installed base in the battery and data center segments.

All major suppliers must sign the Code of Conduct

100%

(2020: 100)

Target: All major suppliers of direct and indirect material must sign the code of conduct.

Sustainable Development Goals



technology, and new insight gained in one product group or specific application can be introduced in other product groups or applications. Continuous development of new applications and upskilling also provide opportunities to continuously update the offering in order to stay competitive.

Global company with a local presence

We are a global company with sales in over 30 countries. Our local presence with 17 plants and production on four continents is important to stay close to customers. Being near them also reduces lead times and shortens logistics flows, which is important from a sustainability perspective.

In 2021, we conducted a global survey of our 300 largest customers which showed that Munters has a strong position and 57 percent of them consider us their first choice. Also, 68 percent would definitely recommend Munters. Our two most important competitive factors are our products' high quality and long service life as well as the long-term relationships.

Customers also mentioned how important it is that our products meet future climate requirements and that they are energy- and resource-efficient.

Service is an important growth and sustainability area

Service, which includes maintenance,

upgrades and product replacements, offers growth potential with good profitability. Services are a recurring business and are growing in pace with our installed product base. Our offer is important to customers not least from a sustainability perspective, since service extends the life of the products and increases the efficiency of installed solutions.

The goal is to grow our service business. In 2021, service increased as a percentage of total net sales to 15 percent (14). This was mainly due to AirTech, which has a more extensive service business and grew in 2021, mostly thanks to a larger installed base in the battery and data center segments. In FoodTech, a Software-as-a-Service (SaaS) offering was developed and introduced.

High ethical standards in everything we do

For our customers to trust us, we have to maintain high ethical standards and professionalism. Our code of conduct sets the minimum level how we should act on a daily basis. For example, we have zero tolerance for corruption, kickbacks or other questionable incentives to influence a business transaction. Our values also steer us in all our relationships and are the foundation on which we have successfully built close, long-term customer relationships. In 2021

Munters renewed its commitment to Section 54 of the Modern Slavery Act 2015 to demonstrate our position of zero tolerance for forced labor and human trafficking. Also, in 2021 all our major suppliers signed our Code of Conduct.

Jonas works in Munters' service organization.





Johan works in Munters' research and development organization.

WE WILL STAY AT THE FOREFRONT OF DEVELOPMENT

Munters' long history of pioneering discoveries, many patents and extensive application know-how has laid the foundation for our market-leading position. We will remain at the forefront of the industry's development and contribute to sustainable development through our energy- and resource-efficient climate solutions.

Curiosity and an ambition to create pioneering technologies are part of our DNA. Our focus is to further invest in our core technologies, solutions and digitization, to optimize our product portfolio and innovative production technology. Innovation goes beyond product development, however, to also include sustainability, marketing, services and production.

Close collaboration with customers increases the precision and efficiency of our innovation. Each business area is responsible for R&D in its respective product areas, with technology centers close to customers. In 2021, business area AirTech inaugurated a new research lab in Kista for innovative research and verification testing

of products, subsystems and components, including hardware and software testing.

The entire Group uses the multidisciplinary Munters Product Development Model (MPDM) 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 various sustainability factors early in the process. We look, for example, at the choice of materials, recycling possibilities and energy consumption. When we have laid out these sustainability aspects, we go on to define the value proposition, technical opportunities and profitability potential.

Solutions for mission-critical processes

Munters' products and solutions are often used in mission-critical processes, where they create a perfect climate by precisely controlling temperature and moisture. In developing the best climate solution for the customer, our goal is to understand their needs better than they do themselves. We have extensive knowledge of specific applications and often have access to proprietary technology. Coupled with our history of innovations, this enables us to create the most efficient solution for the customer, whether for lithium battery production, a data center or a barn.

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.

Modular product platforms

The development work to establish global product platforms continued in 2021 with the goal to offer the same high-performance products and consistent execution in every region. Here we have major opportunities for efficiency gains in the Group.



Close collaboration enables us to create the most efficient solutions for our customers

Reduce product variations

40%

Target: Reduce product variations by 40% from 2019 to 2021. The goal has been achieved.

Investments in R&D

3.8%

(2020: 3.8)

Research and development investments measured in relation to net sales.

Sustainable Development Goals



Activities in the innovation portfolio

We work with an innovation portfolio where several activities are underway at the same time to maximize the results and minimize the time spent on research and development:

- 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

Our basic technologies include:

- Dehumidification rotors
- Direct evaporative cooling systems
- Heat exchangers with indirect evaporative technology
- Mist eliminators
- Control systems for monitoring the production climate
- Agricultural fans
- Air dehumidifiers

- Control equipment
- Data analysis/visualization

In addition to these basic technologies, Munters has been developing software for years to enable our technicians and partners to quickly configure optimal solutions.

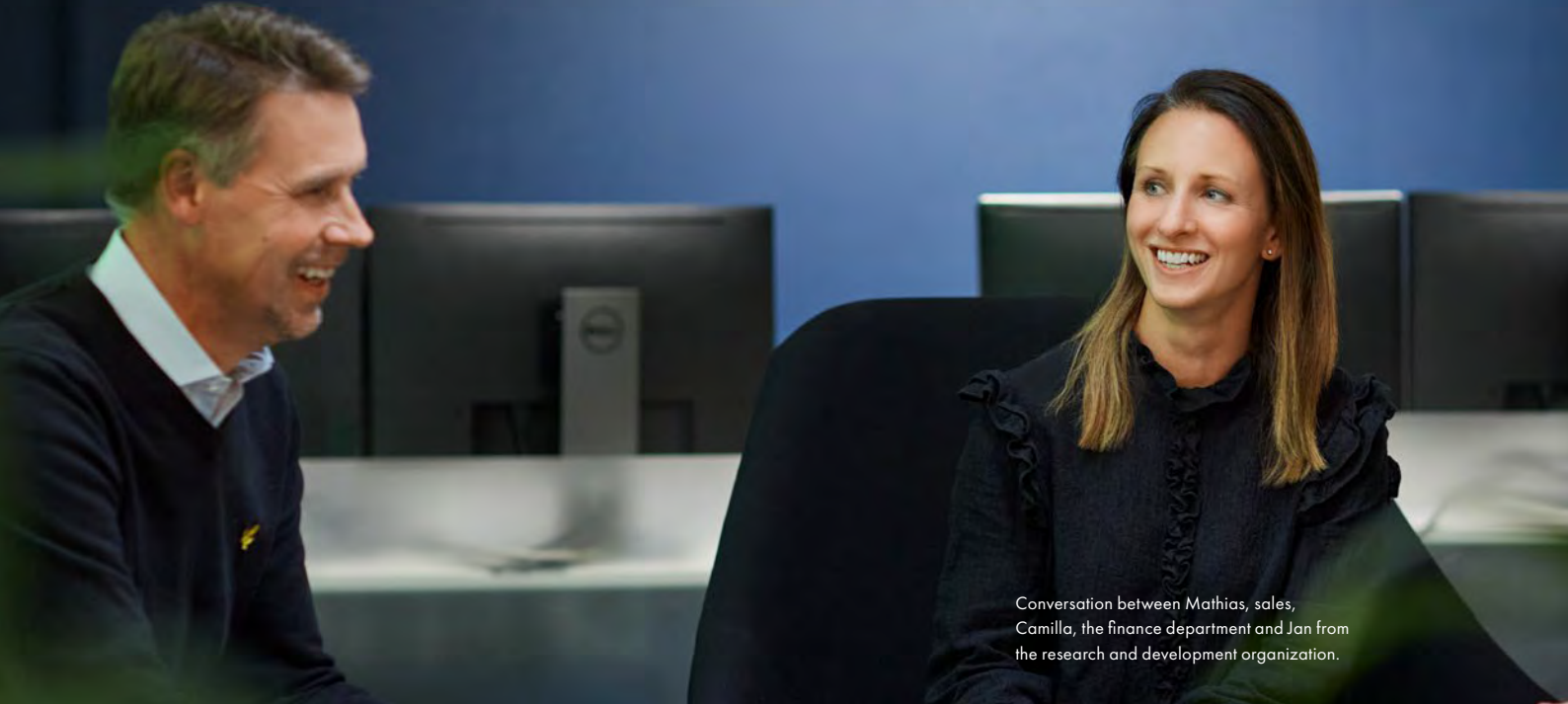
Product launches in 2021

Munters launched a number of new products in 2021. Among the successes is SyCool, which won Mission Critical’s Top Tier Product Award in the area of Thermal Management Solutions. SyCool is an innovative climate solution for data centers with minimal water consumption that was launched in 2020. The first installations were completed in 2021.

In 2021, we also launched Munters DSS Pro, a unique new dehumidification solution for use both outdoors and indoors. Munters DSS Pro can be used in the food and pharmaceutical industries as well as by battery manufacturers. It has a longer lifecycle than previous products, which is important from a sustainability perspective. Munters received its first contracts from customers in 2021.



Mathias works in sales at Munters and Emelie is in legal.



Conversation between Mathias, sales, Camilla, the finance department and Jan from the research and development organization.

EFFICIENCY, QUALITY AND LOWER ENVIRONMENTAL IMPACT

We constantly strive to increase efficiency and quality and to reduce our environmental impact. During the year, we set a target of net zero emissions from our operations by 2030.

At Munters we are constantly working with improvements in every area and developing our operations. We are focused on increasing digitization and further improving our global processes to continue to deliver high quality and maintain a cost-efficient business.

Scalability and digitization

In 2021, the Transformation Towards Operational Excellence (TTOE) project continued with the aim of increasing efficiency through linked processes and digital information flows. This ensures the scalability of the business and that investments lead to profitable, cash-generating growth. In parallel, we continued the implementation of the Munters Production System (MPS), which is based on lean principles. In 2021,

we reached the target that all production units adopt MPS.

Sustainable investments and procurement

We decided 2021 to add a requirement that all major investment decisions must be preceded by a sustainability evaluation. Prior to an investment, an analysis must be conducted of social factors such as human rights, the work environment and environmental impact. The decision also includes climate considerations and internal carbon pricing.

Our supplier network is valuable and is built on many years of collaboration. We source from around 1,900 suppliers in 35 countries. Our global organization coordinates procurement in order to increase standardization and concentrate volumes on fewer suppliers. The 25 largest direct

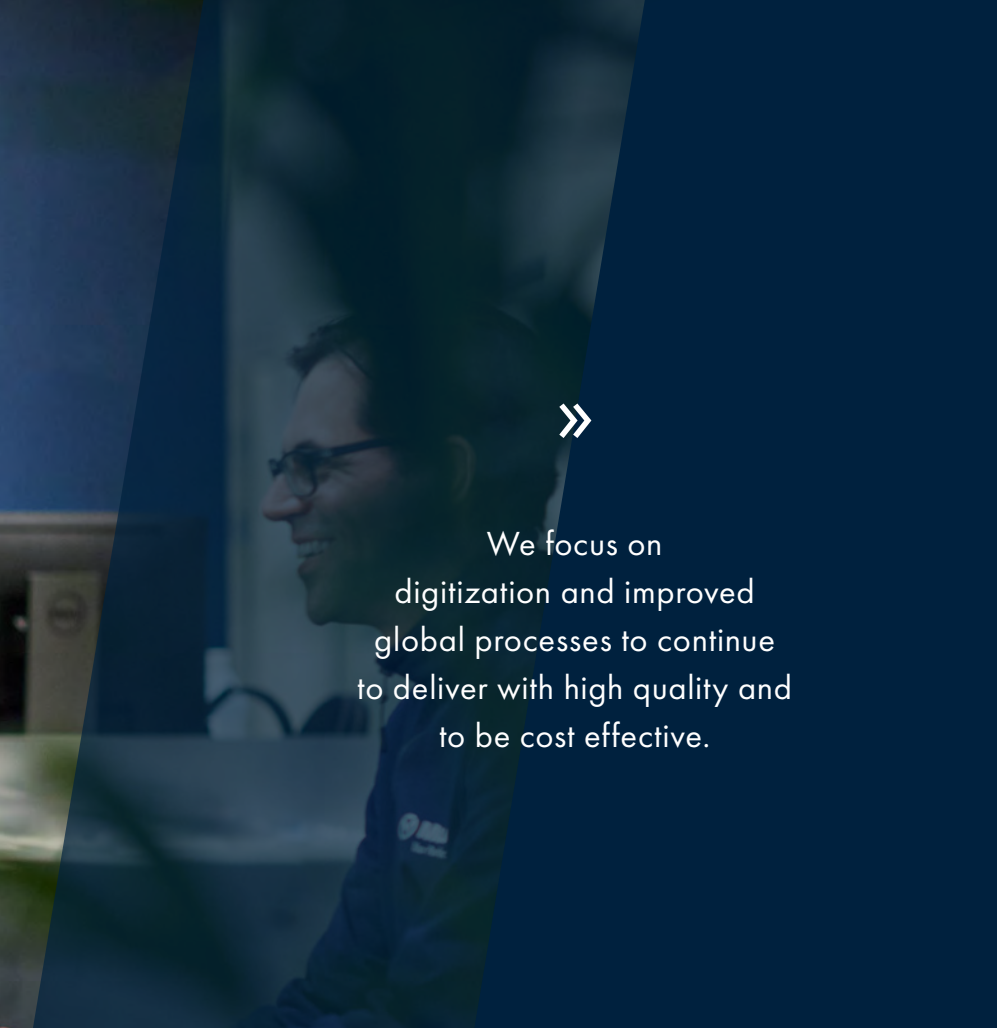
material suppliers by volume represented 38 percent (33) of total sourcing volume in 2021. The goal in 2019–2021 was to cut the number of direct suppliers in half. In 2021 the number of suppliers was reduced by 1 percent (10) percent. Due to the pandemic we did not reach the goal of reducing the number of suppliers by 2021. A new goal has been set to cut the number of direct suppliers in half 2021–2025. We view sustainability as important to our entire supply chain. That is why our largest suppliers are also subject to our code of conduct, which can be found on page 45.

Lower climate impact

We have worked systematically for several years to reduce our climate impact through more efficient energy consumption and raising the share of renewable electricity. In 2021, we set a target of net zero emissions from operations by 2030. We have also begun expanding our GHG Protocol reviews to include Scope 3.

The 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 consumption and make the plants and processes more efficient. Energy efficiency continued to improve in 2021 and reached 0.90 (0.96).

The percentage of renewable electricity also continued to increase in 2021 and



We focus on digitization and improved global processes to continue to deliver with high quality and to be cost effective.

accounted for 53 percent (50) of electricity used in production units. During the year, the manufacturing plant in Lansing, MI, in the U.S., reached the target of 100 percent renewable electricity. In 2022, the goal is that more facilities will reach 100 percent renewable electricity.

We limit the environmental impact of our transports by choosing low-emission alternatives and through logistics planning. Our auto and travel policies were updated during the year and have clearly stated climate targets. The emissions from our auto fleet will be reduced by 30 percent by 2023 and air travel will decrease by 30 percent, based on prepandemic levels.

Increased resource efficiency

Lower water consumption and water treatment used in our production are important contributions to reducing environmental impacts. We separate chemicals and particles in the wastewater from our plants. Our goal is to gradually reduce water consumption in the plants and processes.

We are also working to reduce waste from our production facilities and to increase recycling, which we do through systematic quality improvements. In 2021, the recycling and re-use rate was 54 percent (47).

Supply chain challenges in 2021
Businesses around the world were

affected by supply chain bottlenecks in 2021 caused by the pandemic. We faced difficulties with parts deliveries as well as shipments to customers. On some projects customers could not accept our shipments since other products had not been delivered, delaying their project.

The high raw material prices in 2021 also affected us. Over the course of the year, we raised our prices, the large share of which will take effect in 2022 due to existing order backlogs and extended lead times.

Efficient capital management

Munters is keenly focused on efficient use of working capital and strong cash flow. We therefore work actively with payables and inventory. Projects have to be as cash neutral as possible from beginning to end. With coordinated procurement we are able to increase standardization and improve pricing. An efficient production process optimizes inventory levels throughout the value chain.

Capital efficiency work continued to produce good results in 2021. Working capital was still at a good level at MSEK 1,005 (720) in December 2021. The leverage ratio of 2.2x (1.9) is in line with our mid-term financial goals which creates flexibility to implement the strategy and for acquisitions.

No environmental fines

0 TSEK

(2020: 5)

The target is not to be fined due to noncompliance with environmental laws and regulations.

Energy efficiency

0.90

(2020: 0.96)

Target: Continuously reduce electricity consumption in production facilities relative to production value. (MWh/production value SEK 000).

Sustainable Development Goals



Increase the percentage of renewable electricity

53%

(2020: 50)

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

Increase the recycling rate

54%

(2020: 47)

Target: Continuously raise the recycling rate as a percentage of total waste volume generated in production.



INCLUSIVE CULTURE AND WORKPLACE SAFETY

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. Our employees’ health and well-being is always top of mind and we have zero tolerance for workplace accidents.

Diversity and integration. We are committed to diversity as a path to strong innovation and sustainable value creation. At Munters we have too few employees and executives who are women, so we are working conscientiously to hire more. Among the measures is to always have at least one final candidate being a woman for management positions. It is also important that we offer a healthy culture based on work-life balance as well as flexibility where and when the work is done.

In 2021, we joined the UN’s year-long Gender Equality Program for participating companies of the UN Global Compact to

set and reach ambitious targets for women’s representation and leadership starting with the board and executive management levels.

Zero tolerance for discrimination and harassment

At Munters no employee should experience harassment or discrimination. In 2021, we followed up the results of the employee survey in 2020 with local dialogue and training, where we identified needs.

Munters operates in environments where human trafficking can occur and in 2020 training was introduced for employees in

HR, procurement and strategic operations to increase risk awareness. In 2021, additional employees received the training.

Health and well-being

At Munters we care about our employees’ health and well-being. We encourage a healthy lifestyle and in 2021 initiated a four-week global health program. Around 800 employees participated, receiving coaching on healthy nutrition and the importance of daily exercise, among other things.

Munters has an occupational health and safety program to create a safe and healthy work environment that 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. It includes analysis, preventive measures and training. The rollout of STOP (Safety Observation Program), which was introduced in 2020, continued in 2021. The aim is to change behaviors and improve safety and it includes local safety training.

Munters has a zero tolerance for work-related accidents and all accidents that require medical assistance are followed up and reported monthly to management. We conduct systematic risk assessments of the



Veronica works in Munters' finance department and Erik is from product management.

We should offer a healthy culture with work-life balance and flexibility where and when the work is done

Percentage of employees and leaders, women

22% & 23%

(2020: 21 and 22)

Target: Increase the percentage of women employees and executives to 30% by 2025. In 2021, both the proportion of women employees and the proportion of women leaders continued to increase, but not at the desired rate.

Zero accident vision

1.7

(2020: 1.2)

Target: Eliminate accidents in production. 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.

Whistleblower cases

2

(2020: 12)

Number of whistleblower cases received through the external, anonymous reporting channel.

Sustainable Development Goals



production facilities to prevent environmental impacts and increase the focus on health and safety. Other areas include fire safety, waste and chemical management, and electrical installation reviews. All units are evaluated on a rolling three-year schedule. In 2021, risk assessments were conducted at one production facility and 16 follow-ups of previous evaluations were done digitally. Due to the pandemic, they were done remotely.

Personal development and career paths

We support individual career paths for all employees and encourage them to take on new challenges. In 2021, we relaunched our internal mentoring program to promote development, cross-functional collaboration, team spirit and support employees in their career.

In autumn 2021, a one-year leadership program called MovE (Munters' orchestra of visionary Explorers) was launched with a focus on central strategic projects, including how we will reduce carbon emissions.

Employee survey

The employee survey is an important tool for measuring Munters' strengths and weaknesses. For 2021, 24 out of 30 issues were above the external benchmark and the result showed an improved satisfaction when it comes to managers' effectiveness

and Munters' safety efforts related to COVID-19. There was a slight decrease when it comes to employee engagement, but an increase in terms of inclusion and belonging as well as corporate responsibility and ethics. Finally, the Employee Net Promoter Score (eNPS) improved to 10 (3,9).

Social engagement and global activities

In 2021, Munters helped in many places around the world to reduce the spread of the coronavirus. Activities included facemask donations in Italy and financial assistance in India through the Red Cross and Pratham Sweden. Another example is arranging transportation for employees in Mexico to vaccinate their children and young people. Munters also participated in local activities in many places around the world on Earth Day in April and World Food Day in October.

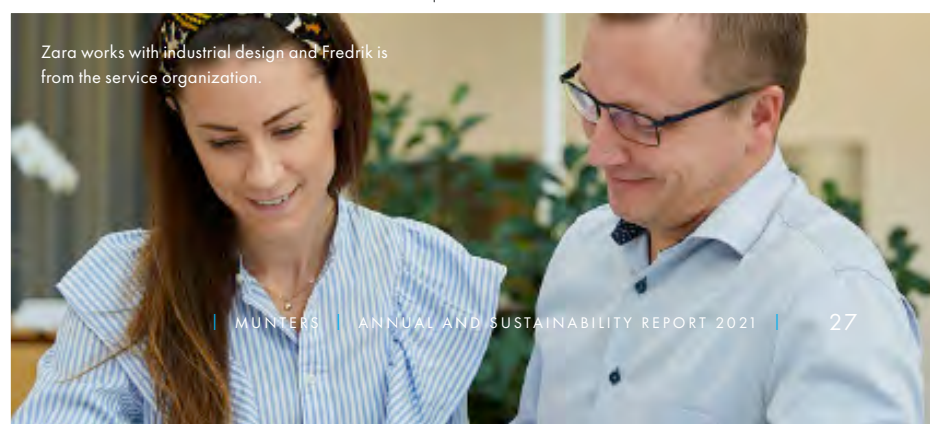
Whistleblower unit

Munters has a web-based whistleblower unit managed by an independent outside party to guarantee anonymity. In 2021, 2 cases (12) were received and processed by the function. All have been investigated and handled.

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.



Zara works with industrial design and Fredrik is from the service organization.

Long customer relationships and high product quality

Our two business areas share the ability to supply high-quality products with a long service life. Both also have strong, long-term customer relationships. With the two business areas, Munters has an attractive, leading offer in climate solutions.



AirTech is a global leader in energy-efficient air treatment for industrial and commercial applications.

73%

AirTech accounts for 73 percent of the Group's total sales.



FoodTech is one of the world's leading suppliers of high-quality, energy-efficient climate control systems for livestock farming and greenhouses, as well as software to control and optimize the entire food production value chain.

27%

FoodTech accounts for 27 percent of the Group's total sales.



Munters key competitive advantages are our quality products with a long service life and our long-term customer relationships. The customer survey conducted in 2021 showed that AirTech’s other competitive advantages are the ability to understand the customer’s business, the products’ performance and our extensive expertise.

Clear marketing strategy for growth

AirTech targets five market segments – Industrial, Data Centers, Components, Clean Technologies and Commercial – in addition to services for customers such as maintenance and upgrades.

Industrial is the largest segment and serves a wide range of industries, including battery manufacturers, food, pharmaceuticals, electronics and chemicals. AirTech offers a large number of applications to customers in these industries, e.g., desiccant dehumidification and energy recovery at high temperatures. Batteries are manufactured in demanding environments with extremely high climate requirements, including the need for sophisticated dehumidification systems.

In Data Centers, AirTech offers

energy-efficient solutions primarily for cooling, but also for ventilation and humidity control.

The Components segment is comprised of AirTech’s offering for OEMs (Original Equipment Manufacturers), which use Munters products as part of their solutions. The components are usually units to control moisture, cooling and dehumidification.

The Clean Technologies segment offers applications to separate solutions from gas flows, for example, in power plants and the marine industry.

The smallest segment, Commercial, consists, for example, of fast-moving consumer goods and ice rinks.

The strategy is to strengthen Munters’ position in markets where we are or can be a market leader, i.e., where we see that we can be one of the three leading suppliers. Within AirTech, the priority industrial segments are the lithium battery and food industries, data centers and dehumidification components.

One growth area shared by AirTech and FoodTech is data-driven products and solutions, as well as service. Service offers good growth opportunities for AirTech as the installed base of products grows in the battery segment and data centers, for example.

Stable market growth

The global market for energy-efficient air treatment is characterized by a large number of firms, many of them local. The market has been consolidating for several years. Growth has historically been stable and the market is expected to continue to grow. The focus on sustainable climate

solutions with efficient electricity and water consumption is a strong driver in the market.

Close customer contacts through local presence

Within AirTech sales take place on mature markets with own local sellers and distributors. AirTech has sales offices in 22 countries. An important success factor is the long-term customer relationships, as well as the applications know-how and experience of the sales force. A smaller share of AirTech’s sales is through distributors and mainly comprises components for OEM customers. This primarily occurs in emerging markets, e.g., for production of direct evaporative cooling.

Munters has a large global service network with local service centers around the world. Thanks to the local presence, we have close relationships with our customers and can quickly service the installed base.

Strong focus on innovation

AirTech is strongly focused on innovation, and the committee for air treatment patents meets regularly to review internal ideas and discoveries. The committee decides which patents AirTech will apply for.

In 2021, AirTech received a number of patents and additional applications were filed with the patent authorities. Among recently received patents are:

- Particle sensors to protect dehumidifiers from disruptions in potentially dusty environments
- Dehumidifiers with variable regeneration to adapt to various heat sources and operating requirements, and optimal combinations thereof
- SyCool – a highly energy-efficient cooling system based on thermosiphons designed for data center applications
- Heat pump assisted dehumidification system with intermediary fluid circuit to maximize energy from both the regenerating air flow and process air flow without the risk of coolant leakage in the process air flow.

GLOBAL LEADER IN AIR TREATMENT FOR INDUSTRY

AirTech is a global leader in energy-efficient air treatment for industrial and commercial applications. AirTech offers climate solutions for mission-critical processes that require exact control of moisture and temperature, with a focus on energy efficiency and sustainable climate control systems. Our systems improve indoor air quality and comfort, control emissions and increase production capacity.



AirTech's climate solutions are used in many industries and critical infrastructure such as wind farms and waterworks.

AirTech's largest segment, share of net sales



- Industry 37%
- Services 20%
- Data Center 17%
- Components 12%
- Clean Technologies¹⁾ 6%
- Commercial 5%

¹⁾ Earlier Mist elimination

Regional distribution, share of net sales



- Americas 51%
- EMEA 29%
- APAC 19%

Number of employees

2,432

(2020: 2,286)

In 2021, AirTech inaugurated a new lab in Kista, Sweden, for innovative research and verification testing of products, subsystems and components. The verification tests include both hardware and software. Two of our own ML1100 and MX280 Plus systems have been installed in the lab to provide the perfect testing climate. These systems also serve as a test subject when new components, for example, have to be verified.

New production facility in Czech Republic
AirTech has 11 production plants and three assembly plants. There are four production plants in the US, two in China and one each in Brazil, Mexico, India, Czech Republic and Sweden. The assembly plants are located in India, Japan and Germany.

In 2021, AirTech decided to build another production plant for products in the battery segment. The facility is being built in Czech Republic, close to the existing unit, and will employ around a hundred new employees. The decision was made against the backdrop of the surging demand from battery manufacturers.

Market development and financial results 2021

AirTech saw strong demand during the year from the battery and data center segments as well as food producers. The robust underlying market growth in batteries and



Munters is clearly a global leader in climate solutions for the production of lithium batteries for electric vehicles.

data centers also had a positive impact on the Components segment. The battery market mainly grew in Asia and Europe as well as the Pacific region, Middle East and Africa. The service business also grew, mainly in North America, Asia and the Pacific region. Profitability measured by the adjusted EBITA margin was negatively affected by supply chain constraints,

increased raw material prices and shipping costs, as well as a change in the business mix with several major projects.

Net sales, MSEK

5,362

(2020: 4,937)

Adjusted EBITA, MSEK

774

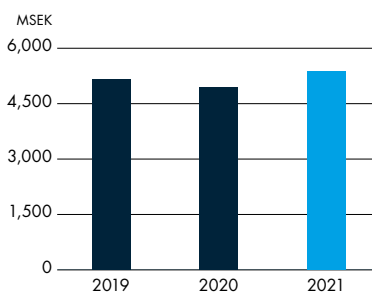
(2020: 689)

Adjusted EBITA margin

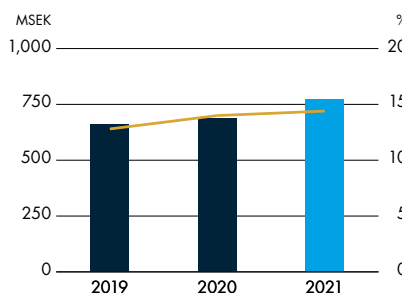
14.4%

(2020: 14%)

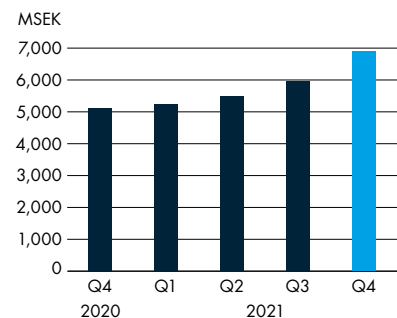
Net sales



Adjusted EBITA and adjusted EBITA margin



Order intake, rolling 12 months



ENERGY-EFFICIENT COOLING FOR DATA CENTERS

Rising data traffic, new cloud services and an ever-growing number of connected devices are driving growth in data centers around the world, and increasing electricity consumption. Munters' energy-efficient cooling systems can significantly reduce energy usage.

Data centers account for an estimated 1–2 percent of the world's annual electricity consumption, with cooling representing a significant share of that. Using its technology and extensive applications know-how, Munters has developed climate solutions that produce significant energy savings in data centers compared with traditional cooling solutions.

Many different combinations

When choosing a climate solution for a data center, the customer has to consider a number of factors including the surrounding climate, available space, access to water and the balance between energy efficiency, cost and reliability. Some center

operators, utilize direct airside economizer (DASE) solutions with integrated evaporative media as part of the building infrastructure. These data centers operate at a wider range of temperature and humidity levels throughout the year. Other data center operators prefer tighter control of temperature and humidity, opting for cooling solutions that do not introduce outdoor air into the data halls and supplemental make-up air systems to control humidity and room pressurization.

Different solutions

Munters supplies data center climate solutions with a range of technologies. For indirect airside economizer (IASE) cooling, we use various heat exchanger technologies that work either with the help of water (evaporation), so-called wet technology, or without water, so-called dry technology, or a combination of the two. Dry cooling is mainly used in data centers located in areas where water is not available,

affordable, or of poor quality, while wet cooling with evaporation is mainly used in areas where water is readily available and affordable. With our Oasis® series of indirect evaporative cooling solutions, we can often meet the cooling needs of data centers without mechanical cooling (direct expansion (Dx) refrigeration or chilled water) during the majority of the year's operating hours, which makes it a highly energy-efficient solution. In some cases, our indirect evaporative cooling solutions, can entirely eliminate the need for mechanical cooling year round. However, for some applications, a climate solution from Munters may contain energy-efficient economizer cooling coupled with more energy-demanding mechanical cooling, e.g., liquid-to-air heat exchangers with supplemental mechanical cooling. With the newly launched SyCool® Split, which does not use water, we can supply an energy-efficient climate solution when access to water is either limited or not an option. ■



Oasis® indirect evaporative cooling with polymer tube heat exchangers

Benefits:

- Reduces or fully eliminates mechanical cooling
- Positively contains water to the scavenger side of heat exchanger
- Polymer and stainless steel heat exchanger construction minimizes corrosion and helps manage scale formation
- Typically operates dry below 10°C or 50°F, reducing annual water consumption and eliminating freeze issues



Munters SyCool® Split solution

Benefits:

- Split system eliminates duct penetrations through the building envelope
- No water consumption
- Typical operation with up to 70 percent approach to ambient temperature for best in class free cooling
- Transitions to full DX only as ambient temperature approaches the hot air temperature from the servers
- Low peak power

Munters SyCool® Split wins prestigious award

SyCool Split has won Mission Critical's Top Tier Product Award in the area of Thermal Management Solutions. Specially designed for data centers, SyCool® Split is a thermosiphon-based cooling system that consumes no water. It provides an efficient cooling solution for both new installations and retrofitting of data centers where access to a suitable water supply may be limited, expensive or unreliable.

"We are honored to have received the Top Tier Product Award for our SyCool Split product," says Michael Gantert, President of Data Center Technologies at Munters. "We at Munters are proud to introduce innovative, energy-efficient cooling solutions for the data center industry. Our thermosiphon cooling technology represents the next chapter in a long history of innovation at Munters, and we appreciate this recognition."

Lithium battery production

MUNTERS SUPPLIES ULTRA-DRY AIR FOR BATTERY PRODUCTION

Lithium battery production requires precise control of the production climate with stable temperatures and very low humidity levels to guarantee production safety and the final product's quality. Munters is a global leader in complete climate solutions for lithium-ion battery production, including for the electric vehicle industry. Our products offer a perfect climate for this industry's sensitive processes, as well as lower energy costs and carbon emissions.

Battery research and production requires tight control of the climate with less than 1 percent relative humidity to extend battery life and ensure the highest possible quality and production yield. Moisture in the air can compromise battery quality and can pose risks for adverse reactions with lithium. Munters dehumidifiers provide efficient and consistent humidity control with a very low dew point regardless of the surrounding or seasonal outside conditions. The core of the system is our patented Honeycombe® Rotor technology which uses a desiccant material to attract and hold onto water vapor. As air passes through the desiccant material, it is dehumidified to the desired level. The

humidity-laden wheel rotates slowly into a second smaller airstream which has been heated to warm the desiccant and drive off the moisture so the wheel can adsorb moisture again. Precise climate control is achieved by passing air from the battery dry room through the desiccant system to dry it and then returning the ultra-dry air back to the room. This ensures optimal conditions and stable pressure within the factory or battery lab.

Reduce energy consumption

Battery production for electric vehicles faces growing demands in terms of sustainable production processes, lower carbon emissions and increased use of clean energy. Munters' dehumidification systems are designed with innovative energy recovery purge technology to minimize operating costs and carbon emissions for the customer. A system purge, like Munters patented Green PowerPurge, recovers waste heat left over in the wheel after hot air reactivation. This process reduces the energy required for the reactivation heater by 45 percent and creates a more energy-efficient climate control system. Less efficient systems can cost much more

in annual energy consumption for the life of the factory.

Secondary contaminant treatment

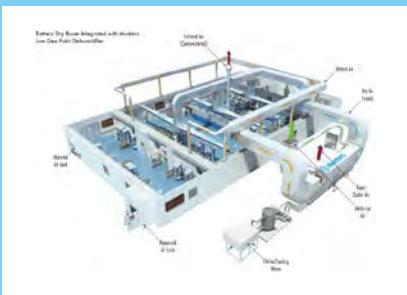
Although the main challenge with lithium battery production is to ensure an ultra-dry production climate, a secondary problem is the volatile gases from the coating and electrolyte filling processes. Based on the same rotor technology, Munters offers the Zeol Rotor Concentrator using zeolites to capture volatile organic compounds (VOC). The concentrated gases can be recovered for re-use or cost-effectively destroyed in an integrated thermal oxidizer. ■

Munters signs strategic turn-key contract to design and build a Scandinavian lithium battery lab

Climate change is driving the growing global demand for lithium batteries. Munters has signed a strategic turnkey project to design and build a lithium battery lab in Scandinavia, providing further confirmation of our position as a leading supplier to manufacturers of lithium batteries.

The agreement calls for Munters to design and build a full-scale laboratory for lithium batteries in Scandinavia. An important criterion for the customer was Munters' ability to design the facilities in combination with the expertise to ensure efficient construction execution. The project will be delivered in 2022 and the order value is estimated at MSEK 83.5.

"Sustainability and the focus on reduced CO2 emissions are clearly megatrends in society today," says Klas Forsström, president and CEO of Munters. "We foresee that the market's strong focus on sustainability will continue to drive the growing demand for lithium batteries. Munters has leading solutions for lithium battery suppliers and is a key enabler in the global roll-out of energy-efficient, high-performance battery facilities."



Benefits of Munters' climate control systems

- Easily achieves -60°C supply air dew points for battery dry rooms, even with seasonal ambient conditions
- Precise, consistent control of low dew point and temperature improves battery product life, quality and production yield
- Purge technology with energy recovery, like Green PowerPurge, consumes less energy and reduces operating costs
- Compact, energy-efficient system reduces carbon footprint and total cost of ownership

MUNTERS HELPS FOOD MANUFACTURER ACHIEVE ITS SUSTAINABILITY GOALS

An American global manufacturer of confectionery, pet food and other food products aims to reduce greenhouse gas emissions. Together with Munters, the company has found a way to use waste heat with new technology and thereby create perfect production conditions.

One of the company's environmental goals is to have no greenhouse gas emissions from its operations net by 2050. This means that they must drastically reduce the consumption of energy from fossil fuels. They have 50 production facilities around the world that are mostly powered by energy from natural gas or steam. To achieve their goal, they must invest in a mix of the right technology in their production facilities, replace old inefficient equipment and increase the use

of sustainable energy sources.

In the factories that require low dew point, ie extra dry air, Munters has installed more than 100 rotor-based dehumidification systems. As these climate systems can form a large part of the factories energy consumption, it was a high priority for the customer to find alternative energy sources.

Take advantage of wastewater

Munters – driven by the desire to make customers more sustainable and reduce their climate footprint - chose to develop a new, more environmentally friendly technology. The principle of this technology recovers the heat from the large amount of hot waste water from production, and uses it to regenerate Munters dehumidification

rotors.

The project is a success for both companies as the customer reduces their greenhouse gas emissions and Munters has developed a new technology for dehumidification rotors called RightDry®. The new technology has been installed in several factories and has proven to be very effective. A implementation strategy in the production facilities has been developed and Munters has carried out a virtual training globally for approximately 150 of the customer's employees. The training has focused on how the new technology works and what role it will play in helping the customer achieve their sustainability goals. ■



Chocolate manufacturing places high demands on a perfect climate.



Munters' most important competitive advantages are our high-quality products with a long service life and our long-term customer relationships. A customer survey conducted in 2021 showed that another of FoodTech's competitive advantages is the ability to understand and supply solutions for future climate needs, to offer good suggestions at the right time and to meet the customer's objectives.

Strategic review focused on digitization
FoodTech has conducted a strategic review of its operations, which was presented in May 2021. The review set a clear direction for the future in both the digital area and climate control.

The overarching direction is to focus on creating a unique offer that links the entire food production value chain. In digital solutions, FoodTech is trying to accelerate growth in IoT (the Internet of Things) and SaaS (Software-as-a-Service) solutions by utilizing its strong market position and

further improving software development capabilities.

In climate control, FoodTech is increasing its focus on value-based sales and strengthening the product offer through further innovation, product streamlining and efficiency improvements. All the measures are expected to be completed in 2023.

Focused growth strategy

Exactly as with AirTech, FoodTech is focused on strengthening its position in markets where we are or can be a market leader, i.e., where we see that we can be one of the three leading suppliers. FoodTech's strategy is to establish a leading position in climate control and data analysis for the broiler and swine segments and to grow in software. A large part of the growth will come in markets with good underlying growth, primarily in North America and Asia.

FoodTech's customers are in the layer and broiler segments, the swine segment and the dairy segment. The business area also sells software solutions for food producers and greenhouses. FoodTech has a strong position in the layer and broiler markets in the US and Europe. FoodTech is also a leader in the swine farming market with a strong position in the US and a growing position in China.

Customers include global leaders

Customers range from large multinationals to individual farms. Through the subsidiary MTech Systems, we 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. MTech's customers range from many of the world's largest food producers in the broiler segment down to the small local farming operations. The solutions help customers optimize the 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, increase efficiency while reducing carbon footprint and ultimately achieving a more sustainable way of doing business.

FoodTech has also identified service as a significant growth area. FoodTech is developing and offers a data-driven SaaS service system. During the year, the 25 largest food integrators in the US installed FoodTech's test system or complete system in their facilities.

Sales through distributors

FoodTech's sales are primarily through distributors in local markets. Software solutions are often sold directly to food producers. In some geographical markets and segments, climate control products are also sold directly to the end customer.

FoodTech has a total of four production plants in the US, Israel, Italy and Germany. FoodTech also has an assembly plant in South Africa, and one in India it shares with AirTech.

Market development and financial results 2021

In 2021, FoodTech experienced challenges in China, where the swine market was weak due to overcapacity and an outbreak of African swine fever. In the US, the broiler, layer and dairy markets performed well, and in Europe the demand for greenhouse solutions was good. The adjusted EBITA margin decreased due to supply chain limitations, increased raw material prices and shipping costs, as well as lower volumes in China. The comparisons are affected by a strong Chinese swine market in 2020.

A WORLD LEADER IN CLIMATE CONTROL SYSTEMS FOR FOOD PRODUCTION

FoodTech is of the world's leading suppliers of high-quality, energy-efficient climate control 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.



Munters provides greenhouse growers with optimal conditions for producing quality vegetables.

Number of employees

796

(2020: 861)

Regional distribution, share of net sales



- Chicken 43%
- Pork 30%
- Egg 13%
- MTech 6%
- Green House 4%
- Milk 3%

FoodTech's largest customer segment, share of net sales



- Americas 51%
- EMEA 29%
- APAC 19%

Net sales, MSEK

2,028

(2020: 2,126)

Adjusted EBITDA, MSEK

210

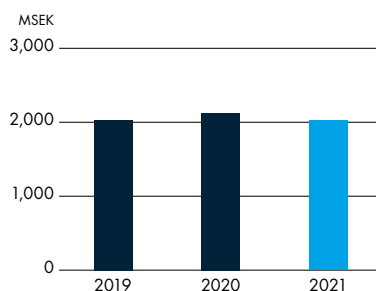
(2020: 310)

Adjusted EBITDA margin

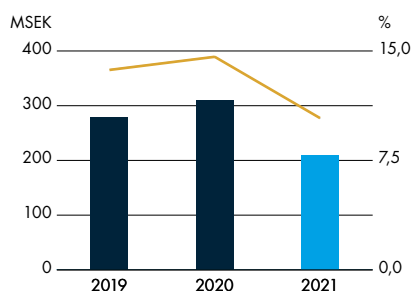
10.4%

(2020: 14.6%)

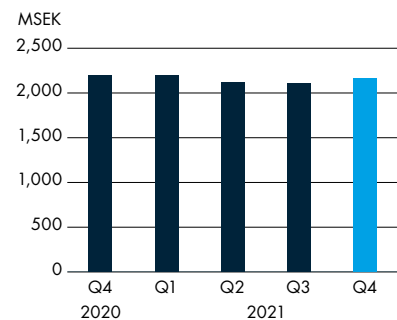
Net sales



Adjusted EBITA and adjusted EBITA margin



Order intake, rolling 12 months



Lapietra in Monopoli

NEW INNOVATIVE GREENHOUSES PRODUCE MORE SUSTAINABLE AND HEALTHIER TOMATOES

Growing in semi-closed greenhouses significantly increases production while reducing water consumption and the risk that the vegetables will be damaged. Additionally, herbicide use is dramatically reduced.

The goal of the grower Lapietra in Monopoli, in southern Italy, is to produce nutritious, high-quality, tasty tomatoes 365 days a year in a sustainable, efficient and economical way. In the local region, vegetables have traditionally been grown outdoors in fields, whereas Lapietra uses soilless cultivation for its tomatoes and cucumbers, which are grown in greenhouses equipped with the industry's most advanced climate solutions. Its innovative choices allow the company to fully benefit from a surplus of solar energy in the region, at the same time while water consumption is greatly reduced.

Together with Lapietra, Munters has designed a new, innovative and

sustainable greenhouse solution – the first semi-closed greenhouses in Italy – which have markedly increased production per square meter. Moreover, the risk of damage and disease is lower, greatly reducing herbicide usage.

Optimal environment

The “smart” installation guarantees a consistent temperature and stable relative humidity. The system can cool or heat the air as well as raise or lower the moisture level to create a consistent indoor climate. This creates an ecosystem inside the greenhouse where the plants grow in an optimal environment. The technology uses an integrated and automated high-tech system equipped with sensors to monitor various climate parameters both in and outside the greenhouse.

The core of the greenhouses is a steel and glass structure in the roof that regulates and optimizes sunlight intake depending

on the time of year and can, through the ventilation system, manage CO₂ levels and avoid outbreaks of hazardous insects. The tomatoes are not only better tasting, more organic and healthier, but also more sustainable, since the technology enables Lapietra to optimize water consumption and maximize solar energy.

More competitive

The first semi-closed glass greenhouses in Italy, designed and installed by Munters, have become an innovation lab for greenhouse cultivation. With Munters' solution, the crops are more competitive, efficient and economical compared with traditional greenhouses. Munters' innovative climate solutions are leading the development of greenhouse cultivation systems. ■



Tomatoes are tastier, more nutritious and more sustainable with Munters' climate solutions for greenhouses.

MUNTERS AIR FILTRATION IMPROVES ANIMAL HEALTH

Porcine Reproductive and Respiratory Syndrome (PRRS) is a serious concern for all swine operations. With Munters air filtering system, the risk of PRRS is significantly reduced at the same time that the carbon footprint is reduced. Iowa Select Farms, the fourth largest pork producer in the US, turned to Munters to install a new climate control system and mitigate the risk of PRRS at its 30 farms.

Lower costs

The positive pressure solution protects the animals from outside contaminants. All the barns use Munters Drive to reduce electricity usage and maintenance, helping to reduce the carbon footprint and lower costs.

A positive pressure barn continuously

pushes air out and even small cracks do not affect the filtered air in the stalls. In a negative pressure system, on the other hand, even the smallest crack can let in unfiltered air with contaminants. This top-down ventilation ensures that condensation is reduced to help prevent building rot.

Much healthier animals

Iowa Select Farms has estimated that the Munters system will pay for itself by preventing two outbreaks of PRRS, which was quickly surpassed. As a result of the installation, there was a four-fold decrease in outbreaks. Additionally, the number of piglets per sow per year jumped 25 percent and pre-wean mortality dropped 19 percent. ■



INCREASED ENERGY EFFICIENCY WITH MUNTERS HEAT EXCHANGERS

Axel Månsson is one of Denmark's leading producers of organic vegetables and eggs. When the company decided to construct a new building for newly hatched chicks, it chose to install Munters heat exchangers. With Munters' solution, it has gotten an easy-to-use, energy-efficient heat exchanger that is simple to maintain. At same time, the chickens get a better, more stable climate.

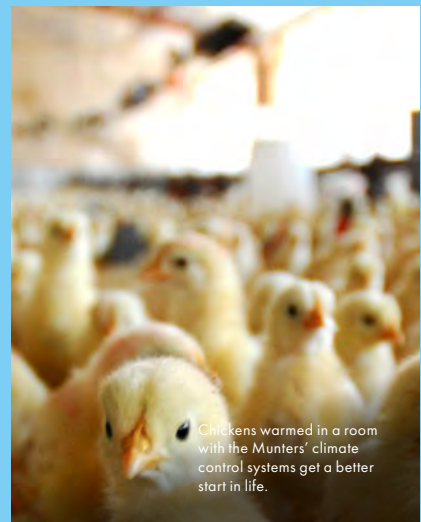
Fresh products

Axel Månsson's highest priorities are fresh, high-quality products and a concern for the environment. The focus on flexibility and innovation has helped it to establish a strong position in the Scandinavian food market.

When Axel Månsson decided to construct a new building for newly hatched chicks, it wanted to create the best possible environment for the birds at the lowest operating cost. Chickens prefer an indoor temperature of up to 36°C, making heating a significant cost. To reduce energy consumption, Axel Månsson chose Munters' heat exchangers.

Innovative technology

Munters' Heat-X Rotate recovers heat from the air using innovative technology. Among the benefits is that the system does not require filtration and complex disinfection, since it is self-cleaning. It produces up to 85 percent efficiency in heat recovery and no condensation or waste water. ■



Chickens warmed in a room with the Munters' climate control systems get a better start in life.

Munters contribution to the UN Global Goals

In 2015, the UN agreed on 17 global goals, also known as the Sustainable Development Goals. The goals are designed to achieve a better and more sustainable future for all. Through its worldwide operations, high ethical standards, and energy-efficient climate solutions, Munters contributes to the following global goals and objectives. In certain areas, Munters also has a negative impact, which we outline below.

Munters strategic priorities and which of the UN Global Goals they meet

Markets	<ul style="list-style-type: none"> 6 Clean water and sanitation 7 Affordable and clean energy 8 Decent work and economic growth 13 Climate action
Customers	<ul style="list-style-type: none"> 8 Decent work and economic growth 16 Peace, justice, and strong institutions
Innovation	<ul style="list-style-type: none"> 2 Zero hunger 7 Affordable and clean energy 9 Industry innovation and infrastructure 12 Responsible consumption and production
Excellence in everything we do	<ul style="list-style-type: none"> 6 Clean water and sanitation 7 Affordable and clean energy 8 Decent work and economic growth 9 Industry innovation and infrastructure 12 Responsible consumption and production 13 Climate action
People	<ul style="list-style-type: none"> 5 Gender equality 8 Decent work and economic growth 10 Reduced inequalities

Goal 2 Zero hunger



Target 2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

Goal 2 aims to end hunger, achieve food security, and improve nutrition as well as promote sustainable agriculture. According to the UN, by promoting sustainable agriculture with modern technologies and fair distribution systems, we can make sure that nobody will ever suffer from hunger again. The UN target is to ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production by 2030.

Munters contributes to this goal by

developing and manufacturing energy-efficient climate control systems for farming. Our offering encompasses solutions for a broad range of farming segments, from livestock and egg production to milk farms and greenhouses. Munters solutions provide optimal product quality at the same time as they conserve energy and increase productivity.

Enhanced food production might lead to an increase in the consumption of meat which may cause a negative climate impact.

Goal 5 Gender equality



Target 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

Goal 5 aims to achieve gender equality and empower all women and girls.

We are convinced that diversity leads to greater innovation and higher profitability. That is why we strive to increase the proportion of women employees and leaders within Munters. To further demonstrate our commitment to ensuring equal opportunities for women, we have joined the UN's

Target Gender Equality initiative, a year-long accelerator program for participating companies in the UN Global Compact. The goal of the program is to set and achieve ambitious business goals for women's representation and leadership, starting with the board and management levels.

Goal 6 Clean water and sanitation



Target 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

Target 6.5 By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.

Goal 6 aims to ensure availability and sustainable management of water and sanitation for all. The UN's objective includes improving water quality and substantially increasing water use efficiency in all sectors by 2030.

Munters' products use less or no water in the processes in which they are installed. This is a key competitive feature, primarily in the agriculture and data center segments. Munters also provides applications for corrosion prevention of water treatment plants

and water purification facilities.

Munters uses water in its production processes and strive to reduce water consumption in its own production processes. We also separate chemicals and particles in the wastewater from our plants.

Goal 7 Affordable and clean energy



Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

Target 7.3 Double the improvement in energy efficiency.

Goal 7 aims to ensure access to affordable, reliable, sustainable, and modern energy for all. This means that we must change the way we produce and consume energy and implement renewable energy solutions as fast as possible to counter climate change.

This is a key area for Munters where we make a significant contribution through our business offering and own operations. One

of our most important sales arguments is that Munters' products are energy-efficient and support customers to reduce their own energy consumption, which is important for customers in all segments. Munters products and Service offerings also contribute to our customers' increased energy efficiency thanks to their high quality and long service life.

In addition, one of our main business segments is the production of lithium batteries used in electric cars which is crucial in reducing CO2 emissions and counteracting climate change.

Munters contributes to combating climate change by striving for net zero emissions from our operations by 2030. To achieve this, one of our key priorities

is to continuously reduce our electricity consumption and increase the proportion of electricity from renewable sources in our production units. Through our internal guidelines for company vehicles we strive to reduce the proportion of petrol-powered vehicles and gradually increase the proportion of electric vehicles.

Munters can have a negative impact to the goal through its primary parts of the value chain where it cannot control the use of, for example, transports to suppliers and subcontractors. To mitigate this effect and get a better understanding of its impact, Munters has in 2021 initiated a group-wide project to calculate its indirect CO2 emissions according to the GHG protocol scope 3.

Goal 8 Decent work and economic growth



Target 8.1 Sustain per capita economic growth in accordance with national circumstances

and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

Target 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.

Target 8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers and, by 2025, end child labour in all its forms.

Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants,

and those in precarious employment.

Goal 8 aims to promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all.

As a signatory to the UN Global Compact, Munters has committed to the Universal Declaration of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. To be a preferred employer and ensure high employee motivation, the safety and well-being for our employees is of the highest priority. In Munters, we have zero tolerance for work-related accidents and work to continuously improve safety at our sites. We also contribute to Goal 8 by requiring our major suppliers to commit to the ten principles of the UN Global Compact by signing our Code of Conduct.

By running a profitable and sustainable

business, Munters creates jobs in large parts of the world and also in less developed countries. Munters is aware of the risks of operating in certain parts of the world. Therefore, the work against trafficking and modern slavery is a priority for Munters and the company also pursues the issue with suppliers and subcontractors.

In certain countries the risks of disregarded safety in workplace are higher because of lower safety awareness. Munters work proactively throughout the whole group to increase awareness and continuously improve routines and processes to minimize the risk of workplace accidents.

Goal 9 Industry, innovation and infrastructure



Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable,

with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Target 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of

research and development workers per 1 million people and public and private research and development spending.

Goal 9 aims to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. The goal is to upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes by 2030.

At Munters, we contribute by reducing our own environmental impact through energy- and resource-efficient production facilities.

We also provide innovative solutions for our customers, which improve their resource use efficiency and make their industrial processes more environmentally friendly.

Innovation is one of Munters’ strategic priorities and our focus is on continued investments in our core technologies, solutions and digitalization, in order to optimize our product portfolio and our innovation and production technology. In this way, we will continue to be at the forefront of the industry development and contribute to more sustainable development through our energy- and resource-efficient climate solutions.

Goal 10 Reduced inequalities



Target 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

As a signatory to the UN Global Compact and with a corporate culture characterized by equal treatment and equal

opportunities for all as well as fair remuneration, Munters contributes to Goal 10.

Munters commitment to the UN Global Compact’s principles are included in the Group wide Code of Conduct which is mandatory for all employees and managers to follow. By performing regularly surveys on employees’ engagement and experiences, as well as having a corporate culture characterized by openness and transparency,

we want to secure a non-discriminatory workplace where everyone is treated fair and with respect. Our aim to improve gender representations across the group is also a key contribution to secure reduced inequalities.

Munters provides an external, independent, whistleblower function to capture potential breaches to our code of conduct.

Goal 12 Responsible consumption and production



Target 12.2 By 2030, achieve the sustainable management and efficient use of natural resources.

Target 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Goal 12 aims to ensure sustainable consumption and production patterns to learn how to use and produce in sustainable ways that will reverse the harm that we have inflicted on the planet. As a signatory to the UN Global Compact, Munters complies with the Rio Declaration on Environment and Development which we also require our major suppliers and sub-suppliers to do. Sustainability is an integrated part of our business strategy, and we report annually and quarterly on our progress within the area of sustainability.

At Munters, we constantly strive to minimize our environmental impact and apply sustainability practices. We also work

to reduce the waste generated by our production facilities and increase the recycling rate, which we do through systematic quality work. When developing new products and solutions, we proactively choose those that will have a positive impact on our customers' and our own use of natural resources.

In the primary parts of the value chain, it is more of a challenge to control the use of for example waste etc. Munters perform audits among its larger suppliers to ensure that they follow Munters code of conduct.

Goal 13 Climate action



Target 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Climate change is affecting every country in the world. It is disrupting national economies and affecting lives and livelihoods, especially for the most vulnerable. Goal 13

aims for everyone to take urgent action to tackle climate change and its impacts.

Climate change is one of Munters' most important sustainability areas. Munters has set a goal of having net-zero emissions from its operations by 2030. To achieve this goal, Munters works actively to reduce its climate footprint in all parts of its operations and thereby affects local markets through its processes and requirements. Munters also

contributes to raising awareness among employees, customers, and suppliers about the importance of reducing their climate impact.

Munters contributes negatively to the target both directly and indirectly through consumption of non-renewable energy in different parts of the value chain.

16 Peace, justice and strong institutions



Target 16.5 Substantially reduce corruption and bribery in all their forms.

Goal 16 aims to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive

institutions at all levels. The UN states that compassion and a strong moral compass is essential to every democratic society.

At Munters, we strongly believe that this is also a necessity for companies that strive to create sustainable shareholder value. We follow the UN Convention Against Corruption and require everyone in the

company, including the board as well as suppliers and subcontractors, to comply to Munters' Code of Conduct. Munters has zero tolerance for bribes and has an anonymous whistleblower function that is operated by an independent external part.

Sustainability Report

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.

Munters' purpose is "For customer success and a healthier planet." Curiosity and ambition 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.

BUSINESS MODEL

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

climate control. Munters' largest customer groups are lithium battery manufacturers, the electronics industry, data centers, livestock farmers, greenhouses and food producers. The majority of our sales is directly to industrial customers, while sales to livestock farmers, greenhouses and food producers are largely through resellers.

Munters is a global company with sales in over 30 countries and with 17 production plants in North and South America, Europe and Asia. The Group has around 1,900 suppliers, which in turn operate

in 35 countries. The suppliers provide everything from inputs such as raw materials and components to services.

To deliver sustainable value, Munters is constantly innovating and raising the efficiency of its processes and methods to maintain a leadership position in the industry. For Munters to be a successful business, strong relationships with customers and suppliers, motivated employees and high ethical standards are essential.

PRIORITY SUSTAINABILITY SUBJECTS

Based on a materiality analysis, Munters has identified the following priority sustainability issues:

- Equitable and inclusive work environment
- Sustainable products and services
- New sustainable products and services
- Sustainable production

For more information on how Munters works with the prioritised sustainability issues and related targets and indicators see the sections describing our strategy and business areas.

SUSTAINABILITY ACTIVITIES 2021

In 2021, we integrated sustainability in every part of the business strategy, and the processes for monitoring and reporting targets and indicators were further refined. We have also defined and documented the governance model for the sustainability work. As an element in integrating the sustainability work in the strategy and refining the processes, the 50 highest executives received sustainability training, resulting in a number of new initiatives and projects.

During the year, we focused on climate work and activities to reduce our carbon footprint. Munters decided that we will reach net zero emissions from our operations. The target applies to all our offices, company cars and production facilities and is based on Scope 1 and 2 of the GHG protocol. During the year, we began measuring our emissions according to Scope 3 and the 50 highest executives received training on mapping and measuring Scope 3 emissions. Additionally, the reporting routines for Scope 1 and 2 were further refined.

As part of the effort to reduce our environmental impact, the company car and travel policies were updated during the year with clearer climate targets. Emissions from our fleet of vehicles and our air travel will be reduced by 30 percent by 2023, compared to pre-pandemic levels.

We have also introduced web-based sustainability training that is mandatory for managers and key employees. In 2022, the training will be offered to more employees.

In 2021, additional employees received training on human trafficking and how Munters can increase awareness of the risks. The training

was introduced in 2020 for employees in HR, procurement and strategic operations. To clarify our position of zero tolerance for forced labor and human trafficking, Munters renewed its commitment in 2021 to Section of the Modern Slavery Act 2015.

In 2020 and 2021, the pandemic negatively impacted our efforts to increase the percentage of female employees and executives. We have seen that a number of women employees, especially in the US, have resigned to take care of their families after schools closed. In 2021, both the proportion of women employees and the proportion of women leaders continued to increase, but not at the desired rate.

We have decided to introduce climate considerations and internal carbon pricing in all major investment decisions. Prior to deciding on a large investment, an analysis must be conducted of social factors such as human rights, working conditions and diversity.

At the end of the year, sustainability targets were linked to the primary financing facilities according to the Sustainability Linked Loan Principles, which are designed to facilitate and support environmentally and socially sustainable economic activity and growth.

Reporting according to the EU taxonomy was a priority project in 2021 involving several functions such as the finance and research departments and product managers. Munters' classification of income, expenses and investments according to the EU taxonomy is shown on pages 50-53. For more information, see sections that describe our strategy, our business areas and the sustainability report.

GOVERNANCE

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. Management is responsible for ensuring that the business strategy and sustainability activities are implemented and to follow up established targets and regularly communicate the results and outcomes to the Board of Directors and affected parts of the organization. The sustainability steering committee consists of individuals from the Group functions and business areas. The committee, which was led in 2021 by the Group Vice President HR & Sustainability, oversees the coordination of sustainability activities, coordinates plans, follows up activities and

BOARD OF DIRECTORS

Overarching responsibility for strategy, sustainability, ethics and results.

CEO AND MANAGEMENT

Decide on short- and long-term targets, focus areas and priorities.

SUSTAINABILITY STEERING COMMITTEE

Supports the CEO and management, business areas and Group functions. Leads the coordination of activities to meet the overarching sustainability targets. Coordinates plans, monitors and evaluates.

BUSINESS AREAS

Identify and execute activities to reach short- and long-term targets. Ensure compliance with policies and guidelines. Follow up the activities and key performance indicators.

evaluates them and key performance indicators.

The Group's positions and fundamental approach are described and governed in a number of policies and governing documents. The Board of Directors is ultimately responsible for the Group's policies. The Board of Directors reviews and approves the policies once a year or more often as needed. Management is responsible for the Group's policy documents with operating guidelines.

Munters' fundamental policies on how the business operates are the Code of Conduct for employees and the special Code of Conduct for suppliers. The work is also governed by several different policies and documents, e.g., HR policy, environmental policy and occupational health & safety policy.

Sustainability risks are mapped and evaluated within the framework of the yearly risk assessment process. For more information on the most material sustainability risks and how we manage them, see page 57.

REVIEW AND MONITORING

Compliance with the policies is monitored each year and reported to the Board of Directors. Management is responsible for implementing and monitoring the policies and governing documents. All employees will be informed of the Code of Conduct and managers will also receive training on the guidelines in the 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 Munters 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, which will be required to 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 suspicions of forced labor or human trafficking are guaranteed anonymity and will not risk retaliation.

UN GLOBAL COMPACT

Munters committed in 2018 to follow and implement 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 environment, social responsibility, business ethics and human rights. This annual report constitutes Munters' annual Communication on Report to the UN Global Compact.

MANAGEMENT SYSTEM

Munters has ISO certifications for quality, the environment and occupational health and safety for production facilities. In 2021, we set the goal that all production facilities will receive ISO 9001:2015, ISO 14001 and ISO 45001 certification. By the end of 2022, all production facilities will be ISO 9001:2015 certified for quality management.

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

Stakeholder dialogue

Munters has operations around the world and collaborates with a number of different stakeholders, including employees, customers, owners, distributors, suppliers, partners and people who work in environments

where Munters' climate control solutions are installed. To create long-term shareholder value, we have to ensure value creation for all stakeholders. This is why we closely dialogue and collaborate with many of them. This gives us a better understanding

of how and what we can improve in our work and which issues our stakeholders prioritize.

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

	Opportunities for dialogue	Priority issues
Customers and resellers	Business conversations and customer surveys. Seminars and training.	Delivery reliability, quality and suggested improvements. Munters' offer and contribution to lower carbon emissions and increased resource efficiency.
Suppliers	Business conversations. Seminars and training.	Delivery reliability, quality and suggested improvements. Compliance on environment, ethics, labor laws and human rights.
Employees	Employee reviews and surveys. Workplace meetings. Internal training, e.g., Munters Academy. Leadership days and programs, e.g., Munters Compass and MovE. Series of workshops on how to reduce climate impact. Union collaboration. Intranet - Munters World.	Health and safety. Discrimination and harassment. Inclusion and diversity. Development opportunities. Compensation. Sustainability issues and climate impact.
Shareholders, investors and analysts	Board meetings. Annual General Meeting and report presentations. Individual meetings, participation in conferences and continuous dialogue with shareholders, investors and analysts.	Munters' overarching strategy and financial and sustainability-related targets. Innovation with a focus on energy efficiency and strategic priorities such as digital solutions and modular platforms.
Lenders	Individual meetings and continuous dialogue with lenders.	Munters' overarching strategy and financial and sustainability-related targets.
Potential employees	Employment interviews and participation in job fairs at various colleges and universities. Partner in projects that promote collaboration between businesses and the academic sector.	Munters' position and offer. Development opportunities and compensation issues. Munters' sustainability work.

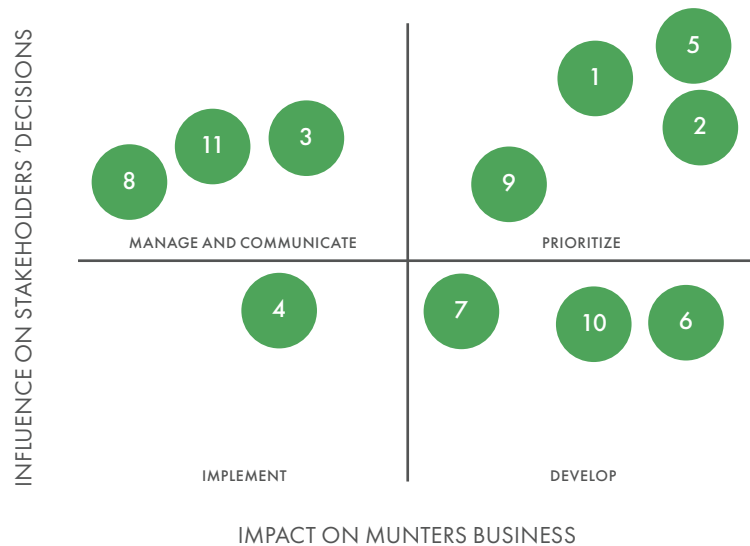
Materiality analysis

Based on our materiality analysis, Munters has compiled a list of its most important sustainability issues. The materiality analysis includes the sustainability issues with the biggest impact on stakeholders' decisions and the sustainability issues with the biggest impact on Munters' business. The materiality analysis was conducted by Group Management in spring 2021, based on the stakeholder dialogues and the Group's market analysis and strategic priorities. The sustainability issues have

been ranked by importance to stakeholders' decisions and the impact on Munters business. Based on the materiality analysis, the following are Munters' priority sustainability issues:

- Equitable and inclusive work environment
- Sustainable products and services
- New sustainable products and services
- Sustainable production

For more information on how Munters works with the prioritised sustainability issues and related targets and indicators see the sections describing our strategy and business areas.



	Sustainability issues	Strategic priority	How Munters manages the issue
1	Equitable and inclusive work environment	People	See pages 26-27.
2	Sustainable products and services	Customers	See pages 20-21.
3	Collaborations and partnerships	Customers	Munters' strategy focuses on understanding customers' needs and utilizing the company's know-how in applications, technology and components to deliver climate solutions. We closely collaborate with our customers' production engineers and R&D departments. Munters' goal is to understand its customers' needs and processes better than they do themselves. We require our suppliers and distributors to comply with our Code of Conduct.
4	Privacy and responsible marketing	Customers	The Munters brand is associated with socially and ethically responsible behavior, respect for human rights, a company that offers equal opportunities, good working conditions and high ethical standards. Munters prioritizes customer privacy and follows marketing rules and guidelines. The Code of Conduct and gift policy govern how we handle customer and supplier relationships.
5	New sustainable products and services	Innovation	See pages 22-23.
6	A sustainable and profitable business	Markets	Munters' overarching goal is to maintain a sustainable and profitable business in order to create value for our stakeholders. This affects every aspect of day-to-day operations and is monitored at every level.
7	Financing and taxes	Markets	The overarching goal is to ensure that Munters has the financial resources to manage operations in the short and long-term. Munters complies with applicable regulations on taxes and fees.
8	Local engagement	Markets	We dialogue with stakeholders and local communities where we operate.
9	Sustainable production	Excellence in everything we do	See pages 24-25.
10	Sustainable transportation	Excellence in everything we do	We limit the environmental impact of shipping and business travel by choosing low-emission alternatives and through active logistics planning. Updated our company car policy.
11	Business ethics and efficient procurement	Excellence in everything we do	Compliance with laws and regulations is fundamental to Munters' operations. Ethical behavior instills confidence and builds strong relationships. Munters' operations are rooted in the Code of Conduct for employees and major suppliers.

Our policies and guidelines in the sustainability area

Sustainability topic	Environment and climate impact	Social, labor and human rights	Anti-corruption and business ethics
Policies and guidelines	Code of Conduct Guidelines on Code of Conduct for suppliers Sustainability policy Air transport policy Guidelines for company cars	Code of Conduct Guidelines on Code of Conduct for suppliers HR policy Occupational health & safety policy Data protection policy Guidelines on anti-discrimination and harassment Guidelines on physical safety	Code of Conduct Guidelines on Code of Conduct for suppliers Guidelines on anti-corruption Policy on gifts, etc. Guidelines for whistleblower service Insider policy Guidelines on sanctions and trade restrictions Policy on compliance with competition laws
Main topics	<p>The main focus is to minimize carbon emissions and increase 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.</p> <p>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 will be converted to green vehicles.</p>	<p>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.</p> <p>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.</p>	<p>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 or exceed 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 reported.</p>
Targets and indicators	<p>Energy efficiency. Measured as electricity consumption in the production facilities relative to production value. Reported on page 25.</p> <p>Share of renewable electricity in the production facilities. Reported on page 25.</p> <p>Recycling rate, i.e., percentage of waste reused or recycled relative to total waste volume from the production facilities. Reported on page 25.</p> <p>Services as a percentage of sales. Reported on page 21.</p> <p>Emissions according to the GHG Protocol. Reported on page 19.</p> <p>Environmental fines received due to noncompliance with environmental laws and regulations. Reported on page 25.</p> <p>Carbon Disclosure Rating (CDP). Reported on page 19.</p>	<p>Employee engagement. Reported on page 27.</p> <p>Percentage of women employees and executives. Reported on page 27.</p> <p>Total Recordable Incident Rate (TRIR), i.e., number of accidents where the employee had to seek medical assistance. Reported on page 27.</p>	<p>Percentage of the largest suppliers that have signed the Code of Conduct for suppliers. Reported on page 21.</p> <p>Number of whistleblower cases through the external whistleblower service. Reported on page 27.</p>

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

Sustainability topic	Environment and climate impact	Environment	Social, labor and human rights	Human rights	Anti-corruption and business ethics
Business model	The sustainability report will describe the company's business model.		Munters' business model is described on page 44.		
Policy	The sustainability report will describe the policy that the company applies to the issues, including audit procedures that have been implemented.		Munters' policies and guidelines within sustainability are described on page 48.		
Results of the policy	The sustainability report will describe the results of the policy.	Results are described on pages 18, 19, 24, 25 and 40-49.	Results are described on pages 20, 21, 26, 27 and 40-49.	Results are described on pages 20, 21, 26, 27 and 40-49.	
Material risks	The sustainability report will describe the material risks that concern the issues and are tied to the company's operations, including, when applicable, the company's business relationships, products or services that probably face negative consequences.		Munters' sustainability risks and management of the risks are described on page 54-58.		
Management of risks	The sustainability report will describe how the company manages the risks.		Munters' risk management is described on pages 54-58.		
Performance indicators	The sustainability report will describe the key performance indicators that are relevant to its operations.		Munters' performance indicators can be found on pages 10,11, 18-27 och 44-53.		



Report on the EU taxonomy objectives

In order to meet the EU’s climate and energy targets for 2030 and reach the objectives of the European green deal, the EU has created the EU taxonomy. The aim is to provide a tool to support in directing investments towards sustainable projects and activities. The taxonomy is a classification system, detailing what the EU constitutes as sustainable economic activities.

The taxonomy applies to listed and large public interest companies with more than 500 employees. Companies must report the share of revenue from taxonomy eligible activities, and the share of operating and capital expenditures. In EU’s first version of the taxonomy, sectors that are assessed to have the greatest impact on CO2 emissions - forestry, manufacturing, power generation, water and waste management, transportation, construction and real estate, and ICT (data centres) - have been included. As a listed company Munters must report the taxonomy related KPIs as of 2021.

The taxonomy establishes that economic activities shall qualify as environmentally 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 and
 - c. Meet minimum safeguards (for example, UN Guiding Principles on Business and Human Rights) and
 - d. Comply with technical screening criteria to be established by the Commission in delegated acts.

Companies must report on the taxonomy objectives 1–2 in the annual report for the financial year 2021, and objectives 3–6 in the annual report for the financial year 2022. Companies will for the financial year 2021 report taxonomy-eligible activities, which does not account for whether that economic activity met any or all of the technical screening criteria.

During 2021, Munters has performed an analysis in several steps to identify taxonomy-eligible economic activities. The analysis has classified 35% of the turnover, 37% of the operating expenditures and 49% of the capital expenditures as taxonomy eligible for the financial year 2021. The included business span five economic activities as defined in the EU taxonomy

and includes both business areas. Furthermore, the reported KPIs relate to business where required performance data is available and of good quality. Munters expects the business reported as eligible under the current objectives and economic activities to increase as data access and quality is improved in the years to come.

Munters is of the opinion that a majority of its products and services contribute to more sustainable business since the company’s solutions reduce its customers’ climate and environmental impact. However, Munters provide expert solutions and services in an industry which is not well defined in the current version of the EU taxonomy and thus significant parts of our business do not have matching dedicated economic activities with substantial contribution criteria. Munters expect its eligible business to increase additionally as the taxonomy is expanded with further objectives and economic activities.

Included economic activities

EU Taxonomy economic activity	Munters’ business	Business Area
3.4 Manufacture of batteries	Dehumidification - Battery segment	AirTech
3.5 Manufacture of energy efficiency equipment for buildings	Controllers	FoodTech
3.6 Manufacture of low carbon technologies	Dehumidification – Industrial segmen	AirTech
7.3 Installation, maintenance and repair of energy-efficient equipment	Service	AirTech
8.2 Data-driven solutions for GHG emissions reductions	Software	FoodTech

Turnover

Economic activities	Turnover, MSEK	Proportion of turnover, %	Substantial contribution criteria		Taxonomy eligible proportion of turnover, %
			1. Climate change mitigation, %	2. Climate change adaption, %	
A. ELIGIBLE ACTIVITIES					
Eligible activities	2,541	35%	100%		35%
B. NON-ELIGIBLE ACTIVITIES					
Non-eligible activities	4,806	65%			
TOTAL A+B	7,348	100%			

SPECIFICATION OF DISCLOSURE - TURNOVER

Accounting policy

Turnover is defined as net turnover derived from products or services, including intangibles, associated with taxonomy-eligible economic activities.

When determining and allocating the taxonomy-eligible net turnover, business lines and underlying products and services were grouped according to economic activities. Thereafter assessments according to the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2), and Article 15(2), of Regulation (EU) 2020/852, were made. 'Taxonomy-non-eligible economic activity' means any economic activity that is not described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2), and Article 15(2), of Regulation (EU) 2020/852.

All the taxonomy-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.

Also see note 1 Accounting policies, note 2 Significant estimates and assessments, note 4 Net sales, and note 7 Other operating revenue and expenses.

ASSESSMENT OF COMPLIANCE WITH REGULATION (EU) 2020/852

Business Area AirTech

Three economic activities have been included in the reported KPI as eligible within the AirTech business area.

The first relates to the manufacture of batteries where the taxonomy states that manufacture of batteries or components contribute substantially to climate mitigation. The turnover from sales of dehumidification solutions and associated equipment within the subsegment Battery has

been included where it relates to battery manufacture for transportation, stationary and off-grid storage and other industrial applications.

Munters do not technically produce components for the manufacture of batteries, however lithium-ion battery production requires a highly controlled environment with stable temperature and extremely low humidity in order to guarantee quality and safety in production. Munters' assessment is that dehumidification equipment is equally critical as components in the manufacturing of batteries and that competing technology does not meet performance requirements. Further, Munters asserts that desiccant dehumidification is the only technology that can currently achieve these extremely dry conditions. Therefore the assessment is that Munters is a vital part of the value chain for lithium-ion batteries and consider the associated turnover taxonomy-eligible.

The second 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 specifies that in order to be taxonomy aligned, the economic activity manufactures technologies that are aimed at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology available on the market.

Munters 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. A portion of the turnover from sales of

dehumidification solutions and associated equipment within the Industrial segment has been included in the reported KPI. This portion relates to sales of solutions under circumstances where Munters technology is proven to be more energy efficient than alternative technology. Furthermore, this portion is extracted from sales where there is centrally accessible data of characteristics in the installation environment on which to make the assessment.

Munters estimates that a significantly larger portion of sales are under circumstances where alternative technology is less energy efficient than what is included in the reported KPI for 2021 and expects the included portion to grow over the coming years as data accessibility and quality improves.

The third economic activity relates to the installation, maintenance and repair of energy-efficient equipment. Substantial contribution to climate mitigation is defined in the taxonomy as individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment. Turnover from a portion of the sales within the Service segment has been included in the reported KPI. The reported portion represents service which is related to the solutions reported in the other two economic activities within AirTech, i.e. taxonomy-eligible solutions within the Battery and Industrial segment. The included service turnover is calculated using the same portion as sold taxonomy-eligible equipment sold as share of total sales.

Business Area FoodTech

Within Foodtech business area two economic activities have been included in the reported KPI as taxonomy-eligible. The first 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 range of 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 their overall energy efficiency in their facilities.

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 provide 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 which are all drivers of GHG emissions.

Capital expenditure

Economic activities	CapEx, MSEK	Proportion of CapEx, %	Substantial contribution criteria		
			1. Climate change mitigation, %	2. Climate change adaption, %	Taxonomy eligible proportion of CapEx, %
A. OMFATTADE AKTIVITER					
Omfattade aktiviteter	173	37%	100%		37%
B. ICKE-OMFATTADE AKTIVITETER					
Icke-omfattade aktiviteter	293	63%			
TOTALT A+B	466	100%			

SPECIFICATION OF DISCLOSURE – CAPITAL EXPENDITURE

Accounting policy

Capital expenditure is defined as the proportion of capital expenditure related to assets or processes associated with economic activities that qualify as any of the following:

- related to assets or processes that are associated with taxonomy-aligned economic activities, or
- part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned ('CapEx plan'), or
- related to the purchase of output from taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. Notably, activities listed in sections 7.3 to 7.6 of Annex I of the [Climate Delegated Act], 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), 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

The CapEx plan meets the following conditions;

- the plan aims either to expand Munter’s taxonomy-aligned economic activities or to upgrade taxonomy-eligible economic activities to render them taxonomy-aligned within a period of five years;
- the plan has been disclosed at economic activity aggregated level and approved by the Group Management Team.

Research and development costs accounted for in the capital expenditure KPI has not been counted as operating expenditure.

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

Also see note 1 Accounting policies and note 2 Significant estimates and assessments.

ASSESSMENT OF COMPLIANCE WITH REGULATION (EU) 2020/852

Business Area AirTech

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. The included eligible business do not have dedicated business units, and share capital

expenditures with non-eligible business in the same areas. The reported eligible capital expenditure has been determined using the proportion of eligible turnover identified within relevant areas, see the Specification of disclosure – turnover section.

Business Area FoodTech

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. The included eligible business, controllers and software, are handled in separate business units within FoodTech business area. The reported capital expenditure corresponds to all of the capital expenditure incurred in those specific business units.

SPECIFICATION OF DISCLOSURE – OPERATING EXPENDITURE

Accounting policy

Operating expenditure is defined as the proportion of operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable. The denominator is direct non-capitalised costs that relate to research and development, building

Operating expenditure

Economic activities	Absolute OpEx, MSEK	Proportion of OpEx, %	Substantial contribution criteria		Taxonomy eligible proportion of OpEx 2021, %
			1. Climate change mitigation, %	2. Climate change adaption, %	
A. ELIGIBLE ACTIVITIES					
Taxonomy-eligible activities	82	49%	100%		49%
B. NON-ELIGIBLE ACTIVITIES					
Non-eligible activities	87	51%			
TOTAL A+B	168	100%			

renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day 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 numerator is the part of the operating expenditure included in the denominator that is any of the following:

- related to assets or processes associated with taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that present research and development;
- part of the capital expenditure plan to expand taxonomy-aligned economic activities or allow taxonomy-eligible economic activities to become taxonomy-aligned within a predefined timeframe [TBD];
- related to the purchase 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) 2020/852 and provided that such measures are implemented and operational within 18 months.

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

Also see note 1 Accounting policies, note 2 Significant estimates and assessments, note 4 Net sales, and note 5 Information on cost by nature.

ASSESSMENT OF COMPLIANCE WITH REGULATION (EU) 2020/852

Business Area AirTech

The included eligible businesses do not have dedicated business units and share operating expenditures with non-eligible business in the same areas. The reported eligible operating expenditure has been determined using the proportion of eligible turnover identified within relevant areas, see the Specification of disclosure – turnover section.

Business Area FoodTech

The included eligible business, controllers and software, are handled in separate business units within FoodTech business area. The reported operating expenditure corresponds to all of the operating expenditure incurred in those specific business units.



Conversation between employees at Munters' head office in Kista.

The process of risk management and risk analysis

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.

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 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, refer to 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 each area 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 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.

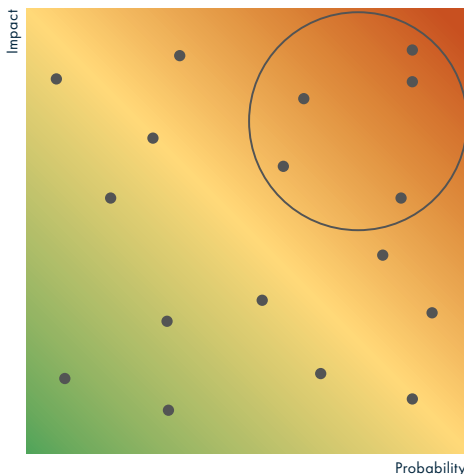
Every business area and Group function within Munters is responsible for identifying and managing risks within their organization in accordance with the Munters risk process and current policies and guidelines.

The ERM function, which reports to the Group Vice President and CFO, is responsible each year for overseeing a Group-wide risk assessment as part of the strategy process. In 2021, 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. After a new strategy was adopted in early 2020, new risk areas were given more attention. In 2021, the work to analyze all risk areas continued and during the year the risk analysis became a more integral part of strategic development.



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

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.

ERM PROCESS

The ERM process applies to the entire Group and to all roles with responsibility for risk management activities. The focus is on getting the Group functions and business areas to clearly link their risks to strategic goals and decision-making responsibility.

Risk management planning is done collaboratively by those with risk responsibility in the Group functions and business areas, together with the Enterprise Risk Management function.

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 page 56. 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 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. The highest risks for each unit are presented in a risk matrix (see the example on page 54). The matrix shows the impact and probability of each risk area. The ERM function helps to identify opportunities to consolidate risks based on common characteristics.

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 key risks' status 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 mitigation plan's implementation or development. This monitoring started in autumn 2021 for the primary identified risks for 2021.

Risks

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.

STRATEGIC RISKS

Strategic risks are related to the market's development and include risks from macrotrends, 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

Munters also works 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. After a comprehensive review of MLPS and its underlying directive in 2021, a new version was launched during the year. MLPS is used in risk evaluations by 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 conducted virtually for the most part. During the year, one facility was evaluated (nine in 2019 and seven in 2020) and 16 follow-ups of previous evaluations were conducted virtually. MLPS is also used for evaluations in conjunction with acquisitions, investments and construction projects. In connection with the MLPS update during the year, an updated Business Continuity Management and Crisis Management Procedure was launched. Implementation will continue in 2022.

Risk management

In 2021, the company focused on improving the crisis management process at the same time that much of the focus remained on managing the impact of the pandemic. The risk assessment in 2021 found a total of ten 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	Risk description	Management
STRATEGIC RISKS		
Sustainable operations	Risks associated with how sustainable Munters' operations are and the steps we are taking to make products and operations more sustainable. The risk is that Munters will not succeed in meeting its various stakeholders' expectations in various areas, which could result in lost sales and lost market share.	In 2021, we prioritized areas we identified as important drivers for a sustainable business. An overarching plan and targets have been defined for our priority sustainability areas, which have been integrated in our long-term strategic plan. For more information, see sections that describe our strategy, our business areas and the sustainability report.
Innovation	Risk that Munters does not develop new innovations fast enough or have a sufficiently effective innovation process. This can lead to lost market share.	Investments were made in R&D in 2020 and 2021 to strengthen innovation. For example, we strengthened research and development departments, FoodTech launched an updated strategy with focus on digital solutions, AirTech launched several new products, for more information see pages 22-23.
M&A	The risk of not achieving goals for completed investments and acquisitions, e.g., with respect to synergies.	In 2020 the M&A team was expanded and in 2021 a Head of M&A was hired. The M&A team is responsible for ensuring that Munters delivers on the goals set for M&A in coming years. They are involved mainly in the due diligence-, acquisition-, and integrationphase and work very closely together with the business areas.
OPERATIONAL RISKS		
Business interruption	Risks associated with an interruption of operations and the impact it can have on large parts of operations. The risk can for example cause longer lead times. Important aspects of this risk is for example dependencies between various components and suppliers. It also includes the risk of data intrusion, fire or other natural disasters that could lead to a business interruption.	Since the start of 2020, Munters actively monitors its market presence and value chain. In 2021 Munters put much focus on the continued evaluation of suppliers and to analyse and evaluate single-source dependencies of components and risks connected to this. This work will continue in future years.
Management of the value chain and ensuring production capacity	Risks associated with Munters' dependence on a few suppliers and that this could cause long lead times. In addition, that we will not have sufficient production capacity to fulfill our business plans or have overcapacity that adversely impacts the business.	As part of managing this risk, Munters has been working for several years to regionalize its value chain. In 2021, Munters did an oversight of the production capacity with the aim to secure this for the coming years. In the light of this decisions were made to expand production capacity for products to Data Center in the US. Also, a decision was made to build a new factory in the Czech Republic dedicated to products for the Battery production market.
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 processes to strengthen quality awareness has increased in recent years at Munters. Several initiatives have been taken to increase customer satisfaction, reduce warranty claims and strengthen the production process. In 2021, the focus was on strengthening production processes in order to increase quality.
Work-life balance	Risk that Munters cannot ensure a work-life balance, which could result in high workloads, stress and lower productivity.	2021 and 2020 were exceptional years as many employees were forced to work under unusual conditions. A number of them had high workloads as a result. In 2021, every Munters management team member actively followed up on how well their employees balanced their workloads and the company offered various tools to work from home.
Cybersecurity	Cyberthreats 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 could be structured in a way that does not optimally support the company's business processes or strategic ambitions. There is also an information management risk consisting, e.g., of IT attacks.	In 2021, Munters continued to inform and train employees about cyberthreats in combination with investments in existing and new security systems. As of november 2021 Munters has appointed a CISO (Chief Information Security Officer) in order to strengthen focus on cyberthreats and establish stronger processes for information security. Annual penetration tests are conducted according to plan to ensure that the security requirements for the IT infrastructure have been met and that preventive updates and improvements have been implemented.

Risk	Risk description	Management
OPERATIONAL RISKS		
Recruit and retain talent	<p>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 manage its operations.</p>	<p>In 2021, Munters identified and established a plan comprising several measures to enhance its attractiveness as an employer. In 2022, a project is planned to strengthen Munters' employer brand. The introduction of a global recruiting platform will begin in 2022. Additionally, an evaluation of various online learning platforms is planned in order to launch one for Munters employees.</p>
RISKS RELATED TO CLIMATE CHANGE		
	<p>There is a risk that Munters' operations and the overall economy will be impacted by climate change.</p>	<p>Munters has not identified any company-specific risks related to climate change. In 2022, a new analysis and evaluation of risks for operations related to climate change will be carried out. Munters monitor developments and work continuously to reduce our own climate impact.</p>
REGULATORY RISKS		
Compliance with laws, regulations and guidelines	<p>Risk that the Group's employees and distributors do not comply with laws, regulations and external and internal guidelines. This risk includes the risk that contracts with customers and suppliers are not negotiated and approved in accordance with current routines. This can have legal and financial consequences and damage the Group's reputation.</p>	<p>Munters has clear policies and guidelines in place, including a Contract Vetting Process. It is the responsibility of each manager to ensure that all employees have information on them. Additionally, various training is provided annually for all employees in various areas to ensure a high level of knowledge and awareness.</p>



Munters continues to build shareholder value in a sustainable way

2 021 was another year largely affected by the pandemic. Read our Chairman Magnus Lindquist's thoughts on the past years and the future for Munters.

What were the most important issues during the year?

For Munters' Board of Directors, as with so many others, the pandemic was of course one of the main issues again in 2021.

During the year, we also experienced the major challenges that the pandemic has caused in the supply chain. Munters has clearly been affected by the logistical constraints and parts shortages. It is gratifying to see how professionally and resolutely Munters has handled the situation and that our operations have consistently worked well despite the challenges.

During the year, we also monitored how Munters tackled the effects of raw material price increases and the company's price strategy. Unfortunately, the supply chain problems and delayed shipments led to a growing order backlog and thereby delayed the effects of Munters' own price increases. It is positive to note that pricing processes were improved during the year, which will be important to the company going forward.

You have been Chairman since 2018. What is the most important thing that has happened in those years?

Obviously, it is the impact of the pandemic and how it globally affects the way everyone lives and how we work, both

positively and negatively. In the case of Munters, I would also like to mention three areas where the company made important choices in these years.

The first area pertains to the new strategy, which we began implementing in 2020, and the subsequent strategic review of the business areas. The organizational structure has also been adapted to be more business-oriented and customer-centric. Clearer ownership will ensure synergies and drive value throughout the Group. By ensuring greater scalability in operations with better routines and leading processes, efficiency will increase. A strong focus on continued innovation, product development and digitization are also key factors that lay the foundation for Munters' value creation.

The second area concerns Munters' sustainability work. During the year, we saw how sustainability issues were integrated in the business strategy and are now an integral part of an increasing number of processes and areas. Climate change is one of the most important issues on the global agenda today and Munters can contribute to lower emissions, both through its energy-efficient solutions for customers and through its internal sustainability work.

The third area is the work to improve the capital structure. The organization has focused on more efficient use of working capital and thereby freed up capital that can be used for further expansion. Munters has the financial strength and ability to integrate that makes it possible to grow through acquisitions as well.

In light of Munters' good financial position and earnings in 2021, the Board of Directors proposes to the Annual General Meeting an increased dividend to SEK 0.85 per share, a total of SEK 157 million.

Finally, what do you see as Munters' challenges and strengths?

Munters' customer offering fits well into the megatrends of our time, sustainability and digitization, which benefits the company's long-term potential. The challenge is to maintain a high rate of product development in order to stay at the forefront of development. Munters' biggest strengths are high-quality products and services, strong applications know-how and close, long-term customer relationships. Innovation is part of the company's DNA and Munters has built its strong global position through creativity, curiosity and professionalism. I therefore feel safe in predicting that Munters will remain a world leader in climate control solutions and sustainably build shareholder value.

Lastly, I would like to take this opportunity to thank all the employees of Munters for their excellent work during another challenging year.



World leader in climate solutions and sustainably building shareholder value

Magnus Lindquist,
Chairman of the Board

Corporate Governance Report

The goal of corporate governance is to guarantee that the company is managed as efficiently as possible for the shareholders. This includes establishing an effective organizational structure, systems for internal control and risk management, and transparent internal and external reporting.

SWEDISH CORPORATE GOVERNANCE CODE

Munters Group AB is a Swedish public company listed on Nasdaq Stockholm. Corporate governance is primarily regulated by the Swedish Companies Act and other Swedish legislation, Nasdaq Stockholm's Issuer Rules and the Swedish Corporate Governance Code ("the Code"). This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the Code. Munters' auditors have reviewed the report and the statement from the auditors can be found on page 131.

CORPORATE GOVERNANCE MODEL

The shareholders exercise their voting rights at the general meetings of Munters Group AB, which is the parent company of the Munters Group, to decide on among other things the composition of Munters Group AB's Board of Directors and the election of Auditors.

A Nomination Committee appointed in accordance with the instruction approved by Munters Group AB's Annual General Meeting submits proposals to the General Meeting concerning the election of Board members and the Chairman of the Board as well as proposed resolutions concerning remuneration of the Board. The Nomination Committee also submits proposals to the General Meeting for the election of auditors and for resolutions on fees to the auditors.

The Board is ultimately responsible for the Munters Group's organization and the management of its operations. In addition, the Board appoints the President and CEO of Munters Group AB. The CEO is in charge of the Group's daily management in accordance with the Board's instructions

External governance systems

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

Internal governance systems

The Articles of Association adopted by the Annual General Meeting (AGM), the Munters Board Rules of Procedure adopted by the Board, the instructions for the CEO, and the instructions for the Compensation, Audit and Investment Committees constitute the key internal governance systems.

In addition, the Group has a number of policies and instructions with rules and principles for the Group's operations and employees, these can be found on Munters website, www.munters.com. In 2021, the Munters Board of Directors passed resolutions on the following policies and instructions:

- Rules of Procedure for the Board of Directors
- Instructions for the CEO
- Instructions for the Compensation Committee
- Instructions for the Audit Committee
- Instructions for the Investment Committee
- 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

Deviations from the Code

The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden. The Code provides a norm for good corporate governance at a higher level of ambition than the minimum requirements of the Swedish Companies Act and other rules.

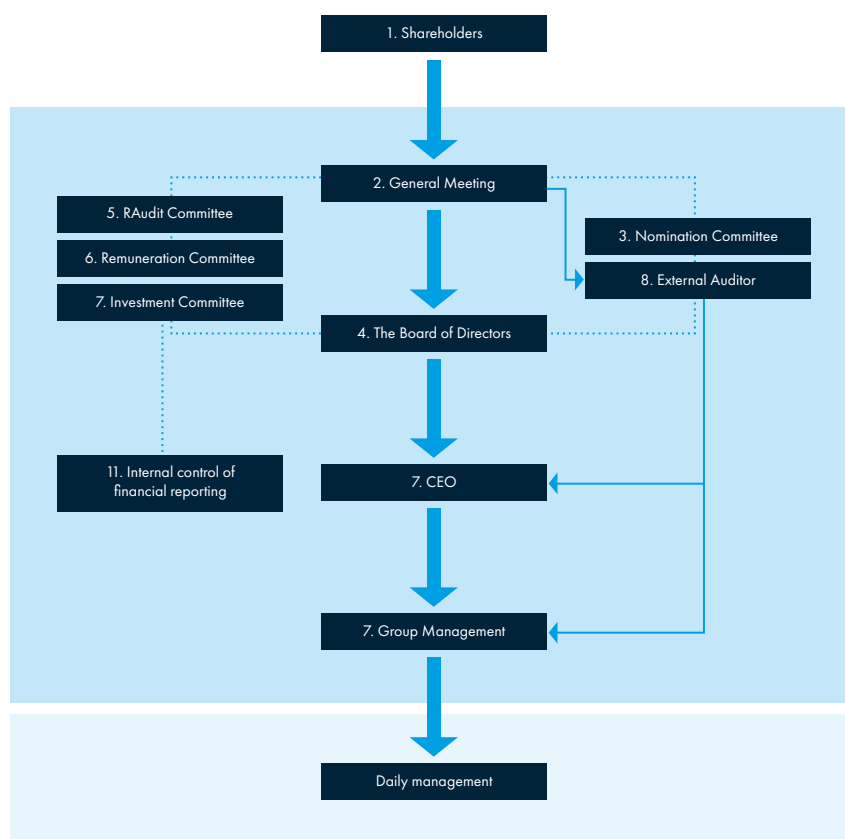
The Code is built on the "comply or explain" principle. This means that the company does not have to observe every rule in the Code at all times, but can choose other solutions deemed to better address the circumstances in the individual case, provided that the company openly reports every such deviation, describes the solution chosen instead and indicates the reasons for this in the corporate governance report.

In 2021, Munters did not deviate from any of the Code's rules.

MUNTERS' ARTICLES OF ASSOCIATION

Munters' Articles of Association were adopted at the Annual General Meeting on May 19, 2021 and contain no special provisions on the appointment and dismissal of Board members or on revisions to the Articles of Association. For the complete Articles of Association, refer to the Munters website.

CORPORATE GOVERNANCE STRUCTURE



1. Shareholders

Shares in Munters have been listed on Nasdaq Stockholm since May 19, 2017. At year-end, share capital amounted to SEK 5,533,735, distributed among 184,457,817 shares. All shares are of the same class and have equal rights in every respect. On December 31, 2021, Munters had 7,180 shareholders (compared with 4,912 on December 31, 2020). The largest shareholders were FAM (27.8 percent), Odin Funds (9.0 percent), First Swedish National Pension Fund (8.4), Swedbank Robur Funds (7.4 percent) and Fourth Swedish National Pension Fund (6.4 percent).

Additional information on the share and shareholders can be found in the section on the Munters share and on the Munters website.

Share buy-back

For the purpose of guaranteeing delivery of shares to participants in the long-term incentive programmes resolved at the AGMs 2018-2020, the Board of Directors was authorized by the AGM to decide on the acquisition of at most 1,071,550 own shares for the period up to the next AGM. The Board of Directors decided to utilize the buy-back authorization between November 17, 2001 and March 23, 2022,

with the exception of the period December 30, 2021 through February 4, 2022.

The total number of own shares Munters holds as of December 31, 2021 is 2,883,300, corresponding to approximately 0.37 percent of the share capital

2. General Meeting

The right of the shareholders to decide on matters concerning Munters 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, either in person or by proxy.

Decisions at the GM are normally taken by simple majority. On certain issues, however, the Swedish Companies Act prescribes a qualified majority of votes, and in specific cases a certain portion of shareholders must be present for a quorum.

The AGM must be held within six months of the end of the financial year. Munters' AGMs are held in Stockholm, Sweden, every calendar year before the end of June.

Under the Articles of Association, notices convening General Meetings are issued by announcement in Post- och Inrikes Tidningar (the Swedish Official Gazette) as well as on the Munters website. An

announcement that a notice convening a GM has been issued shall be made in Svenska Dagbladet.

Apart from the AGM, an Extraordinary General Meeting can be held if the Board considers it necessary, or if Munters' auditor or owners of at least 10 percent of total shares in the company request one.

Shareholders may attend the General Meeting with one or two assistants, but only if the shareholder notifies the company of the number of assistants as indicated in the previous paragraph.

The Board of Directors may decide that those who are not shareholders of the company may, on terms decided by the Board, have the right to attend or otherwise follow the proceedings of the General Meeting.

The Board of Directors may collect proxies pursuant to Chapter 7, Section 4, paragraph 2 of the Swedish Companies Act.

The Board of Directors may decide prior to a General Meeting that the shareholders may exercise their voting rights by mail before the General Meeting pursuant to Chapter 7, Section 4 of the Swedish Companies Act.

In addition to notifying the company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares be

temporarily registered in their own names in the register maintained by Euroclear Sweden AB to be entitled to participate in the AGM. Re-registration may be temporary and requested from the nominee, as per the nominee's instructions, well in advance.

Shareholders who wish to have an issue brought before the General Meeting must submit a request in writing to the Board of Directors. The request must normally be received by the Board of Directors seven weeks before the General Meeting at the latest.

2021 Annual General Meeting

The AGM on May 19, 2021 was attended by 114 shareholders representing 141,366,330 of the shares and 76.64 percent of the votes. Due to the pandemic, the AGM was held according to sections 20 and 22 of the Act on temporary exemptions in order to facilitate the conduction of general meetings (Sw. lag (2020:198) om tillfälliga undantag för att underlätta genomförandet av bolags- och föreningsstämmor), meaning that the shareholders were able to exercise their voting rights at the Meeting only by postal voting in advance.

The issues resolved by the AGM included the following:

- That a dividend of SEK 0.70 per share will be paid for the financial year 2020.
- Discharge of the Board members and the CEO from personal liability for the administration of the company in 2020.
- Remuneration to the Board of Directors; see below.
- Re-election of Board members Magnus Lindquist, Helen Fasth Gillstedt, Per Hallius, Lena Olving, Kristian Sildeby, Juan Vargues, Håkan Buskhe and Anna Westerberg.
- Re-election of Magnus Lindquist as Chairman of the Board.
- Election of the Auditors and remuneration to the Auditors according to approved invoices.
- Resolution on the Nomination Committee's instruction; see below.
- Compensation guidelines for senior executives; see below.
- Approval of the Board's remuneration report.
- Resolution on amendments to the articles of association.

- Authorization of the Board of Directors to resolve, on one or more occasions to repurchase not more than 1,071,550 shares in the company to secure delivery obligations of shares to participants in the incentive programs that the 2018-2020 AGMs resolved to implement, and for transfers on a regulated market to cover cash flow effects associated with these programs.

- Authorization of the Board of Directors, until the next AGM, to resolve to issue, on one or more occasions, new shares and/or convertible bonds and/or warrants up to a total of 18,445,781 shares that can be issued, that convertible bonds that can be converted to, and that can be subscribed for by exercising warrants.

- Authorization of the Board of Directors to resolve on transfer a total of not more than 200,000 own shares.

2022 Annual General Meeting

The 2022 Annual General Meeting will be held on May 18, 2022. For further information, refer to page 78 and the Munters website, www.munters.com.

3. Nomination Committee

Nomination Committee activities

The Nomination Committee is charged with preparing and submitting proposals before the AGM on behalf of the shareholders for election of the Chairman of the AGM and election of a Chairman of the Board and other Board members, election of auditors, decisions on fees to auditors and to the Board (divided between the Chairman and the other members, as well as remuneration for committee work) and, where necessary, changes to the instruction of the appointment of the Nomination Committee. In addition, the Nomination Committee assesses the independence of Board members in relation to the company and its major shareholders. The company's Audit Committee assists the Nomination Committee with the proposal for the election of auditors; the Nomination Committee's proposals to the General Meeting for auditors' elections shall contain the recommendation of the Audit Committee.

Prior to submitting its proposal to the Board, the Nomination Committee may review the evaluation of the Board's activities and members, and otherwise seek information on the Board's activities through interviews with the company's CEO and some or all Board members.

Shareholders were provided an opportunity to submit proposals to the Nomination Committee.

Composition of the Nomination Committee
The 2021 AGM resolved that the following Nomination Committee instruction will apply until further notice:

The Nomination Committee prior to the AGM shall be composed of representatives from 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 Chairman of the Nomination Committee shall appoint the member representing the largest shareholder by votes. The Chairman of the Nomination Committee shall have the deciding vote in a tie. If, earlier than two months prior to the AGM, a shareholder that has appointed a member of the Nomination Committee no longer ranks among the four largest shareholders by votes, the member appointed by that shareholder shall surrender their position and the shareholder that has been added to the four largest shareholders by votes shall be entitled to appoint their representative. In the event a member leaves the Nomination Committee before its work is completed and the Nomination Committee finds it necessary that a replacement is appointed, that replacement shall be appointed by the same shareholder or, if that shareholder is no longer among the largest shareholders by votes, by the next largest shareholder.

The composition of the Nomination Committee shall normally be announced no later than six months before that 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.

Nomination Committee prior to the 2022 AGM

The composition of the Nomination Committee was published through a press release and on the Munters website on October 18, 2021. The Nomination Committee for the 2022 AGM consists of (holdings as of December 31, 2021):

- Magnus Fernström, representing FAM AB (27.8%)
- Jonathan Schönback, representing Odin Funds (9.0%)

- Mats Larsson, representing First Swedish National Pension Fund (8.4%)
- Jan Dworsky, representing Swedbank Robur Funds (7.4%)

The Nomination Committee appointed Magnus Fernström as Chairman of the Nomination Committee in accordance with the Nomination Committee's instruction. Magnus Lindquist, Chairman of the Board of Munters shall be co-opted to the Nomination Committee in accordance with the Nomination Committee instructions.

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

4. The Board of Directors

Board activities

The duties of the Board of Directors are primarily set forth in the Swedish Companies Act and the Code.

In addition, Board activities are guided by formal rules of procedure adopted each year 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 of Directors also decides on major investments and organizational and operational changes.

Composition of the Board of Directors

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.

At the 2021 AGM, all the Board members were re-elected. Under Swedish law, the trade unions have the right to representation on the Board; in most of 2021 they were represented by two members and one deputy. A presentation of the Board members can be found in the section "Board of Directors."

The CEO and the Group Vice President and the CFO of Munters are present at Board meetings. Attorney Johan Lekholm

from Mannheimer Swartling Advokatbyrå AB serves as the Board's secretary. Other officers participate in Board meetings to present specific issues.

The reasoned statement of the Nomination Committee for the 2021 AGM indicates that the Nomination Committee applied Rule 4.1 of the Code as its diversity policy in drawing up its proposal for the Board of Directors. The goal of the policy is for the Board, given the company's operations, stage of development, and conditions in general, to have a suitable composition marked by diversity and breadth as regards the competence, experience, and background of the members elected by the GM, and to promote gender parity. The 2021 AGM resolved to elect Board members in accordance with the proposal of the Nomination Committee. The 2021 AGM elected eight members: three women and eight men.

Changes to the composition of the Board in 2021

Board member Pia Nordquist (employee representative) left the board on 26 January 2021. Robert Wahlgren was appointed board member (employee representative) on May 26, 2021.

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Elected in	Fee, kr ¹⁾	Committee fees	Independence	Attendance			
					Board meetings	Audit Committee	Compensation Committee	Investment Committee
Magnus Lindquist, chairman	2018	1 100 000	165 000 ²⁾⁴⁾	Ja	18/18	-	7/7	5/5
Helen Fasth Gillstedt	2017	420 000	200 000 ³⁾	Ja	18/18	5/5	-	-
Per Hallius	2013	420 000	110 000 ⁴⁾	Ja	18/18	-	-	5/5
Anna Westerberg	2020	420 000	55 000 ⁴⁾	Ja	18/18	-	-	5/5
Lena Olving	2017	420 000	125 000 ³⁾	Ja	16/18	5/5	-	-
Kristian Sildeby	2017	420 000	235 000 ²⁾³⁾⁴⁾	Nej ⁵⁾	18/18	5/5	7/7	5/5
Juan Vargues	2019	420 000	55 000 ²⁾	Ja	17/18	-	7/7	-
Håkan Buskhe	2020	420 000	-	Nej ⁵⁾	18/18	-	-	-
Simon Henriksson ⁶⁾	2017	-	-	-	17/18	-	-	-
Tor Jansson ⁷⁾	2019	-	-	-	11/18	-	-	-
Robert Wahlgren ⁶⁾	2009	-	-	-	17/18	-	-	-

¹⁾ Compensation for work from the 2021 AGM to the 2022 AGM

²⁾ Compensation Committee fee.

³⁾ Audit Committee fee.

⁴⁾ Investment Committee fee.

⁵⁾ Independent in relation to the company and Group Management, but not to the company's major shareholders.

⁶⁾ Employee representative.

⁷⁾ Employee representative, deputy.

Independence of the Board

The company meets the requirements in the Code as 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. The independence of the Board members is shown in the table, "Composition of the Board of Directors."

Responsibilities of the Chairman of the Board

The Chairman of the Board of Directors leads and oversees the work on the Board, ensuring that its activities are conducted efficiently.

The Chairman also ensures that the Swedish Companies Act and other applicable laws and regulations are observed, that the Board receives the necessary training, and that it improves its knowledge of Munters. The Chairman monitors operations in close dialogue with the CEO, conveys opinions from shareholders to the 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 annually evaluating its work.

Board Committees

The Board of Directors has three committees: the Audit Committee, the Compensation Committee and the Investment Committee. Reports to the Board on issues addressed at committee meetings are submitted in writing or given orally. The work of each committee is performed in accordance with the instruction of the Board. Minutes of committee meetings are provided to all Board members.

Board fees

The 2021 AGM resolved that fees of SEK 1,100,000 would be paid to the Chairman and SEK 420,000 each to the other members elected at the meeting. It was further resolved that fees of SEK 200,000 would be paid to the chair of the Audit Committee,

with SEK 125,000 to each of the other members of the Audit Committee; SEK 110,000 to the chair of the Compensation Committee, with SEK 55,000 to each of the other members of the Compensation Committee, and SEK 110,000 to the chair of the Investment Committee, and with SEK 55,000 to each of the other members of the Investment Committee.

Evaluation of Board activities

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. Upon request of the Nomination Committee, the Board members shall participate in interviews with the Nomination Committee to facilitate the evaluation.

A traditional internal evaluation of the Board's work was conducted in 2021. The results of the interviews and the Board evaluation have been reported to the Board and the Nomination Committee.

Board meetings 2021

In 2021, the Board of Directors held 18 meetings.

Following is an overview of the most important issues addressed at these meetings.

Month	Key issues addressed
January	Review of the strategy for the FoodTech business area. Follow-up of strategic plan for the Group.
February	Decision on dividend proposal for the financial year 2020. Approval and release of the year-end report (Q4 report). Follow-up of strategic plan for the Group and innovation work.
March	Approval of Annual and Sustainability Report 2020.
April	Resolution on notice and proposal for the Annual General Meeting. Approval and release of Q1 report.
May	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.
July	Approval and release of Q2 report.
August	Review of employee questions and succession plans.
September	Review of strategy work.
October	Approval and release of Q3 report.
November	Approval of strategic plan for the Group.
December	Approval of proposed financial targets for 2022.

5. 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 regarding the procurement of audit and other services provided by the auditor; and to prepare certain accounting and auditing matters to be resolved by the Board.

The Audit Committee also reviews procedures and routines for the aforementioned areas. The Audit Committee submits recommendations and proposals to ensure the reliability of the financial reporting and its compliance with generally accepted accounting principles, continually discusses the company's accounting principles and financial control with the auditors and Group Management, and considers recommended improvements to internal control. 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.

In 2021, the Audit Committee consisted of Helen Fasth Gillstedt (Chair), Lena Olving and Kristian Sildeby. The Audit Committee fulfills the requirements in respect of accounting and auditing competence as set forth in the Swedish Companies Act.

The Audit Committee and the Auditor have among other things reviewed the external audit plan and the approach to risk management. The Audit Committee held 5 meetings in 2021. Board member attendance is shown in the table, "Composition of the Board of Directors."

The Audit Committee regularly reports the results of its work to the entire Board, and the minutes of the Audit Committee's meetings are provided to all Board members.

6. Compensation Committee

The task of the Compensation Committee is to prepare issues relating to compensation for the CEO and Munters' other senior management. The Compensation Committee proposes guidelines for, among other things, the breakdown between fixed

and variable compensation, the principal conditions for bonuses and incentive schemes, conditions for non-monetary 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 the company's compliance with compensation guidelines adopted by the Annual General Meeting, in addition to preparing the report submitted to the Board for approval at the AGM.

See also "Remuneration guidelines for senior executives" below.

In 2021, the Compensation Committee consisted of Magnus Lindquist (Chair), Kristian Sildeby and Juan Vargues. The Compensation Committee held 7 meetings in 2021. Board member attendance is shown in the table, "Composition of the Board of Directors."

7. 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 the material contractual process.

During the period between two consecutive AGMs, the Investment Committee is required to hold at least one meeting.

In 2021, the Investment Committee consisted of: Per Hallius (Chair), Kristian Sildeby, Magnus Lindquist and Anna Westerberg. The Investment Committee held 5 meetings in 2021. Board member attendance is shown in the table, "Composition of the Board of Directors."

The Investment Committee regularly reports the results of its work to the entire Board, and the minutes of the Investment Committee's meetings are provided to all Board members.

8. External Auditor

Munters' external auditor is appointed by the AGM. The auditor reviews the six- or nine-month interim report and audits the annual financial statements and consolidated accounts. The auditor also reviews the corporate governance report and confirms whether the Group has presented a sustainability report. The auditor reports the results of the audit in the Audit Report and in an opinion on the corporate governance and sustainability reports, and provides a separate opinion on whether the guidelines for remuneration to senior executives in effect since the previous Annual General

Meeting have been followed. The audit is conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit is reported on a continual basis over the year to the company's Audit Committee.

During the year, the auditor participated in all Audit Committee meetings and in the Board meeting where the annual accounts were addressed. The auditor participates in the AGM and describes the audit work and the observations made in the audit report.

The auditor's fee for their audit work is paid according to approved invoices. Apart from the audit work, Munters' audit firm Ernst & Young AB provided other services during the year, primarily on tax-related issues. For information on remuneration to Ernst & Young AB, refer to Note 33.

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. Munters' 2021 AGM re-elected Ernst & Young AB as auditor for a term of four years, through the 2025 AGM.

9. CEO and Group Management

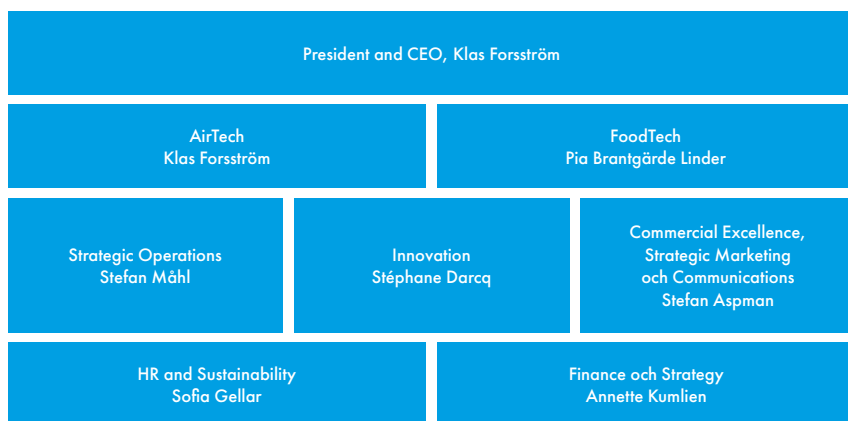
Group Management consisted in 2021 of the CEO, the Group Vice President and CFO, two business area Presidents and four Group Vice Presidents responsible for the central functions Strategic Operations, Innovation, Commercial Excellence & Strategic Marketing & Communication and HR & Sustainability.

The CEO is responsible for day-to-day management according to the Board's instructions. The CEO's responsibilities include taking all measures necessary to ensure that the organization and the control of the company's accounting 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 ensures that the Board members continually receive all the information needed to assess the company's financial situation.

The quality of the report shall be such that it allows the Board to make a well-grounded assessment.

GROUP STRUCTURE



Changes to Group Management in 2021
 In 2021, Peter Gisel-Ekdahl left Munters and President and CEO Klas Forsström, in addition to his current role, took over as President of the business area AirTech. In 2021, Sofia Gellar left Munters and on October 14 Grete Solvang Stoltz was appointed the new Group Vice President HR & Sustainability.

Remuneration guidelines for senior executives

The guidelines for remuneration to senior executives are adopted by the Annual General Meeting. Prior to the 2021 AGM, the Board of Directors evaluated various versions of long-term share-related or share price-related programs and proposed to the AGM a shift to a long-term variable cash salary with clear performance requirements and an expectation that the net outcome will be invested in Munters shares. The proposal was prepared with the guiding principles to simplify management of the program, enhance Munters' long-term attraction as an employer and increase shareholdings in Munters among senior executives, talents and key persons. Consequently, the Board did not propose any new share-related incentive programs ahead of the 2021 AGM, instead choosing a long-term variable cash salary with an expectation that part of the net sum paid will be invested in Munters shares, payable in accordance with what is stated below.

The AGM resolved to adopt the Board's proposal to revise the guidelines for remuneration to senior executives as follows and that the guidelines apply until further notice.

The group of executives encompassed by the guidelines are the CEO and other members of Group Management. The guidelines also encompass any remuneration to Board members other than Board fees. The guidelines shall apply to

contracted remuneration, and amendments to previously contracted remuneration, after adoption of the guidelines by the 2021 AGM. The guidelines do not apply to any remuneration resolved on by the AGM. The guidelines in their entirety can be found in the Board of Directors' report. For further information on remuneration for senior executives, long-term incentive programs and retirement benefits; see also Notes 31 and 32.

10. Internal control of financial reporting reporting

Internal control entails clarity, order 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.

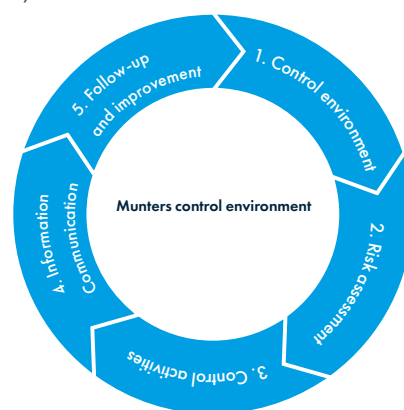
Munters has an internal control function with the objective to support management so that it can continuously ensure good internal control of financial reporting. The work that is conducted through this function is primarily focused on ensuring compliance with directives and guidelines and creating effective 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. In addition, the internal control function maintains good communication with the external auditors. The Audit Committee reports to the Board on an ongoing basis.

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. For the financial reporting, Group Management issues policies and guidelines to all subsidiaries, which are followed up with newsletters, telephone conferences and direct control activities. Courses are also conducted for many accounting areas and internal reporting requirements/systems.



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 occurring 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.

Risk responsibility

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 54-58 in the risk management section and Note 3.

Control activities

Controls have been designed based on identified risks to detect, prevent and correct errors and discrepancies. Controls can take place at the transaction level, as Group-level controls and as IT general 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 guarantee 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 results in written monthly reports to the Group Vice President and CFO, who in turn presents them to Group Management.

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

Munters' Risk and Control framework

In 2020, project called Transformation Towards Operational Excellence (TTOE) has been initiated to increase efficiency through linked processes and information flows. This project continued in 2021. The ambition is to build a leading value chain and processes.

Information and communication

Munters has information and communications channels that aim at ensuring that information is identified, collected and communicated in a way and within a timeframe that enables employees and directors 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 print 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 processes for monitoring fulfill this function in a satisfactory manner.

For certain special audits, outside expertise can also be sought.



1
Magnus Lindquist
 Born 1963
 Chairman of the Board since December 2018.

Education and professional experience: Economist, Stockholm School of Economics. More than 20 years of experience from senior positions at global industrial companies, mainly as Group Vice President at Autoliv and Perstorp Group. Many years of experience as a Senior Partner of Triton. Other current assignments/positions: Board member of Cary Group AB. Partner of CORDET Capital Partners. Selected previous assignments/positions: Chairman of Norma, Ambea, Alimak and Polygon, and Board member of Bravida, Mycronic, Ovako and Trust Payments Ltd. Holding in Munters Group AB: 400,000 shares. Independent in relation to the Company and Group Management as well as the Company's major shareholders.

2
Kristian Sildeby
 Born 1976
 Board member since 2017. Member of the Audit Committee, Compensation Committee and investment Committee.

Education and professional experience: M.Sc. in Business Administration, Stockholm School of Economics. Investment Manager at FAM AB. Former Vice President, Head of Finance and Risk Management at Investor AB. Other current assignments/positions: Chairman of 82an Invest AB, Board member of Höganäs AB, Kivra AB, Nefab Holding AB, Spendrups Bryggeri AB and Peltarion AB. Selected previous assignments: Chairman of Blasieholmen 54 Restaurang AB. Board member of Lindström & Göthberg Executive Development AB and Power Wind Partners AB. Holding in Munters Group AB: 6,000 shares. Independent in relation to the Company and

Group Management but not the Company's major shareholders.

3
Helen Fasth Gillstedt
 Born 1962
 Board member since 2017. Chairman of the Audit Committee.

Education and professional experience: 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. Other current assignments/positions: Board member of Handelsbanken Fonder AB and its representative on nomination committees, Sortera AB, Storytel AB, PowerCell AB, Viva Wine Group AB, and CEO of Blong AB. Selected previous assignments: Board member of Samhall AB, Humana

AB, AcadeMedia AB, Lindorff Group AS, Swedesurvey AB, Svefa Holding AB (publ) and Intrum AB. Holding in Munters Group AB: 5,000 Shares. Independent in relation to the Company and Group Management as well as the Company's major shareholders.

4
Simon Henriksson
 Born 1984
 Board member since 2017.

Employee representative appointed by IF Metall. Position at Munters: Material procurement, Tobo factory, Munters Europe AB. Holding in Munters Group AB: 350 shares.

5
Juan Vargues
 Born 1959
 Board member since 2019.

Education and professional experience: Management education IMD Lausanne (CH);

Executive MBA, Lund University (EFL); and high school degree in Mechanical Engineering, Tekniska Vuxengymnasiet, Gothenburg. Many years of experience from senior positions with global manufacturers, including ASSA ABLOY and Besam. Other current assignments/positions: President and CEO of Dometic Group AB and Board member of Cary Group. Selected previous assignments: Executive Vice President of ASSA ABLOY, CEO and Business Area President, ASSA ABLOY Entrance Systems, former President and CEO of Besam Group and various positions within the SKF Group. Holding in Munters Group AB: - Independent in relation to the Company and Group Management as well as the Company's major shareholders.

6
Per Hallius
 Born 1962
 Board member since 2013.

Education and professional experience: MBA, Harvard Business School. M.Sc. in Economics and Business Administration, Stockholm School of Economics. Independent advisor, director and investor. Nearly 25 years in management consulting, most recently as Senior Partner at the Boston Consulting Group. Other current assignments/positions: Chairman of Consilium Safety TopCo AB, Deputy Chairman of Ruukki Construction Oy, Board member of PMH Affärsutveckling AB, Beowulf AB and Quant AB. Industrial advisor and Operating Chairman of Nordic Capital Funds. Advisor to senior executives in large industrial multinationals. Selected previous assignments: Chairman of United Minds Samhällsanalys AB and Nefab Group ABB.



Holding in Munters Group AB: 84,031 shares. Independent in relation to the Company and Group Management as well as the Company's major shareholders.

7
Håkan Buskhe
 Born 1963
 Board member since 2020.

Education and professional experience: M.Sc. Licentiate of Engineering, Chalmers University of Technology, Gothenburg. More than 30 years of experience as a senior executive in program and operations management as well as business development from national and international commercial industrial companies, including Saab AB, E.ON Nordic AB, E.ON Sverige AB and Schenker AG. Current assignments/positions: CEO of FAM AB. Chairman of IPCO AB, Deputy Chairman of Stora Enso Oyj, Board member of AB SKF,

Kopparfors Skogar AB and The Grand Group. Selected previous assignments: Board member of Nefab AB, Vattenfall AB and of 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 Sverige. Holding in Munters Group AB: - Independent in relation to major shareholders: No Independent in relation to the Company and Group Management: Yes

8
Anna Westerberg
 Born 1975
 Board member since 2020.

Education and professional experience: MSc, Industrial Engineering and Management, Chalmers University of Technology, Gothenburg. Many years of experience in senior positions in the global industrial company AB Volvo. Extensive knowledge of digitization and innovation as well as sales and development of services and products in a global environment. Current assignments/positions: President of Volvo Buses. Directorships in Volvo Group Connected Solutions and Volvo Group Venture Capital. Selected previous assignments: Senior Vice President at Volvo Group Connected Solutions, CEO of Volvo Group Venture Capital, Vice President Product Management Industrial for Volvo Penta, CEO of Infocandy Group Ltd,

Management consultant at Applied Value LLC and Applied Value AB. Holding in Munters Group AB: - Independent in relation to major shareholders: Yes Independent in relation to the Company and Group Management: Yes

9
Lena Olving
 Born 1956
 Board member since 2017. Member of the Audit Committee.

Education and professional experience: M.Sc. in Mechanical Engineering, Chalmers University of Technology. Various senior positions at Volvo Cars, including 5 years in Asia and 7 years in Group Management. Former President and CEO of Mycronic Mycronic AB, Samhall Högländ AB and COO and Deputy CEO of Saab AB. Other current assignments/positions: Partner and founder of Olving & Ohberg AB, Chairman of Academic Work

Holding AB, Scandinova Systems AB and Kungliga Operan AB. Board member of Assa Abloy AB, Investment AB Latour, Stena Metall AB, NXP Semiconductors N.V. and IVA's Business Executives Council (Näringslivsrådet). Selected previous assignments: Board member of Alfa Laval AB, Gunnebo AB, Norsk Hydro AS, Novozymes AS and SJ AB. Holding in Munters Group AB: 500 shares Independent in relation to the Company and Group Management as well as the Company's major shareholders.

10
Tor Jansson
 Born 1989
 Deputy member since 2019.

Employee representative appointed by IF Metall. Position at Munters: Tobo factory, Munters Europe AB. Holding in Munters Group AB: -

11
Robert Wahlgren
 Born 1969
 Board member since 2010.

Employee representative appointed by Unionen. Position at Munters: Customized Project Engineering Manager, Munters Europe AB. Holding in Munters Group AB: - Board member since 2010.



1
Klas Forsström
 President and CEO since 2019. President of AirTech since 2021.

Principal education: M.Sc. in Materials Physics and MBA from Uppsala University as well as advanced management studies at INSEAD.
 Professional experience: Former President of Sandvik Machining Solutions business area Sandvik Machining Solutions. Over 20 years of senior management experience at Sandvik, including as President of Sandvik Hard Materials and Sandvik Coromant. Other current assignments: Board member of IPCO AB.
 Holding in Munters Group AB: 106,900 shares

2
Annette Kumlien
 Group Vice President and CFO since 2019.

Principal education: Bachelor of Science in

Business Administration from the Stockholm School of Economics. Professional experience: SSVP and COO of Diaverum and prior to that CFO. Former CFO of a number of listed companies such as Höganäs and Pergo as well as business controller at Perstorp and Sandvik. Other current assignments: Board member of Cavotec SA.
 Holding in Munters Group AB: 11,000 shares.

3
Pia Brantgärde Linder
 Group Vice President and President of FoodTech since August 2020.

Principal education: M.Sc. in Mechanical Engineering from Chalmers University of Technology and an Executive Master of Business Administration (EMBA) from Stockholm School of Economics. Professional experience: Former Business Area Manager for HV

Products North Europe at ABB. Over 20 years of global senior management experience at ABB, including as General Manager of HV Breakers, Head of Operations for a global product group, Technology Manager, Project Manager and Area Sales Manager. Other current assignments: Board member of Roxtec Group.
 Holding in Munters Group AB: -

4
Stefan Mähl
 Group Vice President, Strategic Operations since 2020.

Principal education: Bachelor of Science in Engineering, Automation Technology. Professional experience: Various senior positions at Munters, including Global Purchasing Manager and interim head of operations within the Air Treatment division in Europe. Purchasing Director and Head of Quality Assurance at

LGP Allgon/Powerwave Technologies and Vice President Strategic Purchasing and Component Engineering at Siemens-Elema AB Medical Solutions.
 Holding in Munters Group AB: 15,000 shares.

5
Stephane Darcq
 Group Vice President Innovation since November 2020. FoodTech Vice President Research & Development and Marketing since March 2019.

Principal education: Bachelor of Science from the French Institute of Industrial Refrigeration, M.S. in business management from the Management School of Lyon. Professional experience: Extensive experience in HVAC, various global positions in product marketing, business development and product development. Positions at Carrier, Daikin, LG Air Conditioning and

more recently Chief Technology Officer at FläktGroup.
 Holding in Munters Group AB: -

6
Stefan Aspman
 Group Vice President and Head of Commercial Excellence, Strategic Marketing and Communications since February 2021.

Principal education: M.S. in Business and Economics
 Professional experience: Business strategy consultant and over 10 years in strategic key roles and senior positions at Sandvik, including Global Head of Commercial Pricing and Profitability Management for the Sandvik Machining Solutions business area and Head of Business Control and Performance Management at Sandvik Coromant.
 Holding in Munters Group AB: -

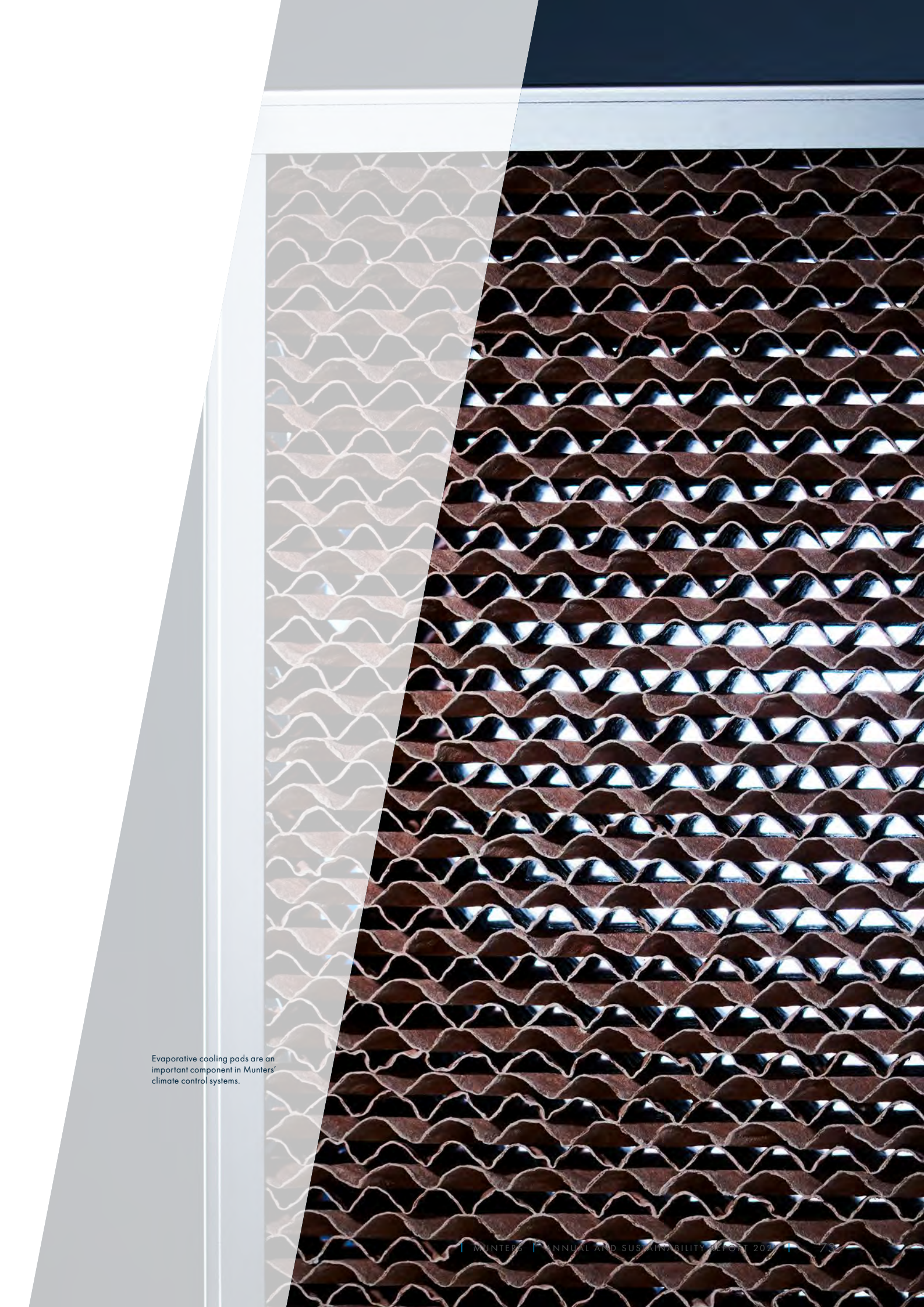
7
Grete Solvang Stoltz
 Group Vice President HR & Sustainability since 2022.

Principal education: Master in Business Administration from Luleå University of technology
 Professional experience: 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.
 Holding in Munters Group AB: -

Sofia Gellar, Group Vice President HR & Sustainability, left Munters in December 2021.

Peter Gisel-Ekdahl, Group Vice President and President AirTech, left Munters in June 2021.

CEO Klas Forsström took over as Acting President of AirTech.

A close-up photograph of evaporative cooling pads, showing their characteristic wavy, corrugated structure. The pads are arranged in a grid pattern. A semi-transparent, light-colored overlay is positioned on the left side of the image, partially covering the pads. The background is a solid light color.

Evaporative cooling pads are an important component in Munters' climate control systems.

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 2021. The address of the headquarters 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 26, 2022. The Group and Parent Company statement of comprehensive income and financial position will be submitted for approval at the Annual General Meeting on May 18, 2022.

During 2021, Munters did not report any discontinued operation, however did for 2020 and 2019. The summary below for 2020 and 2019 refers to the continued operation and, the income statement for 2018, restated to reflect only the continued operation. The profit/loss items order intake, net sales, EBIT and EBIT margin for the period 2017 are restated to reflect the continued operation.

Five-year summary, MSEK	2021	2020	2019	2018	2017
Order intake	9,013	7,249	7,302	6,698	6,316
Net sales	7,348	7,015	7,153	6,412	6,122
Earnings before interest and tax	753	707	556	529	491
EBIT margin, %	10.2	10.1	7.8	8.3	8.0
Profit/Loss after financial items	668	552	367	404	152
Income for the year	515	432	283	327	173
Net debt, MSEK	2,389	2,116	3,062	2,843	2,661
Equity/assets ratio, %	41	39	36	40	41
Total assets	10,742	9,574	10,093	9,268	9,198
Investments (excl. leased assets)	342	217	191	232	170
Average number of FTEs	3,350	3,282	3,406	3,653	3,559

Continued and discontinued operation

During 2021, Munters did not report any discontinued operation. However, the Data Centers operations in Dison, Belgium, were reported as a discontinued operation during 2020 and 2019, for which the income statement for 2020 reflects profit for the year split between the continued and the discontinued operation in line with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. The production ceased during 2019, but minor installation services at customer sites continued in 2020. All income statement items in this report refers to Munters continued operation, if not otherwise stated. See further information of the discontinued operation in note 9.

Order intake and net sales

Group

Order intake increased by 24%, to MSEK 9,013 (7,249), a currency adjusted increase of 30%.

Net sales increased 5% to MSEK 7,348 (7,015), a currency adjusted increase of 10%. Services net sales amounted to 15% of total net sales.

AirTech

Business area AirTech increased 35%, a currency adjusted increase of 42%. Excluding the non-core commercial business US, exited in 2020, the increase was approximately 44% currency adjusted. Growth was mainly driven by the Industrial segment in Humidity Control Technologies (HCT) and especially the Battery sub-segment in APAC and the Food sub-segment. Also Data Centers had strong growth. Components showed good growth

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 our 3,300 coworkers. Munters AB has since 2017 been listed on Nasdaq Stockholm and is organized into two business segments: AirTech and FoodTech.

driven by strong demand in the market segment Batteries and Data Centers. Clean Technologies experienced growth, especially in the Process sub-segment. Services grew driven by good development in APAC and Americas.

AirTech increased 9%, a currency adjusted increase of 14% with good growth in HCT and Battery sub segment. In addition, the Pharma sub-segment grew in all regions, largely driven by Covid-19 relief efforts and production of test equipment in the US. Excluding net sales to the non-core commercial business US, exited in 2020, currency adjusted net sales increased approximately 19%. Services grew in region Americas and APAC, whereas EMEA remained flat. Services amounted to 21% of net sales.

FoodTech

Business area FoodTech order intake decreased 1%, a currency adjusted increase of 3%. Region Americas experienced growth in all Climate Solutions sub-segments, mainly driven by the Broiler sub-segment in the US. EMEA grew driven mainly by increased orders for controllers to the Broiler sub-segment in the US as well as good demand for Greenhouse solutions. In APAC order intake was weak, negatively impacted by the weak swine market in China due to overcapacity and outbreak of the ASF and also on the back of the strong growth in the Swine segment in China in the same period last year.

Business area FoodTech decreased net sales 5%, a currency adjusted decrease with 1%, with a decline in APAC offsetting a good growth in all sub-segments in Americas both in the Climate solutions and Digital solutions businesses. Region EMEA grew

slightly as the Broiler, Layer and Greenhouse sub-segments experienced good demand mainly in the Middle East and Southern Europe.

Gross profit

Gross profit amounted to MSEK 2,354 (2,350) and gross margin was 32.0% (33.5).

Indirect costs

Selling and administrative costs for Munters amounted to MSEK 1,400 (1,356) corresponding to 19% (19) of net sales.

Operating profit (EBIT) and adjusted EBITA

Group

Operating profit was MSEK 753 (707), corresponding to an operating margin of 10.2% (10.1). Depreciation amounted to MSEK 228 (221), amortizations and write-downs of MSEK 74 (87), where MSEK 30 (39) was related to amortization of intangible assets from acquisitions. Depreciation of leased assets was MSEK 106 (113). EBIT was also impacted by MSEK -62 (-111) from IAC's.

Amounts in MSEK	AirTech	Food-Tech	Other	Total
EBIT	797	81	-126	753
Amortizations intangible assets	-16	-29	-29	-74
Re-allocation of internal services	-11	-2	13	-0
EBITA	824	113	-110	827
Items affecting comparability	-50	97	16	62
Adjusted EBITA	774	210	-95	889

AirTech

Adjusted EBITA in business area AirTech increased 12% to MSEK 774 (689), corresponding to an adjusted EBITA margin of 14.4% (14.0). The margin improved slightly because of increased net sales, high utilization rates and efficiency improvements, partly offset by a change in business mix with more large projects, constraints in the supply chain, higher raw material prices and freight costs. Also, the time lag of the effect from our own price increases together with production inefficiencies due to the pandemic affected a facility in the US negatively.

FoodTech

Adjusted EBITA in business area FoodTech decreased 32% to MSEK 210 (310) corresponding to an adjusted EBITA margin of 10.4% (14.6). The margin was negatively impacted by lower volumes in China compared to 2020. Also, constraints in the supply chain, increased raw material prices and freight costs and the time lag of the effect from our own price increases had a negative impact. The margin in 2020 was strong mainly because of strong growth in the swine market in China.

Net financial items

Financial income and expenses amounted to MSEK -84 (-156). The financial expenses were on a lower level, foremost impacted by a lower paid interest rate.

Taxes

Income taxes was MSEK -153 (-120) and the effective tax rate was 23% (22).

Items affecting comparability

During the second quarter 2021, Munters decided on a further step in the implementation of the strategy, with the aim of accelerating the digital journey and strengthening the product position in business area FoodTech, entailing a restructuring reserve for severance pay, warranty commitments and stock

provision totaling MSEK -53. The full amount was expensed as other operating expenses and was recognized as an item affecting comparability within the alternative performance measures EBITDA/EBITA/EBIT. The strategy implementation work continued during the second half of 2021 and additional costs, mainly consulting costs, were expensed and reported as items affecting comparability in the business area. In total, business area FoodTech had strategy-related items affecting comparability of MSEK -95.

For business area AirTech, work on the strategy implementation, which was launched in 2020, continued and MSEK -25, was reported as items affecting comparability during 2021, mainly linked to consulting costs related to implementation work.

In Other items affecting comparability amounted to MSEK -4 linked to strategy implementation.

In addition, Munters reported items affecting comparability of MSEK +63, mainly consisting of a net of a final settlement regarding a customer claim (Hunters New England Health District), of MSEK -9, a received insurance compensation linked to a previous exchange of specific components at a customer site within the European Data Center business of MSEK +61, a release of reserves from the discontinued operations in Dison of MSEK +16 that was confirmed no longer needed and MSEK -4 linked to acquisition activities.

Due to the current pandemic, Munters also had Covid-19-related items affecting comparability, entailing a net of remediation costs, risk supplements to employees and received government grants for e.g. salary payments and social security contributions. These items amounted to MSEK -2.

Total items affecting comparability thus amounted to MSEK -62 (-111).

Investments

Investments in owned tangible assets amounted to MSEK 138 (114). A large portion related to machinery and equipment from the production units in Sweden, China, Brazil, Italy and Germany. Investments in leased assets amounted to MSEK 124 (61), and mainly related to new and extended factory and office premises in the Netherlands, China, the USA and Japan. Depreciation amounted to MSEK 228 (221).

Investments in intangible assets excluding goodwill other assets related to acquisitions amounted to MSEK 204 (103). Investments mainly related to capitalized development costs in Sweden, Israel and the US, but also capitalized costs linked to a new global ERP system that has not yet been put into operation. Amortizations amounted to MSEK 74 (87).

Goodwill

Goodwill as of December 31, 2021 amounted to MSEK 4,248 (3,952). The increase is a result of currency effects from a weaker SEK in relation to USD in comparison to last year.

Financial position and liquidity

Munters refinanced the primary loan facility in the second quarter of 2021 by establishing a new so-called Term loan of MUSD 165 and a revolving credit facility (RCF) of MEUR 250, both with a final maturity date of June 2026. The facilities are guaranteed by a group of six banks and the loans have no mandatory amortization requirement. The new bank group consists of; Svenska Handelsbanken AB (publ), BNP Paribas SA Bankfilial Sweden, Danske bank A/S, Nordea Bank Abp branch Sweden, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ). In November, sustainability targets were linked to the primary financing facilities with the assistance of Nordea as sustainability coordinator. The loans' sustainability target will support Munters' efforts to have climate-adapted and socially sustainable growth.

The loan agreement contains a financial covenant; group's net debt in relation to adjusted EBITDA, with some adjustments in accordance with the loan agreement. The accounting standard for leasing, IFRS16, does not affect the calculation of the covenant under the loan agreement, nor does the net pension liability.

Capitalized setup costs in the balance sheet related to the 2021 refinancing amounted to MSEK 22, which will be accrued over four years.

In addition, Munters also has a reserve facility of MSEK 750 with maturity in 2023, which is secured by a guarantee from EKN (The Swedish Export Credit Agency). That facility has the same financial covenant as the primary loan facility.

Interest-bearing liabilities including liabilities on leased assets amounted to MSEK 2,750 (2,786) and cash and cash equivalents amounted to MSEK 674 (970) as of December 31, 2021.

At year-end, the Term loan of MUSD 165 had been fully utilized and MEUR 87 (40) of the revolving credit facility had been utilized in EUR, SEK and USD. Available unutilized credit facilities under the Revolving Credit Facility (RCF MEUR 250) as of December 31, 2021 amounted to EUR 163 million (129). The reserve facility of MSEK 750 was completely unutilized.

In addition to the main loan facility, there is an outstanding amount of MSEK 13 (15) in local debt in, among other places, India.

SIGNIFICANT EVENTS DURING THE YEAR

Continuation of the global pandemic

In 2021, the Covid-19 pandemic continued to affect Munters' operations, albeit in a mixed way. In some areas, this led to increased demand, while supply chain constraints caused longer lead times. Costs increased for raw materials and freight. Continuous price increases were implemented in 2021, which will have an effect first during next year due to the extended lead times. It is expected that supply chain challenges will continue during the first half of 2022.

Annual General Meeting 2021

The Annual General Meeting of Munters Group AB was held on Wednesday, May 19, 2021. Due to the coronavirus 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 2021. 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, Per Hallius, Magnus Lindquist, Lena Olving, Kristian Sildeby, Juan Vargues and Anna Westerberg and Chairman Magnus Lindquist.

At the annual general meeting in May 2021 it was resolved in accordance with the Board's proposal on the implementation of a performance based long-term incentive program ("LTIP 2021" or the "Program"). Previous years long-term incentive programs have been share based (stock options), however the LTIP 2021 is a cash based program vesting over a three-year period. The participants are expected to invest the net payout in Munters shares until reaching a defined level of investment. The Board of Directors nominates the CEO and Munters Group Management, and a total of 62 additional participants has been nominated by the respective management member. Each group will have max opportunity based on the participant's percentage of the current (2021) gross annual base salary.

The next step in the implementation of the new strategy

In May, as part of the implementation of the strategy, it was announced that business area FoodTech had completed a strategic review with the aim of strengthening both the digital area and the climate control offering. Implementation began in the second

quarter of 2021. The investment costs are estimated to amount to approximately MSEK 140, of which approximately MSEK 110 is estimated to have a cash flow effect. In addition, investments in fixed assets will amount to an estimated MSEK 20. The positive effect on adjusted EBITA for the full year 2023 is estimated to approximately MSEK 70.

Business-related events

During the first quarter of 2021, it was announced that Munters had signed a cooperation agreement with CTT Systems AB (CTT), the market leader in aircraft humidification systems, to develop a new type of evaporative media with the aim of improving the efficiency and performance of CTT's humidifiers for aircraft. A significantly higher humidity is a requirement to create optimal working and flight conditions for the flight crew and their passengers.

In July, it was announced that Munters had reached the next level of dehumidification in the form of DSS Pro, an evolutionary step forward from market leader DSS. DSS Pro is suitable for indoor or outdoor installation and is equipped with Munters' new AirPro enclosure. This new housing offers significantly improved durability, reduced air leakage and lower energy consumption.

In September, it was announced that Munters had signed a strategic turnkey contract to design and build a Scandinavian lithium battery lab, yet another confirmation of Munters' position as a leading supplier to lithium battery manufacturers. The agreement means that Munters will design and build a full-scale laboratory for lithium batteries in Scandinavia.

An important selection criterion for the customer was Munters' ability to design the facility in combination with the expertise to ensure the efficient construction of the construction. The project will be delivered over six months, the order value amounts to approximately MSEK 83.5.

During the year, management also decided that Munters will reach the goal of net zero emissions from operations by 2030. Munters has for a long time focused on reducing climate impact and improving its own energy and resource efficiency.

Nomination Committee for the Annual General Meeting 2022

In October, the Nomination Committee of Munters Group AB was appointed. Magnus Fernström, FAM AB, Chairman of the Nomination Committee, Jan Dworsky, Swedbank Robur Funds, Mats Larsson, First Swedish National Pension Fund and Jonathan Schönback, Odin Fund Management. Prior to the Annual General Meeting 2022, 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.

Changes in the Group Management team

In February, Stefan Aspman, former Head of Business Control and Performance Management at Sandvik Coromant, Product Management and R&D, took over as Head of Commercial Excellence. Stefan Aspman reports to CEO Klas Forsström and is part of Munters management team.

In April, it was announced that Peter Gisel-Ekdahl, Business Area Manager for AirTech, had taken on a new role outside the Group. Klas Forsström, President and CEO, took on the responsibility of AirTech, in addition to his current role, to ensure future growth plans and continued focus on the implementation of the strategy.

In July, it was announced that Sofia Gellar, Group Vice President HR, had taken on a new role outside Munters as Chief Officer HR at H2 Green Steel. In October, it was announced that Grete Solvang Stoltz, Senior Vice President Human Resources and Sustainability at LKAB, had been appointed new Group Vice

President HR and Sustainability at Munters during January 2022, and will thus be part of the management team. Grete Solvang Stoltz has extensive experience in running global strategic programs with a focus on corporate culture, organizational development and sustainable development.

Munters moves to Nasdaq Stockholm's Large Cap

In December, Munters announced that the company will be moved to Nasdaq Stockholm's Large Cap segment. The Large Cap segment includes companies with a market capitalization of over EUR 1 billion.

FINANCIAL INSTRUMENTS

The presence of 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, 19 and 20.

RESEARCH AND DEVELOPMENT

Research and development costs amounted to MSEK 162 (186), corresponding to 2.5% (2.7) of net sales. Capitalization of internally generated intangible assets amounted to MSEK 118 (80). 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, which will create great opportunities in both business areas. 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 3,315 (3,214). The increase was linked to investment in research and development, staff in factories and a strengthening of the company's group corporate functions. Staff turnover was 18% (17). The average age was 43 years (43). The proportion of women was 22% (22).

For remuneration to senior executives as well as adopted remuneration guidelines for these remuneration see Note 31.

SIGNIFICANT RISKS & UNCERTAINTIES

Munters' significant risks and uncertainties can be divided into four categories: strategic, operational, regulatory and financial. These are both general risks, which depend on the political and macroeconomic developments, and specific risks, which are directly related to the Group's operations. Some risks lie beyond Munters' direct control, while others can be controlled.

Sustainability risks are fully integrated into the framework. 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 54–58 of this report.

In 2021, the Covid-19 pandemic continued to affect Munters' operations, albeit in a mixed way. In some areas, this led to increased demand, while supply chain constraints caused longer lead times. Costs increased for raw materials and freight. Continuous price increases were implemented in 2021, which will have an effect first during next year due to the extended lead times. It is expected that supply chain challenges will continue during the first half of 2022.

Financial risks mainly consist of currency, interest rate and financing risks. The continued development of the global economy including changes in interest rates and currencies are a factor of uncertainty for the future earnings development. A more detailed

description of the business financial risks and how these are controlled and 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 (62). 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 SEK 5,533,735 consists of 184,457,817 shares, of which 2,883,300 were in own custody, with a quota value of SEK 0.03 per share, which represents 1.6%. The shares in Munters Group AB are listed on Nasdaq Stockholm under the name MTRS. Munters Group AB's ten largest shareholders hold a total of 71.0% (70.1) of the number of outstanding shares. Of these, as of December 31, 2021, FAM AB holds 27.8% (26.0). No other shareholder holds, directly or indirectly, more than ten per cent of the shares in Munters Group AB.

PROPOSAL ON DISTRIBUTION OF DIVIDEND

At the disposal of the Annual General Meeting are the following earnings; SEK 4,016,393,307. The Board of Directors of Munters Group AB proposes that the Annual General Meeting 2022 resolves that a dividend of SEK 0.85 be paid for 2021, implying MSEK 157 and that other retained earnings amounting to MSEK 3,860 be carried forward.

PROVISIONS IN ARTICLES OF ASSOCIATION

The Annual General Meeting is charged with appointing and dismiss 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 2021 are shown in Note 31. 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 2022 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 2021 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 two business areas:

- 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.

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, etc.

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 100 per cent of the fixed annual cash salary for the CEO and 70 per cent of the fixed annual cash salary 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 50 per cent of the annual fixed cash salary for the CEO, and 45 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

share of renewable electricity in the Group's production facilities, the share of female leaders within the Group, and 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 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 four 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 PERIOD END AND FUTURE OUTLOOK

In January 2022, it was announced that Munters has acquired EDPAC, an Irish manufacturer of cooling equipment for data centers and air treatment systems, with a preliminary purchase price of MEUR 29, corresponding to approximately MSEK 300. The acquisition is part of Munters' strategy to grow in the prioritized data center segment. EDPAC reported net sales amounting to MEUR 17 and adjusted EBITDA of MEUR 1.7 for the fiscal year ended April 2021. See further information about the acquisition in Note 34.

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 62-69 and the Sustainability Report on Pages 44-49. 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.

STATEMENT OF COMPREHENSIVE INCOME

GROUP

Amounts in MSEK	Note	2021	2020
Net sales	4, 6	7,348	7,015
Cost of goods sold		-4,994	-4,665
Gross profit/loss		2,354	2,350
Other operating income	7	90	46
Selling expenses		-844	-818
Administrative costs		-556	-538
Research and development costs		-162	-186
Other operating expenses	7	-129	-148
Earnings before interest and tax (EBIT)	5, 6, 7, 8, 9	753	707
Financial income	10	2	1
Financial expenses	10	-86	-157
Profit/Loss after financial items		668	552
Tax	11	-153	-120
Net income for the year from continuing operation		515	432
Net income from discontinued operation	9	-	-6
Net income for the year		515	426
Attributable to Parent Company shareholders		513	420
Attributable to non-controlling interests		3	6
Earnings per share for net income from continuing operation attributable to the ordinary equity holders of the company:			
Earnings per share before dilution, SEK		2.81	2.35
Earnings per share after dilution, SEK		2.81	2.35
Earnings per share for net income attributable to the ordinary equity holders of the company:			
Earnings per share before dilution, SEK	21	2.81	2.32
Earnings per share after dilution, SEK	21	2.81	2.32
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange-rate differences on translation of foreign operations		268	-325
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax	24	-3	-7
Income tax effect on other comprehensive income not to be reclassified to profit or loss in subsequent periods	11	-0	1
Other comprehensive income, net after tax		264	-331
Comprehensive income for the year		779	95
Attributable to Parent Company shareholders		779	91
Attributable to non-controlling interests		1	4

STATEMENT OF FINANCIAL POSITION

GROUP

Amounts in MSEK

	Note	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Goodwill	8, 15	4,248	3,952
Patents, licenses, brands, and similar rights	8, 14, 15	1,586	1,356
Buildings and land	8, 13	239	209
Plant and machinery	8, 13	469	467
Equipment, tools, fixtures, and fittings	8, 13	185	161
Construction in progress	13	78	41
Other financial assets	19	20	19
Deferred tax assets	11	278	246
Total non-current assets		7,103	6,451
CURRENT ASSETS			
Raw materials and consumables	8	532	350
Products in process	8	170	118
Finished products and goods for resale	8	347	215
Projects in progress		11	3
Advances to suppliers		12	5
Accounts receivable	3, 17, 19	1,394	935
Prepaid expenses and accrued income	18	368	376
Derivative instruments	19	1	-
Current tax assets		52	55
Other receivables	19	78	96
Cash and cash equivalents	19	674	970
Total current assets		3,639	3,123
TOTAL ASSETS		10,742	9,574

STATEMENT OF FINANCIAL POSITION

GROUP

Amounts in MSEK	Note	2021	2020
EQUITY AND LIABILITIES			
EQUITY			
Attributable to Parent Company shareholders			
Share capital	23	6	6
Other capital contributions		5,144	5,144
Reserves		610	341
Profit brought forward		-1,401	-1,745
Total shareholders' equity attributable to equity holders of the Parent Company		4,360	3,746
Non-controlling interests		3	5
Total equity		4,363	3,751
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	19, 20	2,636	2,690
Provisions for pensions and similar commitments	24	324	299
Other provisions	25	41	33
Other liabilities	19	140	132
Deferred tax liabilities	11	405	371
Total non-current liabilities		3,546	3,525
CURRENT LIABILITIES			
Interest-bearing liabilities	19, 20	114	97
Advances from customers	4	648	509
Accounts payable	19	771	529
Accrued expenses and deferred income	26	998	742
Derivative instruments	19	-	2
Current tax liabilities		40	52
Other liabilities	19	100	111
Provisions for pensions and similar commitments	24	9	10
Other provisions	25	153	248
Total current liabilities		2,833	2,299
TOTAL EQUITY AND LIABILITIES		10,742	9,574

STATEMENT OF CHANGES IN EQUITY

GROUP	Attributable to Parent Company shareholders						
	Share capital	Other capital contributions	Translation reserve	Profit brought forward	Total	Non-controlling interests	Total equity
Amounts in MSEK							
Opening balance, January 1, 2021	6	5,144	341	-1,745	3,746	5	3,751
Changes in equity, 2021							
Income for the year	-	-	-	513	513	3	515
Other comprehensive income, net after tax	-	-	270	-4	266	-2	264
Total comprehensive income for the period	-	-	270	509	779	1	779
Transactions with owners in their capacity as owners:							
Exercised share option program	-	-	-	40	40	-	40
Change in non controlling interest	-	-	-	-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, including 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
Opening balance, January 1, 2020	6	5,083	664	-2,125	3,628	-0	3,627
Changes in equity, 2020							
Income for the year	-	-	-	420	420	6	426
Other comprehensive income, net after tax	-	-	-324	-6	-329	-1	-331
Total comprehensive income for the period	-	-	-324	415	91	4	95
Transactions with owners in their capacity as owners:							
Issue of warrants *)	0	61	-	-	61	-	61
Change in non controlling interest	-	-	-	-1	-1	1	0
Put/call option related to non controlling interests	-	-	-	-4	-4	-	-4
Repurchase of shares	-	-	-	-43	-43	-	-43
Share option plan, including deferred tax **)	-	-	-	14	14	-	14
Total transactions with owners	0	61	-	-34	27	1	28
Closing balance, December 31, 2020	6	5,144	341	-1,745	3,746	5	3,751

*) whereof warrant issue cost, KSEK - (250).

***) whereof deferred tax, MSEK -6 (7).

STATEMENT OF CASH FLOWS

GROUP			
Amounts in MSEK	Note	2021	2020
OPERATING ACTIVITIES			
Earnings before interest and tax (EBIT), including discontinued operation		753	701
Reversal of non-cash items:			
Depreciation, amortization, and impairments		303	308
Other profit/loss items not affecting liquidity		16	20
Change in provisions:			
Provisions		-97	-1
Cash flow before interest and tax		974	1,029
Paid financial items		-99	-151
Taxes paid		-181	-102
Cash flow from operating activities before changes in working capital		694	776
Cash flow from changes in working capital:			
Changes in accounts receivable		-253	110
Changes in inventory		-316	4
Changes in accrued income		49	-103
Changes in accounts payable		204	15
Changes in advances from customer		96	184
Cashflow from operating working capital		-220	210
Changes in other receivables and liabilities		45	-27
Cash flow from changes in working capital		-175	183
Cash flow from operating activities		519	959
INVESTING ACTIVITIES			
Business acquisitions	12	-	-9
Sales of tangible assets		2	14
Sales of intangible assets		-	2
Investment in tangible assets	13	-138	-114
Investment in intangible assets	14	-204	-103
Cash flow from investing activities		-341	-209
FINANCING ACTIVITIES			
Issue of warrants	23	-	61
Exercised share options		40	-
Loans raised	20	2,311	329
Amortization of loans	20	-2,550	-698
Repayment of lease liabilities	20	-105	-112
Repurchase of shares	23	-69	-43
Dividends paid	23	-127	-
Dividend paid to non-controlling interests		-2	-
Cash flow from financing activities		-503	-463
Cash flow for the year		-324	287
Cash and cash equivalents at January 1		970	722
Exchange-rate differences in cash and cash equivalents		28	-38
Cash and cash equivalents at December 31	19	674	970

Interest received totaled MSEK 2 (1). Interest paid totaled MSEK -112 (-144).

INCOME STATEMENT

PARENT COMPANY

Amounts in MSEK	Note	2021	2020
Net sales		-	-
Gross profit/loss		-	-
Administrative costs		-12	-22
Other operating expenses		11	-5
Earnings before interest and tax (EBIT)		-0	-27
Financial expenses	10	-1	-0
Profit/Loss after financial items		-1	-28
Group contributions		8	23
Profit/Loss before tax		7	-5
Tax	11	1	2
Income for the year		8	-3

OTHER COMPREHENSIVE INCOME

Amounts in MSEK	Note	2021	2020
Profit/Loss for the year		8	-3
Other comprehensive income, net after tax		-	-
Comprehensive income for the year		8	-3

BALANCE SHEET

PARENT COMPANY

Amounts in MSEK	Note	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Participations in subsidiaries	16	4,094	4,099
Deferred tax assets		5	4
Total non-current assets		4,100	4,104
CURRENT ASSETS			
Prepaid expenses and accrued income	18	1	0
Current tax assets		1	1
Receivables from subsidiaries		13	27
Cash and cash equivalents		0	62
Total current assets		15	90
TOTAL ASSETS		4,115	4,194
EQUITY AND LIABILITIES			
EQUITY			
	23		
Restricted equity			
Share capital		6	6
Unrestricted equity			
Share premium reserve		4,136	4,136
Other capital contributions		18	18
Profit brought forward		-146	14
Income for the year		8	-3
Total equity		4,022	4,171
NON-CURRENT LIABILITIES			
Provisions for pensions and similar commitments		2	1
Total non-current liabilities		2	1
CURRENT LIABILITIES			
Accounts payable		3	1
Accrued expenses and deferred income	26	18	21
Liabilities to subsidiaries		65	0
Other liabilities		4	-
Total current liabilities		91	22
TOTAL EQUITY AND LIABILITIES		4,115	4,194

CHANGES IN EQUITY

PARENT COMPANY	Restricted equity	Unrestricted equity				Total
	Share capital	Share premium reserve	Other capital contributions	Profit brought forward	Income for the year	
Amounts in MSEK						
Opening balance January 1, 2021	6	4,136	18	14	-3	4,171
Changes in equity, 2021						
Income for the year	-	-	-	-	8	8
Total comprehensive income for the period						
Exercised share option program	-	-	-	40	-	40
To be carried forward	-	-	-	-3	3	-
Dividends paid	-	-	-	-127	-	-127
Repurchase of shares	-	-	-	-69	-	-69
Share option plan, including deferred tax **)	-	-	-	0	-	0
	-	-	-	-160	3	-157
Closing balance, December 31, 2021	6	4,136	18	-146	8	4,022
Opening balance January 1, 2020	6	4,074	18	41	-1	4,139
Changes in equity, 2020						
Income for the year	-	-	-	-	-3	-3
Total comprehensive income for the period						
Issue of warrants *)	0	61	-	-	-	61
To be carried forward	-	-	-	-1	1	-
Repurchase of shares	-	-	-	-43	-	-43
Share option plan, including deferred tax **)	-	-	-	17	-	17
	0	61	-	-27	1	35
Closing balance, December 31, 2020	6	4,136	18	14	-3	4,171

*) whereof warrant issue cost, KSEK - (250).

***) whereof deferred tax, MSEK -0 (2).

CASH FLOW

PARENT COMPANY

Amounts in MSEK	Note	2021	2020
OPERATING ACTIVITIES			
Profit/Loss after financial items		-1	-28
Profit/loss items not affecting liquidity		6	-3
Taxes paid		-1	-1
Cash flow from operating activities before changes in working capital		5	-32
Cash flow from changes in working capital		3	7
Cash flow from operating activities		7	-25
FINANCING ACTIVITIES			
Issue of warrants		-	61
Exercised share options		40	-
Group contributions		22	41
Loans raised from subsidiaries		65	-0
Repurchase of shares	23	-69	-43
Dividends paid	23	-127	-
Cash flow from financing activities		-70	59
Cash flow for the year		-62	34
Cash and cash equivalents at January 1		62	28
Cash and cash equivalents at December 31		0	62

NOTES

NOTE 1 ACCOUNTING POLICIES

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 26, 2022, 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 18, 2022. 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. The extent to 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, acquisition options and purchase considerations that are valued at fair value.

New and amended IFRS applied by the Group from January 1, 2021

The Group applies the following new and amended standard for the first time as of January 1, 2022;

- IFRIC Agenda decision, Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38).

When it comes to accounting for expenses related to software-as-a-service (SaaS), where the software, unlike a traditional model, is not transferred to the customer but is instead installed behind the supplier's firewall and thus controlled by the supplier, IFRIC has during the year established two agenda decisions that clarify how accounting should be done, both for expenses related to access to the supplier's software and also for expenses for configuration and customization.

In the first agenda decision, IFRIC considered whether the expense for accessing software through the cloud should be recognized as an intangible asset, lease asset or in the income statement as an expense. The outcome was that the agreement is normally a service agreement and that the expense should thus be recognized as a cost in the same period as the company receives access to the software. In the second agenda decision, IFRIC considered how companies should report expenses for configuration and customization of the software. The outcome was that companies often cannot account for an intangible asset because the customer does not control software that is configured or adapted and the services thus do not create a separate intangible asset, however there are exceptions.

Munters has during the year entered into a SaaS agreement with adaptation and configuration where the majority of these costs will need to be recognized as costs as they are carried out, which will be in the years 2022 and 2023.

None of the other 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 2021 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 FOR 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 required, 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 participations, 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 2021, 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 participation 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 hedge 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:

Currency	Country	Average rate		Closing rate	
		2021	2020	2021	2020
AUD	Australia	6.44	6.34	6.56	6.26
CAD	Canada	6.85	6.86	7.06	6.40
CNY	China	1.33	1.33	1.42	1.25
DKK	Denmark	1.36	1.41	1.38	1.35
EUR	Euro zone	10.14	10.49	10.23	10.04
GBP	United Kingdom	11.80	11.80	12.18	11.09
JPY	Japan	0.08	0.09	0.08	0.08
NOK	Norway	1.00	0.98	1.03	0.95
SGD	Singapore	6.38	6.67	6.68	6.18
THB	Thailand	0.27	0.29	0.27	0.27
USD	United States	8.58	9.20	9.04	8.19
ZAR	South Africa	0.58	0.56	0.57	0.56

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 and FoodTech, which are also the Groups reportable segments. The accounting policies applied by the segments are the same policies applied by the Group.

DISCONTINUED OPERATION

During 2021, Munters Group AB did not report any discontinued operation. However, the Data Center factory in Dison, Belgium was regarded a discontinued operation during 2019 and 2020, whereby the income statement for 2020 shows the profit for the year split into the continued and discontinued operations respectively according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. In accordance with this standard, the statement of comprehensive income shall show a single amount comprising the total of the post-tax profit or loss of the discontinued operation. A disclosure of the single amount is required and is presented in the separate note together with a disclosure of cash flows from operating, investing and financing activities related to the discontinued operation. For further information on discontinued operation, see Note 9

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 within AirTech 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 equipment in relation to total equipment 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 according to the progress of completion. Revenue relating to these activities was already prior to IFRS 15 recognized over time as they were 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 remuneration 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 25 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 amortization.

REPORTING OF GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

Munters, like other employers, was eligible for a number of different personnel-related government assistance during the year. 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.

TANGIBLE AND INTANGIBLE FIXED ASSETS

Non-current assets are recognized in the statement of financial position at acquisition cost, less accumulated depreciation according to plan and any impairment losses. The assets of acquired companies are recognized at fair value on the date of acquisition, less accumulated depreciation or amortization.

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 indeterminate useful life are recognized in the statement of financial position at cost and tested for impairment when there is an indication of impaired value or at least once a year.

Buildings, 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 pay 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 average difference is recognized directly in the income statement.

Goodwill is not amortized, but the impairment is tested yearly or more often if events or changes in circumstances indicate a possible decrease in value. Goodwill is reported at acquisition cost less accumulated amortizations. 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 on an ongoing basis.

Research and development

Costs for research are expensed as they are incurred. Research outlays 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. Outlays arising before the mentioned criteria are met are expensed. Depreciation 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 amount 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 recognized value of an asset exceeds its estimated recoverable amount, the asset is depreciated to its recoverable amount. The recoverable amount is the higher of the asset's fair value minus sales costs, and its value in use. The recoverable amount is assessed individually for each cash-generating unit.

"Net sale 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 amortization, 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 previous four business areas: Humidity Control Technologies (HCT), (formerly Air Treatment), FoodTech (formerly AgHort), Data Centers, and Clean Technologies (formerly Mist Elimination). The two later business areas have been reorganized in 2019 and are now an integral part of the AirTech business area. 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. Measurement has taken into account 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 one 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 of 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 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 is 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 investment 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 amortization 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 hedging 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. The amounts are unhedged and most often paid within 30 days. 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, 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 the income statement, or alternately in other operating expenses.

Recognition and derecognition

Regular way 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 17 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 fulfill the obligation. An additional 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 labor costs in the income statement.

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 recognized in administrative costs 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 32.

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 staff 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 reevaluates 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. Mandatory redeemable preferential shares are classified as liabilities. 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, excluding dividends attributable to preferential shares, by a weighted average number of ordinary 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 10, 11, 18-27 and 40-58.

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 15 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 2021 the Group recognized goodwill to a value of MSEK 4,248 (3,952).

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 2021 the Group recognized Technology, Customer relationships and Brands to a value of MSEK 1,175 (1,126).

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 2021 the Group recognized intangible assets regarding product development to a value of MSEK 268 (165).

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 2021 the Group's total tax loss carry-forward was MSEK 1,149 (1,242). In the consolidated balance sheet, a value for tax purposes of capitalized loss carry-forwards was recognized in the amount of MSEK 75 (64) relating primarily to Sweden, Australia, the Netherlands, Denmark, South Africa 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. On the other hand, for lease agreements of factories, it is more common that extension options are included in the valuation, especially where the Group has spent improvement expenditure in the factories in order to adapt them to Munters operations or otherwise estimates that it would involve costs and interruptions in the business if the contract is terminated. The lease period is reconsidered if an option is exercised (or not exercised) or whether the Group is required to exercise the option (or not take advantage of it). The assessment of whether it is reasonably certain is reconsidered only if there is any material event or change in circumstances affecting this assessment and the change is within the lessee's control.

Effects of Covid-19

In 2021, the Covid-19 pandemic continued to affect Munters' operations, albeit in a mixed way. In some areas, this led to increased demand, while supply chain constraints caused longer lead times. Costs increased for raw materials and freight. Continuous price increases were implemented in 2021, which will have an effect first during next year due to the extended lead times. It is expected that supply chain challenges will continue during the first half of 2022.

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 to 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.

Currency	Percentage of revenue		Percentage of costs	
	2021	2020	2021	2020
USD	40.6%	43.1%	37.5%	41.4%
EUR	24.3%	23.8%	23.7%	24.5%
CNY	17.9%	14.3%	16.2%	11.3%
SEK	2.6%	2.8%	8.8%	9.5%
JPY	2.3%	2.5%	2.3%	2.2%
GBP	2.0%	2.3%	2.1%	2.0%
BRL	1.5%	1.5%	1.2%	0.8%
AUD	1.2%	1.5%	0.9%	1.1%
DKK	0.8%	1.3%	0.7%	1.2%
KRW	1.3%	1.2%	0.8%	0.6%
THB	0.8%	1.1%	0.7%	1.0%
SGD	1.0%	0.8%	0.6%	0.5%
Other	3.6%	3.7%	4.6%	3.7%
Summa	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.

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 above. Otherwise, hedging shall primarily occur through forward selling of currency. The value of forward contracts at year-end was MSEK 0.9 (-2.3), see Note 19. 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 above. 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 2021. All other factors influencing earnings are assumed unchanged in the calculation.

SEK +10% compared with	Estimated effect on EBIT MSEK
USD	-63.3
CNY	-30.9
EUR	-28.1
BRL	-3.5
KRW	-5.5
AUD	-2.9
INR	-4.9
GBP	-1.3
JPY	-1.8
MXN	7.1
CZK	3.5
ILS	7.7
Other currencies	-16.6
Summa	-140.4

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 comprehensive 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 268 (-325). 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 2021 no outstanding interest rate derivatives.

Interest exposure

The average fixed interest term for the Group's external loans was 2.7 months (2.0) at year-end 2021. 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 18 (20). 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 counterparty 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 in most cases 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. The Group's five largest customers accounted for 12% (13) of total revenues, calculated on a full-year basis. At December 31, 2021, the five largest customers accounted for 13% (7) of total outstanding accounts receivable.

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. Short term the liquidity reserve can fall below that level to MSEK 350. A risk to go below the permitted threshold level requires immediate actions. At the end of 2021, the Group had unutilized credit facilities of MSEK 2,417 (2,042). The Group's total liquidity reserve less restricted cash per end of 2021 amounted to MSEK 2,906 (2,770).

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 20.

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.

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, within two different operating segments: AirTech and FoodTech.

Customer contracts range from pure component deliveries, mainly within FoodTech and in segment Clean Technologies (formerly Mist Elimination) within AirTech, to contracts comprising equipment, installation, start-up and commissioning services, mainly within AirTech.

The performance obligation to deliver goods within AirTech (excluding segment Data Centers) 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 segment Data Centers 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 (former Mist Elimination) within AirTech, payment terms are in general at point of delivery, which also correlates to time of revenue recognition. Within AirTech and especially within segment Data Centers 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 operating segments AirTech (excluding segment Data Centers) 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 segment Data Centers 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.

	Air-Tech	Food-Tech	Total
2021			
Goods transferred at a point in time	3,610	1,403	5,013
Goods transferred over time	1,298	439	1,737
Services transferred over time	447	150	598
Total	5,355	1,993	7,348
Related to the discontinued operation	-	-	-
Related to the continuing operation	5,355	1,993	7,348

	Air-Tech	Food-Tech	Total
2020			
Goods transferred at a point in time	3,136	1,883	5,019
Goods transferred over time	1,408	59	1,466
Services transferred over time	397	150	546
Total	4,940	2,091	7,031
Related to the discontinued operation	16	-	16
Related to the continuing operation	4,924	2,091	7,015

Contract balances

Accounts receivables are non-interest bearing receivables with a general payment term of 30-90 days. Within FoodTech and segment Clean Technologies (formerly Mist Elimination) 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.

However, within segment Data Centers within AirTech 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	2021	2020
Accounts receivables (Note 17)	1,394	935
Accrued income (Note 18)	235	255
whereof Contract asset	226	252
Contract liabilities		
Advances from customers	648	509
Deferred revenue (Note 26)	64	51

Transaction price allocated to remaining performance obligations

For information on the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period (Order backlog), see segment information in Note 6.

NOTE 5 INFORMATION ON COST BY NATURE

2021 Group	Cost of goods sold	Sales costs	Administrative costs	R&D costs	Other costs	Total
Material costs	-3,003	-	-	-	-	-3,003
Other production costs	-864	-	-	-	-23	-887
Personnel and other administration	-745	-770	-520	-129	-36	-2,200
Cost of depreciation	-158	-34	-32	-5	-	-228
Amortization and write downs on intangible assets	-2	-40	-4	-28	-	-74
Other costs	-223	-	-	-	-70	-292
Total	-4,994	-844	-556	-162	-129	-6,686

2020 Group	Cost of goods sold	Sales costs	Administrative costs	R&D costs	Other costs	Total
Material costs	-2,944	0	0	0	0	-2,944
Other production costs	-846	0	0	0	-52	-898
Personnel and other administration	-711	-733	-500	-147	-71	-2,162
Cost of depreciation	-144	-38	-34	-5	0	-221
Amortization and write downs on intangible assets	-3	-47	-4	-33	-1	-87
Other costs	-17	0	0	0	-23	-41
Total	-4,665	-818	-538	-186	-148	-6,353

During the year, restructuring costs of MSEK 124 (124) has been incurred, whereof MSEK 110 (124) concerns other operating expenses and MSEK 14 (-) cost of goods sold. These costs are mainly related to the decision taken within the business area FoodTech to proceed with the implementation of the strategy, with the objective to accelerate the digital journey and strengthen the product offering. These restructuring costs consists primarily of severance costs, warranty claims and inventory reserves as well as consultancy fees linked to the strategy implementation. Additional costs includes the strategy implementation for business area

AirTech, where the corresponding decision was made regarding implementation of the strategy during 2020, and where the implementation has proceeded during 2021. Other operating expenses during 2020 were related to the implementation of the AirTech strategy, where the majority of costs consisted of restructuring costs concerning severance costs, warranty claims, winding down activities in connection with the exit of the noncore part of the commercial business in the US, a consolidation of the operations in the Netherlands and some additional measures to ensure the implementation of the strategy.

NOTE 6 OPERATING SEGMENTS

Reportable operating segments

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 two business segments, AirTech 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.

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		FoodTech		Other & Eliminations 1)		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Order backlog	3,498	1,737	700	516	0	0	4,198	2,253
Whereof net sales within one year	3,013	1,583	517	437	0	0	3,530	2,020
Order intake	6,890	5,101	2,166	2,196	-43	-48	9,013	7,249
Sales from external customers	5,355	4,924	1,993	2,091	0	0	7,348	7,015
Transactions between business segments	7	13	35	35	-42	-48	0	0
Net sales	5,362	4,937	2,028	2,126	-42	-48	7,348	7,015
Earnings before interest and tax (EBIT)	797	565	81	291	-126	-149	753	707
Change in accounts receivable	-192	125	-56	28	-5	-42	-253	110
Change in inventories	-253	-4	-62	8	0	0	-316	4
Change in accrued income	35	-88	14	-15	0	0	49	-103
Change in accounts payables	157	-10	30	28	17	-3	204	15
Change in advances from customers	113	170	-17	14	0	0	96	184
Cashflow from operating working capital	-118	192	-68	63	12	-45	-220	210
Other disclosures								
Investments, excl. leased assets	174	99	104	95	64	24	342	217
Number of permanent FTE	2,432	2,286	796	861	87	68	3,315	3,214

GEOGRAPHIC INFORMATION

The information below is based on where customers have their registered head office.

External net sales	2021	2020
Sweden	222	170
United States	2,440	2,860
Germany	437	507
China	1,336	986
Other countries	2,913	2,492
Total	7,348	7,015

Non-current assets	2021	2020
Sweden	411	513
United States	3,856	3,963
Euro countries	2,355	1,159
Other countries	183	551
Total	6,805	6,186

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 buildings and land, plant and machinery, equipment, tools, and installations, construction in progress, patents, licenses, brands and similar rights and goodwill.

NOTE 7 OTHER OPERATING REVENUE AND EXPENSES

	Group		Parent Company	
	2021	2020	2021	2020
Other operating income				
Return on capital gains tax	-	13	-	-
Capital gains on sale of property	-	6	-	-
Government grants related to Covid-19	3	8	-	-
Government grants related to R&D	11	11	-	-
Insurance reimbursements legal cases	61	-	-	-
Realized exchange rate differences	6	-	0	-
Other	9	9	-	-
Total	90	46	0	0
Other operating expenses				
Restructuring costs	-110	-124	-	-
Realized exchange rate differences	-3	-9	-0	-
Unrealized exchange rate differences	-	-4	-	-
Other	-16	-11	-1	-5
Total	-129	-148	-1	-5

Other operating income included, in addition to government grants related to Covid-19 as well as grants linked to R&D activities, an insurance reimbursement concerning a past exchange of specific components for a customer within the European Data Center business of MSEK 61. During 2020 a claim for a refund of incorrectly charged sales tax in Brazil and a sale of a former office building was included.

Other operating costs included restructuring costs linked to the decision to proceed in the implementation of the strategy, focused on accelerating the digital journey and strengthen the product offering within business area FoodTech. Restructuring costs consisted of provisions concerning severance claims, warranty claims and inventory as well as consultancy fees linked to the strategy implementation. Total restructuring costs amounted to MSEK 124, whereof MSEK 14 related to depreciation of tangible fixed assets. During 2020 other operating costs included

restructuring costs linked to the decision to proceed with the execution of the strategy implementation, with the main objective to sharpen the customer offering and footprint optimization measures, primarily within the AirTech business area. The restructuring costs relates to severance costs, guarantee commitments and closure costs in connection with closure of the non-core part of the commercial segment in the United States, consolidation of operations in the Netherlands and some additional identified measures to ensure the implementation of the strategy.

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 indefinite useful life)	Not amortized
Machinery and equipment	3–10 years
Buildings	20–33 years
Leased buildings	2–10 years
Leased plants	2–15 years
Leased machines	2–5 years
Leased cars	2–5 years

The brands that emerged in connection with business combinations acquired when Munters Group AB acquired Munters AB via Munters Holding AB are deemed to have an indefinite useful life, while the useful life of customer relationships and technology also identified are estimated at 6–12 years. Depreciation, amortization, and impairment losses on non-current assets were charged to income for the year as shown above.

	Group	
	2021	2020
Cost of goods sold	-160	-147
Selling expenses	-74	-84
Administrative costs	-36	-38
Research and development costs	-33	-38
Total	-303	-308

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.

	Group	
	2021	2020
Inventory provision		
Opening balance	-112	-88
Write down current year	-21	-47
Reversal of previous years write down	20	11
Organizational change	0	3
Exchange rate differences	-8	8
Closing balance	-119	-112

NOTE 9 DISCONTINUED OPERATIONS

On September 9, 2019 Munters decided to close down its European Data Centers-factory in Dison, Belgium, following the finalization of negotiations with the unions. The production ceased already during 2019, but minor installation services remained at customer sites during 2020. Therefore, this business was classified as a discontinued operation during 2019 and 2020 and the earnings from this business was presented on a separate line in the income statement. The closure was according to the plan of the FPP-program launched at the start of 2019 to increase the overall performance of the company.

In relation to the closure process of Dison, specified components for a previously sold customized Munters solution, had to be replaced at a specific customer's site, and Munters incurred non-recurring cost of MSEK 116. The reimbursement to the customer was paid during the fourth quarter 2019. Munters had insurance solutions in place for this type of events and during 2021 Munters finished discussions with the insurance provider resulting in a received insurance compensation of MSEK 61. Due to the fact that Munters do not report any discontinued operation during 2021, this compensation has been reported as an item affecting comparability within the alternative performance measures adjusted EBITDA/adjusted EBITA/adjusted EBIT, see more information in Note 35.

The income statement for the discontinued operation for 2020 is presented below. Net sales for 2020 refer to installations at customer. The discontinued operation has had cash flows from operating activities in the form of payments mainly related to severance pay, which have continued during 2021.

	Group	
	2021	2020
Net sales	-	16
Cost of goods sold	-	-11
Gross profit	-	6
Selling expenses	-	-8
Administrative costs	-	-2
Research and development costs	-	0
Other operating expenses	-	-2
Operating profit	-	-6
Financial income and expenses	-	-0
Profit/Loss after financial items	-	-6
Tax	-	0
Net income for the year	-	-6
Cash flow from operating activities	39	-75

NOTE 10 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2021	2020	2021	2020
Financial income				
Interest income, other	2	1	-	-
Other financial income	0	0	-	-
	2	1	-	-
Financial expenses				
Interest expenses subsidiaries	-	-	-1	-
Interest expenses, loans	-47	-113	-	-
Interest expenses, lease agreements	-15	-17	-	-
Financing Fees	-31	-13	-	-
Exchange-rate differences	15	-9	-0	-0
Other financial expenses	-8	-5	-	-
	-86	-157	-1	-0
Total	-84	-156	-1	-0

NOTE 11 INCOME TAXES

	Group		Parent Company	
	2021	2020	2021	2020
Current tax	-172	-125	-0	0
Deferred tax related to temporary differences and loss carry-forwards	19	5	1	2
Tax recognized in income statement for the year	-153	-120	1	2
Reconciliation of effective tax				
Profit/Loss before tax	668	552	7	-5
Tax according to prevailing tax rate for the Parent Company	-137	-117	0	6
Tax effect of:				
Difference attributable to foreign tax rates	-16	-1	-	-
Non-deductible expenses	-7	-6	-0	-0
Non-taxable income	10	7	-	-
Utilization of losses not recognized as an asset in the balance sheet	17	2	-	-
Change in valuation of deferred tax on temporary differences and losses	8	-26	0	1
Revaluation of deferred tax assets/liabilities due to change in tax rate	0	2	0	-0
Tax attributable to prior years	-7	25	-	-
Withholding tax	-20	-7	-	-
Group contribution	-	-	-2	-5
Other	-1	-1	-	-
Tax recognized in income statement for the year	-153	-120	1	2

	Group	
	2021	2020
Tax attributable to components of OCI		
Deferred tax attributable to:		
Actuarial gains and losses on defined-benefit pension obligations	-0	1
Total	-0	1

	Group	
	2021	2020
Deferred tax assets		
Buildings	2	4
Plant, machinery, equipment	12	5
Inventory	42	33
Accounts receivable	6	7
Provisions (excl deferred tax liability)	25	24
Pension provision	29	35
Accrued expenses and prepaid income	65	50
Goodwill	4	4
Other items	8	17
Loss carry-forward	75	65
Closing balance	278	246

	Group	
	2021	2020
Deferred tax liabilities		
Buildings	2	3
Plant, machinery, equipment	27	29
Brands	292	299
Other intangible assets	44	12
Inventory	6	0
Accounts receivable	6	-
Accrued expenses and prepaid income	0	1
Goodwill	27	22
Other items	1	5
Closing balance	405	371

	Group	
	2021	2020
Change in deferred taxes		
Opening balance	125	161
Charges recorded in this year's profit	-19	-5
Tax on amounts recorded in OCI	-0	-1
Tax on amounts recorded in equity	6	-7
Exchange-rate differences for the year	16	-23
Closing balance	127	125

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 1,149 (1,242), of which MSEK 1,109 (1,195) may be carried forward for an unlimited period of time. Loss carry-forwards for which deferred tax assets are not recognized totaled MSEK 832 (941). Consequently, deferred tax assets on loss carry-forwards totaling MSEK 317 (301) were recognized. These losses relate to the subsidiaries in Australia MSEK 4 (4), Germany MSEK 72 (24), Netherlands MSEK 41 (47), Sweden MSEK 182 (220), Denmark MSEK 8 (7), South Africa MSEK 10 (0), and Norway MSEK 1 (0). In all countries, losses may be carried forward for an unlimited period of time. During the year, Norway and Germany have generated tax deficits that are deemed to be used and thus a deferred tax asset is reported on them. Previous tax loss carry-forwards in South Africa for which deferred tax assets have not been reported are now deemed to be utilizable and thus a deferred tax assets is reported on these. Deferred tax liabilities are mainly attributable to the surplus values identified in connection with the acquisition of Munters AB in 2010.

Reconciliation of net change in deferred tax assets from the beginning of the year to the end of year:

NOTE 12 BUSINESS ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS 2021

There were no business acquisitions or divestments in 2021.

ACQUISITIONS 2020

There were no business acquisitions or divestments in 2020. However, an additional purchase price of MSEK 9 (-) was paid, related to the acquisition of Humi-Tech Services Ltd 2018.

NOTE 13 FIXED ASSETS AND RIGHT-OF-USE ASSETS

DISTRIBUTION OWNED AND LEASED ASSETS

Presented below is the Groups owned and leased assets.

	Buildings and land	Plant and machinery	Equipment, tools, fixtures, and fittings	Construction in progress	Total
2021 Group					
Owned assets	137	260	137	78	611
Leased assets	102	209	49	-	360
Total	239	469	185	78	971

	Buildings and land	Plant and machinery	Equipment, tools, fixtures, and fittings	Construction in progress	Total
2020 Group					
Owned assets	138	258	124	41	560
Leased assets	71	209	37	-	318
Total	209	467	161	41	878

OWNED ASSETS

Presented below is the Groups owned fixed assets split per asset category.

	Buildings and land	Plant and machinery	Equipment, tools, fixtures, and fittings	Construction in progress	Total
2021 Group					
Acquisition cost					
Opening balance	392	849	505	41	1,787
Capital expenditures	6	30	54	48	138
Sold/Scrapped	-0	-13	-21	-1	-35
Reclassification	3	6	4	-12	0
Exchange difference	30	56	35	2	123
Closing accumulated acquisition value	431	928	577	78	2,014
Accumulated depreciation					
Opening accumulated depreciation	-244	-591	-375	-	-1,209
Depreciation for the year	-20	-53	-49	-	-122
Sold/Scrapped	0	12	17	-	30
Reclassification	-	-	-2	-	-2
Exchange difference	-19	-37	-25	-	-81
Closing accumulated depreciation	-283	-669	-433	-	-1,384
Write downs					
Opening accumulated write-downs	-10	0	-7	-	-17
Sold/Scrapped	-	-	-0	-	-0
Exchange difference	-1	0	-1	-	-2
Closing accumulated write-downs	-12	0	-8	-	-19
Closing carrying amount	137	260	137	78	611

Depreciation is based on an asset's acquisition cost and its estimated useful life as specified in Note 8. The carrying amount of land totaled MSEK 35 (33). Despite the Covid-19 outbreak, all production units, except one smaller unit, have been in operation

with only minor disruptions throughout the year. Despite the prevailing pandemic, no need for impairment has been identified.

2020 Group	Buildings and land	Plant and machinery	Equipment, tools, fixtures, and fittings	Construction in progress	Total
Acquisition cost					
Opening balance	441	898	539	55	1,933
Capital expenditures	4	36	51	23	114
Sold/Scrapped	-17	-35	-51	-0	-103
Reclassification	0	23	12	-35	1
Exchange difference	-36	-74	-46	-2	-158
Closing accumulated acquisition value	392	849	505	41	1,787
Accumulated depreciation					
Opening accumulated depreciation	-264	-617	-407	-	-1,288
Depreciation for the year	-11	-51	-46	-	-109
Sold/Scrapped	11	28	46	-	85
Reclassification	-1	0	-0	-	-0
Exchange difference	21	48	33	-	102
Closing accumulated depreciation	-244	-591	-375	-	-1,209
Write downs					
Opening accumulated write-downs	-11	-5	-11	-	-27
Sold/Scrapped	0	5	4	-	9
Exchange difference	0	-0	0	-	1
Closing accumulated write-downs	-10	0	-7	-	-17
Closing carrying amount	138	258	124	41	560

LEASED 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.

Following is a specification of leased assets per December 31, 2021. Note 20 discloses the lease liabilities associated with the leased assets. Total interest expenses, which are included in financial expenses, amounted to MSEK -15 (-17) during the year. Depreciation and write downs for the year amounted to MSEK 106 (-113). Short-term leases and leases of low-value assets were expensed for MSEK 9 (4). These leases will entail payments of MSEK 12 (6) during the years 2022-2025 and MSEK 1 (1) for 2026 and beyond. The total cash flow from leases recognized in the balance sheet in 2021 was MSEK 120 (130) and is presented partly under financing activities as repayment of lease liabilities and partly under the operating activities as paid interest, see Note 20.

	Buildings, leased	Plant and machinery, leased	Equipment and tools, leased	Total
2021 Group				
Acquisition cost				
Opening balance	148	285	79	512
New contract	60	27	37	124
Sold/Scrapped	-19	-1	-28	-48
Exchange difference	9	28	3	40
Closing accumulated acquisition value	198	339	91	628
Accumulated depreciation				
Opening accumulated depreciation	-57	-76	-37	-169
Depreciation for the year	-35	-45	-26	-106
Sold/Scrapped	19	1	27	47
Exchange difference	-4	-9	-1	-14
Closing accumulated depreciation	-76	-129	-37	-242
Write downs				
Opening accumulated write-downs	-20	-0	-5	-25
Exchange difference	-0	-0	-0	-1
Closing accumulated write-downs	-20	-0	-5	-26
Closing carrying amount	102	209	49	360

	Buildings, leased	Plant and machinery, leased	Equipment and tools, leased	Total
2020 Group				
Acquisition cost				
Opening balance	139	325	75	539
New contract	29	1	31	61
Sold/Scrapped	-3	-5	-23	-31
Exchange difference	-17	-36	-4	-57
Closing accumulated acquisition value	148	285	79	512
Accumulated depreciation				
Opening accumulated depreciation	-36	-48	-29	-112
Depreciation for the year	-34	-46	-33	-113
Sold/Scrapped	3	5	24	31
Exchange difference	10	13	1	25
Closing accumulated depreciation	-57	-76	-37	-169
Write downs				
Opening accumulated write-downs	-21	-0	-5	-26
Exchange difference	1	0	-	1
Closing accumulated write-downs	-20	-0	-5	-25
Closing carrying amount	72	209	37	318

NOTE 14 PATENTS, LICENSES, CUSTOMER RELATIONS AND OTHER INTANGIBLE ASSES
WITH DEFINITE USEFUL LIFE

2021 Group	Technology	Customer relationships	Internally generated intangible assets	Other intangible assets	Total
Acquisition cost					
Opening balance	591	880	270	193	1,934
Capital expenditures	-	-	118	86	204
Sold/Scrapped	-	-	-	-0	-0
Reclassification	-	-	-	1	1
Exchange difference	43	60	28	4	135
Closing accumulated acquisitions	635	940	415	284	2,274
Accumulated amortization					
Opening accumulated amortization	-509	-837	-97	-115	-1,557
Amortizations for the year	-17	-14	-32	-11	-74
Sold/Scrapped	-	-	-	0	0
Exchange difference	-37	-58	-10	-2	-107
Closing accumulated amortizations	-563	-909	-139	-128	-1,739
Write downs					
Opening accumulated write-downs	-2	-9	-8	-13	-32
Sold/Scrapped	-	-	0	-	0
Exchange difference	-0	-1	-0	-0	-1
Closing accumulated write-downs	-2	-10	-8	-14	-33
Closing carrying amount	70	21	268	143	502

Technology

This item includes technology, MSEK 70 (81), where the majority was identified in conjunction with the acquisition of MTech Systems during 2017.

Internally generated intangible assets

Internally generated intangible assets mainly relates to recognized development costs within FoodTech, AirTech and segment Data Centers within AirTech.

Customer relationships

This item includes customer relationships, MSEK 21 (34), where the majority was identified in conjunction with the acquisition of Humi-Tech Service Ltd, Munters Reventa GmbH and MTech Systems.

Other intangible assets

Other intangible assets mainly include patents, tradenames, licenses, and similar rights in Sweden, Germany, the United States, the Netherlands and China.

2020 Group	Technology	Customer relationships	Internally generated intangible assets	Other intangible assets	Total
Acquisition cost					
Opening balance	650	961	250	172	2,033
Capital expenditures	-	-	80	23	103
Sold/Scrapped	-	-	-33	-2	-35
Reclassification/Internal transfers	-	-	-4	4	-1
Exchange difference	-59	-81	-23	-4	-167
Closing accumulated acquisitions	591	880	270	193	1,934
Accumulated amortization					
Opening accumulated amortization	-541	-892	-84	-108	-1,624
Amortizations for the year	-17	-23	-36	-11	-87
Sold/Scrapped	-	-	14	1	15
Exchange difference	50	78	9	3	139
Closing accumulated amortizations	-509	-837	-97	-115	-1,557
Write downs					
Opening accumulated write-downs	-2	-10	-26	-14	-51
Sold/Scrapped	-	-	18	-	18
Exchange difference	0	1	1	0	2
Closing accumulated write-downs	-2	-9	-8	-13	-32
Closing carrying amount	81	34	165	65	345

NOTE 15 GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Intangible assets with indefinite useful life consist of brands and goodwill.

2021 Group	Brands	Goodwill
Acquisition cost		
Opening balance	1,016	4,294
Exchange-rate differences for the year	74	305
Closing balance	1,090	4,599
Accumulated impairment		
Opening balance	-5	-343
Exchange-rate differences for the year	-0	-8
Closing balance	-6	-351
Closing carrying amount	1,084	4,248
2020 Group		
Acquisition cost		
Opening balance	1,118	4,706
Exchange-rate differences for the year	-102	-411
Closing balance	1,016	4,294
Accumulated impairment		
Opening balance	-6	-358
Exchange-rate differences for the year	1	15
Closing balance	-5	-343
Closing carrying amount	1,011	3,952
Recognized brands per cash-generating unit		
	2021	2020
Humidity Control Technologies	885	824
FoodTech	133	125
Clean Technologies	65	62
Closing carrying amount	1,084	1,011
Recognized amount of goodwill per cash-generating unit		
	2021	2020
Humidity Control Technologies	2,788	2,813
FoodTech	1,318	1,005
Clean Technologies	142	134
Closing carrying amount	4,248	3,952

Goodwill as of December 31, 2021 amounted to MSEK 4,248 (3,952). The increase was a result of exchange rate effects, mainly owing to a weaker SEK against USD compared to previous 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 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 September, 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 consist of the Group's four former business areas: Humidity Control Technologies (former AirTreatment), FoodTech, Data Centers, and Clean Technologies (former Mist Elimination). The latter two business areas became through a reorganization in 2019 an integrated part with Humidity Control Technologies and created the new business area AirTech. Goodwill within Data Centers was fully written down during 2019.

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 2022-2026 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 2021 used a nominal discount rate (average weighted cost of capital before tax) of 11.4% (12.2).

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

A 11.0 percentage point (9.4) increase in the discount rate would be required for goodwill and brand impairment to be necessary in the cash-generating unit Humidity Control Technologies, a 12.0 percentage point (14.5) increase in FoodTech and 7.3 percentage point (12.0) increase for Clean Technologies.

Net sales growth

Neither for Humidity Control Technologies, FoodTech nor Clean Technologies, a reasonable decrease in net sales growth is judged to lead to a need for impairment.

EBITA-margin

A decrease of 11.4 percentage points (8.2.) in the EBITA margin for the period from 2022 to 2026, perpetuity value included, would be required for impairment of goodwill and brands to be necessary in the cash-generating unit Humidity Control Technologies, 10.6 percentage points (10.8) in the cash generating unit FoodTech and 7.0 percentage points (11.6) in the cash generating unit Clean Technologies.

NOTE 16 PARTICIPATION IN SUBSIDIARIES

Direct shareholdings, 100%	Country	Carrying amount	
Munters Holding AB (corp. reg. no. 556818-974)	Sweden	4,094	
Registered office: Stockholm			
		4,094	
Material indirect shareholdings	Country	Percentage, %	
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	United States	100	
Munters Canada Inc	Canada	100	
Munters de Mexico S de RL de CV	Mexico	100	
Munters Ireland Limited	Ireland	100	
Munters Brasil Industria e Comércio Ltda	Brazil	100	
Munters Beteiligungs GmbH	Germany	100	
Munters Euroform GmbH	Germany	100	
Munters GmbH	Germany	100	
Munters Reventa GmbH	Germany	100	
Munters Netherlands BV	Netherlands	100	
HB Beheer BV	Netherlands	100	
Munters Spain S.A.U.	Spain	100	
Munters Czech s.r.o.	Czech	100	
Munters France S.A.S.	France	100	
Munters Italy SpA	Italy	100	
Munters Ltd	UK	100	
Munters Management Service 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 K.K.	Japan	100	
Munters Pte Ltd	Singapore	100	
Munters Pty Ltd	Australia	100	
MTech Systems USA, LLC	United States	66	
MTech Systems America Latina Ltda	Brazil	66	
		2021	2020
Acquisition cost at January 1		4,099	4,086
Share option program		-5	13
Accumulated acquisition cost at December 31		4,094	4,099

No restrictions exist regarding Group's access to the subsidiaries assets, as a result of regulations or minorities. During the year, the operating company in Mexico was merged with its non-operating subsidiary. During the year, two sales companies were also formed, one in Ireland and one in Norway.

NOTE 17 ACCOUNTS RECEIVABLES

Time analysis of accounts receivable,

net provision for bad debt	2021	2020
Current	1,077	671
< 30 days	175	150
30-90 days	109	66
91-180 days	19	37
> 180 days	14	12
Closing balance	1,394	935

Provisions for bad debts corresponded to 3% (5) of total receivables and changed as follows:

Provision for bad debts	2021	2020
Opening balance	45	48
Provision for anticipated losses	11	19
Realized losses	-4	-6
Reversals of unutilized amounts	-17	-13
Exchange-rate differences	3	-4
Closing balance	37	45

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.

Despite the prevailing Covid-19 pandemic, Munters has not identified an increased risk of credit losses. An analysis was made early in the year to identify credit exposure to particularly vulnerable industries and geographical areas linked to Covid-19 outbreaks to consider additional risk. The analysis showed low exposure. The global pandemic has not affected the need for reservations to any great extent.

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2021	2020	2021	2020
Prepaid leases	8	7	-	-
Prepaid insurance premiums	26	22	0	0
Accrued income	235	255	0	-
Prepaid expenses for goods and services	17	20	-	-
Other items	81	72	0	-
Closing balance	368	376	1	0

NOTE 19 FINANCIAL INSTRUMENTS BY CATEGORY

Book value of financial assets and liabilities by category	2021	2020
Financial assets measured at amortized cost		
Other non-current financial assets	20	19
Accounts receivable	1,394	935
Other current receivables	78	96
Cash and cash equivalents	674	970
Closing balance	2,165	2,021
Financial assets measured at fair value through profit/loss		
Currency derivatives whose cash flows are not subject to hedge accounting	1	-
Closing balance	1	-
Total	2,166	2,021
	2021	2020
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	2,361	2,440
Non-current interest-bearing lease liabilities	275	250
Current interest-bearing liabilities	11	14
Current interest-bearing lease liabilities	102	82
Accounts payable	771	529
Accrued expenses	5	9
Other non-current liabilities	3	12
Other current liabilities	100	111
Closing balance	3,629	3,446
Financial liabilities at fair value through profit/loss		
Currency and interest rate derivatives whose cash flows are not subject to hedge accounting	-	2
Acquisition option MTech, non-current 1)	137	121
Closing balance	137	123
Total	3,766	3,569

1) Fair value adjustments recorded through equity. Acquisition option is valid through January, 2023.

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, 2021, 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:

	2021		2020	
	Nominal amount in local currency	Carrying amount	Nominal amount in local currency	Carrying amount
AUD/SEK	5	0.6	7	-0.1
CAD/SEK	-	-	0	-0.1
CNH/SEK	-	-	0	0.0
DKK/SEK	3	-0.0	-	-
EUR/SEK	13	-0.1	14	-1.2
GBP/SEK	-	-	1	-0.1
JPY/SEK	88	0.1	90	-0.3
SGD/SEK	3	0.3	2	-0.3
USD/SEK	-38	0.2	8	-0.0
ZAR/SEK	-14	-0.1	-20	-0.2
Total		0.9		-2.3

Negative net amounts refer to sales, and positive net amounts refer to purchases. All forward contracts are short-term and fall due for payment during 2022.

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 2021 these items are not 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 Group's contingent earn-outs and put/call acquisition options, recognized at fair value in the statement of financial position, were measured according to IFRS 9 and categorized in level 3 according to the fair value hierarchy.

The opening balance was related to the put/call option from the acquisition of MTech Systems in 2017. The put/call option matures in January, 2023 and is based on EBITDA for the 12 months prior to execution. Changes during the year related to discounting effect on the remaining put/call option and currency translations. Included in the opening balance from last year was an earn-out for Humi-Tech Services Ltd, which was based on EBITDA for the fiscal years of 2018 and 2019. The earn-out was paid during 2020.

Contingent price considerations	2021	2020
Opening balance	121	142
Payments	-	-9
Discounting	4	4
Exchange-rate differences for the year	13	-16
Closing balance	137	121

NOTE 20 INTEREST BEARING LIABILITIES

Interest bearing liabilities, non-current

Munters has during 2021 refinanced its primary financing facilities by establishing a new 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. 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). The facility has the same financial covenant as primary financing facilities as described below.

The loan agreement 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 excluding lease liabilities amounted to MSEK 2,374 (2,455). The table below outlines the long term debt on Group level together with local bank debt in group companies in among others, India and Brazil. 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, 2021, 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 1.7% (2.7) and 2.2% (3.1) including financing cost. Refinancing fees activated in the balance sheet related to the 2021 refinancing event amounts to MSEK 22 which will be allocated to P&L over four years.

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	2021	2020
2026	Term loan	Variable	USD	1,470	2,039
2026	Utilized committed credit facilities US	Variable	USD	181	-
2026	Utilized committed credit facilities Sweden	Variable	EUR	310	301
2026	Utilized committed credit facilities Sweden	Variable	SEK	400	100
	Other non-current loan	Fixed/ Variable	Various currencies	-	0
Total				2,361	2,440

Interest bearing liabilities, current

The table outlines current bank debt in Munters subsidiaries in among others India and Brazil.

Interest bearing loans, current				Book value	
Maturity	Type of loan	Interest rate	Currency	2021	2020
	Other current loan	Variable	currencies	11	14
Total				11	14
Total non-current and current loans				2,373	2,455

Changes in interest bearing liabilities

In relation to the refinancing event during 2021, Munters has amortized on term loan in USD and increased borrowings in USD and SEK under the new revolving credit facility. The change during the year is also caused by currency effects originating from fluctuations in EUR and USD exchange rate.

Non-current loans 2021	Opening balance	Loans raised	Amortization of		Non cash	
			lonas	Currency effects	movements	Closing balance
Term loan	2,047	1,416	-2,145	174	-	1,492
Revolving credit facility	401	878	-404	15	-	891
Other third party debt	0	1	-	0	-	1
Financing fees	-8	-	-	-	-14	-22
Total	2,440	2,295	-2,549	190	-14	2,362

Current loans 2021	Opening balance	Loans raised	Amortization of		Non cash	
			lonas	Currency effects	movements	Closing balance
Other third party debt	14	-	-3	1	-	11
Total	14	-	-3	1	-	11
Total non-current and current loans	2,455	2,295	-2,553	190	-14	2,374

	Opening balance	Loans raised	Amortization of loans	Currency effects	Non cash movements	Closing balance
Non-current loans 2020						
Term loan	2,329	-	-	-282	-	2,047
Revolving credit facility	739	-	-326	-12	-	401
Other third party debt	1	-	-1	0	-	0
Financing fees	-12	-	-	-	4	-8
Total	3,057	-	-327	-294	4	2,440
Current loans 2020						
Other third party debt	24	-	-10	0	-	14
Total	24	-	-10	-	-	14
Total non-current and current loans	3,081	-	-336	-294	4	2,455

Changes in lease liabilities

Munters had during the year following changes related to lease agreements with the below amounts, involving signing of new lease agreements, amortization of current agreements and interest and currency effects.

	Opening balance	New contracts during the year	Amortizations of loans	Currency effects	Closing balance
Lease liabilities 2021					
Non-current interest-bearing lease liabilities	250	90	-76	10	275
Current interest-bearing lease liabilities	82	34	-29	15	102
Total	332	124	-105	26	377

	Opening balance	New contracts during the year	Amortizations of loans	Currency effects	Closing balance
Lease liabilities 2020					
Non-current interest-bearing lease liabilities	314	46	-84	-26	250
Current interest-bearing lease liabilities	102	15	-28	-7	82
Total loans	416	61	-112	-33	332

Maturity analysis of lease liabilities

The remaining undiscounted lease payments have the following due date:

Undiscounted leasing liabilities	2021	2020
Remaining term 1 year or less	-114	105
Remaining term 1 to 5 years	-215	216
Remaining term over 5 years	-76	93
Total	-405	414

NOTE 21 EARNINGS PER SHARE

KSEK	2021	2020
Net income	515,417	425,831
Attributable to Parent Company	512,861	420,184
Attributable to non-controlling interests	2,557	5,647
Average number of outstanding shares before dilution	182,207,520	181,545,456
Average number of outstanding shares after dilution	182,548,017	181,557,708
Where of average number of shares in	2,883,300	2,194,500
Earnings per share before dilution, SEK	2.81	2.32
Earnings per share after dilution, SEK	2.81	2.32

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

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:	2021
Opening balance of unrestricted equity	4,165,054
Dividend	-127,345
Exercise of share options	39,889
Repurchase of shares	-69,500
Employee share options	75
Income for the year	8,221
Total	4,016,393
The Board of Directors proposes that earnings be distributed as follows:	
Dividend	156,789
To be carried forward	3,859,604
Total	4,016,393

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 201, Munters showed strong growth as well as solid profitability and capital structure. The net debt in relation to adjusted EBITDA was 2.2x at year end, which is in line with the medium-term target level for net debt in relation to adjusted EBITDA of 1.5-2.5x. The Board therefore proposes a dividend of SEK 0.85 (0.70) per share for 2021, totaling MSEK 157 (129), which corresponds to 30 percent of the profit for the year 2021.

NOTE 23 EQUITY

Share capital

The share capital of 5,533,735 (5,533,735) SEK comprises 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 71.0% (70.1) of outstanding shares. Of these, FAM AB holds 27.8% (26.0). No other shareholder holds more than ten per cent of the shares, either directly or indirectly, in Munters Group AB. During 2021 the employee stock option program from 2018 "LTIP 2018" has been fully vested, and a total of 725,250 options in the program has been exercised, which has impacted the number of treasury shares. In addition, Munters has repurchased 1,071,550 of the company's own shares, which has also impacted the number of treasury shares. As of December 31, Munters has a total of 2,883,300 treasury shares.

During 2020, the warrant program from 2017, which resulted in an exercise of a total of 851,500 warrant options, resulting in 860,015 new shares in 2020.

The table below shows the changes in the number of shares.

Number of shares	
Opening balance, January 1, 2020	183,597,802
Equity shares B	183,597,802
Changes 2020:	
New share issue	860,015
Closing balance, December 31, 2020	184,457,817
Equity shares B	184,457,817
Of which in own custody/treasury shares	2,537,000
Opening number, January 1, 2021	184,457,817
Equity shares B	184,457,817
Changes 2021:	-
Closing number, December 31, 2021	184,457,817
Equity shares B	184,457,817
Of which in own custody/treasury shares	2,883,300

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 2021 were mainly due to a weaker SEK against USD compared to previous year.

Reserve for exchange rate differences

Opening balance, January 1, 2020	664
Exchange rate differences	-324
Closing balance, December 31, 2020	341
Exchange rate differences	268
Closing balance, December 31, 2021	608

Holdings of treasury shares 2021

The Board of Directors of Munters Group AB ("Munters") resolved, pursuant to the authorization granted by the Annual General Meeting held on Maj 19, 2021 to repurchase the company's own shares on Nasdaq Stockholm. 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. Munters has repurchased 1,071,550 of the company's own shares for an average purchase price per share of SEK 64.79. Payment of the repurchased shares was made with cash and amounted to MSEK 69. During 2021 the employee stock option program from 2018 "LTIP 2018" has been fully vested, and a total of 725,250 options in the program has been exercised, which has resulted in a total of 725,250 previous treasury shares is now being held by participants in the program. As of December 31, 2021 Munters Group AB held 2,883,300 shares in custody, equal to 1.6% of the registered share capital. The shares had a par value of SEK 0.03 per share.

Holdings of treasury shares 2020

The Board of Directors of Munters Group AB ("Munters") resolved, pursuant to the authorization granted by the Annual General Meeting held on Maj 7, 2020 to repurchase the company's own shares on Nasdaq Stockholm. The purpose of the repurchase program was to secure the delivery of shares to the participants of Munters' long-term incentive program, which was resolved by the Annual General Meeting 2020, and to cover costs related to the program. In total, Munters repurchased 685,000 shares during the year at an average price of SEK 63.25. Payment for the shares was made in cash and amounted to MSEK 43. As of December 31, 2020 Munters Group AB held 2,537,000 shares in custody, equal to 1.4% of the registered share capital. The shares had a par value of SEK 0.03 per share.

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 2021, implying 30% of 2020 earnings, a total of MSEK 127 and a dividend per share of SEK 0.70. Of the proposed dividend of MSEK 129 for 2020, a total of MSEK 127 was actually paid to the shareholders, as no dividend is paid on treasury shares.

In 2020, no dividends were paid.

NOTE 24 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Group	2021	2020
Non-current defined-benefit obligations to employees	303	285
Other benefits to employees	21	14
Non-current	324	299
Current defined-benefit obligations to employees	5	6
Other current employee benefits	4	3
Current	9	10
Total provisions for pensions and similar obligations	333	309
Where-of provisions recognized for pension obligations	308	291

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 31.

Defined-benefit pension plans in Sweden constitute 96% (96) of total Group provisions for pensions 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.

2021 Group	Present value of defined benefit obligation		Recognized provision, net
	Fair value of plan assets		
Opening balance	310	-19	291
Pension expenses, included in Comprehensive income for the year			
Current service cost	17	-	17
Interest cost/income on benefit obligation	4	0	4
	21	0	21
Remeasurement, included 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 employer to plan assets	-	0	0
	-7	0	-7
Exchange rate differences for the year	0	-0	-0
Closing balance	327	-19	308
Of which funded plans:			
Belgium	19	-19	0
Of which unfunded plans:			
Sweden	295	-	295
Other countries	13	-	13

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 59 (50).

Munters recognizes actuarial gains and losses in other comprehensive income in the period they occur to the extent that they refer to post-employment remuneration. Actuarial losses totaled MSEK 3 (7) for the period. Below is the recognized provisions for pensions under IAS 19 in the consolidated balance sheet:

2020 Group	Present value of defined benefit obligation		Recognized provision, net
	Fair value of plan assets		
Opening balance	293	-17	276
Comprehensive income for the year			
Current service cost	14	-	14
Interest cost/income on benefit obligation	4	0	4
	18	0	18
Remeasurement, included in Other comprehensive income			
Actuarial changes arising from changes in financial assumptions	5	0	5
Experience adjustments	2	-	2
	7	0	7
Transactions			
Benefits paid by employer	-6	0	-6
Benefits paid by employer to plan assets	-	-3	-3
	-6	-3	-9
Exchange rate differences for the year	-1	1	-0
Closing balance	310	-19	291
Of which funded plans:			
Belgium	20	-19	1
Of which unfunded plans:			
Sweden	279	-	279
Other countries	11	-	11

Plan assets comprise insurance contracts signed with independent insurance companies. No portion of plan assets in 2021 or 2020 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. The most important actuarial assumptions are as follows:

Weighted values (%)	2021	
	Sweden	Others
Discount rate	1.95	0.55
Future inflation	2.20	1.75
Future wage and salary increases	2.95	-
Pension increases	2.20	-
Social security increases	2.95	-

	2020	
	Sweden	Others
Discount rate	1.20	0.55
Future inflation	1.50	1.75
Future wage and salary increases	2.25	-
Pension increases	1.50	-
Social security increases	2.25	-

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.

Sensitivity analysis

A reduction of 0.5 percentage points in the discount rate would increase the pension commitments by around MSEK 35 (34), while an increase in the rate of 0.5 percentage points would reduce the commitment by around MSEK 30 (30). Altered assumptions with respect to inflation being 0.5 percentage points lower would reduce the commitment by around MSEK 24 (22) and increase it by around MSEK 27 (25) in an assumption of it being 0.5 percentage points higher. The sensitivity analysis is performed by one actuarial assumption changing, while the other assumptions are kept unchanged. The method shows the sensitivity of the liability to an individual assumption. This is a simplified method, because actuarial assumptions are normally correlated.

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 DUS14. Munters' budgeted fees for defined-benefit obligations equal MSEK 13 (15) for 2021.

Duration analysis regarding expected payments for post-employment pension benefits (not calculated on present value):

Age analysis - expected payments	2021	2020
Within the next 12 months	6	6
Between 1 and 2 years	6	6
Between 2 and 5 years	19	17
Between 5 and 10 years	37	31
Total	67	60

The weighted average duration for the defined-benefit commitments is 21 years (21).

NOTE 25 OTHER PROVISIONS

2021 Group	Provisions			Total
	for warranties	Restructuring	Other provisions	
Opening balance	105	103	73	281
Additional provisions	9	53	4	66
Reversals of unutilized provisions, discontinued operations	-4	-6	-	-10
Reversals of unutilized provisions	-44	-22	-1	-66
Utilized during the year	-4	-39	-39	-104
Exchange rate differences	7	6	4	17
Closing balance	69	84	41	194

2020 Group	Provisions			Total
	for warranties	Restructuring	Other provisions	
Opening balance	122	137	44	302
Additional provisions	38	111	38	187
Reversals of unutilized provisions	-20	0	-0	-20
Utilized during the year	-27	-139	-4	-169
Exchange rate differences	-8	-6	-5	-20
Closing balance	105	103	73	281

Provisions consist of:

	2021	2020
Current portion	41	33
Non-current portion	153	248
Closing balance	194	281

During the year, provision for warranties was made by MSEK 9 (38), a decrease compared to previous year, which is due to the fact that cost for actual warranty commitments have decreased during the last years and affected the provision factor. During the year, two major previously reserved commitments were also released as the outcome of the warranty cases was positive.

Provision for restructuring was made by MSEK 53 (111). The provision referred to the strategy implementation within the business area FoodTech, with the aim of accelerating the digital journey and strengthening the product offering, which was communicated during the month of May. During the year, the restructuring reserve from the previous year attributable to the business area AirTech was utilized with MSEK 39 and released with MSEK 22, the latter related to a sub-project within AirTech where the provision was found to be no longer needed. In the previous year, the provisions for restructuring related to the strategy implementation within the business area AirTech that was communicated in June 2020, involving an exit from non-core operations in the commercial operations in the USA, consolidation of operations in the Netherlands and some other strategy improvement measures.

The change in other provisions mainly referred to a utilized provision of MSEK 24 related to the Hunter New England Local Health District. A provision of MSEK 24 was made in 2020 based on an estimated reasonableness of mediation outcomes, and at the same time MSEK 16 was reported as a receivable on the insurance company. Final mediation entailed a settlement of MSEK 32, containing an additional cost in 2021 for Munters of MSEK 9 including legal costs. In addition, other provisions were also affected by a reversal of unutilized provision related to the discontinued operation from previous years attributable to the Data Center operations in Dison of MSEK 12, where previously reported provisions have been identified as no longer needed.

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2021	2020	2021	2020
Other expenses related to personnel	372	306	17	20
Received goods not yet invoiced	324	153	0	-
Commissions	57	45	0	-
Interest expenses	5	9	0	-
Deferred income	64	51	-	-
Audit and lawyers fees	13	13	0	0
Other	163	165	1	1
Closing balance	998	742	18	21

Deferred revenue mainly refers to subscription agreements within Munters software business.

NOTE 27 PLEDGED ASSETS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2021	2020	2021	2020
Contingent liabilities				
PRI guarantees	-	-	3	2
Guarantees from banks and insurance companies	710	315	436	197
Closing balance	710	315	439	199

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 currently named as co-respondent in 2 (1) asbestos-related cases. In the past few years, Munters Corporation has in a number of cases won through summary judgments, and these are no longer in progress. Munters Corporation is of the firm opinion that the remaining claims are unfounded and intend to strongly dispute every claim. 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 defense. 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. Furthermore, Munters has some contractual protection for costs from the previous owner.

In connection with the closure of Dison, specific components of a previously sold system solution needed to be exchanged at a customer site, which entailed a one-time cost of MSEK 116. Munters has insurance for these types of events, but as negotiations

were not completed until 2021, no receivable was reported previous years, why the disclosure referred only to a contingent asset. During 2021, discussions were completed with the current insurer, meaning that an insurance compensation totaling MSEK 61 was received. This compensation was reported as other income.

NOTE 28 TRANSACTIONS WITH RELATED PARTIES

The shares in Munters Group AB are held by FAM AB by 27.8% (26.0). Other related parties to Munters include other portfolio companies managed by FAM AB and Munters Board of Directors and Group Management. During the year, transactions occurred between one of Munters' subsidiaries and a related company of MSEK 0.7. In the previous year, there were no related party transactions.

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 31. Munters has not provided guarantees or securities to or on behalf of Board members or senior executives. Munters has not identified any transactions with other related parties, besides those specified in this note and those to which reference is made.

NOTE 29 AVERAGE NUMBER OF EMPLOYEES AND GENDER

Average number of employees Group	2021		2020	
	Number	of which men, %	Number	of which men, %
United States	972	81	930	78
China	350	78	374	82
Sweden	405	68	362	70
Mexico	215	70	264	72
Germany	246	81	231	83
Belgium	39	90	45	90
India	164	89	165	90
Italy	145	78	154	81
Israel	140	78	138	78
Ireland	2	100	-	-
Brazil	143	80	127	85
Czech Republic	118	81	76	88
United Kingdom	76	78	72	81
Japan	66	85	62	84
Netherlands	44	78	46	80
Australia	29	83	30	83
France	37	78	33	79
Singapore	25	76	24	75
South Africa	19	79	20	80
Denmark	16	81	20	69
Korea	22	64	19	63
Spain	10	80	13	77
Turkey	12	67	13	69
Finland	12	83	12	83
Canada	4	75	6	67
Austria	4	76	5	81
Poland	3	100	4	100
Vietnam	2	50	2	50
United Arab Emirates	4	75	4	83
Switzerland	3	67	3	67
Thailand	18	67	18	67
Other	5	60	10	74
Total	3,350	78	3,282	79

Gender distribution – Board of Directors and Group Management

At year-end, the Board of Directors consisted of five men and three women. Group Management, including the CEO, consisted of four men and three women.

NOTE 30 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	Group		Parent Company	
	2021	2020	2021	2020
Salaries and remuneration	1,648	1,710	27	22
Social security expenses	400	427	8	7
Pension expenses - defined contribution	59	50	9	5
Pension expenses - defined benefit	17	14	-1	-
Total	2,124	2,201	43	35

NOTE 31 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 do not apply to any remuneration resolved by the general meeting. The guidelines shall apply to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2021 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. 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:

- 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 32.

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, etc.

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 100 per cent of the fixed annual cash salary for the CEO and 70 per cent of the fixed annual cash salary 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 50 per cent of the annual fixed cash salary for the CEO, and 45 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 share of green electricity in the Group's total electricity consumption, the share of female leaders within the Group and the share of suppliers that has signed Munters Supplier Code of Conduct). 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 intends to adopt. 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.

Amounts in KSEK	2021					Total
	Board fee/Base salary	Variable remuneration	Other benefits*	Pension expenses	Share based payments	
Members of the Board: (3 women and 5 men)						
Magnus Lindquist, chairman and chairman of remuneration committee	1,249					1,249
Helen Fasth Gillstedt, board member and chairman of audit committee	603					603
Anna Westerberg, boardmember	456					456
Håkan Buskhe, board member	415					415
Juan Vargues, board member	506					506
Kristian Sildeby, board member	629					629
Lena Olving, board member	534					534
Per Hallius, board member and chairman of investment committee	498					498
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
	2020					
Amounts in 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 remuneration committee	1,188	-	-	-	-	1,188
Helen Fasth Gillstedt, board member and chairman of audit committee	550	-	-	-	-	550
Anna Westerberg, boardmember from AGM May 7, 2020	300	-	-	-	-	300
Andreas Näsvisk, board member, until AGM May 7, 2020	137	-	-	-	-	137
Håkan Buskhe, board member from AGM May 7, 2020	300	-	-	-	-	300
Johan Ek, board member, until AGM May 7, 2020	91	-	-	-	-	91
Juan Vargues, board member	400	-	-	-	-	400
Kristian Sildeby, board member	525	-	-	-	-	525
Lena Olving, board member	500	-	-	-	-	500
Per Hallius, board member	400	-	-	-	-	400
CEO Klas Forsström	6,568	7,899	180	2,280	558	17,485
Other senior executives, (4 women and 3 men)	13,670	5,414	3,431	4,155	1,066	27,736
Total	24,629	13,313	3,611	6,435	1,624	49,612

* Out of total other benefits for senior executives severance amounts to KSEK 2,700.

The 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 2021 amounted to KSEK 4,889 (4,391) excluding social security contributions. In accordance with the resolution of the 2021 Annual General Meeting, the fee for external board members elected at the AGM amounted to KSEK 1,100 to the Chairman of the Board and KSEK 420 each to other external members of the Board.

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 200 to the chairman of the audit committee, and with KSEK 125 to each of the other members of the audit committee and a total amount of KSEK 110 to the chairman of the remuneration committee and KSEK 55 to the other members of the remuneration committee with KSEK 110. During the year, an investment committee was also established. The AGM resolved that a fee of KSEK 110 shall be paid to the chairman of the investment committee and with KSEK 55 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 7,150. In addition, there is a variable cash salary linked to Munters' annual incentive program, which amounts to a maximum of 100 per cent of the fixed salary.

In addition to the variable remuneration attributable to Munters' annual incentive program, the reported variable remuneration for the CEO and President includes a third and final installment of the special bonus targets that were agreed upon during hiring in 2019. The bonus targets were linked to qualitative targets met during the year. KSEK 1,500 was paid out in 2021. The total variable salary for the financial year 2021 thus amounted to a total of KSEK 5,120 (7,899).

Senior Executives

Salaries and other remuneration to the parent company's management for the year 2021 amounted to KSEK 26,425 (27,736) excluding social security contributions. During the year, the costs for outstanding employee stock option program entailed an income, mainly as a result of two former participants in Group Management ended their employment during the year and having their options forfeited. Under året har kostnaderna för utestående personaloptionsprogram inneburit en intäkt, främst till följd utav att två tidigare deltagare i koncernledningen avslutat sin anställning under året och att deras optioner därmed har förverkats.

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 2021, 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.

NOTE 32 LONG TERM INCENTIVE PROGRAM

Employee stock option program 2021

At the annual general meeting in May 2021 it was resolved in accordance with the Board's proposal on the implementation of a performance based long-term incentive program ("LTIP 2021" or the "Program"). Previous years long-term incentive programs have been share based, (stock options), however the LTIP 2021 is a cash based program vesting over a three-year period. The participants are expected to invest the net payout in Munters shares until reaching a defined level of investment. The Board of Directors nominates the CEO and Munters Group Management, and a total of 62 additional participants has been nominated by the respective management member. Each group will have max opportunity based on the participant's percentage of the current (2021) gross annual base salary.

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 of SEK 45.82.

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 divided 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 net income, including social security contributions, of MSEK -1.3 (5.0). The explanation is mainly due to the fact that the assessment of the level of fulfilment of performance conditions has decreased during the year and that the share price has decreased compared to the previous year, which has reduced the reserve for social security contributions.

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.

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 net income, including social security contributions, of MSEK -2.4 (6.7). The explanation is mainly due to the fact that the assessment of the level of fulfilment of performance conditions has decreased during the year and that the share price has decreased compared to the previous year, which has reduced the reserve for social security contributions.

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. During the year, the program entailed costs, including social security contributions, of MSEK 1.2 (6.5). The change compared to the previous year is mainly explained by increased social security costs in 2020 when the options became "in-the-money".

Below is a summary of allotted and outstanding options (including synthetic) in the three plans;

	2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Opening balance	49.60	3,867,240	52.25	2,574,360
Granted during the year	-	-	45.82	1,580,000
Exercised during the year	55.00	-793,940	-	-
Forfeited during the year	48.14	-490,810	52.51	-287,120
Closing balance	48.22	2,582,490	49.60	3,867,240

Outstanding stock options (including synthetic) at year-end have the following maturity dates and exercise prices:

Grant date	Maturity	Exercise price	Share options December 31, 2021	Share options December 31, 2020
June 27th, 2018	June 27th, 2021	55.00	114,490	926,240
July 19th, 2019	July 19th, 2022	50.27	1,157,000	1,376,000
June 30th, 2020	June 30th, 2023	45.82	1,311,000	1,565,000
Total			2,582,490	3,867,240

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%

Warrant program

At the extraordinary General Meeting on 7 May 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 in 2019, however series 2017/2020 could be exercised up until November 19, 2020 and comprised a total of 2,611,000 warrants. During 2020, a total of 851,500 warrants was exercised, resulting in 860,015 new shares. The average exercise price was SEK 72.

NOTE 33 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.

Amounts in KSEK	Group		Parent Company	
	2021	2020	2021	2020
Ernst & Young				
Audit engagements	9,745	9,634	794	841
Audit business beyond audit engagements	1,144	408	-	-
Tax advice	858	939	-	-
Other services	58	422	-	107
Other auditors				
Audit engagements	-	129	-	-
Tax advice	-	326	-	-
Other services	-	92	-	-
Total	11,804	11,950	794	948

NOTE 34 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 2022, Munters announced the acquisition of EDPAC, an Irish manufacturer of cooling equipment for data centers and air treatment systems, with a preliminary purchase price of MEUR 29, approximately MSEK 300. EDPAC manufactures precision cooling equipment and various air handling systems and is also a manufacturing partner for Munters Oasis systems.

Sales of Munters products account for approximately seven per cent of EDPAC's total revenue. The acquisition adds complementary products to Munters' existing data center offering and is part of Munters' strategy to grow in the prioritized data center segment.

EDPAC reported net sales amounting to MEUR 17 and an adjusted EBITDA of MEUR 1.7 for the financial year ended April 2021. The company is headquartered in Carrigaline, Ireland, with two manufacturing facilities in the country and the number of full-time employees is approximately 150. EDPAC has a strong customer base with sales mainly in Europe and with a smaller part in the Middle East, South America and Asia. The European data center market represents a significant, growing and attractive opportunity for Munters. Today, Munters has a winning value proposition in the North American data center market and with the acquisition, Munters will transfer proven technology and engineering capabilities to Ireland.

The allocation of the purchase price has not yet been completed, but the surplus values resulting from the acquisition mainly relate to customer relationships and customer contracts. Below is a list of paid purchase price and acquired net assets.

Information about acquired net assets and goodwill follows	According to preliminary purchase price allocation
Cash purchase consideration paid	301
Total purchase consideration	301
Fair value of acquired net assets	-49
Excess value from acquisition	252
	Fair values according to preliminary purchase price allocation
Acquired net assets at time of acquisition	
Assets	
Capitalized expenditures, R&D	0
Property, plant and equipment	46
Inventory	35
Accounts receivable	71
Prepaid expenses and accrued income	1
Other current assets	11
Cash and cash equivalents	1
Total assets	165
Liabilities	
Non-current interest-bearing liabilities	2
Current interest-bearing liabilities	50
Accounts payable	29
Accrued expenses and deferred income	35
Deferred tax liabilities	0
Total liabilities	116
Net identifiable assets and liabilities	49
Cash purchase consideration paid	-301
Cash and cash equivalents in acquired company	1
Change in the Group's cash and cash equivalents on acquisition	-300

NOTE 35 RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Below is a reconciliation of Munters adjusted performance measures from items affecting comparability. For 2021, these items mainly originated from the activities connected with the strategy implementation within business area FoodTech, communicated through a press release in May 2021, as well as from implementation activities related to the refined strategy within AirTech communicated during last year. In addition, Munters incurred costs related to a legal case outside the ordinary business operation connected with a previous customer claim that was finally settled in February 2021, received an insurance compensation linked to an exchange of specific components at a customer site within the European Data Center business (where costs for the exchange amounted to MSEK 116, reported during the third quarter of 2019), released provisions within the discontinued operation from previous years related to the Data Center business in Dison of MSEK 16 confirmed no longer required and incurred M&A activities of MSEK -6. The operations in Dison has ceased and Munters is no longer reporting any discontinued operation, hence why these released provisions are adjusted for comparability. Munters has also had Corona-related IACs of MSEK -2.

During last year Munters mainly incurred IACs related to the implementation of the refined strategy within AirTech and Corona-related IACs. The reconciliation below does not include the discontinued operation.

MSEK	2021	2020
Adjusted EBITDA	1,105	1,126
Amortizations and write-downs of tangible assets	-216	-221
Adjusted EBITA	889	906
Amortizations and write-downs of intangible assets	-70	-87
Adjusted operating profit (EBIT)	819	818
Restructuring activities	-128	-124
Gains/losses from sale of fixed assets	-	6
Acquisition-related costs in a business	-6	-
Legal cases outside the ordinary business operation	-7	-14
Proceeds insurance reimbursements from legal cases	61	-
Received government grants/government assistance	3	20
Corona related expenses	-5	-12
Earned refund of sales tax in Brazil	-	13
Other	16	-
Operating profit (EBIT)	753	707

ASSURANCE 2021

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 26, 2022

Magnus Lindquist
Chairman of the Board

Klas Forsström
President and CEO

Håkan Buskhe
Board Member

Helen Fasth Gillstedt
Board Member

Per Hallius
Board Member

Lena Olving
Board Member

Kristian Sildeby
Board Member

Juan Vargues
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, 2022
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

We have audited the annual accounts and consolidated accounts of Munters Group AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 74-124 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 2021 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 2021 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 statement of comprehensive income and statements of financial position for the parent company and the group.

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	How our audit addressed this key audit matter
<p>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.</p> <p>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.</p>	<p>In our audit of the fiscal year 2021, 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.</p> <p>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.</p> <p>Lastly we have reviewed the disclosures regarding revenue in the annual accounts and consolidated accounts.</p>

Valuation of goodwill and trademarks

Description	How our audit addressed this key audit matter
<p>Goodwill and trademarks amount to SEK 5,332 (4,963) in the consolidated statement of financial position. As described in note 15 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 15, 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.</p> <p>The impairment tests of the fiscal year did result in any impairment. In note 15, 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.</p>	<p>In our audit of the fiscal year 2021, 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 assumptions related to future cash flows used in the impairment test by comparing to historical outcome and forecasts, 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. With support from our internal valuation specialists, we have evaluated the valuation methods used. We have assessed the reasonableness of assumptions, conducted sensitivity analysis, and compared them to historical outcomes as well as external sources and industry benchmarks.</p> <p>We have reviewed the disclosures regarding goodwill and trademarks provided in the annual accounts and consolidated accounts.</p>

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 1-73. The remuneration report for the financial year 2021, 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 2021 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 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[checksum] 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 2021 and has been the company's auditor since the 2010.

Stockholm 2 March, 2022

Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

DEFINITIONS OF KEY FINANCIAL INDICATOR

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 order intake and net sales compared to the previous period, excluding currency translation effects and contributions to order intake and net sales from businesses that were acquired and/or divested during the current period and/or any comparison period. The measure is used by Munters to monitor order intake and 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 intake

Received and confirmed sales 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 relates to income statement items that have an impact on operating profit and are, in our opinion, considered not to be of recurring character.

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. Return on capital employed (ROCE) is also presented applying EBIT adjusted for IAC and Capital employed adjusted for goodwill for improving comparability against other industrials.

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.

Average number of employees

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. The calculation of average number of employees is based on full time equivalents in respective country.

Operating cash flow

Earnings adjusted for depreciation, amortization, and impairments, as well as for investments and operating capital.

Operating working capital

Accounts receivables, inventories, accounts payables and advances from customers.

Earnings per share

Net income adjusted for the right of preferential shares to dividend, divided by the weighted average number of ordinary shares.

Equity/assets ratio

Equity (including holdings with non-controlling interests) divided by total assets.

Americas

Refers to North-, Central-, and South America.

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 2021 on pages 10, 11, 18-27 and 40-58 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 2022
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 2021 on pages 62-69 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 2022
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

The share

THE MUNTERS SHARE trended lower during the year. In 2021, the share price decreased 17 percent, while the Stockholm Stock Exchange OMXS30 rose 38 percent during the same period. The closing price on the last trading day of the year was SEK 69.95 (83.00), equivalent to a market capitalization of SEK 12.9 billion (15.3). The highest price paid in 2021 was SEK 88.45 (84.10) and the lowest price was SEK 62.90 (21.56).

TRADING IN THE MUNTERS SHARE

In 2021 a total of 58.1 million shares (109.2) were sold. Average turnover during the year was 229,558 shares per day (433,295).

DIVIDEND

Under the dividend policy adopted by the Board of Directors, Munters aims to pay an annual dividend corresponding to 30–50 percent 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 is proposing a dividend for 2021 of SEK 0.85 (0.70) per share, representing 30 per cent of net income for 2021.

SHARE CAPITAL

At December 31, 2021, 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 2,883,300 shares related to employee incentive programs.

OWNERS

The number of shareholders at December 31, 2021 was 7,180, and the proportion of shareholders outside Sweden at year-end was 40.8 per cent. The ten largest individual shareholders had 71 per cent of the share capital at that time.

FAM AB was the largest shareholder, with 27.8 percent of the share capital.

Key figures

Number of shares at year-end, millions	184 (184)
Market capitalization at year-end, SEK billion	12.9 (15.3)
Number of shareholders	7,180 (4 912)
Share price at year-end, SEK	69.95 (83.00)
Earnings per share, SEK	2.81(2.32)
Change in share price during the year, %	-16.73 (69.2)
Regular dividend, SEK/share	0.85* (0.70)
Dividend as a % of earnings per share	30 (30)
Proportion of shares in Sweden, %	59.2 (59.4)
Proportion of shares owned by 10 largest shareholders, %	71.0 (70.1)

* Dividend proposal

The ten largest shareholders as of December 31, 2021

Name	Holding	Holding, %
FAM AB	51,209,797	27.8
ODIN Funds	16,517,971	9.0
First Swedish National Pension Fund	15,515,473	8.4
Swedbank Robur Funds	13,623,156	7.4
Fourth Swedish National Pension Fund	11,721,605	6.4
Columbia Threadneedle	6,856,301	3.7
C WorldWide Asset Management	4,753,679	2.6
La Financière de l'Echiquier	4,219,806	2.3
Vanguard	3,529,932	1.9
Handelsbanken Funds	2,750,576	1.5

Analysts

Analysts who actively cover the Munters share.

Bank	Name	Telephone
ABG Sundal Collier	Karl Bokvist	+46 (0) 8 566 286 33
Carnegie	Gustav Österberg	+46 (0) 8 5886 85 13
Jefferies	Lucas Ferhani	+44 (0) 7539965203
Kepler Cheuvreux	Mats Liss	+46 (0) 8 723 51 18
Nordea	Carl Ragnerstam	+46 (0) 101 562 817
Pareto	Anders Roslund	+46 (0) 8 402 52 8

Shareholding by size

Holding	Number of known shareholders	Holding %	Votes, %
1-1,000	6,392	0.7	0.7
1,001-10,000	640	1.0	1.0
10,001-50,000	72	0.9	0.9
50,001-500,000	49	5.0	5.0
500,001-1,000,000	8	3.1	3.1
1,000,001-5,000,000	13	16.9	16.9
5,000,001-10,000,000	1	3.7	3.7
10,000,001-20,000,000	4	31.1	31.1
20,000,001-	1	27.8	27.8
Unknown owners	-	9.7	9.7

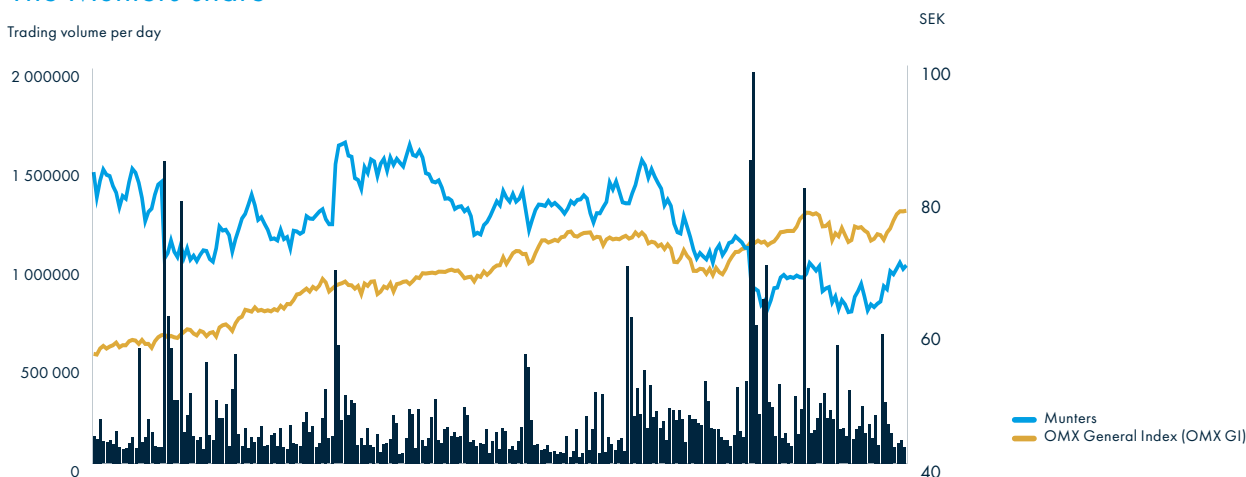
Ownership distribution in and outside Sweden



■ Sweden 59,2%
■ International ownership 40,8%

The Munters share

Trading volume per day



Financial calendar

2022

April 22	Interim Report Q1
May 18	Annual General Meeting 2022
July 15	Interim Report Q2
October 21	Interim Report Q3

2023

February 9	Year-end report 2022
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Annual General Meeting 2022

The Annual General Meeting of Munters Group AB will be held on Wednesday May 18, 2022.

Right to participate in the general meeting
Those who wish to participate in the Annual General Meeting must:

- be registered in the share register maintained by Euroclear Sweden AB on Tuesday, May 10, 2022,
- 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 10, 2022. 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 12, 2022 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.

FINANCIAL INFORMATION

The annual report and interim reports can be ordered as follows:

Website: www.munters.com
Email: info@munters.se
Address: Munters Group AB
Box 1188, SE-164 26 KISTA, Sweden

INVESTOR RELATIONS CONTACTS:

Ann-Sofi Jönsson, Vice President
Investor Relations and Enterprise
Risk Management
Phone: + 46 (0)730 251 005
Email: ann-sofi.jonsson@munters.com

Line Dovärn, Director
Investor Relations and Enterprise
Risk Management
Phone: + 46 (0)730 488 444
Email: line.dovarn@munters.com

Innovation and continuous improvements

Munters has been a pioneer in climate control solutions since the company was founded in 1955. Munters' culture has always been built on curiosity and innovation.

We strive for continuous improvements to remain successful globally.



Carl Munters

1950s

In 1955, Munters is founded by inventor and entrepreneur Carl Munters together with Marcus Wallenberg. The company develops modern air-conditioning systems based on evaporative cooling, dehumidification and heat recovery. Munters' business gets its start in 1958, when the Sweden Armed Forces order 200 dehumidifiers.

1960s

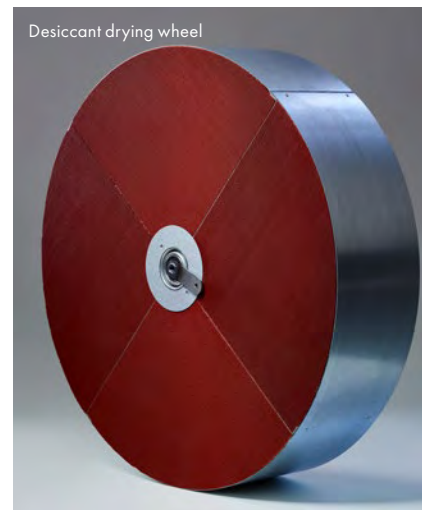
In the 1960s, Munters expands and grows in Sweden and internationally. Dehumidifier production is established in the US. The launch of new, innovative products continues and the best-selling model ever, the M100, is launched in 1964.

1970s

The product range, customer segments and areas of application are expanded. An international distribution network is established. The oil crisis of 1973 leads to energy savings requirements and gives Munters major market potential. Munters is acquired in 1974 by Incentive AB.

1980s

Resellers and distributors are acquired over a period of several years to broaden and strengthen the business. Munters establishes operations in a number of countries, including Japan in 1987. Munters focuses on environmental improvements and in 1988 acquires a unique Swedish air purification technology, Zeol, which it further improves with Munters' rotor technology.



Desiccant drying wheel

1990s

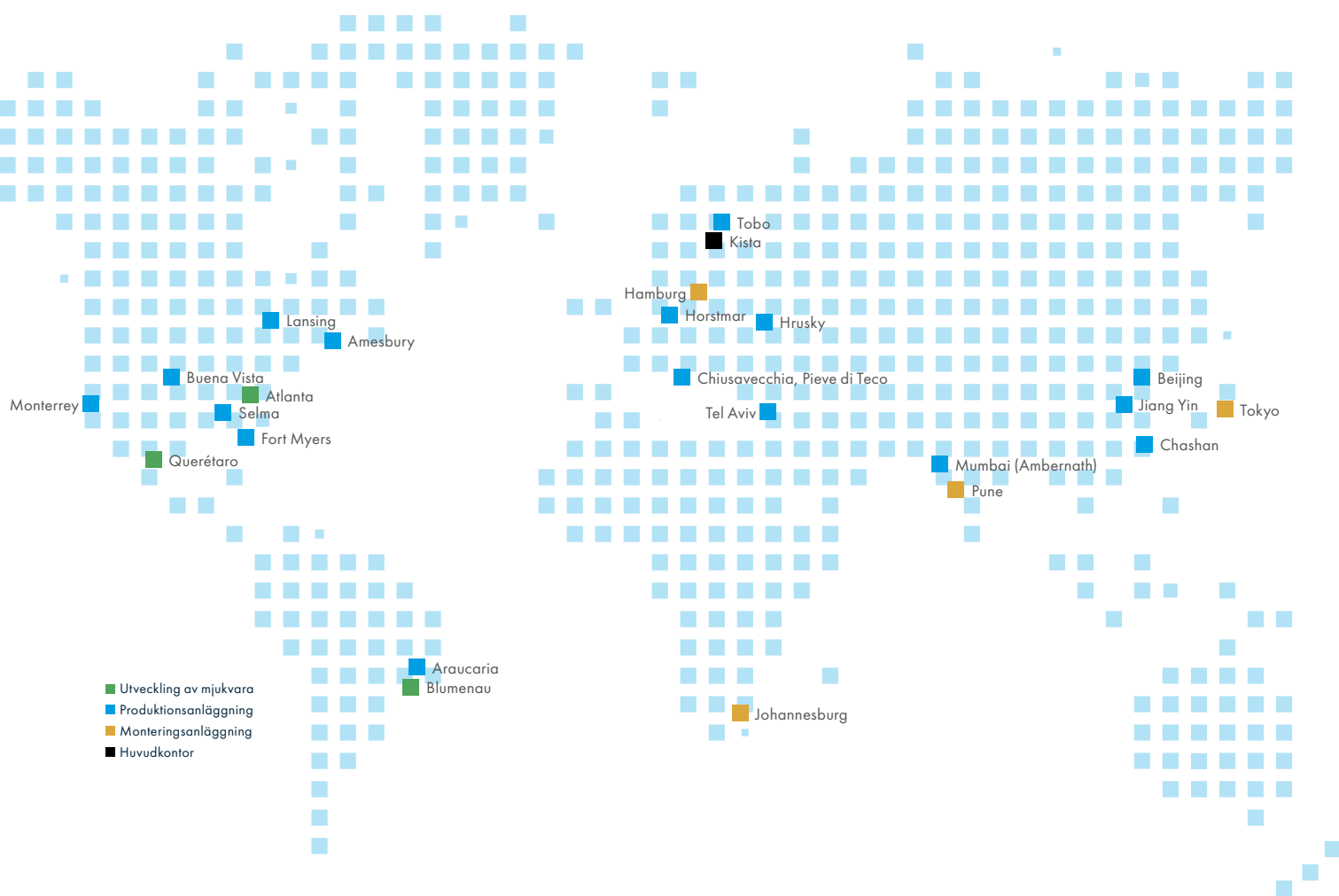
Munters continues its expansion and becomes an international group with sales offices in over 25 countries. Environmental issues become increasingly important to Munters' customers and society as a whole, creating a foundation for new products in evaporative cooling. Munters acquires Euroemme, which offers complete climate solutions for the growing business of chicken farming. In 1997, Munters AB is listed on the Stockholm Stock Exchange.

2000s

Munters invests in sales and production in Asia. Several acquisitions make Munters a world leader in climate systems for livestock farming and greenhouse cultivation. Munters also acquires Des Champs Technologies in the US and Toussaint Nyssenne, a leading European manufacturer of large-scale air treatment systems.



Munters employees around the world



Average number of employees in 2021 by country*

USA	972	Japan	66	Spain	10
China	350	Netherlands	44	Turkey	12
Sweden	405	Australia	29	Finland	12
Mexico	215	France	37	Canada	4
Germany	246	Austria	4	United Arab Emirates	4
India	164	Singapore	25	Poland	3
Italy	145	Denmark	16	Switzerland	3
Israel	140	South Africa	19	Vietnam	2
Brazil	143	Korea	22	Ireland	2
Belgium	39	Thailand	18	Other countries	5
UK	76	Czech Republic	118		

Average number of fulltime
employees
in the world

3,350

* The 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. The calculation of average number of employees is based on full time equivalents in respective county.



FOR CUSTOMER SUCCESS AND A HEALTHIER PLANET

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

[munters.com](https://www.munters.com)

