

ANNUAL AND SUSTAINABILITY REPORT 2020



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The formal annual report for Munters Group AB (publ), corp. reg. no. 556819-2321, refers to pages 72–120. Because all amounts in this report are rounded, rounding differences can occur. This English version of the Annual Report is a translation of the Swedish original. The Swedish text is the binding version and shall prevail in the event of any discrepancies.

FINANCIAL CALENDAR

APRIL 22	INTERIM REPORT Q1 2021
MAY 19	ANNUAL GENERAL MEETING 2021
JULY 17	INTERIM REPORT Q2 2021
OCTOBER 22	INTERIM REPORT Q3 2021

FOR CUSTOMER SUCCESS AND A HEALTHIER PLANET

MUNTERS PURPOSE

MUNTERS PURPOSE

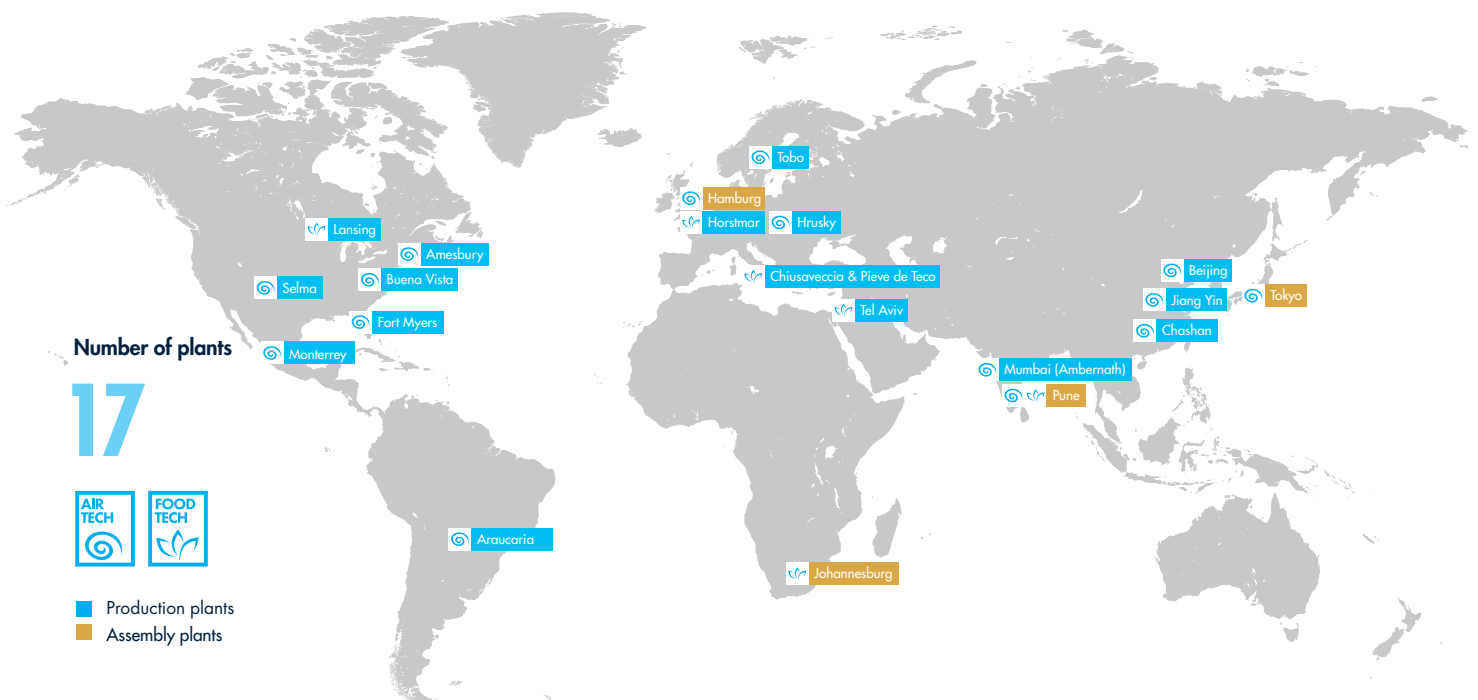
Curiosity and an ambition to create pioneering technologies are a part of our DNA. Our climate solutions are mission-critical for our customers' success and contribute to a more sustainable planet.

GLOBAL LEADER IN ENERGY-EFFICIENT CLIMATE SOLUTIONS

MUNTERS IS A GLOBAL leader in innovative, energy-efficient and sustainable climate solutions. The solutions guarantee the perfect climate. Munters has two business areas: AirTech and FoodTech. AirTech is a global leader in energy-efficient air treatment for industrial and commercial applications. 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 for controlling and optimizing the entire food production value chain.

OUR PRODUCTION AND ASSEMBLY PLANTS

Read more about our business areas on pages 28–37



Number of plants

17



- Production plants
- Assembly plants

Sales and production, countries

>30

Number of employees, December 2020

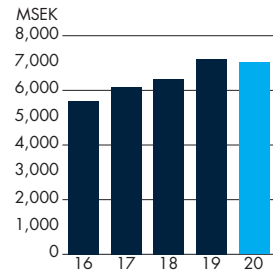
3,500

Percentage of women in senior positions

22% (21)

»Munters is a global leader in innovative, energy-efficient and sustainable climate solutions for mission-critical processes«

Net sales



Net sales by region, 2020



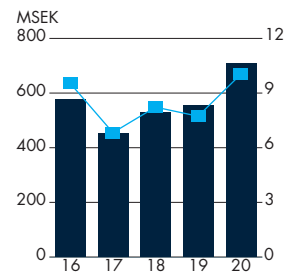
- Americas 43%
- EMEA 33%
- APAC 23%

Customer segments' share of net sales, 2020

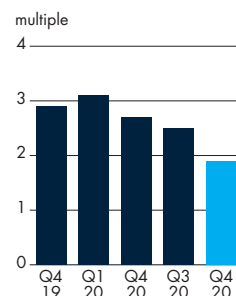


- Industrial 26%
- Services 14%
- Poultry 13%
- Data Centers 12%
- Swine 9%
- Components 7%
- Other 19%

Operating profit and margin



Consolidated net debt to adjusted EBITDA (R12*)



EVENTS 2020



STRATEGIC EVALUATION OF DATA CENTERS AND MIST ELIMINATION

Various strategic alternatives have been evaluated for Data Centers and Mist Elimination, and in February 2020 this resulted in the decision to keep the businesses in Munters. Given our strategic direction, we see them as a good fit since they operate in markets with good growth potential, driven by digitization and high demand for sustainable solutions.

UPDATED STRATEGY

President and CEO Klas Forsström and the rest of the management launched an updated strategy in February with Group-wide priorities in the areas Customers, Markets, Innovation, Excellence in everything we do and People.



THE COVID-19 PANDEMIC HAS IMPACTED MUNTERS

In 2020, Munters was impacted by the Covid-19 pandemic. In the first quarter, our operations were affected in Asia and later during the year in Europe and the US. All of our production units, with the exception of two small units, have maintained production without major disruptions, however.

Market conditions were challenging with delays in both deliveries to customers and investments by customers. Employees did a fantastic job managing the pandemic and at the same time have focused on implementation of the strategy.

NEW ORGANIZATION

In February, Munters announced a new organization. The change creates clearer ownership and accountability for the business areas AirTech and FoodTech while capturing synergies and driving value throughout the Group.

The former role of Global Operations has been replaced by Strategic Operations, and Stefan Mähl was appointed to the position. In addition, two new positions were created on the Group Management Team:

- Head of Innovation, where Stéphane Darcq was appointed to drive R&D processes, including coordination of shared technology and new product development.
- Head of Commercial Excellence, where Stefan Aspman was appointed to coordinate sales training, drive and develop values-based sales, pricing strategies and how we go to market.

PIA BRANTGÄRDE LINDER NAMED PRESIDENT OF FOODTECH

In February, Pia Brantgärde Linder was appointed President of Business Area FoodTech as of August 16, 2020. Pia had a long career at ABB, most recently as Senior Vice President and Business Unit Manager for High Voltage Products in Northern Europe.



DIGITAL CROSSROADS DATA CENTER PROJECT

At the beginning of the year, AirTech received a major order from Digital Crossroads on Lake Michigan in the US for a climate solution for a data center project. Munters will deliver an energy-efficient climate solution that utilizes cooling from the lake.



65 YEARS OF INNOVATION

In April, Munters turned 65. Today, Carl Munters’ air treatment solutions are more important than ever to reduce global consumption of energy and water resources. Strong innovation has set Munters apart throughout its history and does so to this day.

“Carl Munters’ spirit lives on in the company as a combination of innovation and engineering,” says Klas Forsström, Munters President and CEO.



MUNTERS CAPITAL MARKETS UPDATE

In late May, Munters held an interactive Capital Markets Update for owners, institutional investors, analysts and other stakeholders. During the day, management presented an overview of the Group strategy and the strategic priorities of the business areas.

RESTRUCTURING PROGRAM

In July, a restructuring program was launched. The business area AirTech exited the non-core part of the commercial business in the US and consolidated operations in the Netherlands.



INCREASED CAPITAL EFFICIENCY

Active efforts were made to increase capital efficiency. The initiative has significantly improved working capital and reduced the leverage ratio from 2.9 in 2019 to 1.9 at the end of 2020.

SUSTAINABILITY REPORTING

A strong focus for Munters sustainability work in 2020 has been a comprehensive analysis of the company’s carbon dioxide emissions. Also several initiatives has been done to strengthen many aspects of our sustainability agenda, within the framework of the strategy. See more on pages 38–47.

MAJOR FRAMEWORK AGREEMENT FOR CLIMATE SOLUTION IN SWINE FARMING

In May, Munters signed a major framework agreement with a customer in the swine segment in China. FoodTech has built up a local presence in the Chinese agricultural market thanks to Munters’ strong brand built on applications know-how and high quality.



ORDER FOR LITHIUM BATTERY PRODUCTION

In August, Munters received a major order to provide desiccant dehumidification solutions for a lithium battery production facility in the US.

“We are very pleased to have received a major order for our dehumidification solutions in the fast-growing lithium battery market, which is one of our three priority market segments,” said Peter Gisel-Ekdahl, President of AirTech.

PRESIDENT AND CEO KLAS FORSSTRÖM

STRONG DEVELOPMENT IN A CHALLENGING BUSINESS CLIMATE

2020 WAS A SPECIAL YEAR FROM many different perspectives. At Munters, we started implementing our long-term strategy at the same time that the business climate has been challenging. Our highly customer-centric and agile organization succeeded in strengthening the company, and we reported higher profitability and cash flow for the year. With greater financial strength, we are now taking the next steps in Munters' journey.

I want to begin by stressing that 2020 was an exceptional year. For the world and for Munters. But in spite of this, it was a very active year and it is with great humility and respect that I thank all our employees for the amazing work they have done. Together, we have managed to strengthen the company and continuously strive toward our long-term ambitions. At the same time, we have protected our employees' health and safety on a daily basis and handled the impacts of the Covid-19 pandemic.

DEVELOPMENT IN 2020

Currency adjusted order intake increased in 2020 with growth in the Chinese swine segment for FoodTech and in the Industrial segment for AirTech. Data Centers US underperformed compared with a very strong 2019. Currency adjusted net sales increased, driven by solid growth in the Chinese swine segment, the Pharma segment and in Services. This was partly offset by weaker development in the Mist Elimination sub-segment. Adjusted EBITA for the year increased by 4 percent to MSEK 906.

Our efforts to increase efficiency produced good results and led to strong operating cash flow, which rose by nearly 50 percent compared to 2019, with consolidated net debt in relation to adjusted EBITDA of 1.9x, down from 2.9x.

In 2020, we changed our organizational structure. We have also launched our long-term strategy, with five strategic priorities: Customers, Market, Innovation, People and Excellence in everything we do. We are working intensely to put the necessary pieces in place to deliver on the long-term strategy for profitable growth.

CUSTOMER-CENTRIC IN EVERYTHING WE DO

Munters' strength is our unique applications know-how, which we have built up over the years. This expertise enables us to create unique, customized climate solutions for many industries. As a result, we can together with our customers meet their climate control needs in an energy-efficient and sustainable way. One example of innovation is AirTech's Remote Assist. The service allows our product

»The clearer you can make the whole value chain, the better employees will understand how they can contribute and produce top results«

experts and service technicians to share real situations in a web-based AI solution with customers to commission complete climate systems or give service instructions, with great success.

In FoodTech, our SaaS solution* for among others Tyson Foods, the world's second largest producer of meat from chicken, beef and pork, has been successful. This advanced software solution for processing real-time data from farms makes the customer more efficient and produces better animal health with less shrinkage and waste.

OUR MARKET IS DRIVEN BY STRONG TRENDS

The strong overarching trend around the world is the growing demand for sustainable products that improve resource efficiently and animal health. This is creating strong demand for complete climate systems. The pandemic during the year has also increased the drive toward digitization and health and safety, which has benefited segments such as pharma and food. A strong focus on indoor climates and production safety has also increased, and here Munters can help with and be part of the solution for a more sustainable and safe environment

INNOVATION IN COLLABORATION WITH CUSTOMERS

We have a long history of innovation that has given us access to unique technology. This means that we can create the most effective solution for the customer, for example, in

*Software-as-a-Service (SaaS)



the production of lithium batteries or for stalls. Through an optical climate system, we can help customers to be more efficient with energy and water resources and at the same time create growth. In 2020, we launched SyCool, a climate system for data centers where the refrigerant is reused in the process, minimizing water consumption. The Saturn platform is another innovative product: modular fans for greenhouses that provide more benefits for the customer and higher capital efficiency for us.

EXCELLENCE IN EVERYTHING WE DO

To increase efficiency, we are continuing to work with Group-wide processes. An efficiency program was launched in 2020 with the ambition to strengthen the ways we work and build a leading value chain and processes. In this way, we will ensure scalability in our operations and that our investments produce profitable, cash-generating future growth. We have also decided in business area AirTech to exit the non-core part of the commercial business in the US. In the Netherlands, operations have been consolidated.

Through the Group-wide effort to increase efficiency, our working capital has been reduced significantly.

PEOPLE ARE THE HUB IN OUR BUSINESS

In my experience, the clearer you explain the importance of continuous improvements, innovation and the entire value chain for an organization, the better employees will understand how they can contribute and produce top results. That is why the organizational structure was changed: to simplify how we work. As a result, the business areas have profit and loss responsibility for their respective area to capture synergies and raise efficiency.

»It is with great humility and respect that I thank all our employees for the amazing work they have done«

I want to again thank all our employees, who did a fantastic job in a challenging business climate in 2020.

OUTLOOK FOR 2021

The start of 2021 has unfortunately seen continued uncertainty in the wake of the pandemic. But I look forward to continuing with all our energy to implement the strategy throughout the organization and to work with continuous improvements.

I see the organization as a team, and with a clearer structure and goals we can go far and win. We want to remain attractive to both current and future owners as well as our employees.

Our focus on innovation will ensure our long-term competitiveness, and we are well equipped to continue to grow organically and through collaborations or acquisitions. Munters is well positioned in a market driven by sustainability, energy efficiency and digitization.

Stockholm, March 2021

Klas Forsström, *President and CEO*

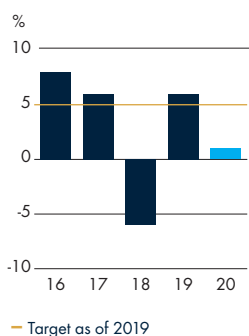
FUTURE OBJECTIVES

BOTH FINANCIAL AND SUSTAINABILITY GOALS benefit our strategy for profitable, cash flow-generating growth. A responsible business with stable finances and efficient resource use is essential for Munters to successfully carry out its strategy.



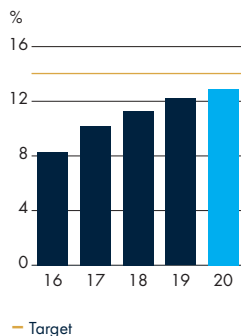
FINANCIAL TARGETS

Net sales growth



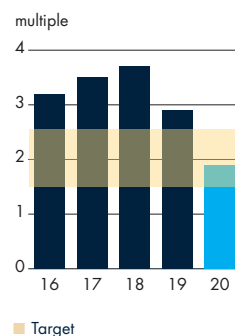
Annual organic, currency adjusted net sales growth of 5 percent, supplemented by selected add-on acquisitions.

Adjusted EBITA margin



An adjusted EBITA margin of 14 percent in the medium term.

Capital structure



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). times

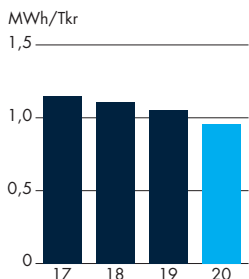
Dividend policy

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 based on the company's financial position, investment needs, acquisitions and liquidity position. There can be no assurances whether in any given year a dividend will be proposed or declared, however. The Board of Directors is proposing a dividend for 2020 of SEK 0.70 (0) per share. This represents 30 percent of net income for 2020.

SUSTAINABILITY TARGETS

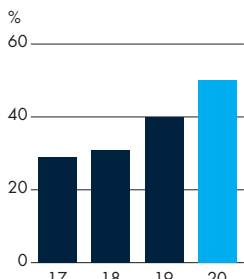
Resource efficiency

Energy efficiency



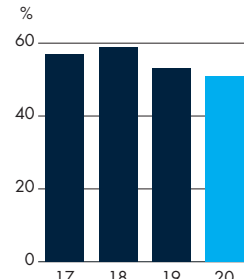
Continuous reduction of electricity consumption in our production units.

Share of renewable electricity



The percentage of electricity from renewable sources in our production facilities will continually increase.

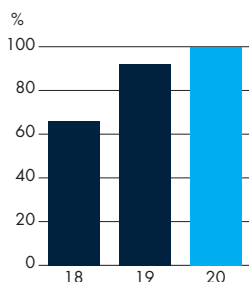
Recycling rate



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).

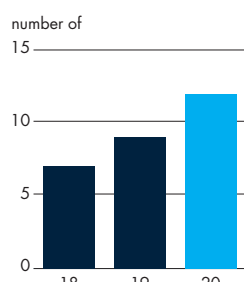
Corporate Social Responsibility

Supplier code of contact



Our ambition is that our largest suppliers will follow and sign our code of conduct for suppliers.

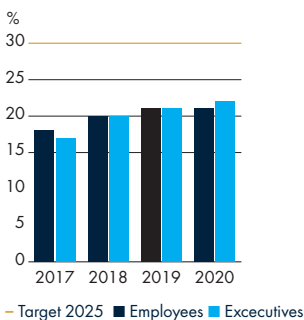
Whistleblower complaints



The number of whistleblower complaints through the external reporting channel.

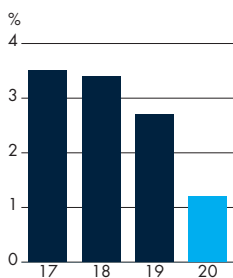
People and Society

Proportion of women



Our goal is to increase the percentage of female employees and executives to 23 percent in 2020 and 30 percent in 2025.

Accidents



The goal is to continuously reduce the number of production accidents. We measure Total Recordable Incident Rate (TRIR), which is calculated as the number of accidents where the employee has to seek medical attention multiplied with 200,000/ number of hours worked.

For more information on the outcomes for the sustainability targets 2020, see pages 38–49.

TRENDS IN SUSTAINABLE CLIMATE CONTROL

PERHAPS THE MOST IMPORTANT MEGATREND for Munters is climate change with a focus on resource efficiency where the Group is well-positioned and can be part of the solution for a more sustainable world. The strong global trends support the use of advanced solutions for climate control.



CLIMATE CHANGE

Demand is increasing around the world for sustainable and energy-efficient climate solutions which help Munters' customers reduce emissions. Achieving global climate goals will require major investments and force more companies to take responsibility for and ensure sustainability throughout the value chain, which is a success factor.

Munters energy-efficient solutions help customers to meet their climate and sustainability commitments.

How Munters addresses climate change:

Munters' products can extend the service life of bridges and other infrastructure and thereby create resource efficiency.

Our solutions can separate hazardous substances in industrial processes and flue gases. Munters enables a large proportion of the world's production of lithium-ion batteries by supplying ultra-dry air.

INCREASED DIGITIZATION

Growing data traffic, increased use of cloud services and a 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 of this is offering connected service and support.

Munters' customer solutions provide better control and efficiency through the value chain in the customer's production environment by offering connected products and utilizing data analysis.

How Munters addresses digitization:

Digitization facilitates new systems of complete solutions, e.g., SonarEcho within FoodTech, with long-term potential for Munters to sell indoor climate as a service.

Today there is high demand for cooling systems for data centers. Our data center solutions provide significant energy savings compared with traditional cooling.

STRICTER RULES AND REQUIREMENTS IN PRODUCTION ENVIRONMENTS

Specific types of production types, such as the production of lithium-ion batteries, require an extremely precise climate to ensure quality. Stricter rules related to traceability and biosafety in stock breeding and food production are placing increased demands on every link in the food chain.

Regulatory authorities around the world are contributing to this through increased control to reduce contaminants from various industries.

How Munters addresses stricter rules and regulations:

We facilitate, for example, hygienic spray drying for the manufacture of powdered milk and pharmaceuticals. In addition, our technology treats emissions from coal-fired power plants and ships. We also eliminate volatile organic compounds (VOC) from the auto industry's paint processes and semiconductor production.



MUNTERS CONTRIBUTES TO SUSTAINABLE VALUE CREATION IN SOCIETY

MUNTERS OFFERS INNOVATIVE, EFFICIENT AND SUSTAINABLE SOLUTIONS for customers in many different customer segments where controlling indoor temperature and humidity control is mission-critical. Our solutions reduce customers' climate and environmental impact through lower consumption of energy and water. In this way our solutions contribute to cleaner air, higher efficiency and reduced carbon emissions.

DATA CENTERS

Digitization and global data traffic continue to increase, and an ever-growing number of data centers are being built around the world. Advanced climate cooling solutions are critical to reliability and also enable lower energy consumption and carbon emissions.

MARINE INDUSTRY

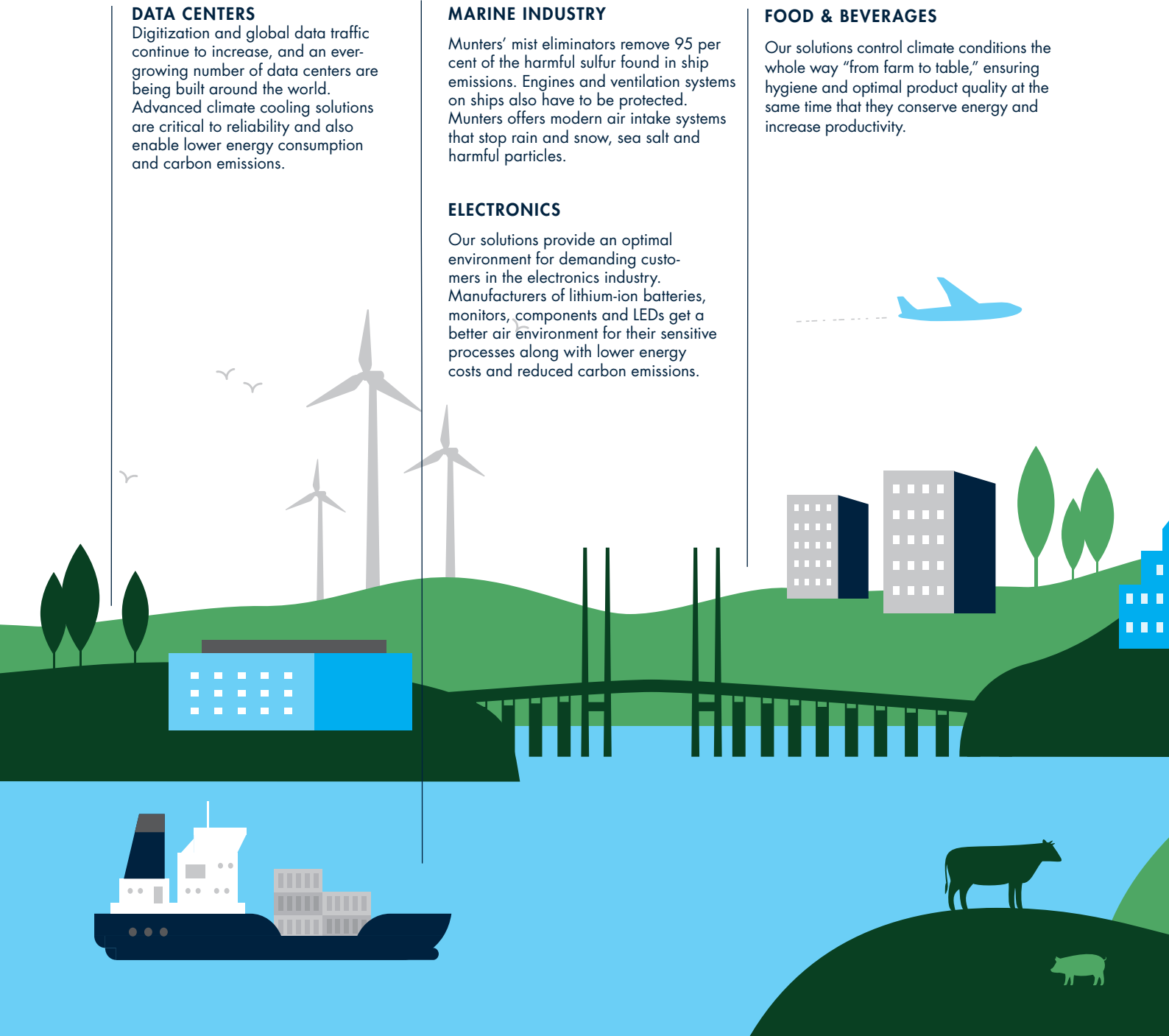
Munters' mist eliminators remove 95 per cent of the harmful sulfur found in ship emissions. Engines and ventilation systems on ships also have to be protected. Munters offers modern air intake systems that stop rain and snow, sea salt and harmful particles.

ELECTRONICS

Our solutions provide an optimal environment for demanding customers in the electronics industry. Manufacturers of lithium-ion batteries, monitors, components and LEDs get a better air environment for their sensitive processes along with lower energy costs and reduced carbon emissions.

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.



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.

FMCG AND RETAIL

Retail and grocery stores generate higher sales with lower operating costs when they install Munters' efficient, high-performance HVAC systems. Heating and ventilation systems work better, and so do refrigerators and freezers.

DIGITAL SOLUTIONS FOR CHICKEN FARMING

For large producers of chicken and other livestock farming, a controlled production chain is essential. Through AI solutions Munters FoodTech MTech Systems can control production, which increases animal health and profitability while reducing waste.

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 contributing to improved animal health and meeting strict quality and food safety requirements.

LITHIUM-ION BATTERY PRODUCTION

Lithium-ion battery production requires a highly controlled environment with stable temperature and humidity in order to guarantee quality and safety in production. Half of the world's lithium-ion batteries for the auto industry are manufactured in environments with Munters climate solutions.

GREENHOUSES

By providing the perfect indoor climate for growing plants, Munters' solutions give growers the opportunity to produce under optimal conditions. The innovative product range includes control equipment ventilation, evaporative cooling and heating.

*FMCG = Fast Moving Consumer Goods



MUTERS' STRATEGIC PRIORITIES

MUTERS HAS A STRONG POSITION in most of our markets. We work constantly to improve and strengthen our market position, which is the foundation for achieving our financial targets and delivering on our strategic ambitions. The key to success is how we respond in working toward our goals. Muters' strategic priorities show which areas we see as important to our success. For each strategic priority our two business areas have clear action plans and ambitions what we want to achieve.



MARKETS

Munters is active around the world in a market being driven by strong trends in sustainability and digitization. We have focused resources on strengthening our position in areas where we can be a market leader and growing our service business. For Munters, being a market leader means not only having a leading position but also higher profitable growth than others in the industry.

CUSTOMERS

We closely cooperate our customers. We try to understand their needs not only today but also in the future. Our expertise is built through unique insight into our customers' businesses and production processes. Our focus is on getting to market and pricing strategies. Every day Munters is working to deliver value over and above our customers' expectations.

INNOVATION

Munters works in a structured way to optimize innovation in the organization. We work closely with customers to understand their needs, and with other institutions that can offer additional competence and create value for customers. By continuously questioning and improving how we work, we create sustainable solutions, innovations and business models for the future.

EXCELLENCE IN EVERYTHING WE DO

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

PEOPLE

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

SUSTAINABILITY IS CRITICAL TO OUR GROWTH

SUSTAINABILITY IS A BROAD CONCEPT that spans many elements. For Munters, it means that everything we do has to be sustainable for all our stakeholders and the environment. Our sustainability agenda is focused on three areas: resource efficiency, responsible business practices and people & society. We integrate these three parts in our strategy and our strategic priorities.

MARKETS

Climate change and population growth are important drivers for Munters' market. For example, data centers currently account for x% of global energy consumption, and Munters is contributing by significantly reducing consumption. Population growth is causing an increased need for resource-efficient farming with a focus on animal health and reduced waste. Munters is part of the solution for more sustainable food production.

CUSTOMERS

We contribute to our customers' success by delivering energy-efficient climate solutions with the highest functionality. Through close collaboration, we can help them reach their sustainability targets, e.g., in water and energy efficiency and animal health in connection with food production.

INNOVATION

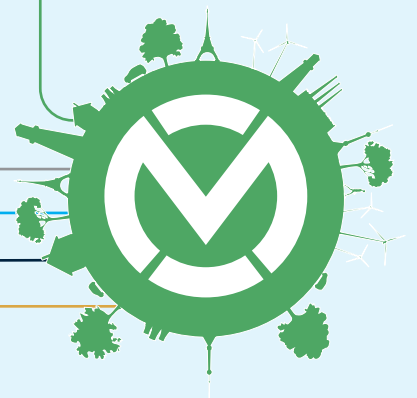
Our leading innovations and product solutions are often critical in many sectors and create a perfect climate by precisely controlling temperature and moisture. Climate control often accounts for a significant share of the energy consumption of a business, and through innovative products Munters can help customers achieve major savings.

EXCELLENCE IN EVERYTHING WE DO

We are constantly working to increase efficiency and quality and to reduce our environmental impact. In health and safety, we are working to strengthen skills within the organization. Our processes are designed to create continuous improvements and sustainability throughout the company.

PEOPLE

Employees are the hub of our business and we attach great importance to ensuring their safety and health. We are convinced that diversity leads to stronger innovation.



The following pages describe Munters' strategic priorities by business area, and pages 38–47 provide more detailed information on our sustainability agenda.

GLOBAL COMPACT AND AGENDA 2030

Munters has committed since 2018 to report in accordance with the UN Global Compact's ten principles on human rights, labor, the environment and anti-corruption. The Code of Conduct and the special Code of Conduct for suppliers are based on these ten principles and describe Munters' view on issues such as the environment, social responsibility, business ethics and human rights. Compliance with these policies is monitored each year and reported to the Board of Directors.

Based on its priority sustainability areas and opportunities to make a difference, Munters has chosen to focus on nine of the UN Sustainable Development. They are also linked to Munters' strategic goals.



GOAL 2. ZERO HUNGER

Munters' products contribute to greater resource efficiency in food production. By increasing efficiency, we can help to reduce the load on the Earth's resources and promote sustainable agriculture.



GOAL 4. QUALITY EDUCATION

Munters regularly holds activities in its local workplaces to promote education, including mentorships.



GOAL 5. GENDER EQUALITY

We are convinced that diversity leads to greater innovation and higher profitability. Munters currently has a relatively low proportion of female employees. We have therefore decided to focus on gender equality mainly in our diversity work.



GOAL 6. CLEAN WATER AND SANITATION

Munters' products contribute to increased resource efficiency, which also includes less use of water in the processes where Munters' products are installed.



GOAL 7. AFFORDABLE AND CLEAN ENERGY

Through our energy-efficient products, we can ensure that our customers will consume less energy and that their environmental impact will be lower.



GOAL 8. DECENT WORK AND ECONOMIC GROWTH

In every country and area where Munters works, it is essential that we have an inclusive workplace with decent conditions for all.



GOAL 9. INDUSTRY, INNOVATION AND INFRASTRUCTURE

We are working to reduce our own environmental impact through energy- and resource-efficient production facilities. We also contribute with innovative solutions for our customers, so they can reduce their impact.



GOAL 12. RESPONSIBLE CONSUMPTION AND PRODUCTION

We work continuously to limit the environmental impact of the transportation methods we use.



GOAL 16. PEACE, JUSTICE AND STRONG INSTITUTIONS

Munters has zero tolerance for all forms of corruption and bribery.

SUSTAINABLE LITHIUM BATTERY PRODUCTION GENERATES ENERGY SAVINGS UP TO 40%

Founded in 1997 in Shenzhen, China, Sunwoda Group is a world leading producer of lithium ion batteries. From consumer electronics to electric cars and energy storage, Sunwoda supplies the domestic and international markets with high-quality battery cells. It has automated and digitized production lines with smart manufacturing to cut costs and the factories' climate footprint while making its products more competitive.

Munters has delivered dehumidification solutions for Sunwoda's battery production since 2016. Stable climate control is critical to the production lines, which require cold dry air to preserve battery quality and performance. Together with its advanced

services, Munters was able to gradually maximize Sunwoda's production times and product quality.

In 2020, Sunwoda invested in its first large battery production base in Nanjing, which requires extremely dry air in its production line for intake air. High performance, accurate humidity control and reliability are essential to uninterrupted production and high quality.

For the first two stages of the project Sunwoda selected Munters' GREENDRY dehumidification system, which is based on 60 years of innovation and global applications experience and is specially designed for manufacturing conditions that require

very low humidity. Munters climate systems consume up to 40 percent less energy than other technologies and significantly reduce climate impacts. In addition to the benefits of high energy savings, Munters' equipment also performs reliably, ensuring high-quality electric battery production for Sunwoda and its customers.



TREND TOWARD SUSTAINABILITY IS DRIVING THE MARKET

MUNTERS HAS A LEADING MARKET POSITION globally in climate control solutions with a focus on dehumidification and humidification. We are benefiting from a number of global factors that are creating good growth opportunities. One overarching trend is the increased demand for sustainable products and improved resource efficiency, e.g., high energy efficiency and low water consumption in complete climate systems.

SUSTAINABLE MARKET TRENDS CREATE OPPORTUNITIES FOR GROWTH

Climate change is the most important megatrend for our business. In addition, customers are demanding high production efficiency and quality to support advanced climate control solutions. Other factors that favor market growth include digitization, increased demand for sustainable production and better animal health, and further industrialization and rising living standards in emerging markets.

The climate control market is undergoing consolidation with a few global players. Growth has historically been stable in most customer segments and the market is expected to see continued growth.

With strong technology and solid applications expertise, Munters is well positioned to help industrial and commercial customers with turnkey climate and energy related solutions. Munters is also a leader in livestock farming and greenhouses with innovative products and software to control and optimize the entire food production value chain.

LOCAL PRESENCE AROUND THE WORLD

The most important countries with the largest share of Munters' sales are the US, China and Germany.

The company has 17 production facilities and sales and manufacturing in over 30 countries. In addition, Munters has four assembly plants in four countries. Staying close to local customers reduces lead times and shortens logistics flows. Munters also has sales offices in a number of countries. The head office is based in Kista, outside Stockholm.

PRIORITY MARKETS

Munters works continuously to evaluate and improve its offering. The product portfolio changes depending on the priorities in research and development and the service offering. With a strong presence, Munters has several products and solutions that are adapted to local markets and customers.

Going forward, we will focus 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 markets we see as priorities:

- In business area AirTech: The industrial segment with a focus on lithium battery production, the food industry, Data Centers and Mist Elimination.
- In business area FoodTech: Markets with good underlying growth, e.g., Asia and the greenhouse segment. The digital offer is a focus as well.
- Two common growth areas for AirTech and FoodTech are data-driven products and solutions as well as services.

ACQUISITIONS AND PARTNERSHIPS ARE IMPORTANT TO FUTURE GROWTH

An important part of the growth strategy is to acquire local companies that strengthen either Munters' local presence or its offer. Munters is open to three possible acquisition situations:

1. To create growth through smaller acquisitions of local companies that give us a stronger market presence. This can, for example, be a strategy to grow our service business.
2. To create growth by acquiring companies with a technology that strengthens our global or regional offer.
3. Larger acquisitions as well to create both an increased market presence and broaden our product offer.

Munters has over its history acquired several companies; see more information on page 129. No acquisitions were made in 2020.

We also work with partnerships, e.g., with universities, which are an important part of Munters' strategy to strengthen its local presence and drive innovation forward.

“Climate change is perhaps the most important megatrend for Munters, which supports the use of advanced solutions for climate control”

SUSTAINABILITY FOCUS

Munters produces energy-efficient climate control systems that reduce customers’ electricity and water consumption. In addition, our solutions contribute to less waste and sustainable production environments with better animal health.

We have absolutely zero tolerance for corruption and bribery. To ensure that all our employees understand the processes we follow, we provide repeated training on our Code of Conduct. In 2021, an updated version of the code will be rolled out globally.

We constantly work with and train key employees in the organization on working conditions and diversity.

Munters’ ambition is to increase the share of its sales from services to:

30%

Net sales by region, 2020



- Americas 43%
- EMEA 33%
- APAC 23%

MUNTERS DONATES FACEMASKS TO FIGHT THE CORONAVIRUS

Munters has donated facemasks and protective equipment to support countries in their fight against COVID-19. At the beginning of the pandemic, when the availability of facemasks were scarce, a total of 9,800 masks were distributed in seven locations around the world. In Tierp, Sweden, facemasks were handed out in senior living facilities.

“An incredibly valuable contribution that will come in handy in our operations,” Ulrica Stjerngren, Area Manager for Disabled Care, told Upsala Nya Tidning.

In Virginia, in the US, masks were donated to a local hospital and various fire and police departments. And in Italy, Munters has supported local hospitals in Imperia with much-needed protective gear.

In the UK, Munters received a letter from the local National Health Service (NHS) thanking the company for the generous donation.

“Our staff have been truly heartened by the way our local communities have come together to support them and the volunteers in our hospitals,” Caroline Walker, Chief Executive of the North West Anglia NHS Foundation Trust, wrote.

Stefan Mähl, Group Vice President of Strategic Operations at Munters, added: “We made a collective decision to support the communities in which we operate. It’s very satisfying to see that the masks were well received around the world.”



CLOSE COLLABORATION WITH CUSTOMERS CREATES EFFICIENT CLIMATE SOLUTIONS

SINCE ITS FOUNDING, MUNTERS HAS worked closely with customers. Over the years, we have built up unique applications expertise within our niche enabling us to customize climate solutions in many industries. In this way we help to meet our customers' climate control needs in an energy-efficient and sustainable way.

COLLABORATION WITH CUSTOMERS ON APPLICATIONS AND PROCESSES

Munters is currently located in many countries with the majority of its products and solutions. With employees around the world, we are a global and at the same time local company. The strategy is focused on developing a thorough understanding of our customers' needs and utilizing our broad-based expertise in various applications, technologies and components to deliver the right climate solutions.

Munters' sales team works closely with each customer's production engineers and research and development department. This ensures that our solution will meet the specific criteria and application requirements and deliver high energy efficiency. Continuous development of new applications and competencies provides the opportunity for future updates as well. Munters' goal is to understand customers' needs and processes better than they do themselves.

HOW MUNTERS MEETS CUSTOMERS

AirTech primarily sells to its customers through its own sales representatives in each local market in mature markets in Europe and the US. An important success factor is our long history in these markets and the applications expertise and experience of our sales representatives in the marketing organization.

Sales are also made to a lesser extent through distributors – e.g., for OEM components for customers that use Munters' products and technology as part of their solutions. This is mainly done in growing markets, e.g., for manufacture of direct evaporative cooling.

The business area FoodTech sells primarily through distributors in local markets. Software solutions are most often sold directly to food producers. In some geographical markets and segments, climate control products are also sold directly to the end customer

SUSTAINABILITY A STRONG DRIVER FOR CUSTOMERS

Munters' systems are used in many mission-critical applications in many industries where a stable indoor climate is essential. Due to a growing focus on sustainability, resource efficiency – including energy or water consumption – is becoming an increasingly important success factor for Munters. A large part of a climate system's cost is energy consumption during its operational life. Consequently, a more energy-efficient system can save costs and reduce the customer's climate impact.

GOOD GROWTH OPPORTUNITIES IN SERVICES

Service, upgrades and product replacements offer growth potential with good profitability. Thanks to a local presence in many countries and our close relationships with customers, we can offer a high standard of service and support for our installed base of products. This extends their service life and creates higher efficiency from installed solutions. Services today are offered primarily in the business area AirTech. FoodTech is developing and offers a data-driven service system called SaaS (Software-as-a-Service). In 2020, FoodTech received several orders for this offer. At the end of 2020, FoodTech's systems were installed in 25 of the 26 largest food integrators in the US, including Tyson Foods. For more information on this offer, see page 36.

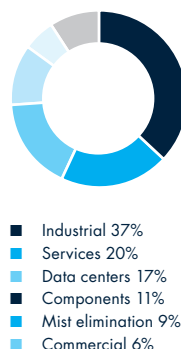
In 2020, Services accounted for 14 percent of net sales.

“Munters goal is to understand customers’ needs and processes better than they do themselves”

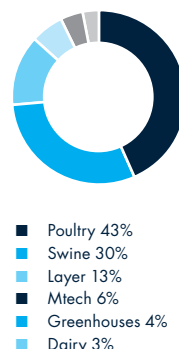
SUSTAINABILITY FOCUS

Munters maintains a continuous dialogue with customers. Through periodic surveys, we make sure we know how they feel and value our products, solutions and services. In 2020, several different surveys were conducted, especially in connection with the strategy reformulation and update. A major global survey initiated in late 2020 will be valuable in the efforts to raise quality and generate greater value. Collaborating with customers is critical for us and we place great importance on helping them achieve their sustainability targets, including in water and energy consumption as well as animal health in food production.

Airtech’s most important customer segments, share of net sales 2020



FoodTech’s most important customer segments, share of net sales 2020



REMOTE ASSIST TO ENSURE SAFETY AND EFFICIENCY

During a year in which conditions made it difficult to access customer installations, AirTech’s new Remote Assist offer has been a major success. Service has been provided virtually together with customers. Keeping Munters’ climate solutions in operation is critical in many businesses. When face-to-face meetings are not possible, we can help customers through Munters Remote Assist, an online service solution that gives them access to our experts and service technicians regardless of where they are located, whenever it is needed.

Remote Assist is based on a Merged Reality solution that allows service technicians, engineers or customers to share real time situations with product experts virtually, so that practical service and repair instructions can be demonstrated and followed by the customer.

The solution protects the health and safety of our employees and customers, at the same time that the tool makes Munters more available to customers and increases the service efficiency.



EFFICIENT PRODUCT PLATFORMS CREATE LEADING CLIMATE SOLUTIONS

WITH MUNTERS' LONG HISTORY of pioneering discoveries, many patents and extensive applications know-how, we create market-leading climate solutions. Our focus is on investing in our core technologies, solutions and digitization, to optimize our product portfolio and innovative production technology. We are proud that our products and innovations help customers to more efficiently utilize resources.

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 access to unique technology we have often developed ourselves. Coupled with our history of innovations, this enables us to create the most efficient solution for the customer, whether for lithium battery production plant, a data center or animal stalls.

Climate control systems often account for a large share of the energy consumption in many of our customers' operations. With an optimal system, we can help them to more efficiently use energy and water resources.

In 2020, Munters invested 4.1 percent (3.8) of total net sales in research and development.

MODULAR PRODUCT PLATFORMS

The work to establish global product platforms continued in 2020 in order to provide the same high-performance products and consistent execution in every region. Here there are major opportunities for efficiency gains in the Group.

CUSTOMERS' NEEDS ARE CENTRAL TO MUNTERS' DEVELOPMENT MODEL

Close collaboration between teams from Munters and our customers increases the precision and efficiency of our innovation work. Each business area is responsible for research and development in its respective product areas, with technology centers close to customers.

We all share the Munters Product Development Model (MPDM), a multidisciplinary model with clear control points. With this model, the development process is based on individual creativity, disciplined innovation and direct insight into customers' needs

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. The activities are:

- Research, where we develop new knowledge that can be used for new innovations
- Technological development, where we 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
- Systems for direct evaporative cooling
- Heat exchangers with in direct evaporative technology
- Mist eliminators
- Controllers 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 many years that enables our technicians and partners to quickly configure optimal solutions.

PRODUCT LAUNCHES IN 2020

During the year, Munters launched a number of new products, including:

- SyCool: an innovative climate solution for data centers that consumes minimal amount of water
- Munters Rotem Trio: a digital controller for farms (see case)
- Saturn: a modular fan series that increases functionality and reduces complexity.

We intend to streamline the product portfolio with a focus on three different levels:

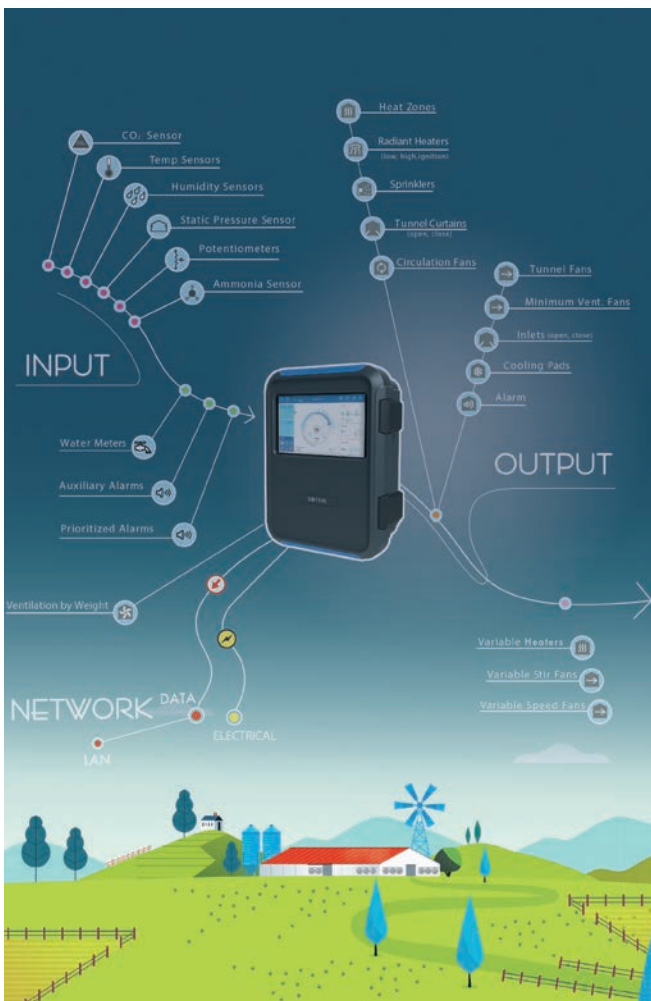
Focus	Ambition	Status 2020
Reduce the number of product variations (SKUs)	Reduce the number of product variations by -40% from 2019 to the end of 2021	Approx. -30% decrease
Standardization of components in current and future products	Reduce by -25% by 2023, e.g., types of screws, spare parts, etc.	Ongoing
Modularization for the future	New products will be modularized, combine less complexity with customization	Ongoing, first product launches during the year

SUSTAINABILITY FOCUS

Through its leading technology, Munters is in a good position to not only work sustainably as a company but also be able to play a role in helping customers become more resource efficient through our innovative products and solutions. We have energy-efficient solutions that help customers reduce their energy consumption. During a climate solution’s life cycle, energy use is greatest during the time it is installed at the customer (approximately 80 percent). Munters is constantly working to reduce the climate systems resource consumption, which contributes to customers being able to achieve their environmental goals.

Munters’ goal is to reduce its number of products variations from 2019 to the end of 2021 by:

-40%



“With an optimal climate system, we can help customers to more efficiently use energy or water resources.”

MUNTERS ROTEM TRIO CONTROLLER IMPROVES ANIMAL WELFARE

The innovative Munters Rotem Trio controller takes the technology and functionality for animal stables to a new level. The controller manages all aspects of the farm’s climate, reaching the best air quality and animal welfare. Rotem Trio’s dynamic ventilation guarantees perfect climate conditions and rapidly responds to weather changes while reducing energy consumption.

The intuitive interface with a clear and easy-to-use instrument panel offers an energy-saving eco mode and automatic air quality control. Rotem Trio improves functionality, usability and efficiency for the farm.

Munters Rotem Trio replaces several products in FoodTech’s existing line, reducing inventory and raising efficiency.

STRATEGISK PRIORITERING

STRATEGISK PRIORITERING

CONTINUOUS IMPROVEMENTS IN A CHALLENGING YEAR

MUNTERS ASPIRES TO EFFICIENCY and quality at every level of the company with a smaller carbon footprint and improved health and safety. Work began during the year to strengthen Group-wide processes to ensure continuous improvements and sustainability at every step.

In spite of the challenging business climate caused by the pandemic in 2020, we managed to keep all of our production units, with the exception of one small facility, in operation with only minor disruptions. We have taken action as needed, adjusted our costs and investments, and adapted the supply chain to mitigate the impacts of COVID-19.

IMPLEMENTATION OF THE STRATEGY

In July 2020, measures were announced to improve the customer offer and optimize our market presence. In AirTech, a decision was made to exit the non-core part of the commercial business in the US. Thanks to a stronger order intake in Data Centers US, production of data center products in Texas has been expanded. Munters also decided to consolidate operations in the Netherlands.

TTOE FOR INCREASED EFFICIENCY

A project called Transformation Towards Operational Excellence (TTOE) has been initiated to increase efficiency through linked processes and information flows. The ambition is to build a leading value chain and processes. This will ensure the scalability of the business, and the increased investments will lead to profitable, cash-generating growth in the future.

CONTINUOUS IMPROVEMENTS THROUGH MPS

We at Munters are continuously improving how we work in every area as a leading theme throughout the organization. The Munters Production System (MPS), which is based on lean principles, is being applied in our production processes. The goal is that all units will apply MPS by the end of 2021.

LOWER ENVIRONMENTAL IMPACT THROUGH SUSTAINABLE PRODUCTION

We systematically evaluate our production units to prevent environmental impacts while increasing the focus on health and safety. Other areas that are covered include fire safety, waste and chemical management, and an overhaul of

electrical installations. All units are assessed on a rolling three-year schedule. In 2020, risk evaluations were conducted at seven manufacturing plants. Due to the pandemic, they were done virtually for the sake of safety. The quality of the evaluations is still considered good, since the participating parties have experience from previous on-site visits.

ZERO ACCIDENT VISION

Munters has a Vision Zero plan for serious workplace accidents, and reducing the number of accidents is one of our top priorities. The goal is to continuously reduce the number of workplace accidents by being proactive. In 2020, the number of accidents dropped significantly. The Total Recordable Incident Rate (TRIR) fell to 1.2 from 2.7 last year.

A STRONGER SUPPLY CHAIN

Our supplier network is valuable to us and is built on mutual trust and years of partnership. Munters sources goods and services from around 1,900 suppliers in 35 countries. A global sourcing organization coordinates procurement in order to increase standardization and consolidate sourcing volumes to fewer suppliers.

The 25 largest direct material suppliers by volume represented 33 percent of the total sourcing volume in 2020. The goal set in 2018 for the period 2019–2021 is to cut the number of direct material suppliers in half. In 2020, the number decreased by 10 percent.

RESPONSIBLE PROCUREMENT

All suppliers are expected to live up to Munters' ethical guidelines. In 2020, 100 (92) percent of our suppliers had signed the revised Code of Conduct.

Compliance with the Code of Conduct is monitored through visits and audits conducted by Munters or third parties. In cases where the supplier did not meet the requirements, an action plan is prepared and if the timetable is not followed the relationship will be terminated.

SUSTAINABILITY FOCUS

A sustainability perspective is reflected at every level of Munters' operations with an emphasis on responsible business practices, increased diversity, health and safety, lower carbon emissions and positive contributions to the communities where we live.

2020 was a special year when Munters worked to safeguard its employees' health and safety during the pandemic. It was also gratifying that the number of workplace accidents dropped significantly for the year.

The number of accidents (TRIR) decreased sharply to 1.2 in 2020 compared with 2.7 in 2019.

1.2

LOWER ENERGY CONSUMPTION IN OUR PRODUCTION PROCESSES

The climate impact from our manufacturing facilities mainly comes from heating for heating, ventilation, cooling and production processes. The goal is to continuously reduce energy consumption and make the plants and processes more efficient. We monitor energy efficiency by comparing electricity consumption to production value. In 2020, the ratio was 0.96 (1.05). Renewable energy accounted for 50 percent (40) of the electricity used by our production facilities.

WASTE FROM OUR PRODUCTION FACILITIES

We work continuously to reduce manufacturing waste and increase recycling. A linchpin in this work is continuous quality improvement, to reduce spillage and save costs and the environment. In 2020, the recycling rate was 51 percent (53). The goal is to continuously reduce the percentage of waste that cannot be reused or recycled.

LOWER WATER CONSUMPTION

Lower water consumption and water treatment in our production processes are an important contribution 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.

SUCCESS THROUGH PROFITABLE GROWTH AND STRONGER CASH FLOW

Munters has to grow and efficiently use its working capital to be successful and reach the financial targets. Growth has to be combined with strong cash flow and more efficient tied-up capital, i.e., the amount of capital needed to operate the company, in order to create the flexibility to accommodate future strategic priorities. Working capital is essentially a function of three things:

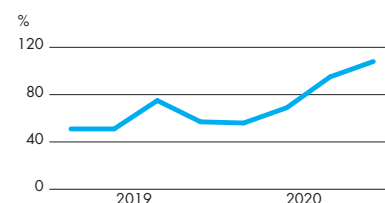
- Customers: The payment terms in contracts with customers and whether they pay on time. It is important that projects are as cash neutral as possible from beginning to end. Efficiency here is measured by accounts receivable and outstanding days.
- Suppliers: Contracts with our suppliers and payment terms for our deliveries.

Efficiency here is measured by accounts payable and outstanding days.

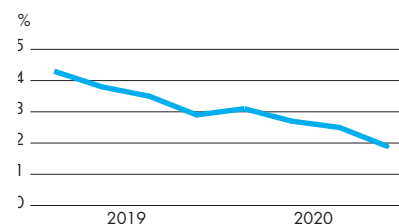
- Inventory: Size given delivery cycles for incoming material; the production process determines how efficient we are throughout the value chain.

Further efforts in 2020 to improve capital efficiency have produced very good results. Working capital improved to MSEK 720 in December 2020 (MSEK 1,018 last year). This led to a significantly improved leverage ratio of 1.9x, compared with 2.9x on December 31, 2019. This is very positive and creates the ability to repay loans, operate more flexibly and make acquisitions in the future.

Cash conversion ratio



Leverage



INCLUSIVE CULTURE AND WORKPLACE SAFETY

MUNTERS' EMPLOYEES are the hub of our business. Through collaboration and a passion for creating sustainable solutions for our customers and partners, we contribute to our customers' success and a better world.

SAFETY FIRST DURING THE PANDEMIC

It was a challenging year due to the Covid-19 pandemic. When the virus began to spread, our focus first and foremost was to ensure the health and safety of our employees and other stakeholders. Munters' employees around the world have contributed fantastically with hard work and great commitment.

Munters' highest priority is our employees' health and well-being, which is why we were quick to introduce a number of strict measures aligned with the World Health Organization's (WHO) recommendations. For example, restrictions were introduced for travel and visitors, as well as guidelines to wear a face mask and other protective equipment in offices and production facilities. We also encouraged employees to work from home wherever possible.

NEW ORGANIZATION

The organizational structure was modified in the year to be more project-focused and customer-centric. Clearer ownership and accountability will enable us to capture synergies and drive value throughout the Group.

The former role of Global Operations has been replaced by Strategic Operations. Stefan Mähl was appointed to the position during the year. In addition, two new roles were created in the Group Management Team: Innovation, headed by Stéphane Darcq, and Commercial Excellence, with Stefan Aspmann, formerly with Sandvik, taking over as Group Vice President in February 2021.

DIVERSITY AND INTEGRATION

Munters has a mix of employees with different perspectives and backgrounds. This provides valuable insight and creates a dynamism that leads to innovative solutions and new ways of working.

Our goal is greater gender equality. In 2020, there were 22 percent female executives, or 1 percent below the target for 2020 of 23 percent. The management team consists of 38 percent women. By 2025, Munters' goal is to increase the percentage of female employees and executives to 30 percent.

WHISTLEBLOWER CHANNEL

Munters' employees can anonymously report serious improprieties in the workplace through an online whistleblower channel maintained by an independent service provider. In 2020, a company-wide course was held for employees on the differences between whistleblowing and complaints and how to file a report. In 2020, 12 whistleblower cases were received and addressed through the channel.

DEVELOPMENT AND CAREER PATHS

We support individual career paths for all our employees and encourage them to take on new challenges.

HEALTH AND WELL-BEING

Munters has various guidelines on the environment and occupational health and safety and promotes a work-life balance. We have zero tolerance for work-related accidents and the aim is to continuously improve safety at our work sites. We closely monitor the Total Recordable Incident Rate (TRIR), which is the ratio of accidents to the number of hours worked. For further information, see page 47.

Earlier in 2020, Munters conducted the Safety Perception Survey developed by DuPont Sustainable Solutions (DSS) to get a better picture of the company's safety culture. Based on the survey, Munters needed to strengthen its leadership when it comes to safety and Group-wide processes. This has led to active work during the year, which has already yielded good results with significantly reduced accidents measured as TRIR.

EMPLOYEE SURVEY

The employee survey is an important tool to gauge the Group's strengths and weaknesses. In 2020, Munters upgraded the survey. The results showed that employees have had confidence in the company's management, decisions and communication during the Covid-19 pandemic. Workplace safety also ranked high, as did leadership and engagement. One area where the survey pointed to improvement potential is how Munters' strategy is communicated in the organization and how local organizations around the world will develop and adapt to the new strategy.

PLANNED ACTIVITIES 2021

- Launch a mentoring program in the organization
- Further improvements to Munters Academy
- Update our internal career framework
- Continue to strive for gender parity
- Education in the Code of Conduct
- Education in unconscious bias, diversity and inclusion as well as antiracism
- Develop forms of collaboration and communication

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 our Code of Conduct, they clarify how we relate to each other and with customers and other stakeholders.

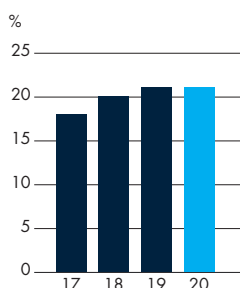
SUSTAINABILITY FOCUS

We place a high priority in ensuring our employees' health and safety. We are convinced that diversity leads to stronger innovation.

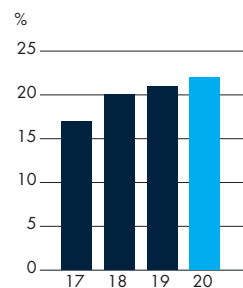
INCENTIVE PLAN TIED TO SUSTAINABILITY

Munters has introduced a compensation system for senior management and key employees that will tie in with our sustainability targets. Through the Long-Term Incentive Plan (LTIP), we will evaluate how well we as a company increase the share of renewable energy in our production facilities, the number of female leaders we hire, and the number of suppliers who sign our Code of Conduct.

Percentage of female employees



Percentage of female executives



In 2020, a comprehensive analysis of the reporting of various sustainability key ratios was carried out. This has led to the ratio for the proportion of female executives being revised down from the previously reported 25 percent to 21 percent in 2019.



MUNTERS COMPASS FOR CHANGE MANAGEMENT PROGRAM

To succeed in a changing world, managers and employees must be given the necessary skills and training in the change process. Munters has therefore introduced change management learnings called Munters Compass which comprises of training modules and a change Navigators network.

In 2021, more than 600 managers and internal influencers will participate in virtual workshops on change management, coaching and storytelling.

»My biggest lesson so far is that I can create my own Munters story and tell it from the heart. I look forward to the next session.«

ANNA SANDBERG
DIRECTOR GROUP FINANCIAL CONTROL

MUNTERS' BUSINESS AREAS

WE OFFER INNOVATIVE, efficient and sustainable solutions for customers in many different industries where controlling humidity and temperature is mission-critical. Munters has two business areas: AirTech and FoodTech.



AirTech, share of the group's sales

70%

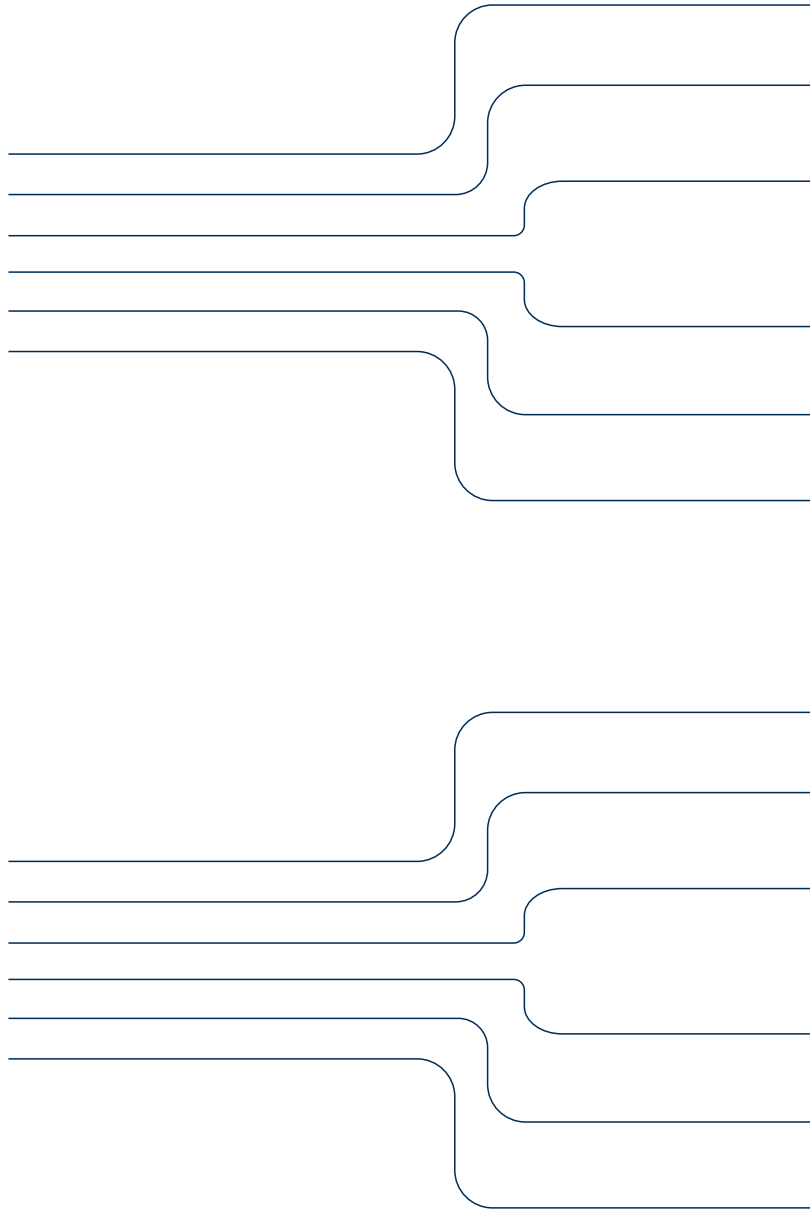
AIRTECH is a global leader in energy-efficient air treatment for industrial and commercial applications. AirTech offers climate solutions for mission-critical processes that require exact control of moisture and temperature, with a focus on energy efficiency and sustainable climate systems. Our climate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



FoodTech, share of the group's sales

30%

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 for controlling and optimizing the entire food production value chain. FoodTech's solutions increase productivity while enabling sustainable food production where strict requirements are placed on quality, animal health and food safety.



Share of AirTech's net sales

INDUSTRIAL 37%

SERVICES 20%

DATA CENTERS 17%

COMPONENTS 11%

MIST ELIMINATION 9%

COMMERCIAL 6%

Share of FoodTech's net sales

POULTRY 43%

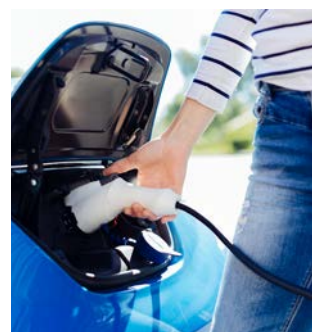
SWINE 30%

LAYER 13%

MTECH 6%

GREENHOUSES 4%

DAIRY 3%

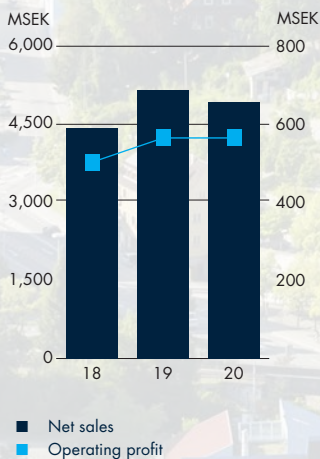




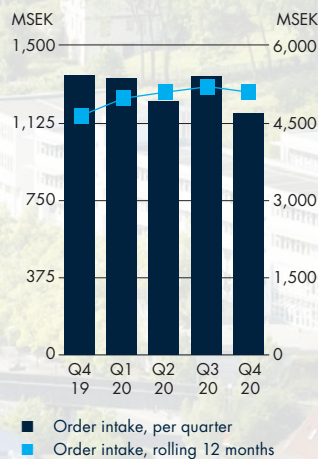
AIRTECH IS A GLOBAL LEADER in energy-efficient air treatment for industrial and commercial applications. AirTech offers climate solutions for mission-critical processes that require exact control of moisture and temperature, with a focus on energy efficiency and sustainable climate systems. Our climate systems provide better indoor air quality and comfort, emissions control and increased production capacity.



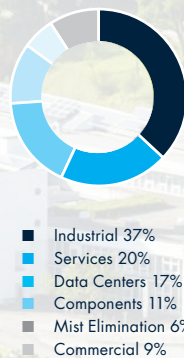
Net sales and operating profit



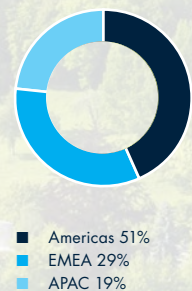
Order intake, rolling 12 months



Customer segments, share of net sales 2020



Regions, share of net sales 2020





»Our strong customer offering with mission-critical climate solutions and customer-centric approach has created higher profit despite the challenges during the pandemic.«

PETER GISEL-EKDAHL

GROUP VICE PRESIDENT AND PRESIDENT OF AIRTECH

IMPORTANT EVENTS 2020

- The lithium battery segment is growing with several major orders in both Europe and the US
- Major order for Digital Crossroad data center project near Lake Michigan, in the US
- SyCool, an innovative cooling technology for data centers that consumes no water, was launched
- Services' share of sales is growing despite the pandemic. Remote assistance, which provides security to customers and employees while also delivering higher efficiency, was launched as well
- To streamline the customer offering and optimize our market presence, we exited the non-core part of the commercial business in the US

ORDER INTAKE

Order intake decreased by 3%. Currency adjusted order intake was unchanged. Excluding divested operations, the currency adjusted order intake increased slightly. Order intake in the US industrial segment was strong in the pharma and lithium battery segments. Services reported positive development. Data Centers US had a weaker order intake due to very strong development in 2019. Mist Elimination had a weaker order intake, mainly driven by a weaker marine sub-segment.

NET SALES

Net sales decreased by 4%. The currency adjusted decrease was 2%. The decrease was mainly due to a decline in Mist Elimination due to the weaker marine sub-segment. The pharma segment had good growth driven by Covid-19 relief efforts and production of test equipment. Services had good growth in the Americas. The APAC region decreased slightly due to very strong sales to the lithium battery segment in 2019.

RESULTS

The adjusted EBITA margin improved to 14.0 percent (12.8) due to an improved gross margin and continued lower indirect costs. Operating profit was unchanged from 2019 at SEK 565 (565) with a margin of 11.4 percent (11.0).

Net sales 2020, MSEK

4,937 (5,159)

Operating profit 2020, MSEK

565 (565)

Number of Full-Time Equivalents (FTEs), end of year 2020

2,286 (2,184)

STRATEGY – CUSTOMERS

A continuous dialogue with new and existing customers, together with unique applications know-how, gives us a strong base for continued growth. With strong technology, Munters is well positioned to help our customers with complete climate solutions. Services and upgrades accounted for 20 percent of net sales and are an increasingly important part of AirTech's offering that extend the service life of climate solutions and increase customer value.

Approximately 11 percent of AirTech's sales relates to components sold to distributors or OEM customers that use Munters' products and technologies as part of their solutions.

STRATEGY – MARKET

The global market for energy-efficient air treatment is characterized by a large number of firms, many of them local. A consolidation has been underway for several years. Growth has historically been stable and the market

is expected to further grow. The focus on sustainable climate solutions with efficient electricity and water consumption is a strong driver in the market.

Munters offers climate solutions that require exact control of moisture and temperature to many different industries. Our focus is on efficient solutions for mission-critical processes that can reduce the customer's electricity and water consumption and hazardous emissions.

AirTech's priority customer segments are the food industry, lithium-ion battery manufacturers, service providers, data centers and humidification components.

Munters has an extensive global service network with its own local service centers around the world. Thanks to this local presence, we maintain close relationships with our customers and can quickly provide service for the installed base.

Our service and support offering is a valuable product upgrade. They lead to lower energy consumption and

consistent quality and environmental performance while extending the service life of our products.

Decisions were made during the year to exit the non-core part of the commercial business in the US, expand Data Center product manufacturing in Texas and consolidate the operations in the Netherlands.

AirTech has 13 production plants in 13 countries and assembly plants in eight countries. The number of full-time equivalents (FTEs) as of December 31 was 2,286 (2,184). The majority of employees are based in the US, Sweden, India and China.

STRATEGY – INNOVATION

At AirTech, it is important that our application experts team up with the customers' process owners to find an optimal solution. In this way, Munters can offer an innovative solution that fills a number of different climate control functions and is optimized based on the customer's specifications and needs. We offer a wealth of expertise



CLIMATE SYSTEM WITH LOW DEW POINT FOR BATTERY RESEARCH AT THE UNIVERSITY OF BIRMINGHAM

Energy Materials Group at the University of Birmingham in the UK focuses on the development of rechargeable battery materials and manufacturing processes. The aim is to build better batteries through research, which will contribute to sustainable economy and a carbon-neutral future through the electrification of the transport sector. The research involves lithium ion, sodium ion and solid-state chemistries that are extremely sensitive to moisture. Working with such reactive materials requires very dry climate conditions to prevent any damage or explosive reactions, and to ensure product integrity/quality.

The research team had previous experience with Munters' low dew point facilities installed in various industrial and academic settings. That's why Munters was approached to design a bespoke turnkey battery dry room for battery research.

As principle contractor for this project, Munters was able to demonstrate its know-how and flexibility from concept to completion. A turnkey project offers added value for Munters and provides a more comprehensive solution for the client. By acting as principle contractor, we were able to demonstrate our full capability and flexibility. With the added complexity of working in a listed building with special building regulations and with minimal disruption to University life, we provided further added value for the client.

The researchers at the University of Birmingham have many collaborations with large companies, especially in the automotive industry. The previous solution offered limited air throughput, flexibility and commercial appeal. With the newly installed climate solution from Munters, the University of Birmingham can offer scaled up research services that would otherwise have been limited.

With the new dry room climate solution, the room maintains a consistent -40°C dew point at a temperature of 20°C , with the capacity for approximately 6 people. The Munters system is high performing but still energy efficient, resulting in a cost-effective solution for the University of Birmingham's battery research.

on specific applications and access to various technologies and components which we have often developed ourselves.

We are seeing increased interest in data collection through sensors on our climate solutions to analyze data in real time. Munters is therefore developing connected digital solutions that provide performance analysis and remote monitoring.

In 2020, we further strengthened our product portfolio through the launch of SyCool, the market's most efficient product for data centers, where the cooling solution does not consume water.

During the year, the service operations launched Remote Assistance, a Merged Reality solution that allows field technicians, engineers or customers to share real situations digitally with product experts, so that practical service and repair instructions can be demonstrated and handled virtually. The service ensures safety for the field

technicians who are working with the customer, at the same time that the solution delivers increased efficiency.

STRATEGY – PEOPLE

People and collaboration are the foundation for AirTech. We believe that we are “stronger together” and we encourage teamwork, effective problem solving and cross-functional interactions.

Our goal is to train and equip our employees for the journey ahead, so that they go into it with knowledge and passion. We are therefore developing training programs in both functional areas and leadership as part of Munters Academy. We are also developing methods and training for managers to support the changes. Everyone in our diverse group of people will be able to contribute and flourish as we develop.

STRATEGY – EXCELLENCE IN EVERYTHING WE DO

We strive for efficiency and quality in everything we do and always look for the best ways to improve how we work. Throughout the organization we should constantly challenge ourselves to be better.

We have defined a number of activities to build a solid foundation and create the focus the organization needs to successfully navigate this strategic journey. These activities include improving marketing skills and strengthening the marketing organization, being transparent about costs, strengthening the R&D organization and creating a scalable service organization.

COAL-FIRED POWER PLANT BECOMES AN ENERGY-EFFICIENT DATA CENTER

Digital Crossroad's data center in Hammond, Indiana is an example of a creative conversion of an existing energy facility into a sustainable data center. A strong sustainability focus led to an efficient, environmentally minded design that benefits both customers and the community.

Located on Lake Michigan, the facility was converted from a former coal-fired power plant called State Line. In the 1950s, State Line was considered the world's largest electricity producing generator, and held that title for nearly 25 years. In 2012, the plant reached the end of its operating lifespan and was shut down. In 2018, Digital Crossroad acquired the property with the intention to convert the site into a high-powered, renewable energy data center. Through adaptive re-use of the existing property, the company wants to positively impact the community and region with a sustainable design that showcases how a modern data center can be built on a legacy facility while also reducing the environmental impact.

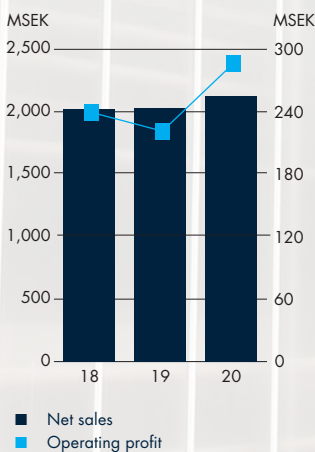
The advantages of this facility include an existing electrical infrastructure and access to cooling from Lake Michigan. Munters' cooling solution for this project is based on an energy-efficient, indirect airside economizer (IASE) heat exchanger with water spirals that use cold water from the lake, combined with supplemental DX cooling. Each air handling system is designed to deliver over 75,000 SCFM (standard cubic feet per minute) of cooled air to the data center.



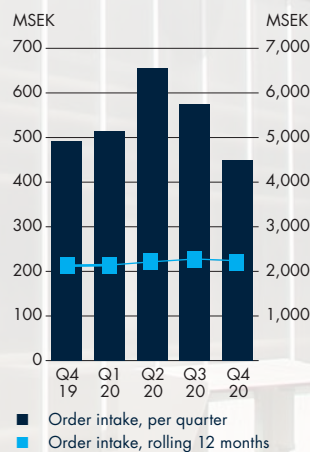


FOODTECH IS OF THE WORLDS' leading suppliers of innovative and energy-efficient climate control systems for livestock farming and greenhouses, as well as software for controlling and optimizing the entire food production value chain. Munters' solutions increase productivity while enabling sustainable food production where strict demands are placed on quality, animal health and food safety.

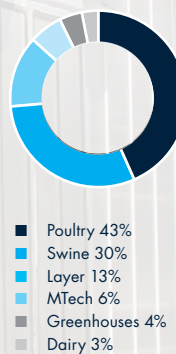
Net sales and operating profit



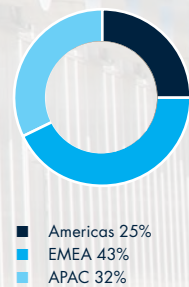
Order intake, rolling 12 months



Customer segments, share of net sales 2020



Regions, share of net sales 2020





»Despite the challenging business climate, we increased both growth and profit thanks to our strong market offer and our dedicated employees.«

PIA BRANTGÄRDE LINDER
GROUP VICE PRESIDENT AND PRESIDENT OF FOODTECH

IMPORTANT EVENTS 2020

- Pia Brantgärde Linder took over as President of Business Area FoodTech in August 2020
- Increased profit despite challenging business climate during the pandemic, which primarily affected Europe and the Americas
- A major framework agreement was signed in the swine segment in China, where investments increased
- Strong development for digital offer and software solutions with new orders from among others Tyson Foods and JBS/Pilgrims
- Launch of the Munters Rotem Trio controller for connected climate systems used in livestock farming
- Launch of the Saturn modular fan series, which reduces complexity and increases functionality

ORDER INTAKE

Order intake increased by 5%. Currency adjusted order intake increased by 9%. The increase was mainly due to very strong order intake in Asia, driven by the swine segment in China. In the Americas and Europe, demand was weaker. Order intake has been negatively affected by the Covid-19-pandemic with limited access to customers and delayed customer investments. The Americas were also weak due to continued low demand in the swine segment.

NET SALES

Net sales increased by 13%. The currency adjusted increase was 22%, driven by good growth in the swine segment in China. Europe reported flat sales with growth in the broiler segment, mainly in Germany, with good export sales to the CIS countries. This was offset by negative effects from the Covid-19-pandemic especially in Europe and the Americas. In the Americas, net sales declined mainly due to continued weak net sales in the swine segment.

RESULTS

The adjusted EBITA margin improved to 14.6 percent (13.7). The improvement was driven by increased net sales. Operating profit was SEK 291 M (226) with a margin of 13.7 percent (11.1).

Net sales 2020, MSEK

2,126 (2,032)

Operating profit 2020, MSEK

291 (226)

Number of Full-Time Equivalents (FTEs), end of 2020

861 (833)

STRATEGY – CUSTOMERS

FoodTech offers complete systems for controlling the environment in farms and greenhouses, including equipment for ventilation, cooling and heating, as well as various types of control systems and software. Our offering is built on long experience and innovative products that are reliable and sustainable.

We are one of the world's leading suppliers of advanced climate control for various agricultural segments, with a strong position in the layer and broiler markets in the US and Europe. FoodTech is also one of the leaders in the swine farming market, with a strong position in the US and growing sales in China. FoodTech's priority customer segments are the layer and broiler segments, the swine segment, dairy segment, software solutions for food producers and greenhouses.

Efficient climate control is one of the most important factors for profitable, sustainable production. Both international companies and independent growers are among our customers.

FoodTech is working actively to strengthen its digital offer. Thanks to technology and systems from MTech Systems, we have many of the world's largest food producers in the broiler segment as customers, who use our software for planning and monitoring their operations.

Sales are primarily through distributors in local markets. Software solutions are most often sold directly to food producers as Software as a Service (SaaS). In some geographical markets and segments, climate control products are also sold directly to the end customer.

STRATEGY – MARKET

Demand is increasing for advanced climate control solutions that ensure increased energy efficiency and lower emissions. It is also being driven by demand for less use of antibiotics in livestock farming from both regulators and consumers.

Increased traceability of food is a rapidly growing need that is leading

to increased demand for data collection and analysis throughout the food chain, including feed production, farms, production facilities and transportation all the way to the store. Together with increased demands for productivity, this has led to rapid development of the software used by food producers to plan, control and optimize the entire production chain from feed to finished product.

The Chinese swine market recovered in 2020 after having previously been impacted by African swine fever, which in 2019 led to a drastic reduction in swine production. There is a shift underway in the Chinese market from smaller farms without climate control equipment to multi-story farms with advanced technology.

FoodTech has two production facilities in two countries and assembly plants in two countries. The number of full-time equivalents (FTEs) at year-end was 861 (833), the majority of whom are based in the US, Italy, Israel and China.

TYSON FOODS INCREASES EFFICIENCY AND REDUCES WASTE WITH MTECH SYSTEMS

Tyson Foods, Inc. is an American food multinational based in Springdale, Arkansas. As the world's second largest producer of chicken, beef and pork, Tyson has a responsibility to sustainably feed the world. People are increasingly interested in where their food comes from and Tyson is transparent in everything it does. Its goal is to combine the highest quality food with land stewardship, animal welfare and resource conservation.

To do so requires technology, real-time information and data controls. FoodTech MTech Systems is therefore helping Tyson to replace an internal platform for chicken production around the US.

MTech Systems' "Protein" software is an advanced production planning tool with a Sonar IoT platform that receives real-time data from farms around the US. This gives Tyson access to daily information, including

environmental, consumption and animal health indicators. MTech also uses modeling of artificial intelligence to help Tyson identify problems and improve production. The system guarantees that customers like Tyson can be global leaders in animal health while also being more profitable through the use of innovative technology, predictable models and artificial intelligence to optimize the entire food chain.

Among the benefits for Tyson of using MTech Systems are:

- Provides real-time production information
- Creates full traceability in the entire food chain
- Scheduled processing, feed deliveries and service visits
- Predicts problems and challenges and addresses them before they arise
- Minimizes waste in production
- Better utilizes manpower by understanding actual needs
- Continuously monitors the indoor climate in order to guarantee human and animal health as well as safety



STRATEGY – INNOVATION

For FoodTech to stay on the forefront of product development, we collaborate with end customers and resellers to optimize our product development process and customize solutions with regard to moisture content, temperatures, emissions and energy consumption.

A strong driver is digitization, and we are seeing great interest in real-time data collection and analysis from our customers. Digitized processes are, and will remain, an important factor to optimize production, improve energy efficiency, increase integration between various actors, and strengthen the food production value chain.

Munters is currently a world leader in the software used by food producers to plan, control and optimize their entire production chain from feed to finished product. There is great interest in and potential for these internet-based solutions, but competition is stiff and requires continued investments and improvements.

Munters Rotem Trio, a new climate controller for livestock farming, was launched in 2020. The system improves efficiency and control with new functionality, at the same time that it replaces many old products FoodTech had offered.

Also launched during the year was the modular fan series Saturn, which reduces complexity and inventory for distributors and customers while increasing functionality through a range of product models.

STRATEGY – PEOPLE

Our employees are the core of our business. Communication, leadership and empowering people are especially important at FoodTech, where we are spread around the world with long distances between our facilities. We want all our people to know and feel that they can take initiative and decisions, and make a difference. We realize the importance of communication at every level, both to share information within the business area but also to increase collaboration between

business units. We want to improve our leadership abilities – both through formal training and by creating a framework that makes it easier for all employees to grow as leaders.

Safety and well-being should always be a top priority – Munters will be a safe workplace.

STRATEGY – EXCELLENCE IN EVERYTHING WE DO

For FoodTech, “Excellence in everything we do” includes being a company that is easy to do business with, but also working efficiently internally. Activities in this area include the launch of a partner and pricing program, product streamlining and improvements to the supply chain.

Many initiatives related to Munters Production System (MPS) have been successfully implemented in recent years within FoodTech, and MPS, like other procurement activities, will remain an important part our continuous improvements.

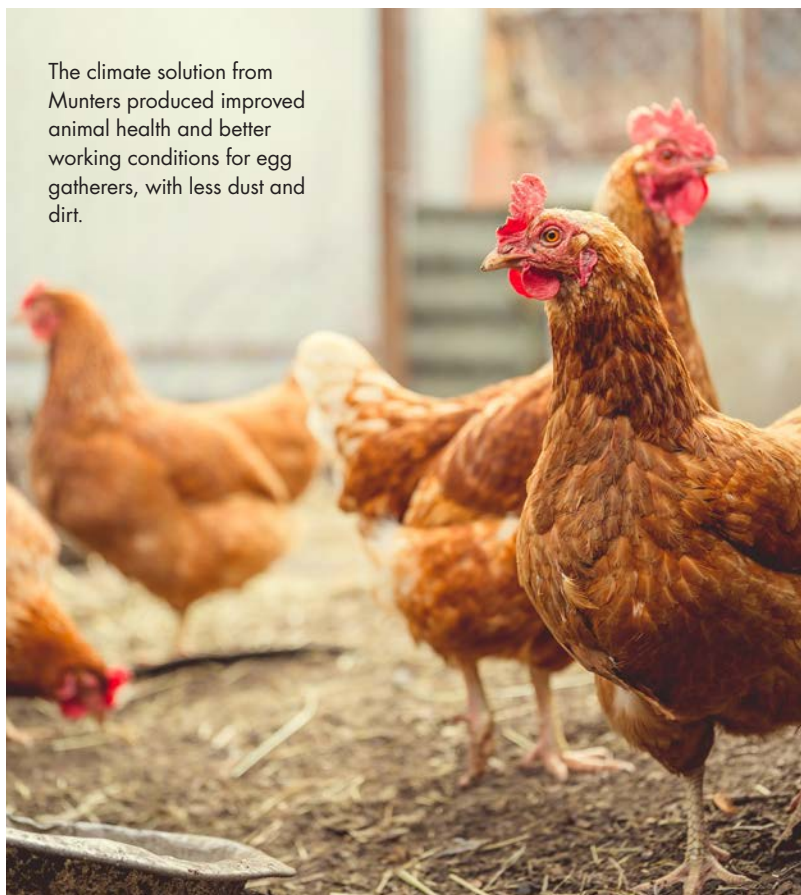
MUNTERS’ CLIMATE SOLUTION IMPROVES ANIMAL HEALTH IN EGG PRODUCTION

Munters has delivered an innovative climate solution to Granja Pinilla, a leading Spanish producer of organic eggs. As an element in improving the health of its hens and thereby the quality of the laid eggs, the company transferred part of its production to a free range solution. Here the hens can roam free outdoors for part of the day rather than spending all 24 hours a day indoors. The challenge was that it took up to five times more manual labor to gather eggs. A free range system can lead to a higher level of egg losses and risk of fighting between hens for nesting space as well as poorer indoor air quality.

Granja Pinilla turned to Munters for help with its indoor climate. Open doors and hens that go out and in makes for dusty air, which reduces indoor air quality. Munters’ optimized climate solution included air throttles and speed controlled fans that eliminated the pressure difference between in- and outdoors. It is important to avoid having air stream through door openings. During the warm months, tunnel ventilation is used, guaranteeing very low heat stress and no light disruptions for the hens.

Today the hens have reached maximum egg production and they lay eggs completely normally in the nesting area. The eggs are clean with no residual dirt. When the indoor climate is evenly distributed, fighting between the hens is avoided. The hens feel better year round, air quality is improved and dust in the air has been drastically reduced.

The climate solution from Munters produced improved animal health and better working conditions for egg gatherers, with less dust and dirt.



STRONG SUSTAINABILITY WORK IN 2020

IN 2020, Muters placed an increased focus on sustainability. A comprehensive analysis of GHG emissions from our production facilities was conducted during the year, at the same time that several initiatives were taken to strengthen many aspects of our sustainability agenda, all within the framework of the overarching strategy. The management of Muters remains firmly convinced that more ambitious targets must be set for sustainability work going forward. The ambition is to set clearer targets for several areas in 2021.

In 2020, progress was made in several of Muters' priority sustainability areas. An intensive effort was made to reassess every aspect of our sustainability work. This has led to clearer priorities and definitions of what we need to focus on going forward.

ORGANIZATION AND GOVERNANCE

The sustainability agenda is part of Muters' strategy. The President and CEO is ultimately responsible for integrating the sustainability agenda and the company's strategic priorities and that the company's various goals are met. Group Management is responsible for ensuring that the sustainability agenda is fully integrated in their strategy and for following up established targets and regularly communicating the results and outcomes to the Board of Directors and affected parts of the organization.

The Group's basic approach to sustainability issues is described in a number of policies and governing documents. The two most important documents are the Code of Conduct for employees and the special Code of Conduct for suppliers. In addition, the work is governed by several different documents, e.g., HR policy, environmental policy, occupational health & safety policy and the rules on business travel.

Sustainability risks are mapped and evaluated as part of the yearly risk assessment process. For more information on the most material sustainability risks and how we manage them, see pages 50–55.

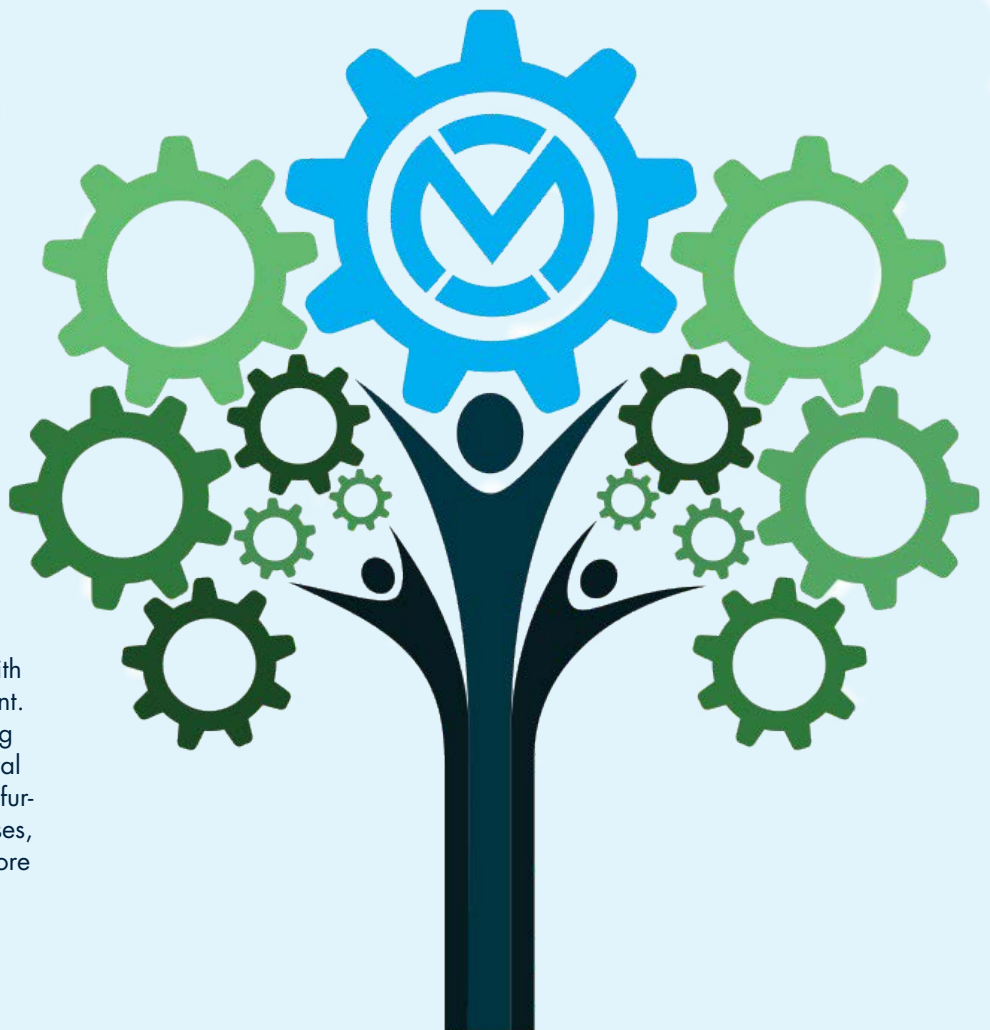
GLOBAL COMPACT AND AGENDA 2030

Muters has committed since 2018 to report in accordance with the ten principles of the UN Global Compact's 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 Muters' view on issues such as the environment, social responsibility, business ethics and human rights. Compliance with these policies is monitored each year and reported to the Board of Directors. In addition to the Global Compact, Muters has chosen to embrace the Carbon Disclosure Project (CDP) and reported to it in 2019 and 2020. In 2020, Muters reached a CDP rating of C, which was an improvement from the year before. Our ambition is to improve step-by-step and clarify our external reporting of sustainability work in coming years.

An employee survey was conducted in 2020 similar to the ones done in 2017 and 2018. For more information, refer to page 26.

Based on the priority sustainability areas and opportunities to make a difference, Muters has chosen to focus on nine of the UN Sustainable Development Goals; see page 17. They are also linked to Muters' strategic goals.

A major restructuring program within Munters in 2019 also led to a reduced focus on sustainability issues. In autumn 2019, an analysis was launched of the area and which issues are the highest priority. In 2020, Munters therefore placed greater focus on the quality of its sustainability reporting. In addition, GHG emissions reporting was included during the year, in accordance with the GHG Protocol. At the same time, initiatives have been taken to strengthen the work with security, diversity and the environment. In the strategy work conducted during the year, sustainability was an integral aspect. For 2021, the ambition is to further strengthen our reporting processes, analyze the priority areas and set more ambitious targets.



STAKEHOLDER DIALOGUE

Business partners	Channels for dialogue	Important issues
Business partners Customers Resellers Suppliers	Continuous dialogue with customers and resellers. Munters also conducts regular customer surveys and meetings and conferences with suppliers to ensure a positive dialogue.	Delivery reliability, quality and continuous suggestions for improvements. Compliance on environmental, ethical and social issues such as labor laws and human rights.
Employees Current employees Potential employees	Employee surveys Conferences and employee meetings Employment interviews Participation in job fairs at various universities Partner in various projects that promote collaborations between businesses and the academic sector	Inclusion and diversity Health and safety Discrimination and harassment
Capital market Shareholders Potential shareholders Analysts Lenders	Individual meetings and continuous dialogue with shareholders and potential shareholders Participation in investor conferences Continuous dialogue with the stock analysts who cover Munters Individual meetings and continuous dialogue with Munters' lenders.	Munters' overarching strategy and financial and strategic targets. The company's sustainability agenda and focus areas Innovation with a focus on energy efficiency and strategic priorities such as digital solutions, modular platforms, etc.

MUNTERS' OVERARCHING STRATEGIC priorities are driven by various aspects of sustainability. For Munters, sustainability means that everything we do will be done sustainably for our stakeholders and our community. At the same time, our medium-term financial targets are important to achieve in order to create the flexibility for future investments.

As we work towards these targets, we take various decisions and actions to achieve our ambitions in the best way. Our ambitions contain priorities on resource efficiency, responsible business practices and people & society. These three areas today provide the framework for Munters' sustainability agenda. On the following pages we describe the three areas in detail, the opportunities and challenges we see, activities that were implemented during the year, and our plans going forward.



RESOURCE EFFICIENCY

Priority areas:

SUSTAINABLE PRODUCTS

We strive to offer energy- and resource-efficient solutions and thereby help our customers to reduce their environmental impact. Our solutions and products contribute to higher energy efficiency and lower emissions through an entire service life. By also offering a competitive range of services, we can optimize the quality and service life of the products..

SUSTAINABLE PRODUCTION

Through energy- and resource-efficient production facilities, along with constant analysis and efficiency improvements, we are working to minimize our environmental and climate impacts. The Group has 17 production facilities in ten countries. As part of an ongoing effort, we analyze our environmental impact through the entire value chain, with a strong focus on measuring and minimizing GHG emissions.

SUSTAINABLE TRANSPORTATION

We limit the environmental impact of the shipping methods we use by choosing low-emission alternatives and through active logistics planning. Munters has customers and suppliers in large parts of the world, and transporting materials and products – as well as our business travel – has a significant environmental impact.

RESPONSIBLE BUSINESS PRACTICES

Priority areas:

SUSTAINABLE AND PROFITABLE OPERATIONS

Our ambition is to create value for our stakeholders, including shareholders and employees, by maintaining sustainable and profitable operations.

BUSINESS ETHICS

Complying with laws and regulations is the foundation of an ethical and sustainable business. Acting ethically builds credibility and strong relationships that create opportunities for fruitful collaboration and profitable business. For example, we work with the Codes of Conduct for employees and suppliers.

COLLABORATIONS AND PARTNERSHIPS

We require our collaborating partners, such as suppliers and distributors, to observe the same ethical guidelines that we have pledged to ourselves.

PEOPLE & SOCIETY

Priority areas:

EQUAL AND INCLUSIVE WORK ENVIRONMENT

We offer a fair, safe and inclusive workplace. To ensure that we deliver on our values, all employees have to be engaged, enjoy their work and have the opportunity to develop professionally. We are convinced that diversity provides us with different perspectives and valuable insights that improve our company and our offering.

COMMUNITY ENGAGEMENT

We dialogue with our stakeholders and the local communities where we operate. Our collaborations with others in locations where we operate is important to attract both customers and potential employees. In addition, many of our projects create a sense of community and pride among our employees, which also creates value for Munters.

RESOURCE EFFICIENCY

Governance documents that serve as guidance for various aspects of Resource Efficiency:

1. Munters Production Systems: Describes Munters' overarching production process.
2. Munters Product Development Process (MPLS): Describes Munters' product development system.
3. Munters Loss Prevention Standard: Describes processes for workplace safety and crisis management.
4. Policy on the environment, health and safety: Munters' commitment to environmentally friendly and safe production.
5. Certifications: ISO 9001:2015, ISO 14001 and ISO 45001.
6. Code of Conduct for suppliers: Describes the requirements Munters imposes on its partners, e.g., suppliers and distributors, in the areas of environmental and social responsibility as well as business ethics.

Priorities and their challenges

SUSTAINABLE PRODUCTS AND OFFERINGS

2020

Our challenge is in prioritizing which projects to pursue to make our products even more energy-efficient but also more sustainable from the broader perspective. The choice of material, green design and lifecycle analysis are all becoming increasingly important to offering services that optimize service life and utilization. In addition, the products have to be taken care of after they are no longer in use. Offering complete product lifecycle service is an ambition of Munters' for the future.

In 2020, we worked on the training material for the "Munters Production Systems" process in collaboration with the business areas and Strategic Operations function. Due to the ongoing pandemic, the material was designed so that the training can be held in person or virtually.

SUSTAINABLE PRODUCTION

In this area, there are several major challenges. One we are strongly focused on is reporting our GHG emissions. Our analysis work is continuing with the ambition to measure and minimize all our GHG emissions. Among other challenges we see is that access to electricity from renewable sources, such as water and solar, is limited in some locations where we have production.

In 2020, a compliance audit was conducted using the Munters Loss Prevention Standard in 7 manufacturing plants and offices. In 2019, nine audits were conducted. Intense work was done to increase workplace safety. For more information, refer to page 45.

In 2020, GHG emissions from our manufacturing plants were measured according to Scope 1* emissions from fossil fuel combustion and Scope 2* from electricity consumption. Quarterly reporting of GHG emissions is now included as part of the plants' ongoing reporting. The overwhelming share of GHG emissions from production comes from electricity consumption, which is why the efforts to reduce GHG emissions are closely tied to increased use of electricity from renewable sources whenever available, as well as improved energy efficiency. In these areas, Munters has clearly stated goals and reported progress in 2020.

SUSTAINABLE TRANSPORTATION

Challenges we see include securing access to more environmentally friendly shipping alternatives and reducing business travel. Improved virtual meeting technology has enabled us to meet having to travel. In 2020, we were successful in maintaining our operations with drastically reduced business travel. Our ambition is to reduce future emissions from business travel to the 2019 level. For freight, we have continued to improve our internal processes and management to ensure that we minimize the amount of goods transported by air. In addition, we will use electric and hybrid vehicles as far as possible in the future.

In 2020, we completed the global mapping of GHG emissions for all vehicles used in our operations; this information is now included as a significant part of the company's registry of leased and owned vehicles. On the basis of this information, along with user information we have gathered, we can now estimate emissions from our vehicles and set concrete targets to reduce them by switching to greener vehicles.



Sustainable Development Goals (SDG)

The activities Munters carries out in the area of resource efficiency support the following areas in the UN Agenda 2030 for Sustainable Development.



"In 2020, we had the following certifications: 13 manufacturing plants have ISO:9001:2015 certification, 5 have ISO 14001 certification and 3 have ISO 45001 certification. Our ambition is to certify more plants in coming years. In 2021, we will continue our analysis work to see which certifications can be obtained for more plants."

2021

In 2021, training in Munters Production Systems (MPS) will be introduced for plant and lean managers. The focus is on the strategy behind MPS, the standards it is based on and how they will be implemented, and how the work is followed up together with a rollout plan for 2021. The training and testing of various processes and models, as well as the rollout, will be done in 2021 by the business areas and Strategic Operations function.

During the year, an updated Munters Loss Prevention Standard will be launched through a program of digital and local training. We will continue to provide employees with safety training.

In 2021, we will continue to improve the quality of the reporting and tie GHG emissions from our manufacturing plants to our overarching climate goals. With the mapping that was done in 2020 we have a good idea of how to prioritize improvements in order to have the biggest possible environmental impact.

In 2020, the need to regionalize our value chain became more apparent due to the Covid-19 pandemic. We will continue to ensure that we have several suppliers of critical components. Measures to increase the share of sustainable transports will continue. It is an important part of how we work with sustainability and our value chain to reduce our environmental impact.

A new framework for Munters' auto policy comprising all categories of vehicles and users was drafted and will be launched in early 2021. The primary goal is to reduce vehicle emissions by 30% by 2023. As infrastructure improves with an expanded network of charging stations, which is important especially for our service vehicles, we can raise that figure.

*The GHG Protocol, an abbreviation for Greenhouse Gas Protocol, is a standard for calculating and reporting greenhouse gas emissions. The emissions are reported in Scopes 1, 2 and 3. Scope 1 includes direct emissions, Scope 2 includes indirect emissions from purchased electricity, steam, heat or cooling, and Scope 3 other indirect emissions.

Services as a share of net sales

Munters' ambition is to raise services as a share of net sales to 30%.

14% (2019: 13)

Energy efficiency

Electricity consumption in our production facilities will continually decrease. (MWh/production value SEK 000).

0.96 (2019: 1.05)

Green electricity

The share of electricity from renewable sources in our production facilities will continually increase.

50% (2019: 40)

Recycling rate

Reused or recycled waste as a percentage of the total amount of waste will continually increase.

47% (2019: 53)

In general, we succeeded in significantly increasing the recycling rate in many of our production facilities in 2020. We also conducted several major cleanups of non-recyclable materials during the year, which led to a lower recycling rate.

Environmental fines

Fines received owing to non-compliance with environmental laws and regulations. The goal is not to receive any fines.

5 TSEK (2019: 50)

RESPONSIBLE BUSINESS PRACTICES

Governance documents that serve as guidance for various aspects of Responsible Business Practices:

1. Munters Code of Conduct: Defines Munters’ fundamental view on environmental, ethical and human rights issues.
2. Code of Conduct for suppliers: See description in the section Resource efficiency.
3. Anti-corruption policy: Munters’ commitment that employees and partners will comply with anti-corruption laws and regulations.
4. Data protection policy: Provides guidance on how personal data is handled correctly, in compliance with the law.
5. Compliance with competition rules: Explains the fundamentals of competition law to prevent violations.
6. Whistleblower policy: See description in the sidebar on page 43.
7. Compliance with sanction regulations: Defines the controls employees have to perform in conjunction with the movement of goods, services and technology across national borders to ensure we do not violate sanctions.
8. Insider policy: Provides guidance for employees on insider regulations, to reduce the risk of illegal trading.

Priorities and challenges

SUSTAINABLE AND PROFITABLE OPERATIONS

2020

We see major challenges going forward but also great opportunities by contributing to a more sustainable planet. In 2020, Group Management clarified the ambitions for Munters’ sustainability work. Munters’ vision and strategy reflect the job that has been done to ensure that Munters is becoming a more sustainable business and can offer customers solutions with a stronger sustainability focus than before.

In 2020, we continued to integrate sustainability aspects in the overarching strategy and strategic priorities

BUSINESS ETHICS

Munters has operations in many countries, and the views on what is moral and ethical differ in different cultures. A number of countries in which Munters operates rank relatively low on Transparency International’s annual Corruption Perception Index. In these countries, we therefore place higher requirements on an effective process to ensure compliance with laws and regulations and that human rights are not put at risk.

The whistleblower policy was updated in 2020, after which training was created and rolled out for HR employees.

The HR organization introduced training on “Human Trafficking Awareness & Reporting Obligations” for employees in HR, procurement and Strategic Operations.

COLLABORATIONS AND PARTNERSHIPS

If our partners do not act in accordance with the law and in an ethical manner, it could affect Munters negatively in several ways. We therefore set clear demands for our suppliers in the Code of Conduct for suppliers, which they must review and affirm that they will comply with. Routine dialogue with all partners on these issues yields several advantages and opportunities for in-depth, long-term relationships, while preventing risk in this area. Munters uses a large number of suppliers spread among many countries in which the cultures and attitudes towards issues concerning human rights and the environment differ greatly. This requires effective tools, a clear procedure and training by the organization to verify that suppliers meet our very strict requirements..

In 2019, we worked only on having major suppliers sign our Code of Conduct for suppliers. In 2020, we changed the definition and all major suppliers, of both direct and indirect materials, signed it. During the year, thereby achieving our goal to have 100 percent of major suppliers sign the code.



Sustainable Development Goals (SDG)

The activities Munters carries out in the area of ethical business practices support the following areas in the UN Agenda 2030 for Sustainable Development

2021

In 2021, we will continue to drive our sustainability work forward with a focus on setting clearer goals in priority areas and strengthening the management, analysis and reporting of sustainability indicators.

The HR organization will launch training on the whistleblower policy for all employees. During the year, the Munters Code of Conduct will be updated, after which training will be launched for all employees.

The HR organization will continue the roll-out of "Human Trafficking Awareness & Reporting Obligations" training for employees in Europe and Asia.

The goal is to continue to ensure that 100% of all major suppliers sign the Code of Conduct for suppliers.

"In 2020, Munters reached a Carbon Disclosure Project (CDP) rating of C. In the previous year, which was the first year that Munters reported to CDP, we had a rating of D-."

Code of Conduct for suppliers

The goal for 2020 was to have all our major suppliers of both direct and indirect materials sign the Code of Conduct.

100% (2019: 92)

In 2019, we reported only how large a share of major suppliers of direct materials had signed the Munters Code of Conduct for suppliers.

Number of whistleblower complaints

Number of whistleblower complaints through the external reporting channel.

12 (2019: 7)

Whistleblower policy

Munters' whistleblower policy applies to all employees, business partners, subsidiaries and joint ventures. The policy clearly states that if any serious violation committed by the company or any employee, consultant, contractor or supplier is reported, Munters will immediately address it and thoroughly investigate and take action. In addition, an analysis is always conducted to determine how similar improprieties can be prevented in the future. We also offer a web-based reporting channel for anonymous complaints. This reporting tool is provided by an external partner, WhistleB, to ensure anonymity.

PEOPLE & SOCIETY

Governance documents that serve as guidance for various aspects of People & Society:

1. Environmental policy
2. Policy on the environment, health and safety: Munters’ commitment to environmentally friendly and safe production.
3. Policy on diversity and inclusion: Munters’ commitment to an equitable, inclusive and collaborative workplace marked by diversity.
4. Anti-discrimination and harassment policy: Munters’ commitment to protect its employees against discrimination, harassment and bullying in the workplace.
5. Flex work policy: Encouragement to managers at Munters, where possible, to offer employees flexible working hours.
6. Whistleblower policy: Defines Munters’ view on mismanagement and improprieties and the procedure employees can use to make Group Management and the Board of Directors aware of such situations.

Priorities and challenges

EQUITABLE AND INCLUSIVE WORK ENVIRONMENT

2020

2021

Diversity and safety are never-ending jobs, and the challenge lies in staying focused on the issue by routinely conducting various kinds of activities to ensure that the subject remains top of mind.

Safety work at our production facilities has been a more important focus in recent years. All accidents have been routinely reported to Group Management since the end of 2018 with a clear analysis of the accident itself, what caused it and what needs to change to ensure that a similar accident does not occur. A few years ago, Munters set a goal that 30 percent of both employees and managers will be women by 2025. All aspects of diversity are equally important, but since we saw that the percentage of women in the company was low (only 16 percent when measurements began in 2016), management chose to focus on gender equality first.

Munters joined with DuPont during the year to improve safety work throughout the company. For more information, refer to the section on quality and safety on page 45.

In 2020, key employees in HR received training on gender bias to strengthen their knowledge and awareness of the importance of gender equality and how we can improve it in the workplace.

We joined various professional networks such as Women in HVACR and the Society of Women Engineers in the US to proactively contact female candidates for various positions.

The key employees in HR who received gender bias training in 2020 will hold the same training for all managers within Munters in 2021.

COMMUNITY ENGAGEMENT

We dialogue with our stakeholders and the local communities where we operate. Examples of activities routinely conducted at our facilities include participation in job fairs arranged by schools, collaboration with schools where we offer mentoring and project work, open houses for employees’ families and various forms of support for sports clubs and relief organizations. Activities in this area currently are not managed centrally; it is up to each production facility or office to decide what is right in their situation. It can be a challenge to find projects that are not simply charities but also contribute positively to Munters from a business perspective.

Munters participated in a number of local community activities in 2020. This included mask donations during the pandemic; refer to page 19.

For more information on how we dialogue with various stakeholders, refer to pages 48-49.

In 2021, Munters will celebrate Earth Day through various local activities. In the US, Munters will be accepting blood donations at its various facilities (provided that conditions allow).



Sustainable Development Goals (SDG)

The activities Munters carries out in the area of people & society support the following areas in the UN Agenda 2030 for Sustainable Development.



Percentage of women

Our aim is to increase the percentage of women in our workforce. The target is 30 percent by 2025.

21% (2019: 21)

Percentage of women in management

Our aim is to increase the percentage of women in management. The target is 30 percent by 2025.

22% (2019: 21*)

*In 2020, a comprehensive analysis of the reporting of various sustainability key ratios was carried out. This has led to the ratio for the proportion of female executives being revised down from the previously reported 25 percent to 21 percent in 2019.

Total Recordable Incident Rate* (TRIR)

Munters strives to continually reduce the number of accidents in production, which we measure by Total Recordable Incident Rate (TRIR). 1.2 (2019: 2.7)

1.2 (2019: 2.7)

*Number of accidents where the employee sought medical treatment multiplied by 200,000 and divided by the number of hours worked.

SECURITY AND QUALITY AROUND THE WORLD

Early in 2020, Munters conducted a safety study developed by DuPont Sustainable Solutions (DSS) with the aim of better understanding the safety culture. On-site inspections were conducted in Buena Vista and Virginia, in the US; Tobo and Kista, Sweden; and Beijing, China.

The results were clear. Munters needed to strengthen its leadership and improve workplace safety. It was then decided to collaborate with DSS to develop a strategy for real, lasting change.

This resulted in the rollout of the Safety Observation Program (STOP), which is designed to change habits and improve safety. Despite the ongoing pandemic in 2020, we succeeded in holding training in several locations, and the

results are already evident in the form of the number of accidents as measured by the Total Recordable Incident Rate (TRIR), which was 1.4 in 2020, compared with 2.7 in 2019.

"The roll-out of our STOP program will continue in 2021. Ensuring everyone's safety in the workplace is a big job, but we are strongly focused and committed. I expect the STOP program to enable for us to be even more safety conscious and focused in 2021," says David Cromwell, Vice President Global Quality and Safety.



MUNTERS' COMMITMENT TO DIVERSITY AND GENDER EQUALITY

Munters is committed to improving gender equality. We want to ensure that qualified women are represented in all our recruiting processes and that women can have a career at Munters. We do so by:

- Proactively seeking qualified women through various professional networks
- Ensuring that our recruiting ads and job descriptions are gender neutral
- Trying to have at least two qualified women in every recruitment for both internally and externally advertised positions
- Recruiting women from universities and local colleges to ensure that we have talent within the company
- Seeking new channels and ways to offer flexible working hours throughout the organization
- Training all managers globally in Gender Balance recruiting
- Ensuring that our recruiting processes are free from unconscious biases that candidates may otherwise be exposed to Ensuring that every employee, man and woman, has an individual development plan
- Identifying "high potential" women in our "People Strategy Sessions"
- Trying to set goals for managers to help raise the percentage of women in the company

STAKEHOLDER DIALOGUE

MUTERS HAS OPERATIONS AROUND THE WORLD and collaborates with a number of different stakeholders, including employees, owners, distributors, partners and people who work in environments where Muters' climate control solutions are installed. To create long-term shareholder value, we have to ensure value creation for all stakeholders. This is why we maintain a close dialogue and collaboration with many of them. This gives us a better understanding of how and what we can improve in our work.

KRISTIN KUHANGEL
Head Of Human Resources / Reventa

What is the best thing about working for Muters?
 For me, it is working with a fantastic local team and at the same time closely with international colleagues from around the world. It is very stimulating and inspiring to share insights, experiences and opinions.

Have you embraced Muters' core values?
 I feel that all our core values are woven together: When you are passionate about the things you do, you will not only create sustainable value but also find better ways to handle different situations, processes and projects. My performance is even better when I work with a functional, supportive and constructive team. The various perspectives and ideas help me to think outside the box, which can be enlightening. Personally, I enjoy living by these values every day, and I try to share them with others while still having fun at work.



CARL RAGNERSTAM
Stock analyst, Nordea

What stands out about Muters among the companies you cover?
 Muters stands out in several areas. This includes a well-positioned business model with exposure to structurally growing markets such as animal health and electrification. Also, I feel that Muters has proven it is prepared to take action with the implementation of the Full Potential Program in 2019 and the focus on strategic priorities in 2020.

What are your expectations in terms of Muters' sustainability work?
 We at Nordea expect continuous improvements in sustainability reporting and increased transparency in Muters' sustainability work. Among the indicators we see as important to evaluate this work are GHG emissions in accordance with Greenhouse Gas Protocol and their Scope 1, 2 and 3. In addition also waste, water consumption and employee sick leave.



JONATHAN SCHÖNBÄCK

Portfolio manager, ODIN fonder

What distinguishes Munters among the companies you have invested in?

With its products and strategy, Munters has the opportunity to improve our environment and thereby benefit everyone. Munters has the potential to attract the right talent thanks to a clear purpose to improve the planet by helping customers succeed. One of the things we look at most in our analysis is culture. By building strong teams, Munters creates a corporate culture that can push the company to success.

What are your expectations in terms of Munters' sustainability work?

Basically, we believe that a strong corporate culture makes the right decisions at every level and thereby minimizes wasted resources and maximizes the potential in its products. Thanks to the well-defined niche Munters operates in and the course it has charted going forward, our expectations are obviously high that you will continue to make us at ODIN Fonder proud owners. Munters has every opportunity to create a better future for coming generations, and it is important that this potential is fully maximized.

DHL GLOBAL FORWARDING

Partner

What separates Munters as a customer?

DHL Global Forwarding is happy to work with Munters because of the positive, open and honest dialogue and communication we have with every level of the company. We see this as the core of a strategic partnership that we hope will continue for many years.

Do you consider Munters a sustainable company?

From DHL Global Forwarding's perspective, Munters is a leader in sustainability. Today the company uses our carbon neutral shipping option for ocean freight. This is one of the initiatives to reach our goal of eliminating carbon emissions by 2050.



EXCELLENCE. SIMPLY DELIVERED.

JESPER HEDBERG

Project engineer at the technology department, Cloetta

What distinguishes Munters as a supplier?

Munters dehumidifiers are very important to ensure a good air quality and the right conditions for optimal manufacturing processes at Cloetta. We have chosen Munters as the preferred key supplier of dehumidification products as we have a very good and close dialogue with the company and are satisfied with the result. Munters works continuously to find the best solutions for us.

What do you expect from Munters regarding sustainability?

We expect good energy-efficiency. In addition, it is very important to us that Munters products allow us to choose the type of energy that is most optimal for us. We are now in a phase where we want to switch to a greater use of district heating. Together with Munters, we have succeeded in rearranging and modifying Munters products so that they work well with this energy source. In addition, we have installed energy meters to over time measure what result the conversion gives us. Munters has shown that they are offensive and can adopt to the customer to facilitate and enable climate-smart energy choices.



RISK MANAGEMENT

RISKS ARE A NATURAL ELEMENT of all businesses. Every day we make decisions where effective risk management and assessment are critical for Munters to achieve its business goals. Risk assessment creates a base to ensure that we manage and capitalize on the opportunities 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. Our global presence also creates challenges due, for example, 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. Certain 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 in their respective areas of responsibility. The 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 give 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. The framework provides methods to identify and evaluate risks. In addition, the ERM process ensures that

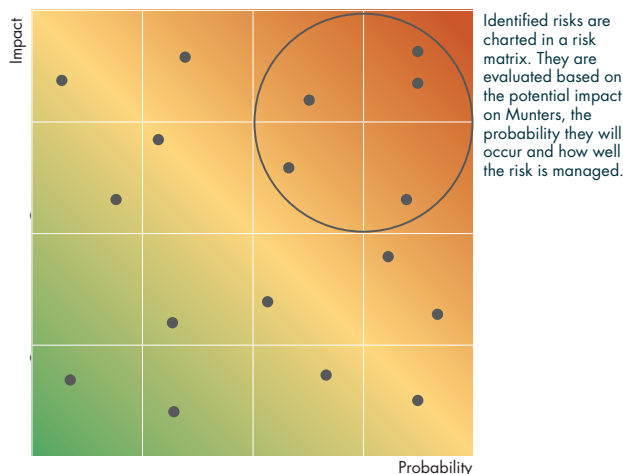
Group Management has reached a consensus on Munters' risk tolerance in relation to the company's goals.

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 CFO, is responsible each year for overseeing a Group-wide risk evaluation as part of the strategy process. In 2020, this process was carried out in autumn. The risk evaluations are compiled by the business areas and Group functions, which identify and evaluate risks based on their probability and potential impact on the business. 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.

RISK MITIGATION AND RISK CULTURE

The Munters ERM shifts focus based on how the strategic priorities change. A new strategy was adopted in early 2020, based on which new risk areas were given higher priority. In addition, Munters has an ambition to develop a more



focused ERM strategy, where risk analysis is a more integral part of strategy development.

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 GVP and CFO are 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.

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 centrally and independently, 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 pages 46–47. Responsibility for each such risk is delegated to a member of Group Management. The ERM function identifies potential risks in Munters' risk register in connection with a workshop with the various business areas and Group functions. These risks are then discussed and consolidated by Group Management, after which key risks are allocated to a member of 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 map (see the example on page 42). The map 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 map and follow-up on management of the risks.

RISK MANAGEMENT

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 both 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 can 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 security, 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 liabilities.

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

MUNTERS LOSS PREVENTION STANDARD

We also work preventively to minimize the risks related to fire, the work environment, and health and safety. The Munters Loss Prevention Standard (LPS) is built on the Group's guidelines and rules, but also local laws and other regulations as well as insurance requirements. LPS is used in risk evaluations by our production and assembly facilities. The objective is that all production plants are evaluated over a three-year cycle; in 2020, seven facilities were evaluated (2019: 9). LPS is also used for evaluations in conjunction with business acquisitions, investments and construction. In 2021, a comprehensive overview of LPS and its underlying directive will be done with the goal to launch an updated version during the year.

MUNTERS DURING THE COVID-19 PANDEMIC

When Covid-19 broke out, Munters acted quickly to target specific measures, both globally and at a local level, and to stay updated on every country's guidelines and politics as they changed. The keys during the pandemic have been to keep our employees safe, meet our commitments to customers, and maintain close, continuous communication with suppliers.

Our employees make the difference

- During the pandemic, our employees' commitment and competence have made it possible for us to keep production running and continue to supply products to our customers. We have local teams who ensure that all health and government guidelines and mandates are followed. In the first quarter, our operations were affected in Asia and later during the year in Europe and the US. All of our production units, with the exception of two small units, have maintained production without major disruptions, however. In addition:
 - We have provided all production, service, sales and other offices with a clear global response and contingency plan to facilitate a safe and healthy work environment

- Limits on visits have been introduced in all our factories and offices
- Large meetings and gatherings have been discontinued
- Employees have been encouraged to work from home and use virtual meetings and other technology to communicate
- We have introduced a travel policy with a focus on employee safety

We have maintained our commitment to customers

Market conditions were challenging in 2020 with delays in both deliveries to customers and investments by customers. The safety and health of our employees and customers is a top priority. We were especially focused on this in 2020, at the same time that we have monitored our processes and protocols to maintain uninterrupted customer service and support and have been attentive to our customers' needs.

Communication with suppliers and logistics chains

To safeguard our value chain in the last year, we have not only maintained close communication with our suppliers and supply chains but also:

- Actively managed access to critical components for each production unit globally
- Previously demanded that all suppliers follow professional industry standards, local laws and ordinances, and Munters' code of conduct for suppliers. We have monitored the Covid-19 situation daily. We have maintained close contact with all transporters in our supply chain and carefully monitored shipments using tracking services.

Our responsibility to society

As a global company, we are aware of our responsibility to the communities where we operate and of our role in limiting the spread of the coronavirus. In the last year, it has been very important to stay informed and updated on facts and follow all health and government guidelines. Our response and contingency plan was adjusted during the year as needed.

Today, we continue to focus on employee safety and fulfilling deliveries to our customers.

SAFETY FIRST DURING THE PANDEMIC

Munters' production facility in Virginia has 280 employees and manufactures products for the data center segment within AirTech. In recent years, growth has been strong thanks to major investments in data infrastructure in the US. Among Munters' customers are several of the world's largest computer companies.

To protect employees during the pandemic, the plant was forced to close twice during the year because of COVID-19, but in spite of this they managed to deliver good results. The facility has checked employees' temperature at the entrance and asked

them about their health. Inside the facility masks have been worn. At the slightest risk of illness, the employee is sent home with full pay until they have tested negative in order to protect their colleagues and family. This focus on safety has helped to reassure employees.

The response from the community and local authorities has been very positive that Munters has done much more than other companies. The management team has been proactive in protecting employees and built their support to fight the pandemic.



RISK MANAGEMENT

THROUGHOUT 2020, THE COMPANY was focused on crisis management due to the Covid-19 pandemic. We also continued to work on the priority risks identified in 2019. At the same time, a new strategy and strategic priorities were launched. The risk assessment conducted in late 2020 found a total of 13 risks that could significantly impact Munters. Several of these risks were not identified in 2019. A brief description of these risks and how they are controlled and managed is provided below.

Risk	Risk description	Management
STRATEGIC RISKS		
Market information	Risk that Munters will not gather sufficient information by monitoring developments in the market and with respect to competitors.	Today, the local units have a thorough understanding of the market. In 2020, work was begun to strengthen data collection and analysis and form a unified picture of the market.
Interconnected processes	Risk that Munters will not have internal processes that are linked from "order-to-cash" through the entire value chain.	A project was launched in 2020 to improve efficiency by sharing best practices and following lean principles. To achieve efficiency and quality in everything we do, we have to ensure that our processes – "from order-to-cash" – are linked through the entire value chain. Through this project we ensure scalability and that future investments will produce profitable, cash-generating growth.
Competition	Political instability and increased customs duties in important markets could affect the possibility of marketing and selling our products and services.	This risk is discussed every month at follow-up meetings. The business areas discuss their view of the market and competitive situation ahead of every meeting. By continually reiterating this risk, we increase awareness and the ability to be proactive.
M&A integration	The risk of not achieving goals for completed investments and acquisitions, e.g., with respect to synergies.	A person directly responsible for M&A was appointed in 2020, in connection with which a project was launched to review and update the company's integration processes.
Progress in sustainability	Risks associated with the progress Munters makes in areas related to sustainability.	We work constantly to ensure that we deliver on our sustainability promise. The focus on this increased in 2020 and will further intensify in 2021. For more information, refer to pages xx–xx.

Risk	Risk description	Management
OPERATIONAL RISKS		
Business interruption	Risks associated with the fact that key product components are only manufactured in one or a few manufacturing plants, because of which a disruption could affect a large part of operations and, e.g., cause long lead times. 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. Part of this has been monitoring the risk of a business interruption and how Munters can modify the production of key components. This work will continue in future years.
Management of the value chain and ensuring production capacity	Risks associated with Munters being dependent 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 2020, Munters was busy managing the value chain during the pandemic while at the same time focusing even more on regionalizing it. One consequence of the regionalization is that the dependence on a few suppliers is being reduced.
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, thereby negatively impacting earnings and customer relationships.	The focus on quality and processes to strengthen quality awareness increased in 2020. Several initiatives have been taken to increase customer satisfaction, reduce warranty claims and strengthen the production process.
Work-life balance	Risk that Munters cannot ensure a work-life balance, which could result in high workloads, stress and lower productivity.	2020 was an exceptional year as many employees worked under different conditions than before. A number of employees have had high workloads as a result. In 2021, every management team member has responsibility for actively monitoring how managers balance their employees' workloads.
IT risks	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.	Under 2020 stärkte Munters sin förmåga att identifiera och motverka cyberhot genom att informera och utbilda personal i kombination med investeringar i befintliga och nya säkerhetssystem. Årliga penetrationstester genomfördes planenligt för att säkerställa att kraven på säkerhet för IT-infrastrukturen uppfyllts samt att förebyggande uppdateringar och förbättringar utfördes. En större analys av Munters cybersäkerhet med hjälp av en extern rådgivare genomfördes. Denna typ av aktivitet genomförs tillsammans med andra analyser av existerande IT-relaterade processer.
REGULATORY RISKS		
Contractual routines	Risk that contracts with customers and suppliers are not negotiated and approved in accordance with applicable internal routines and that this results in contractual risks, such as overcommitments.	Munters has a structured internal contract vetting process that applies to both business areas. In addition, Munters has an internal risk committee that includes members of Group Management, who review major contracts. A checklist for contracts that are not based on standard terms and conditions is strictly applied throughout the organization.
Compliance with laws, regulations and guidelines	Risk that the Group's employees and distributors do not comply with laws, regulations and external and internal guidelines. This can have legal and financial consequences and damage the Group's reputation.	Munters har tydliga policyer och riktlinjer på plats. Det är varje chefs ansvar att säkerställa att alla anställda har information om vilka dessa är. Dessutom genomförs årligen olika utbildningar för alla anställda inom olika områden för att säkerställa en hög kunskap och medvetenhet.
Sanctions	Risk that Munters signs agreements with customers who violate applicable sanction regulations in the US, the EU and the UN, and that this results in legal and financial consequences as well as damage to the Group's reputation.	Munters has a sanctions policy and guidance for these issues. The company's compliance officer is responsible for managing these issues on an ongoing basis. The company routinely collaborates with outside advisers to monitor developments in the area.

CHAIRMAN OF THE BOARD MAGNUS LINDQUIST

DIGITIZATION AND SUSTAINABILITY ARE STRONG DRIVERS FOR MUNTERS



2020 WAS DOMINATED BY THE PANDEMIC, and Munters is perfectly aligned with our time's megatrends – sustainability and digitization – which accelerated during the year. Munters' products and solutions help our customers to be more efficient with energy and water resources and to achieve their environmental goals and a more sustainable planet.

A Group-wide strategy was launched during the year with activities in our priority areas: Customers, Market, Innovation, Excellence in everything we do and People. We on the Board of Directors have followed how Munters' progress in these priority areas, by launching new innovations such as our AI-based software solutions for the food industry. These solutions in a unique way offer several of the world's largest food producers full control over their entire production chain. This improves their profit as well as animal health, while at the same time reducing waste. Digitizing our customer solutions gives Munters great growth potential, and here the focus is on our innovative processes.

Sustainability is ingrained how we do business, with an emphasis on responsible business practices, increased diversity, health and safety, lower greenhouse gas emissions and positive contributions to the communities where we work. To underscore this, sustainability goals, in addition to financial goals, were added as targets to the long-term bonus program in 2020.

The organization has been streamlined to be even more customer-centric, where the business areas have clearer responsibility throughout the entire value chain. The management team has been strengthened as well, with important skills to lead Munters into the future. In spite of the pandemic, employees have acted decisively to address the challenges we have faced, and I would like to thank them on behalf of the Board for the great efforts made during the year.

It has been a special and eventful year, but notwithstanding the challenges Munters has increased profitability and is on the way to becoming a world-class company. Through our 65-year history we have offered technologically advanced solutions, deep applications know-how and an understanding of customers. I look forward to our continued journey.

Stockholm, March 2021

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 (Munters, or “the Company”) 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 Nordic Main Market Rulebook for Issuers of Shares, 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; a statement from the auditors can be found on page 71 in the Annual and Sustainability report.

CORPORATE GOVERNANCE MODEL

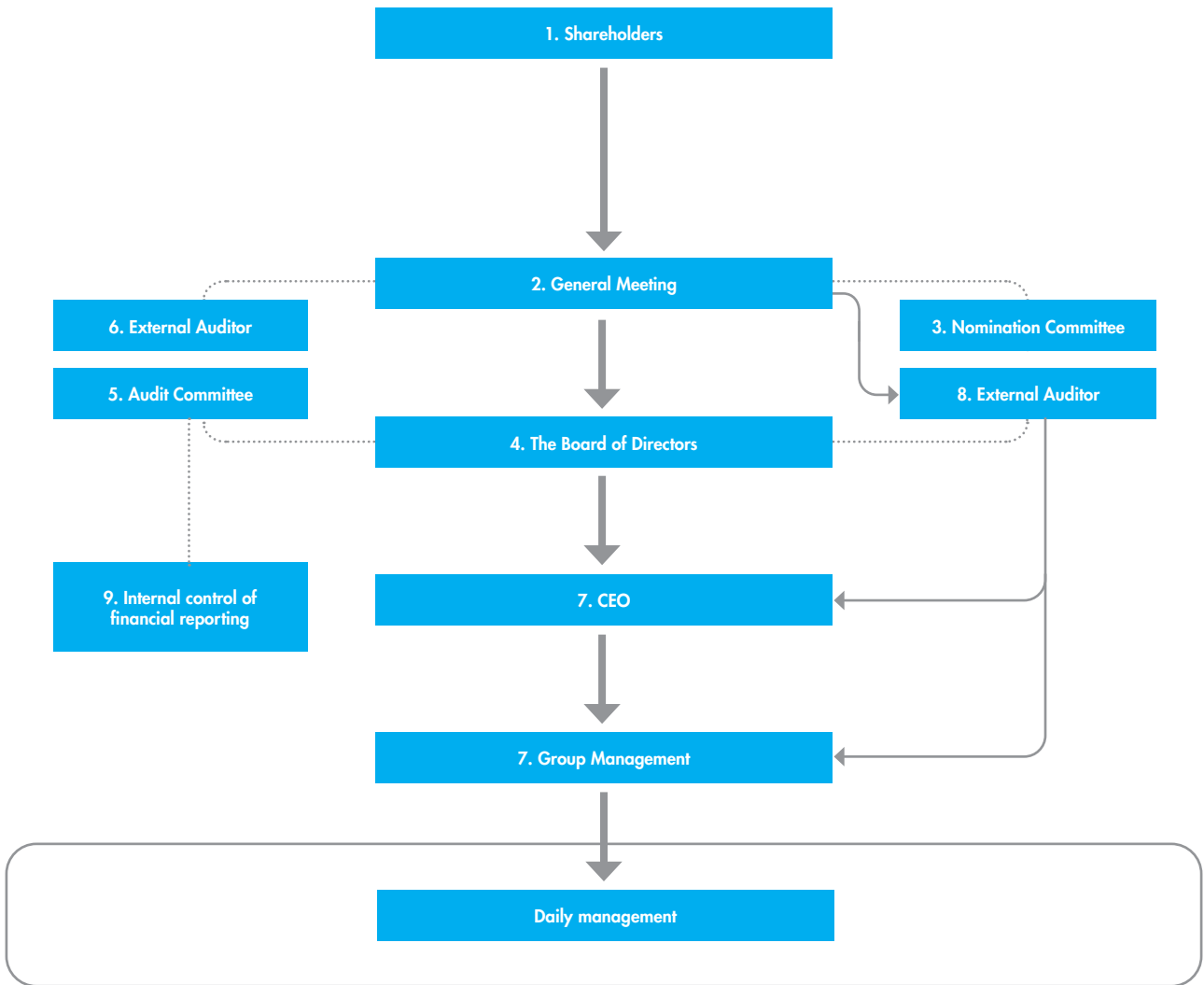
The shareholders exercise their voting rights at the general meetings of Munters Group AB, which is the parent company of the Munters Group, to decide on among other things the composition of Munters Group AB’s Board of Directors and the election of Auditors.

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.

Corporate governance structure



COMPLIANCE

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 and the Code, as well as 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 and Audit 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. In 2020, 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
- Code of Conduct
- Steering documents
- Finance policy
- Sustainability policy
- Communication policy
- Insider policy
- Internal control policy

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.

Munters has not deviated from any rules.

MUNTERS' ARTICLES OF ASSOCIATION

Munters' Articles of Association were adopted at an Extraordinary General Meeting on May 7, 2017 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.

1. Shareholders

Shares in Munters have been listed on Nasdaq Stockholm since May 19, 2017. At year-end, share capital amounted to SEK 5,533,734.51, distributed among 183,457,817 shares. All shares are of the same class and have equal rights in every respect. On December 31, 2020, Munters had 4,912 shareholders (compared with 5,988 on December 31, 2019). The largest shareholders were FAM (26.0 percent of the votes), Odin Fonder (8.5 percent of the votes), First Swedish National Pension Fund (8.4 of the votes) and Swedbank Robur fonder (8.3 percent of the votes).

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 program resolved at the 2020 AGM, the Board of Directors was authorized by the AGM to decide on the acquisition of at most 685,000 own shares for the period up to the next AGM. The Board of Directors decided to utilize the buy-back authorization on July 16, 2020, and shares were repurchased between July 20, 2020 and July 30, 2020. In total, 685,000 shares were repurchased at an average share price of SEK 63.25.

The total number of own shares Munters holds is 2,537,000, corresponding to approximately 1.4 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.

All shareholders who are directly recorded in the share register maintained by Euroclear Sweden six weekdays prior to the AGM and who have notified the company of their intention to participate in the AGM not later than the date indicated in the notice of the AGM are entitled to attend the AGM and vote for the number of shares they hold. 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. Temporary re-registration by the nominee not later than the four weekdays before the AGM will be accepted.

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.

2020 Annual General Meeting

The AGM on May 7, 2020 at Kista Science Tower in Stockholm was attended by 96 shareholders representing 73.5 percent of the share capital. The company's Chairman of the Board attended the meeting and other Board members were available by telephone. The company's auditor-in-charge reported by telephone on the audit work as well as the Auditor's Report and the Auditor's Report for the Group.

The issues resolved by the AGM included the following:

- That no dividend be distributed for the financial year 2019
- Re-election of Board members Magnus Lindquist, Helen Fasth Gillstedt, Per Hallius, Lena Olving, Kristian Sildeby and Juan Vargues and election of Håkan Buskhe and Anna Westerberg as new Board members
- Re-election of Magnus Lindquist as Chairman of the Board
- Fees to the Board of Directors
- Compensation guidelines for senior executives
- Long-term incentive program for Group Management and certain other key employees, including the issuance of employee stock options and hedging arrangements in respect of the program
- 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 18,359,780 shares that can be issued, that convertible bonds that can be converted to, and that can be subscribed for by exercising warrants.

2021 Annual General Meeting

The 2021 Annual General Meeting will be held on May 19, 2021. For further information, refer to page 128 of the Annual and Sustainability Report and the Munters website.

3. Nomination Committee

Nomination Committee activities

The Nomination Committee is charged with preparing and submitting proposals 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 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 who wish to submit proposals to the Nomination Committee may do so by e-mail: valberedningen@munters.se or by post: Munters Group AB, Nomination Committee, Box 1188, SE-164 26 Kista, Sweden.

Composition of the Nomination Committee

Under the Nomination Committee

instructions adopted by the 2017 AGM and in force until further notice, the Nomination Committee 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. According to this instruction, the Chairman of the Nomination Committee shall appoint the member representing the largest shareholder by votes. The Nomination Committee also includes the Chairman of the Board, who convenes the Nomination Committee's first meeting.

The composition of the Nomination Committee shall normally be announced no later than six months before that meeting. No remuneration shall be paid to the members of the Nomination Committee. Changes in the composition of the Nomination Committee shall be made public immediately.

Nomination Committee prior to the 2021 AGM

The composition of the Nomination Committee was published through a press release and on the Munters website on October 1, 2020. The Nomination Committee for the 2021 AGM consists of:

- Magnus Fernström (FAM AB)
- Jonathan Schönback (Odin Fonder)
- Mats Larsson (First Swedish National Pension Fund)
- Jan Dworsky (Swedbank Robur Fonder)
- Magnus Lindquist (Chairman of the Board of Munters).

The Nomination Committee appointed Magnus Fernström as Chairman of the Nomination Committee in accordance with the Nomination Committee's instruction. From the time it was constituted up until the submission of the Annual Report, the Nomination Committee has held five meetings.

Nomination committee prior to the 2021 AGM

Name	Appointed by	Holdings/votes at December 31, 2020
Magnus Fernström	FAM AB	26,0 %
Jonathan Schönback	Odin fonden	8,5 %
Mats Larsson	Första AP-fonden	8,4 %
Jan Dworsky	Swedbank Robur Fonder	8,3 %
Magnus Lindquist	Chairman, Munters	-

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. Finally, the Board of Directors 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 2020 AGM, six Board members were re-elected and two new members were elected. Under Swedish law, the trade unions have the right to representation on the Board; in 2020 they were represented by two members and two deputies. A presentation of the Board members can be found in the section "Board of Directors."

The CEO and CFO of Munters are present at Board meetings. Attorney Johan Lekholm 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 2020 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 2020

AGM resolved to elect Board members in accordance with the proposal of the Nomination Committee. The Nomination Committee's aim is to achieve greater diversity on the Board of Directors, primarily through the goal of improving gender equality. In the process to find new Board members, the Nomination Committee therefore sought to identify female candidates who meet the established qualifications. After weighing the desired competencies, one female and one male candidate were identified. Eight members were elected at the 2020 AGM: three women and five men.

Changes to the composition of the Board in 2020

Johan Ek and Andreas Näsvik stepped down as members of the Board of Directors at the 2020 AGM, in connection with which Håkan Buskhe and Anna Westerberg were elected as new Board members.

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

Composition of the Board of Directors

Name	Elected in	Fee, SEK ¹⁾	Committee fees	Independence	Attendance		
					Board meetings	Audit Committee	Compensation Committee
Magnus Lindquist, Chairman	2018	1 050 000	100 000 ²⁾	Yes	16/16	–	12/12
Helen Fasth Gillstedt	2017	400 000	150 000 ³⁾	Yes	16/16	5/5	–
Per Hallius	2013	400 000	–	Yes	16/16	–	–
Anna Westerberg ⁵⁾	2020	400 000	–	Yes	10/10	–	–
Lena Olving	2017	400 000	100 000 ³⁾	Yes	16/16	5/5	–
Kristian Sildeby ⁶⁾	2017	400 000	150 000 ^{2) 3)}	No ⁴⁾	16/16	2/3	12/12
Juan Vargues ⁷⁾	2019	400 000	50 000 ²⁾	Yes	16/16	–	5/5
Håkan Buskhe ⁵⁾	2020	400 000	–	No ⁴⁾	10/10	–	–
Pia Nordqvist ⁸⁾	2004	–	–	–	16/16	–	–
Simon Henriksson ⁸⁾	2017	–	–	–	16/16	–	–
Tor Jansson ⁹⁾	2019	–	–	–	12/16	–	–
Robert Wahlgren ⁹⁾	2009	–	–	–	15/16	–	–

¹⁾ Compensation for work from the 2020 AGM to the 2021 AGM.

²⁾ Compensation Committee fee.

³⁾ Audit Committee fee.

⁴⁾ Independent in relation to the company and Group Management, but not to the company's major shareholders.

⁵⁾ Anna Westerberg and Håkan Buskhe were elected to the Board of Directors at the AGM on May 7, 2020.

⁶⁾ Kristian Sildeby was elected to the Audit Committee at the AGM on May 7, 2020.

⁷⁾ Juan Vargues was elected to the Compensation Committee at the AGM on May 7, 2020.

⁸⁾ Employee representative.

⁹⁾ Employee representative, deputy.

shareholders. The independence of the Board members at the time of publication of this report 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 fees

The 2020 AGM resolved that fees of SEK 1,050,000 would be paid to the Chairman and SEK 400,000 each to the other members elected at the meeting. It was further resolved that fees of SEK 150,000 would be paid to the chair of the Audit Committee, with SEK 100,000 to each of the other members of the committee; and SEK 100,000 to the chair of the Compensation Committee, with SEK 50,000 to each of the other members of the 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.

An evaluation of the Board's work was conducted in 2020 by having an external consultant interview all Board members. The results of the interviews and the Board evaluation have been reported to the Board and the Nomination Committee.

Board Committees

The Board of Directors has two committees: The Audit Committee and the Compensation 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.

2020 Board meetings

In 2020, the Board of Directors held 16 meetings.

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

<p>January</p> <ul style="list-style-type: none"> Approval of proposed strategic plan for the Group. 	<p>March</p> <ul style="list-style-type: none"> Review of Munters' work to reduce risks in connection with Covid-19. Approval to launch the TTOE project. 	<p>May</p> <ul style="list-style-type: none"> Approval of revised policies proposed by management. Re-election of Compensation and Audit Committee members and election of new members. Decision to adopt the rules of procedure for the Board of Directors and the rules of procedure for the Compensation and Audit Committees. 	<p>July</p> <ul style="list-style-type: none"> Approval and release of the Q2 report. Decision to repurchase shares by virtue of the authorization from the 2020 AGM to safeguard commitments under the incentive program. 	<p>September</p> <ul style="list-style-type: none"> Review of ongoing strategy work. 	<p>November</p> <ul style="list-style-type: none"> Approval of proposed strategy plan.
<p>February</p> <ul style="list-style-type: none"> Decision on dividend proposal for the financial year 2019. Approval and release of the year-end report (Q4). 	<p>April</p> <ul style="list-style-type: none"> Approval of the annual report for 2019. Approval and release of the Q1 report. 	<p>June</p> <ul style="list-style-type: none"> Review of ongoing strategy work. 	<p>August</p>	<p>October</p> <ul style="list-style-type: none"> Approval and release of the Q3 report. 	<p>December</p> <ul style="list-style-type: none"> Review of cybersecurity and risks.

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 2020, the Audit Committee consisted of Helen Fasth Gillstedt (Chair), Lena Olving, Andreas Näsvik (through May 7, 2020) and Kristian Sildeby (as of May 7, 2020). 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 five meetings in 2020. 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 2020, the Compensation Committee consisted of Magnus Lindquist (Chair), Kristian Sildeby, Andreas Näsvik (through May 7, 2020) and Juan Vargues (as of May 7, 2020). The Compensation Committee held eight meetings in 2020. Board member attendance is shown in the table, "Composition of the Board of Directors."

7. Group Management and CEO

In addition to the President and CEO, Group Management consisted in 2020 of two business area Presidents and the CFO, and four Group Vice Presidents responsible for the central functions Strategic Operations, Innovation, Commercial Excellence and HR & Communications & 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.

Changes to Group Management in 2020

Pia Brantgärde Linder took over as President of Business Area FoodTech on August 16, 2020. Johan Ekeström, Interim President of Business Area FoodTech, returned to his role as VP Finance for FoodTech. Stéphane Darcq was appointed to the new role of Group Vice President and Head of Innovation as of December 1, 2020. On October 28, 2020, Stefan Aspman was appointed to the new role as Head of Commercial Excellence as of February, 2021.

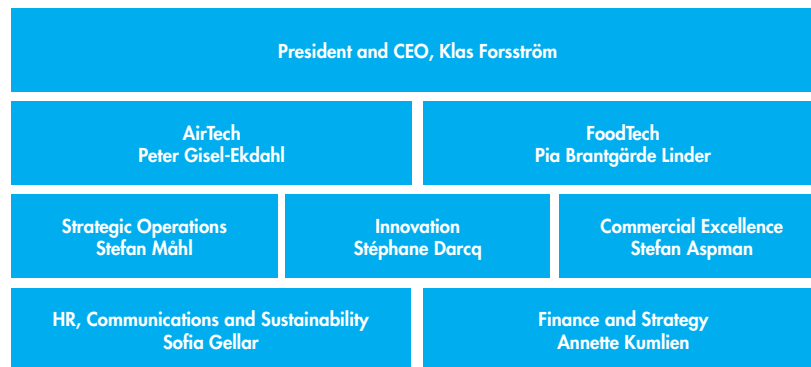
Remuneration guidelines for senior executives

Guidelines for remuneration to senior executives are evaluated and put forward for approval by the Board of Directors at the AGM at least every four years.

Compensation for the CEO is prepared by the Compensation Committee and resolved by the Board of Directors. Compensation for other senior executives is prepared by the CEO and resolved by the Compensation Committee.

A prerequisite for successful implementation of Munters' business strategy and the safeguarding of the company's long-term interests, including its sustainability, as well as delivery on the company's ambitions, is that the company is able to recruit and retain qualified employees. This requires that

Group Structure



Munters can offer a competitive total remuneration based on market terms, as the remuneration guidelines for senior executives allow.

Compensation can consist of:

- Fixed annual salary
- Variable annual salary
- Pension
- Other benefits

The Board of Directors annually evaluates whether or not to propose a long-term incentive program to the AGM. The 2020 AGM resolved to introduce a long-term incentive program in the form of an employee stock option program for Group Management and certain other key employees.

For additional information on compensation to senior executives, long-term incentive programs and pension benefits, refer to Notes 31 and 32.

8. External Auditor

Munters' external auditor is appointed by the AGM. The auditor reviews the six- or nine-month interim reports 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 report, and provides a separate opinion on whether the guidelines for remuneration to senior executives in effect since the previous Annual General Meeting have been complied with. 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' 2020 AGM re-elected Ernst & Young AB as auditor for a term of one year, through the 2021 AGM.

9. Internal control of financial reporting

Internal control involves providing clarity and 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.

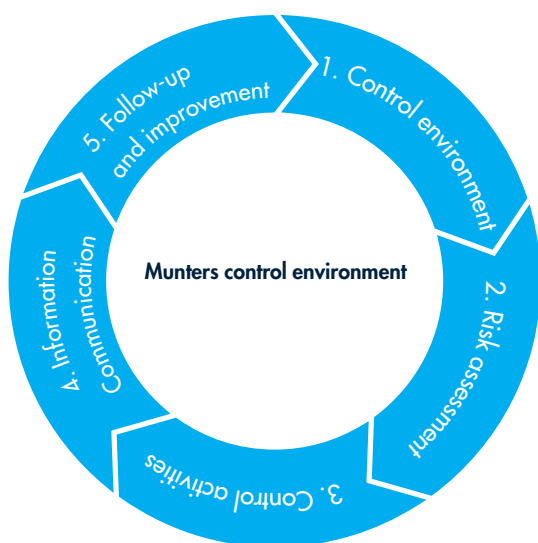
Munters has an internal control function with the objective to support

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 to create 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.

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 within



Muters 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 Muters from achieving its objectives.

The Enterprise Risk Management (ERM) framework is an integral part of Muters' 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 Muters' 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 has a common understanding of Muters' risk tolerance in relation to the company's goals.

Risk responsibility

The Enterprise Risk Management (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 GVP, 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 Muters' risk work, refer to pages 50–55 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 analysis. 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 GVP, 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 GVP, CFO, who in turn presents them to Group Management.

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

Information and communication

Muters 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 Muters 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.

The Board of Directors has final 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.

Every head of a division 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.

BOARD OF DIRECTORS



Magnus Lindquist

Born 1963
Chairman of the Board since December 2018. Chairman of the Compensation committee.

Education and professional experience: Bachelor in Economics and Business Administration, Stockholm School of Economics. More than 20 years of experience from senior positions in 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: Chairman of the Board of Cary Group AB. Partner of CORDET Capital Partners. Selected previous assignments: Chairman of Norma, Ambea, Alimak and Polygon, and a board member of Bravida, Mycronic, Ovako and Trust Payments Ltd. Holding in Munters Group AB: 400,000 shares. Independent in relation to the Company's major shareholders: Yes. Independent in relation to the Company and Group Management: Yes.

Kristian Sildeby

Born 1976
Board member since 2017. Member of the Audit committee and the Compensation 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 the Board 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's major shareholders: No. Independent in relation to the Company and Group Management: Yes.

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, Storytel AB, PowerCell AB, Samhall AB, and CEO of Blong AB. Selected previous assignments: Board member of Humana AB, AcadeMedia AB, Lindorff Group AS, Swedesurvey AB, Svefa Holding AB (publ), Intrum AB. Holding in Munters Group AB: 4,000 shares. Independent in relation to the Company's major shareholders: Yes. Independent in relation to the Company and Group Management: Yes.

Simon Henriksson

Born 1984
Deputy member since 2017.

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

Juan Vargues

Born 1959
Board member since 2019. Member of the Compensation committee.

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. Selected previous assignments: Executive Vice President ASSA ABLOY and President of ASSA ABLOY Entrance Systems, President and CEO of the Besam Group, various positions within the SKF Group. Holding in Munters Group AB: - Independent in relation to the Company's major shareholders: Yes. Independent in relation to the Company and Group Management: Yes.

**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, board representative and investor. Almost 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 to Nordic Capital Funds. Advisor to senior executives in large industrial multinationals. Selected previous assignments: Chairman of the Board of United Minds Samhällsanalys AB and Nefab Group ABB. Holding in Munters Group AB: 84,031 shares. Independent in relation to the Company's major shareholders: Yes. Independent in relation to the Company and Group Management: Yes.

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 AB, Samhall Highland 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 the Swedish Royal Opera. Board member of Assa Abloy AB, Investment AB Latour, Stena Metall AB, NXP 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's major shareholders: Yes. Independent in relation to the Company and Group Management: Yes.

Håkan Buskhe

Born 1963
Member of the Board since 2020.

Education and professional experience: M.Sc. Licentiate of Engineering, Chalmers University of Technology, Gothenburg. More than 30 years of experience in programme and operations management and business development from national and international commercial industrial companies, including Saab AB, E.ON Nordic AB och E.ON Sverige AB. 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 Stora AB, Carlsberg and Coca-Cola Distribution AB; Production Director of Carlsberg Sverige. Holding in Munters Group AB: -

Independent in relation to the Company's major shareholders: No. Independent in relation to the Company and Group Management: Yes.

Anna Westerberg

Born 1975
Board member since 2020.

Education and professional experience: MSc, Industrial Engineering and Management, Chalmers University of Technology, Gothenburg. Eleven years of experience in leading positions in the global industrial company Volvo. Solid knowledge of digitalization and innovation as well as sales and development of services and products in a global environment. Other current assignments/positions: Senior Vice President for Volvo Group Connected Solutions. Directorships in Volvo Group Connected Solutions, Volvo Group Venture Capital. Selected previous assignments: President for Volvo Group Venture Capital; Vice President Product Management Industrial for Volvo Pentia; Managing Director for Infocandy Group Ltd; Management Consultant at Applied Value LLC and Applied Value AB. Holding in Munters Group AB: -

Independent in relation to the Company's major shareholders: Yes. Independent in relation to the Company and Group Management: Yes.

Robert Wahlgren

Born 1969
Deputy member since 2010.

Employee representative appointed by Unionen. Position at Munters: Customized Project Engineering Coordinator, Munters Europe AB. Holding in Munters Group AB: -

Tor Jansson

Born 1989
Deputy member since 2019.

Employee representative appointed by IF Metall is not shown in the photo. Position at Munters: Componentpackaging, factory in Tobo, Sweden. Holding in Munters Group AB: -

Pia Nordqvist, not shown in the photo, has been a board member employee representative appointed by the Union from 2010 to 1 February 2021. No replacement has yet been appointed.

GROUP MANAGEMENT



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: SVP and COO at Diaverum and prior to that CFO. Previously CFO at several listed companies as Höganäs and Pergo, as well as business controlling roles at Perstorp and Sandvik.

Other current assignments: Member of the Board of Directors in Cavotec SA and Cary Group AB.

Holding in Munters Group AB: 8,000 shares.

Klas Forsström

Born 1967
President and CEO since 2019.

Principal education: M.Sc. in Materials Physics and an MBA from Uppsala University as well as advanced management studies at INSEAD.

Professional experience: Previously President of Sandvik Machining Solutions Business area. Prior to that, more than 20 years of different senior management positions at Sandvik, including positions such as President of Sandvik Hard Materials and Sandvik Coromant.

Holding in Munters Group AB: 67,900 shares.

Stefan Aspman

Group Vice President and Head of Commercial Excellence since February, 2021.

Principal education: Master of Science in Business and Economics with a Major in Business Administration and Management, at Dalarna University and Uppsala University and Beijing Jiatong University, China.

Professional experience: close to 20 years in Strategic Marketing and Offer Management, 10 years in several strategic key positions within Sandvik including Head of Business Control and Performance Management at Sandvik Coromant and Global Head of Commercial Pricing and Profitability Management for the Sandvik Machining Solutions business area. Also experience as business strategy consultant.

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: Previously Business Area Manager for HV Products North Europe at ABB. Prior to that more than 20 years at ABB in various senior management positions globally, including General Manager for HV Breakers, Head of Operations for a global product group, Technology Manager, Project Manager and Area Sales Manager.

Other current assignments: Member of the Board of Directors in Roptec Group.

Holding in Munters Group AB: -

Peter Gisel-Ekdahl

Group Vice President and President AirTech since 2019.

Principal education: M.Sc. in Chemical Engineering, KTH Royal Institute of Technology. M.Sc. in Business Administration, Copenhagen Business School.

Professional experience: President FoodTech under 2011 until end of October 2019 and Group Vice President, and before this held various positions in Wedholms and Hackmans. Previous assignments include deputy board member of Drivec AB. Deputy member of the Board of Directors in Drivec AB.

Other current assignments: Board member of ABECE AB and Chairman Wedholms AB (Wedcooling Group).

Holding in Munters Group AB: 191,576 shares.

Stefan Mähl

Group Vice President, Strategic Operations since August 2020.

Principal education: Degree of Bachelor of Science in Engineering, Automation Technology at KTH Royal Institute of Technology

Professional experience: Various senior positions within Munters, i. a. as Global Purchasing Manager and Interim responsible for Operations within the AirTreatment 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.

Sofia Gellar

Group Vice President HR, Communications and Sustainability since 2018.

Principal education: Bachelor of Science in Human Resources Development and Labor Relations, Stockholm University, Sweden. Professional experience: More than 20 years of experience within Human Resources and has held positions such as Head of Corporate HR and Head of HR Support at Scania, Head of Talent Management SSAB EMEA and VP Human Resources Ruukki Construction.

Holding in Munters Group AB: -

Stéphane 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. Master degree in business management from the Management School of Lyon.

Professional Experience: Extensive experience in HVAC, holding various global positions in product marketing, business development and product development. Has worked for companies like Carrier, Daikin, LG Air Conditioning or more recently Chief Technology Officer for FläktGroup.

Holding in Munters Group AB: -

AUDITOR'S REPORT

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 2020 on pages 38–47 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 19 March 2021
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 2020 on pages 58–67 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 19 March 2021
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

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 2020. "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 March 16, 2021. The Group and Parent Company statement of comprehensive income and financial position will be submitted for approval at the Annual General Meeting on May 19, 2021.

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 3,500 coworkers. Munters AB has since 2017 been listed on Nasdaq Stockholm and is organized into two business segments: AirTech and FoodTech.

The summary below for 2020 refers to the continued operation and, with respect to the income statement for 2019–2018, restated for discontinued operation. The profit/loss items order intake, net sales, EBIT and EBIT margin for the period 2017–2016 are also restated for discontinued operations and reflect the continuing operations.

Five-year summary, MSEK	2020	2019	2018	2017	2016
Order intake	7,249	7,302	6,698	6,316	5,840
Net sales	7,015	7,153	6,412	6,122	5,610
Earnings before interest and tax	707	556	529	491	537
EBIT margin, %	10,1	7,8	8,3	8,0	9,6
Profit/Loss after financial items	552	367	404	152	153
Income for the year	432	283	327	173	85
Net dept, MSEK ¹⁾	2,116	3,062	2,843	2,661	2,724
Equity/assets ratio, % ¹⁾	39	36	40	41	38
Total assets	9,574	10,093	9,268	9,198	8,991
Investments (excl. leased assets)	217	191	232	170	183
Average number of employees	3,282	3,406	3,653	3,559	2,953

¹⁾ Net dept and the equity/asset ratio for 2016 are calculated excluding shareholders loans.

Continued and discontinued operation

The income statement for 2020 and 2019 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 discontinued operation is defined as the business connected to the Data Centers operations in Dison, Belgium, where the production ceased during 2019, but minor installation services at customer sites has continued in 2020. All income statement items in this report refers to Munters continued operation, if not otherwise stated. See more information on the discontinued operation in note 9.

Order intake and net sales

Group

Order intake decreased -1% to MSEK 7,249 (7,302), but increased currency adjusted 2%.

Net sales decreased -2% to MSEK 7,015 (7,153), but increased currency adjusted 1%.

AirTech

Business area AirTech order intake decreased -3%, currency adjusted flat development. The currency adjusted order intake was flat mainly due to AirTech exiting the non-core Commercial segment in July 2020. Excluding this exit, the currency adjusted order intake increased slightly. Order intake in the Industrial segment in the US was strong. This was driven by the pharma sub-segment where Covid-19 relief efforts and the production of test equipment led to

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

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

FoodTech

Business area FoodTech order intake increased by +5%, currency

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

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

Gross profit

Gross profit amounted to MSEK 2,350 (2,331) and gross margin was 33.5% (32.6).

Indirect costs

Selling and administrative costs for Munters amounted to MSEK 1,356 (1,580) corresponding to 19% (22) of net sales.

Operating profit (EBIT) and adjusted EBITA Group

Operating profit was MEK 707 (556), corresponding to an operating margin of 10.1% (7.8%). Depreciation amounted to MSEK 221(213), amortizations and write-downs of MSEK 87 (134), where MSEK 39 (88) was related to amortization of intangible assets from acquisitions. Depreciation of leased assets was MSEK 113 (138), see specification of IFRS 16 impacts in note 13. EBIT was also impacted by MSEK -111 (-181) from IAC's.

Amounts in MSEK	AirTech	Food-Tech	Other	Total
EBIT, including discontinued operation	559	291	-149	701
EBIT, discontinued operation	-6	0	0	-6
EBIT, continuing operation	565	291	-149	707
Amortizations intangible assets, continuing operation	-30	-20	-37	-87
EBITA, continuing operation	594	311	-111	794
Items affecting comparability in continuing operation	-95	1	-18	-111
Adjusted EBITA, continuing operation	689	310	-94	906

AirTech

Adjusted EBITA in business area AirTech increased 4% to MSEK 689 (662), corresponding to an adjusted EBITA margin of 14.0% (12.8). The improved margin was a result of stable gross margin, increased efficiency and continued lower indirect costs.

FoodTech

Adjusted EBITA in business area FoodTech increased 12% to MSEK 310 (278) corresponding to an adjusted EBITA margin of 14.6% (13.7). The improvement was driven by increased net sales.

Net financial items

Financial income and expenses amounted to MSEK -156 (-189). The financial expenses were positively impacted by a lower USD interest rate compared to last year

Taxes

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

Items affecting comparability

During the second quarter 2020, Munters decided upon a further step in the implementation of the strategy, focused on sharpening the customer offering and footprint optimization measures.

At the end of June, 2020 Munters made a restructuring and inventory provision of MSEK -136, mainly within business area AirTech, related to severance costs, warranty claims and winding down activities for the exit of the non-core part of the commercial business in the US. The full amount was expensed to other operating expenses and recorded as an IAC. As a result of an analysis made of the business during the fourth quarter, a provision related to inventory was partly released of MSEK 12, total items affecting comparability for the year therefore amounted to MSEK -124.

Due to the current global pandemic, Munters has also incurred Covid-19 related IACs, comprising of a net of sanitation, hazard pay expenses and received government grants/government assistance for e.g. salary payments and social security contributions. These items amounted to MSEK 8.

In addition to this, Munters has had IACs related to a previous customer claim of MSEK -8, legal fees and fines of MSEK -5, a net gain of MSEK 6 for a sale of a previous office building and an income of MSEK 13 for refund of sales tax in Brazil. Total IACs for 2020 therefore amounts to MSEK -111 (-181).

Investments

Investments in owned tangible assets amounted to MSEK 114 (118). A large portion relates to machinery and equipment from the production units in Sweden, China, Italy, US and Germany. Depreciations totaled MSEK 221 (213).

Investments in intangible assets excluding goodwill other assets related to acquisitions totaled MSEK 103 (74). Investments mainly relates to capitalized development costs in Sweden, Israel and the US. Amortizations amounted to SEKm 87 (134).

Goodwill

Goodwill as of December 31, 2020 amounted to MSEK 3,952 (4,348). The decrease is a result of currency effects from a stronger SEK in relation to USD in comparison to last year.

Financial position and liquidity

In 2020 Munters established a new revolving credit facility (RCF) of MSEK 750, which was secured by a guarantee from The Swedish Export Credit Agency (EKN), maturing in 2023. The purpose of the MSEK 750 RCF is to serve as a back-up facility. It was established as a precautionary measure in the challenging business environment due to the Covid-19 outbreak.

Munters primary financing facilities consists of a term loan of MUSD 250 and a revolving credit facility (RCF) of MEUR 185. There is no mandatory amortization, and final maturity date is May 2022. The loan agreements have one financial covenant, consolidated net debt in relation to adjusted EBITDA, with some adjustments. The accounting standard for leases, IFRS 16, does not affect the covenant calculation according to the loan agreement definition and neither does the net pension liability. In order to secure the implementation of the strategy in the light of the current global pandemic, an amendment of the loan agreement was signed with the bank group in May. The financial covenant is temporarily eased until the first quarter 2021, the threshold for the leverage ratio is set to 5.5x.

Interest-bearing liabilities amounted to MSEK 2,786 (3,497). Cash and cash equivalents amounted to MSEK 970 (722) as of December 31, 2020.

At the end of the year the term loan was fully drawn with MUSD 250 and MEUR 56 (91) of the total revolving credit facility were utilized in EUR and SEK. Available unutilized credit facilities as of December 31, 2020 amounted to MEUR 129 (94). Along with

the main loan facility, an amount of MSEK 15 (25) in local debt is out-standing in i.e. Brazil and India.

SIGNIFICANT EVENTS DURING THE YEAR

Global pandemic

In late 2019, a corona virus was found in China that could spread to humans and cause the disease Covid-19. In early 2020, the global spread of the corona virus escalated, and whole world was impacted. For Munters, the outbreak has had a mixed impact, with the largest impact experienced in the second and fourth quarter, with delays both in deliveries to customers as well as postponed investments by customers. However, all the production units, except one minor unit, upheld production with only minor disturbances throughout the year. Continuous mitigating actions has been made and the cost base and investments has been adjusted, as well as the supply chain. Currently, the market visibility of demand remains low due to the lingering Covid-19 outbreak.

Strategic evaluation of the Data Centers and Mist Elimination operations

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

Organizational change

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

New President Business area FoodTech

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

2020 Annual General Meeting

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

At the annual general meeting in May 2020 it was resolved in accordance with the Board's proposal on the implementation of a performance based long-term incentive programme ("LTIP 2020" or the "Programme"). The programme was to comprise no more than 1,699,000 employee stock options to be granted to members of the group management and certain other key employees, approximately 74 employees in total. A total of 69 employees

has accepted the offer comprising 1,580,000 employee stock options, whereof 90,000 cash settled. For more information of the employee stock option program, see Note 32.

Next step in the implementation of the refined strategy

During the second quarter 2020, Munters decided upon a further step in the implementation of the strategy, focused on sharpening the customer offering and footprint optimization measures. A decision was made that AirTech should exit the non-core part of the commercial business in the US. Due to the high order backlog in Data Centers, US, production increased in Texas. In the Netherlands a consolidation of operations. In addition, it was communicated that other measures will be taken to ensure the implementation of the strategy. The measures are expected to be implemented by the fourth quarter 2021.

Nomination committee for the 2021 Annual General Meeting

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

Change in number of shares

In November 851,500 subscription warrants in Munters' warrant program series 2017/2020 was exercised. As a consequence, the number of shares and votes in the company increased by 860,015 and as at December 31, 2020, there were in total 184,457,817 shares and votes in Munters Group AB.

Increased group management

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

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

FINANCIAL INSTRUMENTS

Financial instruments in the Group, beyond those arising in operating activities, consist of interest-bearing bank borrowings and currency derivatives. Further information on the financial instruments is presented in Notes 3, 19 and 20.

RESEARCH AND DEVELOPMENT

Costs for research and development amounted to MSEK 186 (197), corresponding to 2.7 % (2.8) of net sales. Capitalization of internally generated intangible assets amounted to MSEK 80 (62). Activities in the area comprise research initiatives, technological 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

The number of permanent full time employees at year-end was 3,214 (3,088). The increase is linked to investments in R&D, new hires in the factory in the Czech Republic, where manufacturing was taken over from the former factory in Dison, Belgium, and within Munters software part.

Employee turnover was 17% (26). The lower turnover mainly comes from the US and China. Last year the turnover was negatively affected by the FPP-program. The average age was 43 (43). Women accounted for 21% (21).

For remuneration to senior management as well as adopted remuneration guidelines 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 46–47 of this report.

During 2020 the Covid-19 outbreak had a mixed impact on Munters with the largest impact experienced in the second and fourth quarter, with delays both in deliveries to customers as well as postponed investments by customers. All our production units, except one minor unit, upheld production with only minor disturbances throughout the year. In 2020, Munters continuously implemented mitigating actions and adjusted the cost base and investments as well as the supply chain.

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 does not engage in sales of goods and services to external customers. Cash and cash equivalents at the end of the period amounted to MSEK 62 (28). The Parent Company had three permanent employees, one man and two women.

SHARE CAPITAL AND OWNERSHIP

The share capital of SEK 5,533,735 comprises 184,457,817 shares, whereof 2,537,000 shares in custody, with a par value of SEK 0.03 per share, accounting for 1.4%. The shares in Munters Group AB are listed on Nasdaq Stockholm under the symbol MTRS. Munters Group AB's ten largest shareholders as of December 31, 2020 hold 70.1% (69.6) of the number of shares outstanding. Of these, FAM AB holds 26.0 % (21.1) as at December 31, 2020. No other shareholder holds more than ten percent of the shares in Munters Group AB either directly or indirectly.

PROPOSAL ON DISTRIBUTION OF DIVIDEND

Earnings of SEK 4,165,054, 000 are at the disposal of the Annual General Meeting. The Board of Directors of Munters Group AB propose that the Annual General Meeting 2020 resolve that a dividend of SEK 0.70 should be paid, resulting in a total of MSEK 129, and that the remaining standing profits at the disposal of the AGM 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 2020 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 2021 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 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 Muters 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 February 2021, Muters agreed with Hunter New England Local Health District through a mediation procedure. The company has sued Muters Australian subsidiary, Muters Pty Ltd. of MSEK 74 plus interest and expenses, for breach of contract in relation to services provided at John Hunter Hospital in the spring of 2008. A provision of MSEK 24 was made in 2020 based on a best estimate of the outcome of the mediation, and at the same time, a receivable on the insurance company of MSEK 16 was booked. Final mediation entailed a settlement of MSEK 32, implying a further cost for Muters of MSEK 9, including court cost. As the amount is considered small, no adjustment has been made to the reported provision at year-end, hence the cost will impact the profit in 2021.

In March 2021, a final agreement was reached regarding insurance compensation linked to previous exchange of specific components at a customer site within the European Data Center business, which since September 2019 has been reported as a discontinued operation. The agreement entailed a final remuneration of MEUR 6, corresponding to approximately MSEK 60. The costs for the exchange amounted to MSEK 116 and were reported during the third quarter of 2019.

CORPORATE GOVERNANCE REPORT AND SUSTAINABILITY REPORT

Muters 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 58–70 and the Sustainability Report on Pages 38–49. 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.

STATEMENTS OF COMPREHENSIVE INCOME

GROUP

Amounts in MSEK	Note	2020	2019
Net sales	4, 6	7,015	7,153
Cost of goods sold		-4,665	-4,822
Gross profit/loss		2,350	2,331
Other operating income	7	46	9
Selling expenses		-818	-970
Administrative costs		-538	-610
Research and development costs		-186	-197
Other operating expenses	7	-148	-7
Earnings before interest and tax (EBIT)	5, 6, 7, 8, 9	707	556
Financial income	10	1	7
Financial expenses	10	-157	-196
Profit/Loss after financial items		552	367
Tax	11	-120	-83
Net income for the year from continuing operation		432	283
Net income from discontinued operation	9	-6	-448
Net income for the year		426	-164
Attributable to Parent Company shareholders		420	-166
Attributable to non-controlling interests		6	2
Earnings per share for net income from continuing operation attributable to the ordinary equity holders of the company:			
Earnings per share before dilution, SEK		2.35	1.55
Earnings per share after dilution, SEK		2.35	1.55
Earnings per share for net income attributable to the ordinary equity holders of the company:			
Earnings per share before dilution, SEK	21	2.32	-0.91
Earnings per share after dilution, SEK	21	2.32	-0.91
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		-325	122
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	-7	-44
Income tax effect on other comprehensive income not to be reclassified to profit or loss in subsequent periods	11	1	9
Other comprehensive income, net after tax		-331	87
Comprehensive income for the year		95	-77
Attributable to Parent Company shareholders		91	-79
Attributable to non-controlling interests		4	2

STATEMENTS OF FINANCIAL POSITION

GROUP

Amounts in MSEK	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Goodwill	8, 15	3,952	4,348
Patents, licenses, brands, and similar rights	8, 14, 15	1,356	1,469
Buildings and land	8, 13	209	248
Plant and machinery	8, 13	467	554
Equipment, tools, fixtures, and fittings	8, 13	161	162
Construction in progress	13	41	55
Other financial assets	19	19	19
Deferred tax assets	11	246	249
Total non-current assets		6,451	7,103
CURRENT ASSETS			
Raw materials and consumables	8	350	350
Products in process	8	118	107
Finished products and goods for resale	8	215	296
Projects in progress		3	7
Advances to suppliers		5	12
Accounts receivable	3, 17, 19	935	1,050
Prepaid expenses and accrued income	18	376	288
Derivative instruments	19	-	5
Current tax assets		55	56
Other receivables	19	96	96
Cash and cash equivalents	19	970	722
Total current assets		3,123	2,989
TOTAL ASSETS		9,574	10,093

STATEMENTS OF FINANCIAL POSITION

GROUP

Amounts in MSEK	Note	2020	2019
EQUITY AND LIABILITIES			
EQUITY			
Attributable to Parent Company shareholders	23		
Share capital		6	6
Other capital contributions		5,144	5,083
Reserves		341	664
Profit brought forward		-1,745	-2,125
Total shareholders' equity attributable to equity holders of the Parent Company		3,746	3,628
Non-controlling interests		5	-0
Total equity		3,751	3,627
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	19, 20	2,690	3,371
Provisions for pensions and similar commitments	24	299	282
Other provisions	25	33	24
Other liabilities	19	132	134
Deferred tax liabilities	11	371	409
Total non-current liabilities		3,525	4,221
CURRENT LIABILITIES			
Interest-bearing liabilities	19, 20	97	126
Advances from customers	4	509	374
Accounts payable	19	529	556
Accrued expenses and deferred income	26	742	716
Derivative instruments	19	2	-
Current tax liabilities		52	32
Other liabilities	19	111	153
Provisions for pensions and similar commitments	24	10	9
Other provisions	25	248	278
Total current liabilities		2,299	2,244
TOTAL EQUITY AND LIABILITIES		9,574	10,093

STATEMENTS 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, 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
	0	61	-	-34	27	1	28
Closing balance, December 31, 2020	6	5,144	341	-1,745	3,746	5	3,751
Opening balance, January 1, 2019	6	5,083	543	-1,912	3,719	-4	3,716
Changes in equity, 2019							
Income for the year	-	-	-	-166	-166	2	-164
Other comprehensive income, net after tax	-	-	121	-35	86	1	87
Total comprehensive income for the period	-	-	121	-200	-80	3	-77
Transactions with owners in their capacity as owners:							
Put/call option related to non controlling interests	-	-	-	0	0	-	0
Acquisition of non-controlling interests	-	-	-	0	0	1	1
Repurchase of shares	-	-	-	-16	-16	-	-16
Share option plan, including deferred tax **)	-	-	-	4	4	-	4
Other	-	-	-	-1	-1	-0	-1
	-	-	-	-13	-13	1	-12
Closing balance, December 31, 2019	6	5,083	664	-2,125	3,628	-0	3,627

*) whereof warrant issue cost, KSEK 250.

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

STATEMENTS OF CASH FLOWS

GROUP

Amounts in MSEK	Note	2020	2019
OPERATING ACTIVITIES			
Earnings before interest and tax (EBIT), including discontinued operation		701	105
Reversal of non-cash items:			
Depreciation, amortization, and impairments		308	408
Other profit/loss items not affecting liquidity		38	63
Change in provisions:			
Provisions		-1	158
Cash flow before interest and tax		1,047	735
Paid financial items		-151	-177
Taxes paid		-102	-111
Cash flow from operating activities before changes in working capital		794	448
Cash flow from changes in working capital:			
Changes in accounts receivable		110	82
Changes in inventory		4	47
Changes in accrued income		-103	-54
Changes in accounts payable		15	5
Changes in advances from customer		184	88
Cashflow from operating working capital		210	168
Changes in other receivables and liabilities		-27	54
Cash flow from changes in working capital		183	221
Cash flow from operating activities		977	669
INVESTING ACTIVITIES			
Business acquisitions	12	-9	-
Sales of tangible assets		14	18
Sales of intangible assets		2	2
Investment in tangible assets	13	-114	-118
Investment in intangible assets	14	-103	-76
Cash flow from investing activities		-209	-174
FINANCING ACTIVITIES			
Issue of warrants	23	61	-
Loans raised	20	329	284
Amortization of loans	20	-698	-332
Repayment of lease liabilities	20	-130	-123
Repurchase of shares	23	-43	-16
Cash flow from financing activities		-481	-185
Cash flow for the year		287	310
Cash and cash equivalents at January 1		722	404
Exchange-rate differences in cash and cash equivalents		-38	7
Cash and cash equivalents at December 31	19	970	722

Interest received totaled MSEK 1 (7). Interest paid totaled MSEK -144 (-176).

INCOME STATEMENT

PARENT COMPANY

Amounts in MSEK	Note	2020	2019
Net sales		-	-
Gross profit/loss		-	-
Administrative costs		-22	-44
Other operating expenses		-5	-
Earnings before interest and tax (EBIT)		-27	-44
Financial expenses	10	-0	-0
Profit/Loss after financial items		-28	-44
Group contributions		23	43
Profit/Loss before tax		-5	0
Tax	11	2	0
Income for the year		-3	-1

OTHER COMPREHENSIVE INCOME

Amounts in MSEK	Note	2020	2019
Profit/Loss for the year		-3	-1
Other comprehensive income, net after tax		-	-
Comprehensive income for the year		-3	-1

BALANCE SHEET

PARENT COMPANY

Amounts in MSEK	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Participations in subsidiaries	16	4,099	4,086
Deferred tax assets		4	0
Total non-current assets		4,104	4,086
CURRENT ASSETS			
Prepaid expenses and accrued income	18	0	0
Current tax assets		1	0
Receivables from subsidiaries		27	45
Cash and cash equivalents		62	28
Total current assets		90	74
TOTAL ASSETS		4,194	4,160
EQUITY AND LIABILITIES			
EQUITY			
23			
Restricted equity			
Share capital		6	6
Unrestricted equity			
Share premium reserve		4,136	4,074
Other capital contributions		18	18
Profit brought forward		14	41
Income for the year		-3	-1
Total equity		4,171	4,139
NON-CURRENT LIABILITIES			
Provisions for pensions and similar commitments		1	0
Total non-current liabilities		1	0
CURRENT LIABILITIES			
Accounts payable		1	3
Accrued expenses and deferred income	26	21	11
Liabilities to subsidiaries		0	0
Other liabilities		-	2
Other provisions		-	5
Total current liabilities		22	21
TOTAL EQUITY AND LIABILITIES		4,194	4,160

CHANGES IN EQUITY

PARENT COMPANY

Amounts in MSEK	Restricted equity	Unrestricted equity				Total
	Share capital	Share premium reserve	Other capital contributions	Profit brought forward	Income for the year	
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
Closing balance, December 31, 2020	6	4,136	18	14	-3	4,171
Opening balance January 1, 2019						
	6	4,074	18	68	-11	4,155
Changes in equity, 2019						
Income for the year	-	-	-	-	-1	-1
Total comprehensive income for the period						
To be carried forward	-	-	-	-11	11	-
Repurchase of shares	-	-	-	-16	-	-16
	-	-	-	-27	11	-16
Closing balance, December 31, 2019	6	4,074	18	41	-1	4,139

*) whereof warrant issue cost, KSEK 250.

**) whereof deferred tax MSEK 2.

CASH FLOW STATEMENT

PARENT COMPANY

Amounts in MSEK	Note	2020	2019
OPERATING ACTIVITIES			
Profit/Loss after financial items		-28	-44
Profit/loss items not affecting liquidity		-3	5
Taxes paid		-1	0
Cash flow from operating activities before changes in working capital		-32	-39
Cash flow from changes in working capital		7	11
Cash flow from operating activities		-25	-28
FINANCING ACTIVITIES			
Issue of warrants		61	0
Group contributions		41	-5
Loan amortization		-0	0
Repurchase of shares	23	-43	-16
Cash flow from financing activities		59	-21
Cash flow for the year		34	-49
Cash and cash equivalents at January 1		28	77
Cash and cash equivalents at December 31		62	28

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. The address of the headquarters is Munters Group AB, Box 1188, SE-164 40 Kista, Sweden, visiting address Borgafjordsgatan 16 in Kista. This Annual Report and Consolidated Accounts were signed by the Board of Directors for Munters Group AB on March 16, 2021, 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 19, 2021. The most important accounting policies applied in preparing the financial reports are reported below. In the main, the same principles applied to the Parent Company were applied to 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 special 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 from January 1, 2020

The following new and amended standards are adopted by the Group as of January 1, 2020;

- Definition Material – Amendments in IAS 1 and IAS 8
- Definition of a Business – Amendments in IFRS 3
- Interest Rate Benchmark Reform (IBOR) – Amendments in IFRS 9, IAS 39 and IFRS 7.

With regard to the interest rate benchmark reform, as Munters does not apply hedge accounting, the changed accounting requirements have not had any effect. Munters has agreements that are affected by the reform, but the effect cannot yet be calculated reliably. None of the other changes linked to new and changed standards have had any impact on any reported amounts and are not expected to have any significant 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 2020 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 2020, 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 percent 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	
		2020	2019	2020	2019
AUD	Australia	6.34	6.57	6.26	6.51
CAD	Canada	6.86	7.13	6.40	7.13
CNY	China	1.33	1.37	1.25	1.33
DKK	Denmark	1.41	1.42	1.35	1.40
EUR	Euro zone	10.49	10.59	10.04	10.43
GBP	United Kingdom	11.80	12.07	11.09	12.21
JPY	Japan	0.09	0.09	0.08	0.09
NOK	Norway	0.98	1.07	0.95	1.06
SGD	Singapore	6.67	6.93	6.18	6.90
THB	Thailand	0.29	0.30	0.27	0.31
USD	United States	9.20	9.46	8.19	9.32
ZAR	South Africa	0.56	0.65	0.56	0.67

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

Since September 30, 2019 Munters is reporting a discontinued operation, see further information in Note 9. The discontinued operation relates to the disposal group that has been abandoned constituting the European Data Centers-factory in Dison, Belgium. According to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations a single amount shall be disclosed in the statement of comprehensive income comprising the total of the post-tax profit or loss of the discontinued operation. A disclosure of the single amount is required and is presented in the separate note together with a disclosure of cash flows from operating, investing and financing activities related to the discontinued operation.

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 assets 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: Air Treatment, FoodTech (formerly AgHort), Data Centers, and 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 or 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, and associated companies 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.

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 2020 the Group recognized goodwill to a value of MSEK 3,952 (4,348).

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 2020 the Group recognized Technology, Customer relationships and Brands to a value of MSEK 1,126 (1,278).

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 2020 the Group recognized intangible assets regarding product development to a value of MSEK 165 (140).

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 2020 the Group's total tax loss carry-forward was MSEK 1,242 (1,307). In the consolidated balance sheet, a value for tax purposes of capitalized loss carry-forwards was recognized in the amount of MSEK 64 (90) relating primarily to Sweden, Australia, the Netherlands, Mexico 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.

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 contact 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.

NOTE 3 FINANCIAL RISK MANAGEMENT

Through its operations in a global environment, Munters is exposed to several different financial risks, such as currency risk, interest rate risk, credit risk, and liquidity risk.

The financial risks are controlled and managed based on a financial policy approved by the Board of Directors. The policy covers the entire Group and is updated on an annual basis. The purpose of the policy is to create a framework for managing the various financial risks. Risk management and financing activities are handled centrally by CFO and the Group Treasury function, monitored and controlled by the Board of Directors, Audit Committee and CEO. The overall objective is to limit the volatility attributable to financial factors in the income statement and balance sheet, protect financial assets and future cash flows, as well as optimize the Group's financing and meet financial covenants in banking agreements. The Treasury function, which acts as the Group's internal bank, identifies, evaluates, and hedges financial risks in close cooperation with the Group's operational units.

Currency	Percentage of revenue		Percentage of costs	
	2020	2019	2020	2019
USD	43.1%	41.8%	41.4%	37.7%
EUR	23.8%	25.2%	24.5%	28.7%
CNY	14.3%	12.2%	11.3%	9.4%
SEK	2.8%	3.8%	9.5%	3.5%
JPY	2.5%	1.8%	2.2%	1.2%
GBP	2.3%	2.7%	2.0%	2.4%
BRL	1.5%	1.5%	0.8%	1.4%
AUD	1.5%	1.3%	1.1%	0.6%
DKK	1.3%	1.4%	1.2%	1.2%
KRW	1.2%	1.1%	0.6%	0.6%
THB	1.1%	3.5%	1.0%	4.0%
SGD	0.8%	1.1%	0.5%	0.6%
Other	3.7%	2.7%	3.7%	8.6%
Total	100%	100%	100%	100%

Currency risk

Due to Munters global presence, the Group is exposed to transaction exposure by transactions in foreign currency and through translation exposure when translating income statements and balance sheets into SEK.

Transaction exposure

Group internal sales in foreign currency primarily occur through the Group's production companies, which invoice the Group's sales companies in their functional currency. By doing so, transaction exposure and hedging operations are concentrated to a few companies in the Group.

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 -2.3 (4.9), 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 2020. All other factors influencing earnings are assumed unchanged in the calculation.

SEK +10% compared with	Estimated effect on EBIT MSEK
USD	-47.9
CNY	-34.3
EUR	-14.6
BRL	-6.0
KRW	-5.3
AUD	-4.3
INR	-4.2
GBP	-3.9
JPY	-3.9
MXN	0.7
CZK	2.2
ILS	6.8
Other currencies	-15.1
Total	-129.9

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 -325 (122). 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 2020 no outstanding interest rate derivatives.

Interest exposure

The average fixed interest term for the Group's external loans was 2 months (2) at year-end 2020. 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 20 (26). 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 partial advance payment is required 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 13% (8) of total revenues, calculated on a full-year basis. At December 31, 2020, the five largest customers accounted for 7% (13) 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 2020, the Group had unutilized credit facilities of MSEK 2,042 (985). The Group's total liquidity reserve less restricted cash per end of 2020 amounted to MSEK 2,770 (1,496).

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 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 within AirTech 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 should the customer 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 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 within AirTech requires to recognize net sales over time.

In addition equipment sales Munters also provides different kinds of services to customers such as installation, commissioning, startup and maintenance. Net sales from services are recognized over time as these services are performed.

Allocation of the transaction price in a customer contract with several performance obligations is based on standalone selling prices.

2020	Air-Tech	Food-Tech	Total
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

2019	Air-Tech	Food-Tech	Total
Goods transferred at a point in time	3,509	1,793	5,302
Goods transferred over time	1,361	57	1,418
Services transferred over time	457	151	608
Total	5,327	2,002	7,329
Related to the discontinued operation	176	-	176
Related to the continuing operation	5,151	2,002	7,153

Contract balances

Accounts receivables are non-interest bearing receivables with a general payment term of 30-90 days. Within FoodTech and segment 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 over 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	2020	2019
Accounts receivables (Note 17)	935	1,050
Accrued income (Note 18)	255	193
whereof Contract asset	252	181
Contract liabilities		
Advances from customers	509	374
Deferred revenue (Note 26)	51	63

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

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

2019 Group	Cost of goods sold	Sales costs	Administrative costs	R&D costs	Other costs	Total
Material costs	-2,993	-	-	-	-	-2,993
Other production costs	-907	-	-	-	-	-907
Personnel and other administration	-701	-837	-564	-162	-	-2,264
Cost of depreciation	-130	-36	-41	-6	-	-213
Amortization and write downs on intangible assets	-3	-97	-4	-30	-	-134
Other costs	-87	-	-	-	-7	-94
Total	-4,822	-970	-610	-197	-7	-6,606

Other costs include restructuring costs of MSEK 124 M (-), linked to the decision to take another step in the implementation of the strategy, focused on sharpening the customer offering and footprint optimization measures, primarily within the AirTech business area. The restructuring costs relate to severance costs, warranty claims

and winding down activities in connection with the exit of the non-core 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.

Air Treatment 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.

In 2019, the previous operating segments Data Centers and Mist Elimination were integrated into AirTech. The Data Centers business is active in indoor climate systems for medium-sized to

large data centers. Mist Elimination manufactures and markets environmentally friendly solutions and products for drip capture, including the purification of flue gas. The comparative figures have been restated in accordance to the new business segments.

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	
	2020	2019	2020	2019	2020	2019	2020	2019
Order backlog	1,737	1,780	516	526	0	0	2,253	2,307
Whereof recognized to net sales within one year	1,583	1,626	437	425	0	0	2,020	2,051
Order intake	5,101	5,253	2,196	2,087	-48	-38	7,249	7,302
Sales from external customers	4,924	5,151	2,091	2,002	0	0	7,015	7,153
Transactions between business segments	13	8	35	31	-48	-38	0	0
Net sales	4,937	5,159	2,126	2,032	-48	-38	7,015	7,153
Earnings before interest and tax (EBIT)	565	565	291	226	-149	-236	707	556
Change in accounts receivable	125	-44	28	85	-42	40	110	82
Change in inventories	-4	22	8	25	0	0	4	47
Change in accrued income	-88	-50	-15	-4	0	0	-103	-54
Change in accounts payables	-10	8	28	-7	-3	5	15	5
Change in advances from customers	170	79	14	8	0	0	184	88
Cashflow from operating working capital	192	15	63	107	-45	45	210	168
Other disclosures								
Investments, excl. leased assets	99	92	95	78	24	10	217	180
Number of permanent employees	2,286	2,184	861	833	68	71	3,214	3,088

GEOGRAPHIC INFORMATION

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

External net sales	2020	2019
Sweden	170	180
United States	2,860	2,744
Germany	507	459
China	986	920
Other countries	2,492	2,850
Total	7,015	7,153

Non-current assets	2020	2019
Sweden	513	497
United States	3,963	4,141
Euro countries	1,159	1,707
Other countries	551	491
Total	6,186	6,835

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	
	2020	2019	2020	2019
Other operating income				
Return on capital gains tax	13	-	-	-
Capital gains on sale of property	6	-	-	-
Government grants related to Covid-19	8	-	-	-
Government grants related to R&D	11	3	-	-
Realized exchange rate differences	-	2	0	-
Other	9	4	-	-
Total	46	9	0	-
Other operating expenses				
Costs related implementation to refined str	-124	-	-	-
Realized exchange rate differences	-9	-	-	-0
Unrealized exchange rate differences	-4	-1	-	-
Other	-11	-5	-5	-
Total	-148	-7	-5	-0

Other operating income includes, among other things, a refund of incorrectly charged sales tax in Brazil, a sale of a former office building and government grants related to Covid-19 and grants linked to R&D, respectively.

Other operating costs include restructuring costs linked to the decision to take another step in the implementation of the strategy, focused on sharpening the customer offering and footprint optimization measures, primarily within the AirTech business area.

The restructuring costs relates to severance pay, 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. The restructuring costs relates to severance costs, warranty claims and winding down activities in connection with the exit of the non-core 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 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	
	2020	2019
Cost of goods sold	-147	-133
Selling expenses	-84	-133
Administrative costs	-38	-45
Research and development costs	-38	-36
Total	-308	-347

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	
	2020	2019
Inventory provision		
Opening balance	-88	-77
Write down current year	-47	-18
Reversal of previous years write down	11	10
Organizational change	3	0
Exchange rate differences	8	-2
Closing balance	-112	-88

NOTE 9 DISCONTINUED OPERATIONS

On September 9, 2019 Munters decided and closed its European Data Centers-factory in Dison, Belgium, following the finalization of negotiations with the unions. The production has ceased but minor installation services remains at customer sites. Therefore, this business is classified as a discontinued operation and the earnings from this business is presented on a separate line in the income statement with restated comparatives disclosed.

The closure is 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 sites. As a result of this, Munters incurred non-recurring cost of MSEK 116. The reimbursement to the customer was paid during the fourth quarter 2019. Munters has insurance solutions in place for this type of events, but since Munters has not concluded the discussions with its insurance providers the final financial and cash flow net effect on Munters cannot yet be determined. No asset has been accounted for.

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

	Group	
	2020	2019
Net sales	16	176
Cost of goods sold	-11	-427
Gross profit	6	-251
Selling expenses	-8	-39
Administrative costs	-2	-39
Research and development costs	0	-9
Other operating expenses	-2	-113
Operating profit	-6	-450
Financial income and expenses	-0	-5
Profit/Loss after financial items	-6	-455
Tax	0	8
Net income for the year	-6	-448
Cash flow from operating activities	-149	-431

NOTE 10 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Financial income				
Interest income, other	1	7	-	-
Other financial income	0	0	-	-
	1	7	-	-
Financial expenses				
Interest expenses, loans	-113	-155	-0	-0
Interest expenses, lease agreements	-17	-19	-	-
Financing Fees	-13	-14	-	-
Exchange-rate differences	-9	1	1	-0
Other financial expenses	-5	-10	-	-
	-157	-196	1	-0
Total	-156	-189	1	-0

NOTE 11 INCOME TAXES

	Group		Parent Company	
	2020	2019	2020	2019
Current tax	-125	-119	0	0
Deferred tax related to temporary differences and loss carry-forwards	5	37	2	0
Tax recognized in income statement for the year	-120	-83	2	0
Reconciliation of effective tax				
Profit/Loss before tax	552	367	-5	-1
Tax according to prevailing tax rate for the Parent Company	-117	-78	6	9
Tax effect of:				
Difference attributable to foreign tax rates	-1	-7	-	-
Non-deductible expenses	-6	-4	-0	-0
Non-taxable income	7	4	-	-
Utilization of losses not recognized as an asset in the balance sheet	2	-1	-	-
Change in valuation of deferred tax on temporary differences and losses	-26	2	1	-0
Revaluation of deferred tax assets/liabilities due to change in tax rate	2	5	-0	-0
Tax attributable to prior years	25	-2	-	-
Withholding tax	-7	-	-	-
Group contribution	-	-	-5	-9
Other	-1	-2	-	-
Tax recognized in income statement for the year	-120	-83	2	0

Tax attributable to components of OCI	Group	
	2020	2019
Deferred tax attributable to:		
Actuarial gains and losses on defined-benefit pension obligations	1	9
Total	1	9

Deferred tax assets	Group	
	2020	2019
Buildings	4	3
Plant, machinery, equipment	5	4
Intangible assets	0	0
Inventory	33	29
Accounts receivable	7	7
Provisions (excl deferred tax liability)	24	14
Pension provision	35	34
Accrued expenses and prepaid income	50	46
Goodwill	4	3
Other items	17	18
Loss carry-forward	65	90
Closing balance	246	249

Deferred tax liabilities	Group	
	2020	2019
Buildings	3	3
Plant, machinery, equipment	29	29
Brands	299	299
Other intangible assets	12	53
Inventory	0	1
Accrued expenses and prepaid income	1	1
Goodwill	22	22
Other items	5	1
Closing balance	371	409

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

Change in deferred taxes	Group	
	2020	2019
Opening balance	161	194
Charges recorded in this year's profit	-5	-37
Tax on amounts recorded in OCI	-1	-9
Tax on amounts recorded in equity	-7	-
Exchange-rate differences for the year	-23	13
Closing balance	125	161

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 1,242 (1,307), of which MSEK 1,195 (1,249) may be carried forward for an unlimited period of time. Loss carry-forwards for which deferred tax assets are not recognized totaled MSEK 941 (919), of which MSEK 941 (917) may be carried forward for an unlimited period of time.

Consequently, deferred tax assets on loss carry-forwards totaling MSEK 301 (389) were recognized. These losses relate to the subsidiaries in Australia MSEK 4 (15), Germany MSEK 24 (42), Netherlands MSEK 47 (36), Sweden MSEK 220 (260), Denmark MSEK 7 (11), Brazil MSEK 0 (2), and Mexico MSEK 0 (21). Tax losses in Netherlands may be carried forward for nine years. In the other countries, losses may be carried forward for an unlimited period of time. During the year, Netherlands have generated tax deficits that are deemed to be used and thus a deferred tax asset is reported on them. Deferred tax liabilities are mainly attributable to the surplus values identified in connection with the acquisition of Munters AB in 2010.

NOTE 12 BUSINESS ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS 2020

There have been no business acquisitions or divestments in 2020. Companies within the MTech group have been merged and the 100% owned subsidiary Munters BV have been merged with its parent company, HB Beheer B.V. As this concerned a merger of a 100% owned subsidiary, no merger result arose in the Group. In addition, an additional purchase price of MSEK 9 (-) was paid, related to the acquisition of Humi-Tech Services Ltd 2018.

ACQUISITIONS 2019

There have been no business acquisitions or divestments in 2019. However, Munters UK's wholly owned subsidiary Humi-Tech Services Ltd has been merged with its parent company. Since this related to a merger of a wholly owned subsidiary, no merger result has impacted the Group.

NOTE 13 FIXED ASSETS AND RIGHT-OF-USE ASSETS

DISTRIBUTION OWNED AND LEASED ASSETS

Presented below is the Groups owned and leased assets.

2020 Group	Buildings and land	Plant and machinery	Equipment, tools,	Construction in progress	Total
			fixtures, and fittings		
Owned assets	138	258	124	41	560
Leased assets	72	209	37	-	318
Total	209	467	161	41	878

2019 Group	Buildings and land	Plant and machinery	Equipment, tools,	Construction in progress	Total
			fixtures, and fittings		
Owned assets	166	277	121	55	618
Leased assets	82	277	41	-	400
Total	248	554	162	55	1,019

OWNED ASSETS

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

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	1	-0	0	-	1
Closing accumulated write-downs	-10	0	-7	-	-17
Closing carrying amount	138	258	124	41	560

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 33 (39). 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.

2019 Group	Buildings and land	Plant and machinery	Equipment, tools, fixtures, and fittings	Construction in progress	Total
Acquisition cost					
Opening balance	414	854	514	62	1,844
Capital expenditures	5	26	58	28	118
Sold/Scrapped	-0	-13	-55	-0	-69
Reclassification	11	11	7	-38	-8
Exchange difference	10	20	15	3	48
Closing accumulated acquisition value	441	898	539	55	1,933
Accumulated depreciation					
Opening accumulated depreciation	-244	-577	-377	-	-1,197
Depreciation for the year	-14	-48	-51	-	-113
Sold/Scrapped	0	13	38	-	51
Reclassification	-	8	-8	-	0
Exchange difference	-6	-13	-10	-	-29
Closing accumulated depreciation	-264	-617	-407	-	-1,288
Write downs					
Opening accumulated write-downs	-1	-8	-0	-	-9
Write-downs for the year	-10	-5	-11	-	-26
Reclassification	-0	8	0	-	8
Exchange difference	0	-0	0	-	0
Closing accumulated write-downs	-11	-5	-11	-	-27
Closing carrying amount	166	277	121	55	618

LEASED ASSETS

General description of Munters' leases

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 as of December 31, 2020. Note 20 discloses the lease liabilities associated with the leased assets.

Total interest expenses, which are included in financial expenses, amounted to MSEK -17 (-19) during the year, whereof MSEK -17 (-17) related to the continuing operation and MSEK 0 (-2) related to the discontinued operation. Depreciation and write downs for the year amounted to MSEK -113 (-141), whereof MSEK -113 (-106) related to the continuing operation and MSEK 0 (-35) related to the discontinued operation.

Short-term leases and leases of low-value assets were expensed for MSEK 4 (8). These leases will mean payments of MSEK 6 (10) between the years 2022–2025 and MSEK 1 (1) during 2026 and beyond.

The total cash flow from leases recognized in the balance sheet in 2020 was MSEK 130 (123) and is presented under financing activities as repayment of lease liabilities. In addition, the leasing liability was affected by a change in accrued interest of MSEK 17 (19), see Note 20.

	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
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
2019 Group				
Acquisition cost				
Opening balance	-	-	-	-
New contract	141	328	76	545
Exchange difference	-2	-3	-1	-6
Closing accumulated acquisition value	139	325	75	539
Accumulated depreciation				
Opening accumulated depreciation	-	-	-	-
Depreciation for the year	-36	-48	-29	-114
Exchange difference	0	1	0	1
Closing accumulated depreciation	-36	-48	-29	-112
Write downs				
Opening accumulated write-downs	-	-	-	-
Write-downs for the year	-21	-0	-5	-27
Exchange difference	0	0	-	0
Closing accumulated write-downs	-21	-0	-5	-26
Closing carrying amount	82	277	41	400

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

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	-	-	-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

Technology

This item includes technology, MSEK 81 (107), where the majority of which was identified in conjunction with the acquisition of Munters AB in 2010.

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 34 (60), where the majority of which was identified in conjunction with the acquisition of Munters AB in 2010.

Other intangible assets

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

2019 Group	Technology	Customer relationships	Internally generated intangible assets	Other intangible assets	Total
Acquisition cost					
Opening balance	632	933	185	170	1,920
Capital expenditures	-	-	62	11	74
Sold/Scrapped	-2	-	-0	-15	-17
Reclassification/Internal transfers	0	-	-4	4	0
Exchange difference	19	29	6	1	56
Closing accumulated acquisitions	650	961	250	172	2,033
Accumulated amortization					
Opening accumulated amortization	-508	-799	-52	-107	-1,466
Amortizations for the year	-18	-69	-29	-15	-131
Sold/Scrapped	0	-	-	15	16
Reclassification/Internal transfers	-	-	-1	0	-1
Exchange difference	-15	-24	-1	-1	-41
Closing accumulated amortizations	-541	-892	-84	-108	-1,624
Write downs					
Opening accumulated write-downs	-2	-10	-28	-13	-53
Write-downs for the year	-	-	-1	-	-1
Reversed write-downs	-	-	3	-	3
Reclassification	0	0	1	-	1
Exchange difference	-0	-0	-1	-0	-1
Closing accumulated write-downs	-2	-10	-26	-14	-51
Closing carrying amount	107	60	140	51	358

NOTE 15 GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

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

2020 Group	Brands	Goodwill
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
2019 Group		
Acquisition cost		
Opening balance	1,086	4,569
Exchange-rate differences for the year	32	137
Closing balance	1,118	4,706
Accumulated impairment		
Opening balance	-6	-351
Impairment of the year	0	-2
Exchange-rate differences for the year	0	-6
Closing balance	-6	-358
Closing carrying amount	1,111	4,348
Recognized brands per cash-generating unit		
	2020	2019
Air Treatment	824	908
FoodTech	125	136
Mist Elimination	62	67
Closing carrying amount	1,011	1,111
Recognized amount of goodwill per cash-generating unit		
	2020	2019
Air Treatment	2,813	3,106
FoodTech	1,005	1,095
Mist Elimination	134	146
Closing carrying amount	3,952	4,348

Goodwill as of December 31, 2020 amounted to MSEK 3,952 (4,348). The decrease was a result of exchange rate effects, mainly owing to a stronger SEK against USD compared to the 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: AirTech, FoodTech, Data Centers, and Mist Elimination. The latter two business areas were reorganized in 2019 and are now an integral part of AirTech.

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 2021-2025 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 2020 used a nominal discount rate (average weighted cost of capital before tax) of 12.2% (12.3).

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 9.4 percentage point (3.0) increase in the discount rate would be required for goodwill and brand impairment to be necessary in the cash-generating unit Air Treatment and a 14.5 percentage point (5.9) increase in FoodTech and 12.0 percentage point (10.0) increase for Mist Elimination.

Net sales growth

For Air Treatment, FoodTech and Mist Elimination, no reasonable decrease in net sales growth is judged to lead to a need for impairment.

EBITA-margin

A decrease of 8.2 percentage points (4.) in the EBITA margin for the period from 2021 to 2025, perpetuity value included, would be required for impairment of goodwill and brands to be necessary in the cash-generating unit Air Treatment. For FoodTech and Mist Elimination, no reasonable decrease in the EBITA margin is judged to lead to a need for impairment.

NOTE 16 PARTICIPATION IN SUBSIDIARIES

Direct shareholdings, 100%	Country	Carrying amount	
Munters Holding AB (corp. reg. no. 556818-97)	Sweden	4,099	
Registered office: Stockholm			
		4,099	
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	
Pro Component Sweden 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	
Shelf Service Company No 1 S de RL de CV	Mexico	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	
HB Drying Belgium	Belgium	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	
		2020	2019
Acquisition cost at January 1		4,086	4,086
Share option program		13	-
Accumulated acquisition cost at December 31		4,099	4,086

No restrictions exist regarding Group's access to the subsidiaries assets, as a result of regulations or minorities. During the year, the 100% owned subsidiary, Munters BV have been merged with its

parent company, HB Beheer BV. MTech Processing LLC have been merged with its parent, MTech Systems USA, LLC.

NOTE 17 ACCOUNTS RECEIVABLES

Time analysis of accounts receivable,

net provision for bad debt	2020	2019
Current	671	708
< 30 days	150	207
30-90 days	66	96
91-180 days	37	24
> 180 days	12	15
Closing balance	935	1,050

Provisions for bad debts corresponded to 5% (5) of total receivables and changed as follows:

Provision for bad debts	2020	2019
Opening balance	48	44
Provision for anticipated losses	19	43
Realized losses	-6	-6
Reversals of unutilized amounts	-13	-33
Exchange-rate differences	-4	1
Closing balance	45	48

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	
	2020	2019	2020	2019
Prepaid leases	7	7	-	-
Prepaid insurance premiums	22	26	0	0
Accrued income	255	193	-	-
Prepaid expenses for goods and services	20	26	-	-
Other items	72	37	-	0
Closing balance	376	288	0	0

NOTE 19 FINANCIAL INSTRUMENTS BY CATEGORY

Book value of financial assets and liabilities by category	2020	2019
Financial assets measured at amortized cost		
Other non-current financial assets	19	19
Accounts receivable	935	1,050
Other current receivables	96	96
Cash and cash equivalents	970	722
Closing balance	2,021	1,887
Financial assets measured at fair value through profit/loss		
Currency derivatives whose cash flows are not subject to hedge accounting	-	5
Closing balance	-	5
Total	2,021	1,892
	2020	2019
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	2,440	3,057
Non-current interest-bearing lease liabilities	250	314
Current interest-bearing liabilities	14	16
Current interest-bearing lease liabilities	82	102
Accounts payable	529	556
Accrued expenses	9	12
Other non-current liabilities	12	1
Other current liabilities	111	153
Closing balance	3,446	4,209
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)	121	134
Contingent consideration Humi-Tech Services Ltd.	-	8
Closing balance	123	142
Total	3,569	4,351

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, 2020, 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:

	2020		2019	
	Nominal amount in local currency	Carrying amount	Nominal amount in local currency	Carrying amount
AUD/SEK	7	-0.1	1	0.0
CAD/SEK	0	-0.1	2	-0.3
CNH/SEK	0	0.0	-9	0.0
DKK/SEK	0	0.0	-5	0.0
EUR/SEK	14	-1.2	-14	2.7
GBP/SEK	1	-0.1	2	-0.1
JPY/SEK	90	-0.3	20	-0.0
SGD/SEK	2	-0.3	2	-0.0
USD/SEK	8	-0.0	-16	3.0
ZAR/SEK	-20	-0.2	-20	-0.4
Total		-2.3		4.9

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 2021.

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 2020 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 for the period was related to the put/call option from the acquisition of MTech Systems in 2017 and a contingent consideration related to the acquisition of Humi-Tech Services Ltd in July 2018. The put/call option related to MTech Systems matures at January, 2023 and is based on EBITDA for the 12 months prior to execution. The earn-out in Humi-Tech Services Ltd is based on EBITDA for the fiscal years of 2018 and 2019 and was settled during 2020. Other changes during the period relates to a discounting effect on the put/call option and currency translations.

Contingent price considerations	2020	2019
Opening balance	142	136
Payments	-9	-
Discounting	4	1
Exchange-rate differences for the year	-16	5
Closing balance	121	142

NOTE 20 INTEREST BEARING LIABILITIES

Interest bearing liabilities, non-current

Munters primary financing facilities consist of a term loan of MUS\$ 250 and a revolving credit facility of MEUR 185. The facilities have no mandatory amortization requirement. The final maturity date is in May 2022.

During the year, a new revolving credit facility of MSEK 750 maturing in 2023 has been established. The facility is secured by a guarantee from EKN (The Swedish Export Credit Agency). The purpose of the MSEK 750 RCF is to serve as a back-up facility, established as a precautionary measure in the challenging business environment due to the Covid-19 outbreak. Total amount of unutilized credit facilities is showed in Note 3 under header Liquidity Risk.

The loan agreements have one financial covenant; consolidated net debt in relation to adjusted EBITDA, with some adjustments. The accounting standard for leases, IFRS 16, does not affect the covenant calculation according to the loan agreement definition and neither does the net pension liability. In May 2020, an

amendment of the loan agreement was signed with the bank group. The financial covenant is temporarily eased until the first quarter 2021, also as a precautionary measure due to uncertainty during the pandemic.

As of December 31, the total Interest-bearing liabilities amounted to MSEK 2,455 (3,081). 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, 2020, the covenant was met.

The total average weighted interest rate including both long- and short term financing at the end of the year was 2.7% (4.0) and 3.1% (4.2) including financing cost.

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

Maturity	Type of loan	Interest rate	Currency	Book value	
				2020	2019
2022	Term Loan	Variable	USD	2,039	2,317
2022	Utilized committed credit facilities Sweden	Variable	EUR	301	459
2022	Utilized committed credit facilities Sweden	Variable	SEK	100	280
2020-2021	Other non-current loan	Fixed/ Variable	Various currencies	0	1
Total				2,440	3,057

Interest bearing liabilities, current

The table outlines current bank debt in Munters subsidiaries in among others Brazil and China.

Interest bearing loans, current

Maturity	Type of loan	Interest rate	Currency	Book value	
				2020	2019
	Other current loan	Variable	currencies	14	24
Total				14	24
Total non-current and current loans				2,455	3,081

Other financial liabilities fall due within the next year, with the exception of the acquisition option, which, upon utilization, falls due in January 2023.

Changes in interest bearing liabilities

Munters has during the year amortized on loans in SEK and EUR under the revolving credit facility.

The change during the year is also caused by currency effects originating from fluctuations in USD exchange rate.

Non-current loans 2020	Opening balance	Cash flow	Currency effects	Non cash movements	Closing balance
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	Opening balance	Cash flow	Currency effects	Non cash movements	Closing balance
Other third party debt	24	-10	-	-	14
Total	24	-10	-	-	14
Total non-current and current loans	3,081	-336	-294	4	2,455

Non-current loans 2019	Opening balance	Cash flow	Currency effects	Non cash movements	Closing balance
Term loan	2,243	-	87	-	2,329
Revolving credit facility	778	-44	5	-	739
Other third party debt	2	-1	-	-	1
Financing fees	-20	-	-	8	-12
Total	3,002	-45	91	8	3,057

Current loans 2019	Opening balance	Cash flow	Currency effects	Non cash movements	Closing balance
Other third party debt	11	13	-	-	24
Total	11	13	-	-	24

Total non-current and current loans	3,013	-32	91	8	3,081
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Changes in lease liabilities

Munters has during the year changed liabilities relating to lease agreements with the below amounts, involving signing of new lease agreements, amortization of current agreements and interest and currency effects.

Lease liabilities 2020	Impact of new						Closing balance
	Opening balance	accounting policy	New contracts during the year	Amortizations of loans	Interest on loans	Currency effects	
Non-current interest-bearing lease liabilities	314	-	46	-98	13	-26	250
Current interest-bearing lease liabilities	102	-	15	-32	4	-7	82
Total	416	-	61	-130	17	-33	332

Lease liabilities 2019	Impact of new						Closing balance
	Opening balance	accounting policy	New contracts during the year	Amortizations of loans	Interest on loans	Currency effects	
Non-current interest-bearing lease liabilities	-	354	43	-95	14	-2	314
Current interest-bearing lease liabilities	-	104	8	-28	4	13	102
Total loans	-	458	51	-123	19	11	416

Maturity analysis of lease liabilities

The remaining undiscounted lease payments have the following due date:

Undiscounted leasing liabilities	2020	2019
Remaining term 1 year or less	105	102
Remaining term 1 to 5 years	216	248
Remaining term over 5 years	93	127
Total	414	476

NOTE 21 EARNINGS PER SHARE

KSEK	2020	2019
Net income	425,831	-164,015
Attributable to Parent Company shareholders	420,184	-165,672
Attributable to non-controlling interests	5,647	1,658
Average number of outstanding shares before dilution	181,545,456	181,983,219
Average number of outstanding shares after dilution	181,557,708	181,983,219
Where of average number of shares in own custody	2,194,500	1,614,583
Earnings per share before dilution, SEK	2.32	-0.91
Earnings per share after dilution, SEK	2.32	-0.91

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

period. The average share price during the full year exceeded the exercise price for all three employee stock option programs, implying a dilution effect on the number of average outstanding shares for the year.

The warrant program from 2017 expired in November, which caused a conversion of a total of 851,500 warrants, resulting in 860,015 new shares.

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:	2020
Opening balance of unrestricted equity	4,133,272
Issue of warrants	61,295
Repurchase of shares	-43,325
Employee share options	16,941
Income for the year	-3,129
Total	4,165,054

The Board of Directors proposes that earnings be distributed as follows:	
Dividend	129,120
To be carried forward	4,035,933
Total	4,165,054

According to the dividend policy adopted by Munters' Board of Directors, Munters shall aim to pay an annual dividend corresponding to 30-50 percent 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.

In 2020, a great deal of work was done at Munters to increase value creation throughout the company. At the beginning of the year, a new strategy was launched. The implementation of this started during the year and gave rise to restructuring costs which were announced in July 2020. At the same time, the ongoing measures continued, with the aim of strengthening the company in the long term. The outbreak of the Covid-19 pandemic had a negative effect on Munters, especially during the second and fourth quarters. Despite the challenging business climate, Munters reported stable order intake and net sales. Profitability and cash flow generation were strengthened and the leverage decreased. The Board therefore proposes that a dividend of 30% of the profit for the year shall be paid for 2020, meaning MSEK 129 and a dividend per share of SEK 0.70.

NOTE 23 EQUITY

Share capital

The share capital of 5,533,735 (5,507,934) SEK comprises 184,457,817 (183,597,802) shares with a par value of SEK 0.03 (0.03) per share. The warrant program from 2017 expired during November, which resulted in an exercise of a total of 851,500 warrant options, resulting in 860,015 new shares. 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 70.1% (69.6) of outstanding shares. Of these, FAM AB holds 26.0% (21.1). No other shareholder holds more than ten percent of the shares, either directly or indirectly, in Munters Group AB.

The table below shows the changes in the number of shares.

Number of shares	
Opening number, January 1, 2019	183,597,802
Equity shares B	183,597,802
Changes 2019:	-
Closing number, December 31, 2019	183,597,802
Equity shares B	183,597,802
Of which in own custody/treasury shares	1,852,000
Opening number, January 1, 2020	183,597,802
Equity shares B	183,597,802
Changes 2020:	
New share issue	860,015
Closing number, December 31, 2020	184,457,817
Equity shares B	184,457,817
Of which in own custody/treasury shares	2,537,000

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 2020 were mainly due to a stronger SEK against USD compared to previous year.

Reserve for exchange rate differences	
Opening balance, January 1, 2019	543
Exchange rate differences	121
Closing balance, December 31, 2019	664
Exchange rate differences	-324
Closing balance, December 31, 2020	341

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 of the registered share capital. The shares had a par value of SEK 0.03 per share.

Holdings of treasury shares 2019

The Board of Directors of Munters Group AB ("Munters") resolved, pursuant to the authorization granted by the Annual General Meeting held on May 8, 2019 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 2019, and to cover costs related to the program. In total, Munters repurchased 385,000 shares during the year at an average price of SEK 40.98. Payment for the shares was made in cash and amounted to MSEK 16. As of December 31, 2019, Munters Group AB held 1,852,000 shares in custody, equal to 1.0% of the registered share capital. The shares had a par value of SEK 0.03 per share.

Dividend during the period

There has been no dividend paid during 2020 or 2019.

NOTE 24 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Group	2020	2019
Non-current defined-benefit obligations to employees	285	269
Other benefits to employees	14	14
Non-current	299	283
Current defined-benefit obligations to employees	6	6
Other current employee benefits	3	3
Current	10	9
Total provisions for pensions and similar obligations	309	292
Where-of provisions recognized for pension obligations	291	276

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, 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% (3 respectively 1) of total pension provisions, are also unfunded.

The Swedish pension plans (known as ITP plans) supplement the country's social insurance system, and result from agreements between employer and employee organizations. ITP plans mainly comprise retirement pensions, disability pensions and survivor's pensions. The ITP plan has two parts, firstly, ITP1, which is a defined-contribution pension plan applying to employees born in 1979 or later, and secondly, ITP2, which is a defined-benefit pension plan applying to employees born before 1979. White-collar employees within the Group in Sweden were covered by both these parts. The ITP2 plan is managed within Munters in the FPG/ PRI system. Financing occurs through provisions to an account in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti. Defined-benefit pension plans subjects the Group

to different kinds of risk attributable to increases in life expectancy, inflation and salary.

In the Group, there are also defined-contribution plans that mainly comprise retirement pensions, disability pensions and survivor's pensions. The premiums are paid continuously during the year by each Group company to separate legal entities, such as insurance companies. The size of the premium is based on salary. The cost of these defined-contribution plans for the period totaled MSEK 50 (63).

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 7 (44) for the period.

Below is the recognized provisions for pensions under IAS 19 in the consolidated balance sheet:

	Present value of defined benefit obligation	Fair value of plan assets	Recognized provision, net
2020 Group			
Opening balance	293	-17	276
Comprehensive income for the year			
Current service cost obligation	14	-	14
	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

	Present value of defined benefit obligation	Fair value of plan assets	Recognized provision, net
2019 Group			
Opening balance	236	-15	221
Comprehensive income for the year			
Current service cost obligation	10	-	10
	6	0	6
	16	0	16
Remeasurement, included in Other comprehensive income			
Actuarial changes arising from changes in financial assumptions	4	-3	0
Experience adjustments	44	-	44
	47	-3	44
Transactions			
Benefits paid by employer	-7	0	-6
Benefits paid by employer to plan assets	-	1	1
	-7	1	-6
Exchange rate differences for the year	0	0	0
Closing balance	293	-17	276
Of which funded plans:			
Belgium	21	-20	1
Of which unfunded plans:			
Sweden	262	-	262
Other countries	12	-	12

Plan assets comprise insurance contracts signed with independent insurance companies. No portion of plan assets in 2020 or 2019 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	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	-

	2019	
	Sweden	Others
Discount rate, %	1.45	0.70
Future inflation, %	1.75	1.75
Future wage and salary increases, %	2.25	-
Pension increases, %	1.75	-
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 34 (33), while an increase in the rate of 0.5 percentage points would reduce the commitment by around MSEK 30 (28). Altered assumptions with respect to inflation being 0.5 percentage points lower would reduce the commitment by around MSEK 22 (21) and increase it by around MSEK 25 (24) 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 15 (12) for 2021.

Duration analysis regarding expected payments for post-employment pension benefits (not calculated on present value):

Age analysis - expected payments	2020	2019
Within the next 12 months	6	5
Between 1 and 2 years	6	5
Between 2 and 5 years	17	17
Between 5 and 10 years	31	30
Total	60	57

The weighted average duration for the defined-benefit commitments is 21 years (21).

NOTE 25 OTHER PROVISIONS

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

2019 Group	Provisions			Total
	for warranties	Restructuring	Other provisions	
Opening balance	88	0	35	123
Additional provisions	66	192	34	292
Reversals of unutilized provisions	-22	0	-22	-45
Utilized during the year	-12	-54	-4	-69
Exchange rate differences	2	-2	2	2
Closing balance	122	137	44	302

Provisions consist of:	2020	2019
Current portion	33	278
Non-current portion	248	24
Closing balance	281	302

During the year, provision for warranties was made by MSEK 38 (66) including MSEK 7 (-) related to a limited number of customer claims where Munters have not fulfilled agreed specifications. The estimated costs will be incurred because of certain components having to be replaced at the relevant customer installations. Although the company's current assessment is that the risk is limited, it cannot be excluded that additional customer claims may arise. During last year, the provision was unusually high, driven mainly by a number of specific project deliveries, where replacement of critical components and repair work on site was required. In addition, higher quality costs, mainly in the US, contributed to higher 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.

Provision for restructuring was made by MSEK 111 (192), and relates to sharpening the customer offering and footprint optimization measures. During the year, an exit was made of the non-core part of the commercial business in the US and the operations in the Netherlands were consolidated. The remaining activities is estimated to be completed during 2021. During previous year, additional provision for restructuring related to the three-phase plan launched at the beginning of the year to capture Munters' full potential to improve the Group's earnings, which included layoffs in various parts of the Group as well as the closing of the European Data Centers factory in Dison, Belgium.

Other provisions includes a provision of MSEK 24 (-) related to Hunter New England Health District, who sued Munters' Australian subsidiary, Munters Pty Ltd., corresponding to MSEK 74 plus interest and expenses, for breach of contract in relation to services provided to John Hunter Hospital in the spring of 2008. The

services were provided as part of Munters Pty Ltd.'s Moisture Control Services, which was later divested in 2010. Because of the fact that it was decided just before the end of 2020, that the process should go to mediation procedure, to be initiated in February 2021, a provision was recorded based on an estimated reasonableness of the mediation outcome. Munters Pty Ltd. has certain insurance cover under its local liability insurance and for excess amounts, up to the limit in force at the time, under Munters AB's insurance. A receivable on the insurer was recorded of MSEK 16 (-). In the case of Munters Pty Ltd. is held liable for the damage, there is a risk that the company may bear the part of the damage that exceeds what the insurances cover. See Note 34 for additional disclosures on significant events after the end of the reporting period related to this case.

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2020	2019	2020	2019
Other expenses related to personnel	306	268	20	8
Received goods not yet invoiced	153	128	-	-
Commissions	45	68	-	-
Interest expenses	9	12	-	-
Deferred income	51	63	-	-
Audit and lawyers fees	13	15	0	0
Other	165	162	1	3
Closing balance	742	716	21	11

Deferred revenue mainly refers to subscription agreements within Munters software business.

NOTE 27 PLEDGED ASSETS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2020	2019	2020	2019
Contingent liabilities				
PRI guarantees	-	-	2	2
Guarantees from banks and insurance companies	315	324	197	204
Closing balance	315	324	199	206

PRI guarantees refers to pension liabilities in Sweden. Other guarantees 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 1 (2) 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. During the year, Munters' request for a so-called De Minimis Quantity Exemption was finally rejected by the New Jersey Supreme Court, which means that the matter has now been referred back to the New Jersey Department of Environmental Protection ("NJDEP"), and an investigation into the cause and extent of the environmental damage has begun. Although a potential environmental liability is hard 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. As Munters will probably have to bear approximately MSEK 6 in regulatory fines and fees issued by NJDEP, but subject to ongoing discussions, a provision of MSEK 6 has been made during the year.

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 has not completed discussions with the current insurer and thus no asset has been reported.

NOTE 28 TRANSACTIONS WITH RELATED PARTIES

The shares in Munters Group AB are held by FAM AB by 26% (21.1). Other related parties to Munters include other portfolio companies managed by FAM AB and Munters Board of Directors and Group Management. There has been no transactions or outstanding dealings during 2020.

During 2019, the Chairman of the Board of Directors, Magnus Lindquist, and the Interim CEO, Johan Ek, acquired in total 6,000,000 call options, (3,000,000 call options per person) for shares in Munters for a value of MSEK 13.8 from a company controlled by Nordic Capital Fond VII.

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	2020		2019	
	Number	of which men, %	Number	of which men, %
United States	930	78	898	82
China	374	82	361	79
Sweden	362	70	351	71
Mexico	264	72	262	69
Germany	231	83	233	82
Belgium	45	90	201	92
India	165	90	174	90
Italy	154	81	160	83
Israel	138	78	157	78
Brazil	127	85	100	88
Czech Republic	76	88	97	85
United Kingdom	72	81	79	80
Japan	62	84	60	85
Netherlands	46	80	55	28
Australia	2	50	34	86
France	33	79	33	82
Singapore	24	75	25	80
South Africa	20	80	20	80
Denmark	20	69	19	71
Korea	19	63	19	74
Spain	13	77	13	77
Turkey	13	69	12	67
Finland	12	83	11	82
Canada	6	67	5	60
Austria	33	85	5	80
Poland	4	100	4	100
Vietnam	2	50	3	67
United Arab Emirates	4	83	3	80
Switzerland	3	67	1	0
Thailand	18	67	0	0
Other	10	74	10	75
Total	3,282	79	3,406	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 three men and three women.

NOTE 30 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Salaries and remuneration	1,710	1,719	22	22
Social security expenses	427	431	7	7
Pension expenses - defined contribution	50	63	5	5
Pension expenses - defined benefit	14	10	-	-
Total	2,201	2,223	35	34

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' 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 in 2017, 2018, 2019 and 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 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 shall be maximized to 140 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 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.

To which extent the criteria for awarding variable cash salary has 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. For variable cash salary to other members of the group management, the Compensation Committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Terms and conditions for 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.

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	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.

2019

Amounts in KSEK	Board fee/Base salary	Variable remuneration	Other benefits*	Pension expenses	Share based payments	Total
Members of the Board: (2 women and 6 men)						
Magnus Lindquist, chairman	1,298	-	-	-	-	1,298
Helen Fasth Gillstedt, board member and chairman of audit committee	550	-	-	-	-	550
Andreas Näsvisk, board member	550	-	-	-	-	550
Joachim Zetterlund, board member and chairman of remcom until May 7, 2019	125	-	-	-	-	125
Johan Ek, board member	183	-	-	-	-	183
Juan Vargues, board member	300	-	-	-	-	300
Kristian Sildeby, board member	438	-	-	-	-	438
Lena Olving, board member	500	-	-	-	-	500
Per Hallius, board member	400	-	-	-	-	400
CEO Johan Ek, until Aug 11, 2019	4,210	-	-	-	-	4,210
CEO Klas Forsström, as of Aug 12, 2019	2,708	5,399	75	948	127	9,257
Other senior executives, until Feb 13, 2019 (3 women and 10 men), from Feb 14, 2019 (3 women and 3 men)	15,696	2,582	12,685	4,566	461	35,990
Total	26,958	7,981	12,760	5,514	588	53,801

* Out of total other benefits for senior executives severance amounts to KSEK 11,500

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 2020 amounted to KSEK 4,391 (4,343) excluding social security contributions. In accordance with the resolution of the 2020 Annual General Meeting, the total fee for external board members elected at the AGM amounted to a total of KSEK 4,400, calculated on an annual basis. Of this amount, KSEK 1,050 is paid to the Chairman of the Board (Magnus Lindquist) and KSEK 400 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, which should be paid to board members elected at the meeting, with a total amount of KSEK 150 to the Chairman of the Audit Committee (Helen Fasth Gillstedt), and KSEK 100 to each of the other members of the Audit Committee (Lena

Olving and Kristian Sildeby) and a total amount of KSEK 100 to the Chairman of the Remuneration Committee (Magnus Lindquist) and KSEK 50 to the other members of the Remuneration Committee (Juan Vargues and Kristian Sildeby).

President and CEO

Munters' President and CEO, Klas Forsström, has a fixed annual base salary of KSEK 6,630. For three months (April-June), the fixed salary was reduced by 10%, which meant that the annual fixed salary for the financial year 2020 amounted to KSEK 6,568 including holiday pay. In addition, Klas Forsström also has a variable cash salary, linked to Munters' annual incentive program (Performance Pay), which amounts to a maximum of 140% percent of the fixed salary.

In addition to the variable remuneration attributable to Munters' annual incentive program, the reported variable salary also includes a second partial payment of the special bonus targets that were agreed upon during hiring in 2019. The bonus targets were linked to qualitative targets that were met during the year, and

KSEK 1,500 was paid during 2020. The total variable salary for the financial year 2020 thus amounted to a total of KSEK 7,899.

Senior Executives

Salaries and other remuneration to Executive Management for the year 2020 amounted to KSEK 27,736 (35,990), excluding social security contributions.

Reduction of fixed salary due to Covid-19

Munters' CEO and President, as well as the Senior Executives, jointly decided to reduce their fixed salary by 10% over a three-month period (April-June), due to the uncertain market situation.

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% on the Group's result. The business area managers are measured 70% on the business area's result, and a share of 30% on the Group's result. In 2020, 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 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 costs, including social security contributions, of MSEK 5.0 (-).

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 costs, including social security contributions, of MSEK 6.7 (2.0).

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 6.5 (2.6). Below is a summary of allotted and outstanding options (including synthetic) in the three plans.

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Opening balance	52.25	2,574,360	55.00	1,221,380
Granted during the year	46	1,580,000	50.27	1,513,000
Forfeited during the year	52.51	-287,120	54.56	-160,020
Closing balance	49.60	3,867,240	52.25	2,574,360

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, 2020	December 31, 2019
June 27th, 2018	June 27th, 2021	55.00	926,240	1,076,360
July 19th, 2019	July 19th, 2022	50.27	1,376,000	1,498,000
June 30th, 2020	June 30th, 2023	45.82	1,565,000	-
Total			3,867,240	2,574,360

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 during the year were:

- 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: SEK 45.82 (LTIP 2019: SEK 50.27; LTIP 2018: SEK 55.00)
- allotment date: June 30 2020 (LTIP 2019: July 19, 2019; LTIP 2018: June 27, 2018)
- maturity date: June 30, 2023 (LTIP 2019: July 19, 2022; LTIP 2018: June 27, 2021)
- share price on the grant date: SEK 49 (LTIP 2019: SEK 42; LTIP 2018: SEK 47)
- expected price volatility of the company's share: 40% (LTIP 2019: 36%; LTIP 2018: 26%)
- expected dividend yield: 0 (LTIP 2019:0; LTIP 2018:0)
- risk-free interest rate: -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 the month of November, 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	
	2020	2019	2020	2019
Ernst & Young				
Audit engagements	9,634	11,086	841	1,118
Audit business beyond audit engagements	408	537	-	-
Tax advice	939	840	-	-
Other services	422	1,156	107	-
Other auditors				
Audit engagements	129	126	-	-
Tax advice	326	480	-	-
Other services	92	67	-	-
Total	11,950	14,292	948	1,118

NOTE 34 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In February 2021, Munters agreed with Hunter New England Local Health District through a mediation procedure. The company has sued Munters Australian subsidiary, Munters Pty Ltd. of MSEK 74 plus interest and expenses, for breach of contract in relation to services provided at John Hunter Hospital in the spring of 2008, see further information in Note 25. A provision of MSEK 24 was made in 2020 based on a best estimate of the outcome of the mediation, and at the same time, a receivable on the insurance company of MSEK 16 was booked. Final mediation entailed a settlement of MSEK 32, implying a further cost for Munters of MSEK 9, including court cost. As the amount is considered small, no adjustment has been made to reported provision at year end, hence the cost will impact the profit in 2021.

In March 2021, a final agreement was reached regarding insurance compensation linked to previous exchange of specific components at a customer site within the Europén Data Center business, which since September 2019 has been reported as a discontinued operation. The agreement entailed a final remuneration of MEUR 6, corresponding to approximately MSEK 60. The costs for the exchange amounted to MSEK 116 and were reported during the third quarter of 2019.

ASSURANCE 2020

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, March 16, 2021

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

Our Auditor's report was submitted on
March 19, 2021
Ernst & Young AB

Rickard Andersson
Auktoriserad revisor

AUDITOR'S REPORT

To the general meeting of the shareholders of Munters Group AB (publ), corporate identity number 556819-2321

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Munters Group (publ) for the financial year 2020. The annual accounts and consolidated accounts of the company are included on pages 72-120 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 2020 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 2020 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 income statement and balance sheet 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 using an output method at the reporting date.</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 effects the timing of revenue recognition.</p> <p>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 2020, 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 key controls within these processes.</p> <p>Also, we have audited revenue transactions close to the year end by reviewing customer agreements and delivery notes to verify that revenue is recognized in the correct period. Furthermore, we have evaluated the company's estimates for determining percentage of completion and revenue recognition related to larger project assignments.</p> <p>We have assessed whether the disclosures in the annual report is appropriate.</p>

Valuation of goodwill and trademarks

Description	How our audit addressed this key audit matter
<p>Goodwill and trademarks amounts to MSEK 4,963 and MSEK 5,458 respectively 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 recoverable amount. Recoverable amount is 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 test of the fiscal year did result in any impairment. As shown in note 15, changes in significant assumptions and estimates could have an effect on the carrying value.</p> <p>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 2020, 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 by comparing to historical outcome and forecasts, as well as performing sensitivity analyzes. Furthermore, we have assessed the discount rate and the assumption of long term growth rate after the forecast period by comparisons to peers. We have assessed whether the disclosures provided in the annual report is appropriate.</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 1-71. 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 this information, 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.

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, related safeguards.

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

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 financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) 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. Ernst & Young AB, Box 7850, 111 44, Stockholm, was appointed auditor of Munters Group AB by the general meeting of the shareholders on the 26 May 2016 for a term of four years and has been the company's auditor since 2010.

Stockholm March 19, 2021
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

DEFINITIONS OF KEY FINANCIAL INDICATORS

In this annual report as well as in the quarterly interim reports, there are references to a number of performance measures. Some of the measures are defined in IFRS, others are alternative performance measures and are not disclosed in accordance with applicable financial reporting frameworks or other legislations. The performance measures are used by the Group to assist both investors and management in analyzing Munters' business. Below are the performance measures found in this annual report described, defined and the reason for use disclosed.

Organic growth

Change in 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 county.

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.

THE SHARE

THE MUNTERS SHARE trended higher during the year.

In 2020, the share price increased 69 percent, while the Stockholm Stock Exchange OMXS30 rose 4 percent during the same period.

The closing price on the last trading day of the year was SEK 83.00 (49.06), equivalent to a market capitalization of SEK 15.3 billion (9.0). The highest price paid in 2020 was SEK 84.10 (50.50) and the lowest price was SEK 21.56 (33.70).

TRADING IN THE MUNTERS SHARE

In 2020, a total of 109.2 million shares (117.9) were sold. Average turnover during the year was 433,295 shares per day (471,720).

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 2020 of SEK 0.70 (0) per share, representing 30 per cent of net income for 2020.

SHARE CAPITAL

At December 31, 2020, 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 5,533,734.51.

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 2,537,000 shares related to employee incentive programs.

OWNERS

The number of shareholders at December 31, 2020 was 4,912, and the proportion of shareholders outside Sweden at year-end was 40.6 per cent. The ten largest individual shareholders had 70.1 per cent of the share capital at that time.

FAM AB was the largest shareholder, with 26.0 percent of the share capital.

KEY FIGURES

Number of shares at year-end, millions	184 (184)
Market capitalization at year-end, SEK billion	15.3 (9.0)
Number of shareholders	4 912 (5 988)
Share price at year-end, SEK	83.00 (49.06)
Earnings per share, SEK	2.32 (-0.91)
Change in share price during the year, %	69.2 (44.3)
Regular dividend, SEK/share	0.70* (0.00)
Dividend as a % of earnings per share	30 (00)
Proportion of shares in Sweden, %	59.4 (72.1)
Proportion of shares owned by 10 largest shareholders, %	70.1 (69.6)

* Proposed dividend

THE TEN LARGEST SHAREHOLDERS AS OF DECEMBER 31, 2020

Name	Holding	Holding, %
FAM AB	47,997,797	26.0
ODIN Funds	15,617,971	8.5
First AP Fund	15,515,473	8.4
Swedbank Robur Funds	15,234,102	8.3
Fourth AP Fund	9,119,469	4.9
Handelsbanken Funds	7,205,635	3.9
Columbia Threadneedle	6,566,840	3.6
C WorldWide Asset Management	4,373,750	2.4
La Financière de l'Echiquier	4,255,598	2.3
Norges Bank	3,256,139	1.8

ANALYSTS

Analysts who actively cover the Munters share.

Bank	Name	Telephone
ABG Sundal Collier	Karl Bokvist	+46 (0) 8 566 286 33
Carnegie	Kenneth Toll Johansson	+46 (0) 8 58 86 89 11
Danske Securities	Björn Enarson	+46 (0) 8 568 80605
Jefferies	Simon Toennesen	+44 (0) 20 7029 8346
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 88

SHAREHOLDING BY SIZE

Holding	Number of known shareholders	Holding %	Votes, %
1–1,000	4,384	0.4	0.4
1,001–10,000	386	0.7	0.7
10,001–50,000	63	0.8	0.8
50,001–500,000	52	5.5	5.5
500,001–1,000,000	7	2.5	2.5
1,000,001–5,000,000	13	15.9	15.9
5,000,001–10,000,000	3	12.4	12.4
10,000,001–20,000,000	3	25.1	25.1
20,000,001–	1	26.0	26.0
Unknown owners		10.5	10.5

Ownership distribution in and outside Sweden

■ Sweden 59.4%
■ International ownership 40.6%

The Munters share

Trading volume per day



INFORMATION TO THE SHAREHOLDERS



**REPORTS CAN BE ORDERED
FROM MUNTERS GROUP AB:**

Web: www.munters.com
Email: info@munters.se
Address: Munters Group AB
Box 1188, SE-164 26 KISTA, Sweden

FOR MORE INFORMATION:

Ann-Sofi Jönsson, Vice President,
Investor Relations and Enterprise
Risk Management
Phone: + 46 (0)730 251 005
Email: ann-sofi.jonsson@munters.com

ANNUAL GENERAL MEETING 2021

The Annual General Meeting of Munters Group AB (reg.no. 556819-2321) will be held on May 19, 2021 as a postal voting meeting.

Anyone wishing to attend the Annual General Meeting must register by casting their postal vote in advance. Details of the registration procedure can be found in the notice convening the Annual General Meeting.

The last day to register by casting a postal vote is May 18, 2021.

65 YEARS OF INNOVATION

MUNTERS WAS FOUNDED IN 1955 by Carl Munters. He had worked for years with innovative solutions to create the best possible indoor air for both people and industry. Today air treatment systems are more important than ever to reduce global consumption of energy and water resources.



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.

1960s

Munters expands and grows not only in Sweden but internationally as well. 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 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 agents 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.



1990s

Munters expands and becomes an international group with sales offices in over 25 countries. A new manufacturing plant is built in the US. 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. In 1997, Munters AB is listed on the Stockholm Stock Exchange.

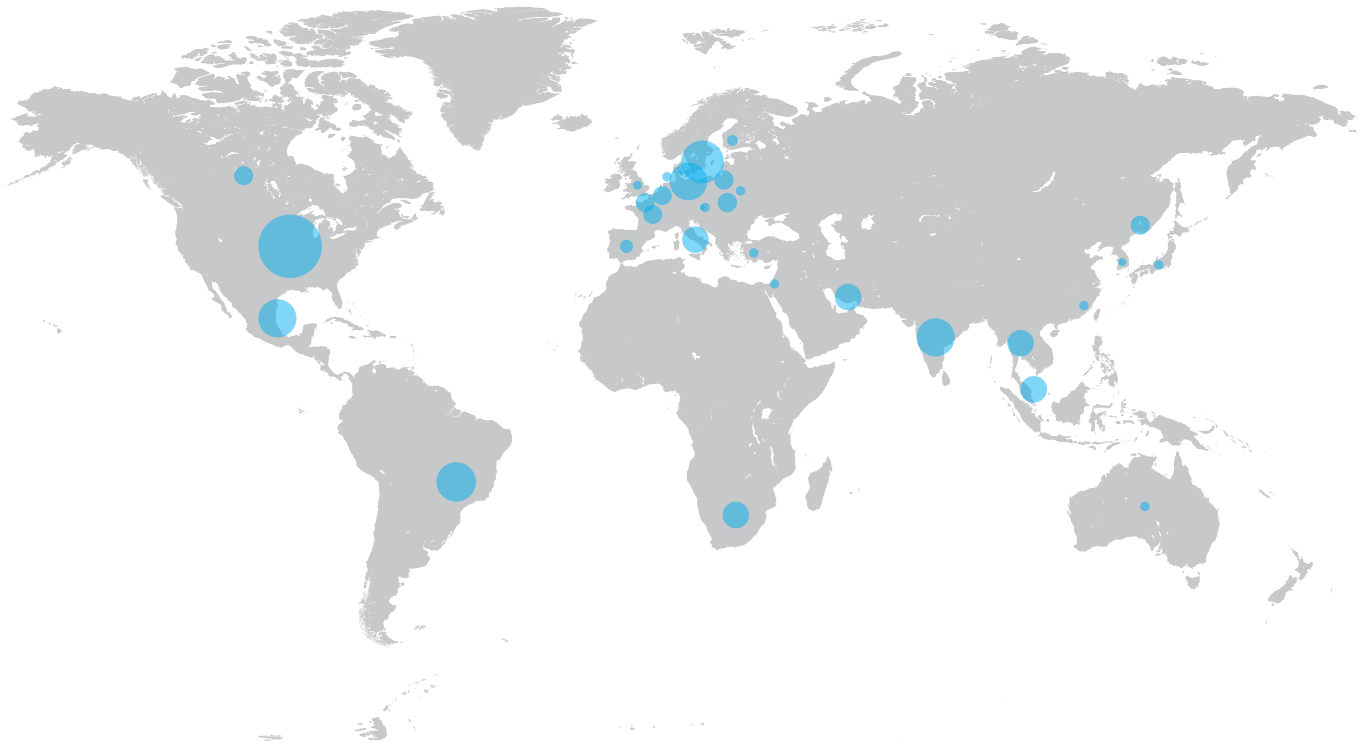
2000s

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 Nyssen, a leading European manufacturer of large-scale air treatment systems.

2010s

In 2010, Munters is acquired by Nordic Capital and delisted from the Stockholm Stock Exchange. A number of strategic acquisitions are made primarily in livestock farming and greenhouses. Acquisitions of Rotem, an Israeli specialist in control and management systems, and the German company Reventa. The acquisitions of MTech Systems and Edata, software developers for poultry and swine production. Acquisitions of Proflute and HB Group as well as Kevin Enterprises in India. In 2017, Munters Group (MTRS) is listed on Nasdaq Stockholm.

MUNTERS EMPLOYEES AROUND THE WORLD



Average number of employees in 2020 by country*

USA	930	Japan	62	Spain	13
China	374	Netherlands	46	Turkey	13
Sweden	362	Belgium	45	Finland	12
Mexico	264	France	33	Canada	6
Germany	231	Austria	33	United Arab Emirates	4
India	165	Singapore	24	Poland	4
Italy	154	Denmark	20	Switzerland	3
Israel	138	South Africa	20	Australia	2
Brazil	127	Korea	19	Vietnam	2
Czech Republic	76	Thailand	18	Other countries	10
UK	72				

Average number of employees in the world 2020

3,282

* The average number of employees is calculated by the sum of permanent employees over the past 13 months divided by 13.



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