Q3

2019

Munters Group AB (publ)

Stable demand, strong organic net sales growth and improved profitability

In September 2019, the closure of the Data Center Factory in Dison, Belgium, was decided. This business is reported as discontinued operations in this interim report and the income statement for 2019 and 2018 has been restated to reflect this change. The CEO comments and business comments in this report focus on the continuing operations, unless otherwise stated.

CEO COMMENTS

Market conditions stable

Overall, markets in the third quarter were characterized by stable demand. Demand remained strong in some areas of the industrial market, Services as well as for Data Centers and Mist Elimination solutions. We also saw increased demand for digitalized solutions for the food industry. Order intake in Asia improved driven by high demand from the poultry industry and investments in swine production, coming back from low levels due to the African Swine Fever. The order intake was solid in the US due to strong order intake from Data Centers in the US and a few orders from the lithium battery industry, despite a continued weak commercial market. In the third quarter, selected parts of the European industrial market saw lower demand, impacted by a weaker economic climate and lower investment rate in the region. We still anticipate softer Group order intake development during the second half of the year versus the first half year 2019.

Continued strong organic sales growth

Munters net sales grew 11% organically in the quarter, resulting in an organic growth of 8% for the first nine months. Growth was partly driven by the strong growth in the Data Centers business in the US, where the business delivered on the strategic direction set last year. We also saw good net sales increase in several sub-segments in the industrial areas. Our focus on growing the area of Services is continuing to deliver strong increase in net sales.

Adjusted EBITA-improved

Early 2019 Munters launched a three-phase program, the Munters Full Potential Program, FPP, to reach our mid-term financial targets. The total run-rate overhead cost savings from the FPP are estimated to SEKm 160, of which savings of SEKm 155, on an annual basis, have been achieved at the end of September, in line with the targeted level. We are confident we will reach targeted run-rate savings for 2019 and onwards. Since I joined as CEO, a review has been made of the initiatives in the FPP program. This has resulted in a change in the estimate for non-recurring costs for the full year 2019 from, as previously communicated SEKm 350 to SEKm 375, due to depreciation of assets related to the closure of the Data Center factory in Dison, Belgium. The closure of this factory was decided in the third quarter and this operation is now reported as discountinued operations. At September 30, SEKm 326 had been recorded as non-recurring charges for the FPP. In addition, and as previously communicated, in connection with the closure of the factory in Dison, a provision has been made for an estimated non-recurring charge of SEKm 116. This was related to certain specified components, for a previously sold customized Munters solution, having to be replaced at a specific customer's sites.

In the first nine months, net sales growth and good progress in savings from the FPP led to an improved adjusted EBITA margin. Adjusted EBITA amounted to SEKm 248, and adjusted EBITA-margin was 13.7% in the third quarter. Discontinued operations reported EBITA of SEKm -19 in the quarter.

Towards a more profitable company

In the coming quarters I will focus on driving steady, continuous improvements in order to solidify a stable base for Munters. Operational excellence is key for us and imperative in order to create room for continued investments in future growth initiatives. I am very happy that Peter Gisel-Ekdal, after 12 years at the helm of the business area FoodTech has accepted to head up the business area AirTech. Over the coming months I, together with the organization, will focus on setting the strategic priorities that will guide us over the years to come, including a finalization of the strategic evaluation of the Data Center and Mist Elimination businesses.

Klas Forsström, President and CEO

Financial summary *

	Q3			Jan-Sep			LTM	Full year
SEKm	**2019**	**2018**	**∆%**	**2019**	**2018**	**∆%**	**Oct-Sep**	**2018**
Order intake	1,680	1,590	6	5,457	4,964	10	7,192	6,698
Net sales	1,813	1,559	16	5,311	4,655	14	7,067	6,412
Operating profit (EBIT)	174	136	28	397	371	7	555	529
Adjusted EBITA	248	186	33	641	500	28	866	725
Adjusted EBITA margin, %	13.7	12.0		12.1	10.7		12.3	11.3
Net income	104	59		200	218		269	286
Earnings per share before and after dilution, SEK	0.56	0.31		1.09	1.15		1.44	1.50
The KPI´s below includes discontinued operations								
Net income	-238	62		-176	227		-497	-94
Earnings per share before and after dilution, SEK	-1.32	0.33		-0.98	1.19		-2.76	-0.57
Cash flow from operating activities	177	-38		388	0		828	441
Net debt	3,368	3,169		3,368	3,169		3,368	2,843
Net debt/Adjusted EBITDA, LTM				3.5	4.0		3.5	3.7

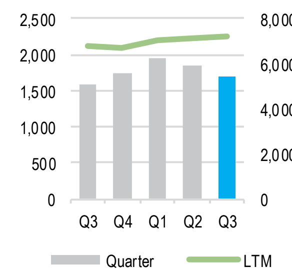
* The income statement has been restated for the period Jan-Sep 2019 and 2018 to reflect discontinued operations in line with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Discontinued operations is defined as the business within the Data Center operations in Dison, Belgium. All income statement items in this report refers to Munters continuing operations, if not otherwise stated. See more information on page 19.

Financial performance

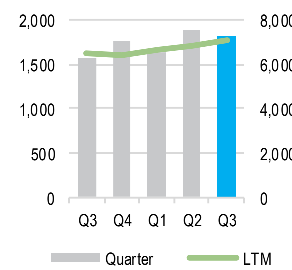
Previous business segments Mist Elimination and Data Centers were incorporated into business area AirTech in the first quarter of 2019, see restatement of 2018 on page 9. The new accounting standard for leases, IFRS 16 has been applied from January 2019, for further information see page 18. Munters reports the business within the Data Center operations in Belgium as a discontinued operation and has restated all income statement comparisons, for information see page 19.

	Q3			Jan-Sep			LTM	Full year
SEKm	**2019**	**2018**	**∆%**	**2019**	**2018**	**∆%**	**Oct-Sep**	**2018**
Order intake	1,680	1,590	*6*	5,457	4,964	*10*	7,192	6,698
AirTech	1,179	1,073	*10*	3,892	3,332	*17*	5,181	4,621
FoodTech	513	524	*-2*	1,596	1,655	*-4*	2,048	2,107
Other and eliminations	-13	-8		-31	-23		-37	-30
Net sales	1,813	1,559	*16*	5,311	4,655	*14*	7,067	6,412
AirTech	1,288	1,050	*23*	3,777	3,158	*20*	5,044	4,426
FoodTech	534	517	*3*	1,563	1,521	*3*	2,060	2,018
Other and eliminations	-9	-8		-29	-24		-37	-32
Adjusted EBITA	248	186	*33*	641	500	*28*	866	725
AirTech	167	116	*44*	476	336	*42*	662	522
FoodTech	85	76	*12*	217	200	*8*	266	249
Other and eliminations	-3	-5		-52	-36		-62	-46
Adjusted EBITA margin, %	13.7	12.0		12.1	10.7		12.3	11.3
AirTech	12.9	11.0		12.6	10.6		13.1	11.8
FoodTech	15.9	14.7		13.9	13.1		12.9	12.4

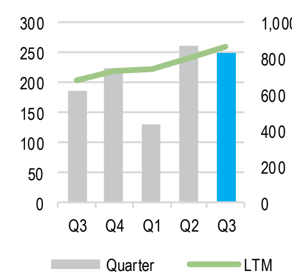
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



ORDER INTAKE

Third quarter

Order intake in the third quarter increased by 1% organically. Growth was driven by a few large orders received from the lithium battery industry as well as a very strong growth in Services. Business area AirTech saw increased order intake of 5% organically. Services order intake increased organically by 8% in the third quarter.

Business area FoodTech saw order intake declined organically by -7%. Order intake for 2018 included a large SaaS order of SEKm 34 and no order of similar large value was received in the third quarter 2019. Order intake remained weak in the Americas, driven by overcapacity and uncertainty about the consequences from new trade tariffs and the African Swine Fever (ASF).

Nine months

Order intake over nine months increased by 4% organically. Business area AirTech saw increased order intake of 10% organically with an organic increase of order intake in Services by 12% in the first nine months.The order intake for Data Centers in the US was strong as well as order intake for Services globally. Order intake remained weak for business area FoodTech in Americas and China, driven by overcapacity and uncertainty about the consequences from new trade tariffs and ASF. Order intake in FoodTech decreased by -9% organically.

NET SALES

Third quarter

Net sales for the third quarter increased by 11% organically. Net sales in business area AirTech grew by 18% organically with an increase in Services net sales by 16% organically. Also Data centers in the US and Mist Elimination solutions saw net sales increases. This was offset by decreased deliveries to the commercial sector as well as component deliveries to OEMs. Net sales for business area FoodTech declined by -2% organically, as net sales from the region Americas as well as China continued to be negatively impacted by overcapacity and uncertainty about the consequences from new trade tariffs and the ASF.

Nine months

Net sales for the first nine months of the year increased by 8% organically. Business area AirTech net sales grew by 13% organically with Services increasing organically by 11%. Strong sales growth was recorded in parts of the industrial market, Data Centers solutions in the US as well as a very solid growth in Services. The weakened demand in the commercial market and for components resulted in lower net sales for the first nine months in these areas compared to 2018. Business area FoodTech net sales decreased by -3% organically with a decline in net sales in China and the US following the weaker order intake during the first nine months of the year.

ADJUSTED EBITA

Adjusted EBITA excludes Items Affecting Comparability, IAC.

Third quarter

Adjusted EBITA in the third quarter increased by 33% to SEKm 248 (186), corresponding to an adjusted EBITA margin of 13.7% (12.0).

Adjusted EBITA for business area AirTech in the third quarter amounted to SEKm 167 (116), corresponding to an adjusted EBITA margin of 12.9% (11.0). The improvement was driven by savings realized from the initiatives run within the FPP program as well as net sales growth and improved utilization rates in the Data Centers operations in the US and the Mist Elimination operations.

Adjusted EBITA in business area FoodTech in the third quarter amounted to SEKm 85 (76), corresponding to an EBITA margin of 15.9% (14.7). The margin improvement was mainly driven by higher gross margins resulting from a higher share of sales of controllers, as well as operational improvements in the production facility in Mexico.

Nine months

The Group's adjusted EBITA in the first nine months increased by 28% to SEKm 641 (500), corresponding to an adjusted EBITA margin of 12.1% (10.7). Adjusted EBITA in business area AirTech amounted to SEKm 476 (336), corresponding to an adjusted EBITA margin of 12.6% (10.6).

Adjusted EBITA in business area FoodTech amounted to SEKm 217 (200) corresponding to an EBITA margin of 13.9% (13.1). The improvement compared to last year was driven by savings achieved from initiatives run within the FPP, as well as improved gross margin driven by a higher share of sales from controllers, together with overall operational improvements.

ITEMS AFFECTING COMPARABILITY (IAC)

Continuing operations

During 2019 Munters has incurred IACs relating to the FPP program launched in February 2019 as well as IACs related to other operating excellence initiatives. In the third quarter, costs amounting to SEKm -42 (-8) were accounted for as IACs in Munters continuing operations. The costs consisted mainly of costs related to severance and consulting fees. IACs, excluding discontinued operations, for the first nine months amounted to SEKm -139 (-8).

	2019				2018				
SEKm	Q3	Q2	Q1	Jan-Sep	Q4	Q3	Q2	Q1	Full year
AirTech	**-11**	**-14**	**-23**	**-48**	**-8**	**-8**	**–**	**–**	**-16**
Severance costs	-11	-9	-19	-39	-5	–	–	–	-5
Consulting fees and other	-1	-5	-4	-9	-4	-8	–	–	-11
FoodTech	**-6**	**-8**	**-19**	**-33**	**–**	**–**	**–**	**–**	**–**
Severance costs	0	-1	-9	-10	–	–	–	–	–
Consulting fees and other	-7	-7	-10	-24	–	–	–	–	–
Other	**-24**	**-14**	**-18**	**-57**	**-22**	**–**	**–**	**–**	**-22**
Severance costs	-16	-1	-4	-21	-22	–	–	–	-22
Consulting fees and other	-8	-14	-14	-36	-0	–	–	–	-0
Total	**-42**	-36	-61	-139	-31	-8	–	–	-39

Discontinuing operations

The closure of the Data Centers factory in Dison, Belgium, is part of the FPP. During the third quarter, the closure of Dison was decided and therefore the European Data Centers business, and the related IAC´s, has been defined as a discontinued operation inaccordance with IFRS 5. The IACs during the third quarter amounted to SEKm -205, whereof SEKm -135 was severance pay and SEKm -70 mainly asset and inventory write-downs. During the first nine months IACs amounted to SEKm -209, whereof SEKm -139 was severance pay and SEKm -70 mainly asset and inventory write-downs.

In relation to the closure process of Dison, specified components, for a previously sold customized Munters solution, have to be replaced at a specific customer's sites. As a result of this, Munters has made a provision for an estimated non-recurring cost of SEKm -116 in the third quarter 2019. The estimated non-recurring cost of SEKm 116 is in addition to the previously communicated total cost for the Munters Full Potential Program. Munters has insurance solutions in place for this type of events, but since Munters has not concluded the discussions with the relevant customer and its insurance providers the financial and cash flow net effect on Munters can not yet be finally determined.

OPERATING PROFIT (EBIT)

Third quarter

Operating profit (EBIT), excluding discontinued operations, in the third quarter was SEKm 174 (136), including depreciation of SEKm -60 (-25) and amortization and write-downs of SEKm -32 (-43), where SEKm -24 (-37) was related to amortization of intangible assets from acquisitions. Depreciation of leased assets in the third quarter was SEKm -31 (-) (see specification of IFRS 16 impacts on page 18). EBIT was also negatively impacted by SEKm -42 (-8) due to IAC´s, which are further outlined above.

Nine months

EBIT, including discontinued operations, for the first nine months 2019 was SEKm 397 (371), including depreciations of SEKm -162 (-70) and amortizations and write-downs of SEKm -105 (-121), where SEKm -73 (-104) was related to amortization of intangible assets from acquisitions. Depreciation of leased assets during the first nine months was SEKm -81 (-) (see specification of IFRS 16 impacts on page 18). EBIT was also impacted by SEKm -139 (-8) due to IAC´s, which are further outlined above.

FINANCIAL ITEMS

Financial income and expenses for the third quarter was SEKm -40 (-49). The financial expenses were positivly impacted by currency effects compared to the same quarter last year**.** The interest expenses increased due to the new accounting standard for leases, IFRS16. Further information of the IFRS 16 impact is found in the section Accounting Principles, page 16. The average weighted interest rate including fees per end of the third quarter was 4.4% (4.2).

Financial income and expenses for the first nine months amounted to SEKm -134 (-94). The increase in the financial expenses in the first nine months 2019 compared to 2018 is due to increased interest rates.

TAXES

Income taxes for the third quarter was SEKm -30 (-29). The effective tax rate in the third quarter was 22% (33%). Income taxes for the first nine months was SEKm -63 (-59). The effective tax rate for the first nine months was 24% (21%).

EARNINGS PER SHARE

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to SEKm -241 (61) for the third quarter. Earnings per share, before and after dilution, in the third quarter 2019 was SEK -1.32 (0.33).

Net income, including the discontinued operation, attributable to Parent Company's ordinary shareholders amounted to SEKm -178 (219) during the first nine months. Earnings per share, before and after dilution, was SEK -0.98 (1.19).

The average number of outstanding ordinary shares as per September 30, 2019, was 183,597,802 before and after dilution, whereof 1,852,000 was held in own custody.

FINANCIAL POSITION AND LIQUIDITY

Munters primary financing facilities consists of a term loan of USDm 250 and a revolving credit facility of EURm 185. In addition, Munters was granted a temporary revolving credit facility (RCF) of EURm 19 valid from April 1 until December 31, 2019. The facilities have no mandatory amortization requirement. The final maturity date is May 2022. The loan agreement has one financial covenant (consolidated net debt in relation to adjusted EBITDA). The new accounting standard for leases, IFRS 16, does not affect the covenant calculation according to the loan agreement definition. For further information on the IFRS 16 effect, see section Accounting Principles on page 16. Interest-bearing liabilities amounted to SEKm 3,623 (3,277) and cash and cash equivalents amounted to SEKm 496 (322) as of September 30, 2019.

At quarter end the term loan was fully drawn with USDm 250 and EURm 115 of the total revolving of EURm 185 credit facility were utilized in EUR, USD and SEK. The temporary RCF of EURm 19 was unutilized. Available unutilized credit facilities as of September 30 amounted to SEKm 1,233 (637). Along with the main loan facility, an amount of SEKm 25 (9) in local debt is outstanding in i.a. China, India and Brazil.

CASH FLOW AND CAPITAL EMPLOYED

Cash flow from operating activities was SEKm 177 (-38) in the third quarter. Working capital impacted with an increase of SEKm -11 (-128). Cash flow from operating activities was positively affected by SEKm 31 (-) due to IFRS 16, compared to the same period last year, as lease payments are reflected as change in lease liabilites under financial activities. Cash flow from operating activities during the first nine months amounted to SEKm 388 (0). Cash flow from operating activities during the first nine months was positively affected by SEKm 91 (-) due to IFRS 16, compared to the same period last year. The increase compared to last year was due to a large increase in working capital during 2018.

Average capital employed for the last twelve months was SEKm 7,317 (6,858). Return on capital employed (ROCE) for last twelve months was -3% (8%). The increase in capital employed was mainly related to IFRS 16, see page 18.

Return on capital employed, where EBIT is adjusted for items affecting comparability (IAC) and capital employed adjusted for goodwill, for the last twelve months was 9% (21%). EBIT was affected by a write-down of goodwill amounting to SEKm 323 in the fourth quarter of 2018.

PARENT COMPANY AND OWNERSHIP

Munters Group AB offers group supporting functions. The Company holds shares in subsidiaries, cash and accounts payables. The Parent Company does not engage in sales of goods and services to external customers. Cash and cash equivalents at the end of the period amounted to SEKm 35 (78).

As of September 30, Nordic Capital was the biggest shareholder (36.5%) followed by FAM AB (14.1%), First AP-fund (7.2%), Swedbank Robur Funds (7.0%) and AMF (6.4%).

EMPLOYEES

The number of permanent employees at September 30, 2019 was 3,241 (3,412), where the decline mainly relates to the FPP-program.

OTHER EVENTS DURING THE FIRST NINE MONTHS

- **Full Potential Program** - In February 2019, Munters announced the launch of a three-phase plan for progression to capture Munters full potential to improve Group earnings. As part of the first phase of the program, Munters announced the intention to close down the European Data Centers factory in Dison, Belgium. This has been subject to union negotiations, which were finalized in the third quarter and the process to close the factory has been decided. During 2019, Munters is set to gradually shift focus to the second phase of the program, including activities such as driving business mix towards most attractive applications, focused product development, drive continuous improvements, further improvements of go-to-market models and pricing practices and drive cost of goods sold savings through product design cost-out and material purchasing practices. The third and final phase in the program is to accelerate growth with focus on attractive segments where the company see solid long-term demand and where strong market positions can be established. The total estimated run-rate overhead cost saving from the program is SEKm 160. In addition, the closure of the Data Centers factory in Dison, will give an estimated profit improvement of SEKm 50. In total, Munters expects a positive Group adjusted EBITA effect of SEKm 105 in 2019 and SEKm 210 in annual effect from 2020. Non-recurring charges for the Munters Full Potential Program is expected to be SEKm 375. The Munters Full Potential Program will temporarily increase the leverage during 2019 and necessary consent from the lending banks has been received. Group leverage is expected to be in line with the mid-term financial leverage target in 2020.

- **Management changes** – In April 2019, the Board of Directors appointed Klas Forsström as President and CEO of Munters Group AB. He entered his position on August 12, 2019. Prior he was the President of Sandvik Machining Solutions Business area. He has more than 20 years of experience holding different senior management positions within Sandvik, including positions such as President of Sandvik Hard Materials and Sandvik Coromant. Klas has a M.Sc. in Materials Physics and an MBA from Uppsala University as well as advanced management studies at INSEAD. Johan Ek, the interim President and CEO of Munters from December 2018 until August 12 remain in his current role as a member of the Board of Directors of Munters. In May 2019, Munters Group appointed Annette Kumlien as new Group Vice President and CFO. Annette entered her position on August 12, 2019, taking over responsibilities from Jonas Ågrup, CFO of Munters Group since 2011. Annette Kumlien has prevoiusly held positions at Diaverum as SVP and COO and prior to that as CFO. She has also had the position of CFO at the listed companies Höganäs and Pergo, as well as business controlling roles at Perstorp and Sandvik. Annette has a Bachelor of Science in Business Administration from the Stockholm School of Economics.

- **Buy-back of shares in Munters Group AB** – In August Munters announced it had repurchased a total number of 385,000 shares pursuant to the authorization granted by the Annual General Meeting 2019. The purpose of the repurchases is to secure the delivery of shares to the participants of Munters' long-term incentive programme which was resolved by the Annual General Meeting 2019, and to cover costs related to the programme. As of August 13, Munters had repurchased a total of 385,000 shares to an average price of SEK 40.98.

- **Nomination committee for the 2020 Annual General Meeting** – In September Munters announced the Nomination Committee of Munters Group AB. 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 Nomination Committee has now been appointed and comprises the following members: Robert Furuhjelm, Nordic Capital, Chairman of the Nomination Committee, Lars Wedenborn, FAM AB, Johan Grip, First AP-fund, Jan Dworsky, Swedbank Robur Funds and Magnus Lindquist, Chairman of the Board of Munters.

EVENTS AFTER THE CLOSING OF THE PERIOD

- **Management changes** – In October, Munters announced that Peter Gisel-Ekdal had been appointed the role as President of business area AirTech as of November 1, 2019. Peter Gisel-Ekdahl has been President of Munters business area FoodTech since 2007 and been a member of Group Management team since 2011. FoodTech has, in recent years, done an important strategic journey developing a clear customer offering both with leading hardware products as well as new digital software IoT solutions. This has offered increased customer value and a solid platform for the future. Johan Ekeström, currently Vice President Finance for FoodTech, has been appointed as Interim President for FoodTech as of 1 November.

- **European Data Centers operation incures additional costs** - In October, Munters announced that the European Data Centers operations will make a provision for an estimated additional non-recurring costs of SEKm 116 in the third quarter 2019 related to the closure of the Data Centers factory in Dison, Belgium. The estimated non-recurring costs are incurred due to certain specified components, for a previously sold customized Munters solution, having to be replaced at a specific customer's sites. Munters has insurance solutions in place for this type of events, but since Munters has not concluded the discussions with the relevant customer and its insurance providers the financial and cash flow net effect on Munters can not yet be finally determined. This is expected to be concluded during the coming months.

AirTech

- Order intake increased, driven by a strong demand in the Data Centers market in the US, a strong growth in the lithium battery industry as well as an increase of Services orders in all regions
- Strong net sales growth driven by increase in Services, Data Centers solutions in the US and Mist Elimination solution
- Improved adjusted EBITA margin in the third quarter to 12.9% compared to 11% previous year

FINANCIAL SUMMARY

	Q3		Jan-Sep		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Oct-Sep**	**2018**
Order intake	1,179	1,073	3,892	3,332	5,181	4,621
Growth	*10%*		*17%*			
Net sales	1,288	1,050	3,777	3,158	5,044	4,426
Growth	*23%*		*20%*			
of which organic growth	*18%*		*13%*			
of which currency effects	*5%*		*6%*			
Operating profit (EBIT)	151	104	406	318	591	503
Adjusted EBITA	167	116	476	336	662	522
Growth	*44%*		*42%*			
Adjusted EBITA margin, %	12.9	11.0	12.6	10.6	13.1	11.8

Order intake

Order intake increased 5% organically in the third quarter. Growth was driven by a few larger orders received from the lithium battery industry, Mist Elimination solutions for the marine market in Europe as well as a continued strong growth in Services, especially in Europe and Asia. Order intake from OEMs were slightly down in all regions. The demand in the Supermarket sub-segment in the US remained weak in the quarter.

Order intake for the first nine months increased 10% organically. This was mainly driven by a strong increase in order intake for Data Centers solutions in the US, a strong growth in the lithium battery industry as well as a strong increase of Services orders in all regions. Orders in EMEA increased, but at a lower pace than in the same period 2018, impacted by a weaker economic climate and lower investment rate in the region.

Net sales

Net sales grew 18% organically, driven by a strong net sales increase in Services, Data Centers solutions in the US and Mist Elimination solutions. This was offset by decreased deliveries to the commercial sector as well as component deliveries to OEMs.

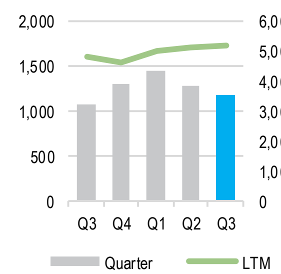
In the first nine months net sales grew 13% organically with strong sales growth in the industrial market, Data Centers solutions in the US as well as a very solid growth in Services. The weakened demand in the commercial market and for components resulted in lower net sales for the first nine months in these areas compared to 2018.

Adjusted EBITA

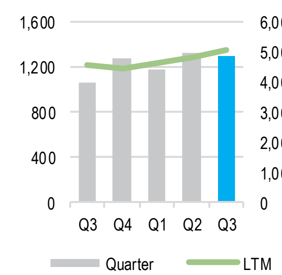
Adjusted EBITA in the third quarter amounted to SEKm 167 (116), corresponding to an adjusted EBITA margin of 12.9% (11.0). The improvement was driven by savings realized from the initiatives run within the FPP program as well as net sales growth and improved utilization rates in the Data Centers operations in the US and Mist Elimination.

For the first nine months EBITA amounted to SEKm 476 (336), corresponding to an adjusted EBITA margin of 12.6% (10.6).

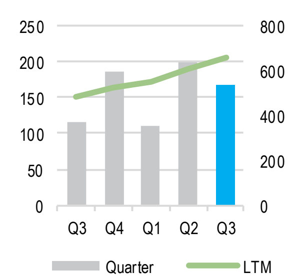
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



FoodTech

- Organic order intake and net sales declined in the quarter, impacted by lower demand in Americas
- Strong demand for climate solution controllers
- Improved adjusted EBITA margin to 15.9% compared to 14.7% previous year

FINANCIAL SUMMARY

	Q3		Jan-Sep		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Oct-Sep**	**2018**
Order intake	513	524	1,596	1,655	2,048	2,107
Growth	*-2%*		*-4%*			
Net sales	534	517	1,563	1,521	2,060	2,018
Growth	*3%*		*3%*			
of which organic growth	*-2%*		*-3%*			
of which currency effects	*5%*		*6%*			
Operating profit (EBIT)	75	73	172	191	225	244
Adjusted EBITA	85	76	217	200	266	249
Growth	*12%*		*8%*			
Adjusted EBITA margin, %	15.9	14.7	13.9	13.1	12.9	12.4

Order intake

Order intake for the quarter declined organically by -7%. Order intake last year included a large SaaS order and no order of similar large value was received in the third quarter 2019. Excluding the SaaS order in 2018, order intake was on the same level in the third quarter 2019 as in 2018. Order intake in Asia increased, primarily in the layer and broiler markets in China, where demand continued to strengthen, driven by investments in higher efficiency production capacity. Order intake from the swine market in China picked up compared to the second quarter 2019 as the negative consequences from the outbreak of the ASF became less severe. In the Americas, order intake decreased due to continued low level of investments in swine farms in the US, driven by overcapacity and uncertainty about the consequences from new trade tariffs and the ASF. In the US, demand and order intake for climate solution controllers increased.

Order intake over nine months decreased by -9% organically, mainly due to weak demand from the swine market in the US and China caused by the ASF, the effects from trade tarrifs as well as an overcapacity in the US market. Order intake in the layer and broiler markets increased, with strong growth in China. US saw increased order intake as demand for climate solution controllers was strong and the market demand improved in Eastern Europe.

Net sales

Net sales for the quarter declined by -2% organically. Development of net sales in the different regions followed the order intake development.

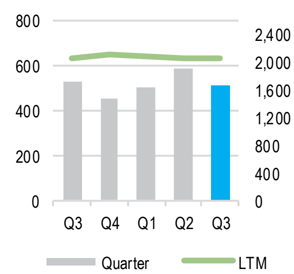
Net sales over nine months decreased by -3% organically with a decline in net sales in China and the US following the weaker order intake during the first nine months of the year.

Adjusted EBITA

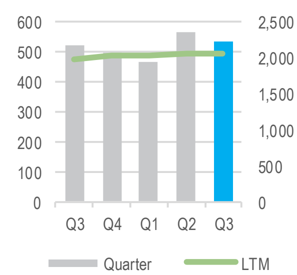
Adjusted EBITA in the third quarter amounted to SEKm 85 (76), corresponding to an EBITA margin of 15.9% (14.7). The margin improvement was mainly driven by higher gross margins resulting from a higher share of sales of climate solution controllers, as well as operational improvements in the production facility in Mexico.

Adjusted EBITA in the first nine months was SEKm 217 (200) corresponding to an EBITA margin of 13.9% (13.1). The improvement compared to last year was driven by savings achieved from initiatives run within the FPP, as well as improved gross margin driven by a higher share of sales from climate solution controllers, together with overall operational improvements.

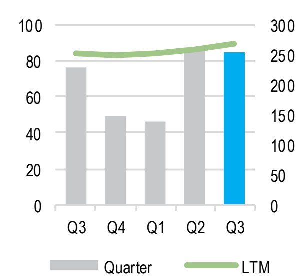
Order intake (SEKm)



Net sales (SEKm)



Adjusted EBITA (SEKm)



Quarterly overview Group and Segments

Group

SEKm	2019 Q3	2019 Q2	2019 Q1	2019 Jan-Sep	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Full year
Order backlog	2,440	2,496	2,554	2,440	2,170	2,222	2,227	2,097	2,170
Order intake	1,680	1,840	1,938	5,457	1,735	1,590	1,748	1,626	6,698
Net sales	1,813	1,877	1,620	5,311	1,757	1,559	1,686	1,410	6,412
Operating profit (EBIT)	174	185	38	397	158	136	161	74	529
Financial income and expenses	-40	-51	-43	-134	-31	-49	-19	-27	-125
Tax	-30	-34	1	-63	-59	-29	-26	-5	-118
Net income	104	100	-3	200	68	59	116	43	286
Amortization and write-down	-32	-41	-32	-105	-36	-43	-40	-38	-157
Items affecting comparability (IAC)	-42	-36	-61	-139	-31	-8	–	–	-39
Adjusted EBITA	248	262	131	641	225	186	201	113	725
Adjusted EBITA margin, %	13.7	13.9	8.1	12.1	12.8	12.0	11.9	8.0	11.3

AirTech

SEKm	2019 Q3	2019 Q2	2019 Q1	2019 Jan-Sep	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Full year
External order backlog	1,886	1,926	1,993	1,886	1,652	1,671	1,670	1,599	1,652
Order intake	1,179	1,264	1,449	3,892	1,289	1,073	1,145	1,114	4,621
External net sales	1,286	1,323	1,164	3,773	1,265	1,049	1,138	968	4,421
Transactions between segments	1	1	2	4	2	1	1	2	5
Operating profit (EBIT)	151	173	82	406	185	104	132	82	503
Amortization and write-down	-5	-13	-5	-22	-5	-4	-3	-3	-15
Items affecting comparability (IAC)	-11	-14	-23	-48	-8	-8	–	–	-16
Re-allocation of internal services	–	–	–	–	-13	–	–	–	-13
Adjusted EBITA	167	199	110	476	185	116	135	85	522
Adjusted EBITA margin, %	12.9	15.1	9.4	12.6	14.6	11.0	11.9	8.8	11.8

FoodTech

SEKm	2019 Q3	2019 Q2	2019 Q1	2019 Jan-Sep	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Full year
External order backlog	554	570	561	554	518	552	557	498	518
Order intake	513	582	500	1,596	452	524	610	520	2,107
External net sales	527	554	456	1,537	491	510	548	442	1,991
Transactions between segments	7	8	9	25	6	8	7	6	27
Operating profit (EBIT)	75	74	24	172	53	73	77	41	244
Amortization and write-down	-4	-4	-4	-11	-3	-3	-3	-3	-12
Items affecting comparability (IAC)	-6	-8	-19	-33	–	–	–	–	–
Re-allocation of internal services	–	–	–	–	-7	–	–	–	-7
Adjusted EBITA	85	85	46	217	49	76	81	43	249
Adjusted EBITA margin, %	15.9	15.2	9.9	13.9	9.9	14.7	14.5	9.7	12.4

Other and eliminations

SEKm	2019 Q3	2019 Q2	2019 Q1	2019 Jan-Sep	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Full year
Order intake	-13	-7	-11	-31	-6	-8	-7	-8	-30
Transactions between segments	-9	-9	-11	-29	-8	-8	-8	-8	-32
Operating profit (EBIT)	-52	-62	-67	-180	-80	-41	-48	-48	-217
Amortization and write-down	-24	-24	-23	-72	-28	-36	-33	-32	-130
Items affecting comparability (IAC)	-24	-14	-18	-57	-22	–	–	–	-22
Re-allocation of internal services	–	–	–	–	20	–	–	–	20
Adjusted EBITA	-3	-23	-25	-52	-10	-5	-15	-16	-46

Discontinued operations

Discontinued operations

	2019				2018				
SEKm	**Q3**	**Q2**	**Q1**	**Jan-Sep**	**Q4**	**Q3**	**Q2**	**Q1**	**Full year**
External order backlog	8	43	111	8	147	166	250	419	147
Order intake	-3	3	11	11	18	111	79	9	216
External net sales	38	87	42	167	78	190	252	190	710
Operating profit (EBIT)	-341	-20	-24	-386	-414	8	9	2	-396
Amortization and write-down	3	-0	0	3	-344	-1	-1	-1	-346
Items affecting comparability (IAC)	-325	-3	-0	-329					–
Adjusted EBITA	-19	-17	-24	-60	-71	8	10	3	-49

Restatement of AirTech

Previous business segments Mist Elimination and Data Centers were incorporated into former Air Treatment (renamed to AirTech) in the first quarter of 2019, see restatement of 2018 below.

	2018				
SEKm	**Q4**	**Q3**	**Q2**	**Q1**	**Full year**
Order intake AirTech	**1,289**	**1,073**	**1,145**	**1,114**	**4,621**
Order intake Air Treatment	979	906	951	963	3,798
Order intake Data Centers	204	68	80	57	409
Order intake Mist Elimination	117	106	125	97	445
Transactions between segments	-11	-7	-10	-4	-32
External net sales AirTech	**1,265**	**1,049**	**1,138**	**968**	**4,421**
External net sales Air Treatment	1,060	924	963	775	3,723
External net sales Data Centers	82	34	89	104	309
External net sales Mist Elimination	123	91	86	89	389
EBIT AirTech	**185**	**104**	**132**	**82**	**503**
EBIT Air Treatment	176	121	126	73	496
EBIT Data Centers	-13	-32	-3	3	-44
EBIT Mist Elimination	22	15	9	6	52
Adjusted EBITA AirTech	**185**	**116**	**135**	**85**	**522**
Adjusted EBITA Air Treatment	170	124	129	75	497
Adjusted EBITA Data Centers	-6	-23	-2	4	-27
Adjusted EBITA Mist Elimination	22	15	9	6	52

Condensed income statement

	Q3		Jan-Sep		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Oct-Sep**	**2018**
Net sales	1,813	1,559	5,311	4,655	7,067	6,412
Cost of goods sold	-1,223	-1,019	-3,550	-3,038	-4,673	-4,160
Gross profit	**590**	**540**	**1,760**	**1,618**	**2,394**	**2,252**
Selling expenses	-222	-238	-763	-732	-1,018	-987
Administrative costs	-147	-117	-462	-382	-633	-553
Research and development costs	-46	-46	-144	-138	-198	-191
Other operating income and expenses	-1	-2	6	5	9	8
Operating profit	**174**	**136**	**397**	**371**	**555**	**529**
Financial income and expenses	-40	-49	-134	-94	-165	-125
Profit/Loss after financial items	**134**	**87**	**263**	**277**	**390**	**404**
Tax	-30	-29	-63	-59	-121	-118
Net income for the period from continuing operations	**104**	**59**	**200**	**218**	**269**	**286**
Net income from discontinued operations	-342	4	-376	9	-765	-380
Net income for the period	-238	62	-176	227	-497	-94
Attributable to Parent Company shareholders	**-241**	**61**	**-178**	**219**	**-502**	**-105**
Attributable to non-controlling interests	2	1	2	8	6	11
Average number of outstanding shares before dilution*	181,929,746	183,597,802	182,063,783	183,597,802	182,080,538	183,165,852
Average number of outstanding shares after dilution*	181,929,746	183,597,802	182,063,783	183,597,802	182,080,538	183,165,852
Earnings per share for net income for the period from continuing operations attributable to the ordinary equity holders of the company:						
Earnings per share before dilution, SEK	0.56	0.31	1.09	1.15	1.44	1.50
Earnings per share after dilution, SEK	0.56	0.31	1.09	1.15	1.44	1.50
Earnings per share for net income for the period attributable to the ordinary equity holders of the company:						
Earnings per share before dilution, SEK	-1.32	0.33	-0.98	1.19	-2.76	-0.57
Earnings per share after dilution, SEK	-1.32	0.33	-0.98	1.19	-2.76	-0.57
Other comprehensive income						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Exchange-rate differences on translation of foreign operations	133	-57	250	176	266	193
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax	–	–	–	–	-17	-17
Income tax effect not to be reclassified to profit or loss	–	–	-1	–	3	4
Other comprehensive income, net after tax	**133**	**-57**	**249**	**176**	**253**	**179**
Total comprehensive income for the period	**-105**	**5**	**74**	**403**	**-244**	**85**
Attributable to Parent Company shareholders	-107	5	71	396	-251	75
Attributable to non-controlling interests	2	0	2	6	7	10

* *Excluding shares held in own custody*

Condensed balance sheet

SEKm	2019/09/30	2018/09/30	2018/12/31
ASSETS			
NON-CURRENT ASSETS			
Goodwill	4,537	4,511	4,218
Patents, licenses, brands, and similar rights	1,529	1,504	1,480
Buildings and land	258	160	168
Plant and machinery	561	262	270
Equipment, tools, fixtures and fittings	181	150	137
Construction in progress	67	47	62
Financial assets	17	11	11
Deferred tax assets	240	221	227
Total non-current assets	**7,390**	**6,865**	**6,575**
CURRENT ASSETS			
Raw materials and consumables	417	409	391
Products in process	165	119	106
Finished products and goods for resale	289	335	282
Projects in progress	19	7	7
Advances to suppliers	21	26	20
Accounts receivable	1,064	1,473	1,095
Prepaid expenses and accrued income	378	162	224
Derivative instruments	0	2	3
Current tax assets	54	52	53
Other receivables	109	171	109
Cash and cash equivalents	496	322	404
Total current assets	**3,013**	**3,079**	**2,693**
TOTAL ASSETS	**10,403**	**9,944**	**9,268**

Condensed balance sheet

SEKm	2019/09/30	2018/09/30	2018/12/31
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity	3,775	4,039	3,720
Non-controlling interests	-2	-4	-4
Total equity	**3,773**	**4,034**	**3,716**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	3,491	3,266	3,002
Provisions for pensions and similar commitments	237	211	230
Other provisions	26	17	16
Other liabilities	153	134	137
Deferred tax liabilities	426	410	421
Total non-current liabilities	**4,333**	**4,038**	**3,805**
CURRENT LIABILITIES			
Interest-bearing liabilities	131	11	11
Advances from customers	278	383	285
Accounts payable	535	498	535
Accrued expenses and deferred income	681	659	590
Derivative instruments	3	2	1
Current tax liabilities	40	46	28
Other liabilities	198	174	181
Provisions for pensions and similar commitments	9	8	8
Other provisions	422	90	107
Total current liabilities	**2,296**	**1,871**	**1,746**
TOTAL EQUITY AND LIABILITIES	**10,403**	**9,944**	**9,268**

CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	2019/09/30	2018/09/30	2018/12/31
Opening balance	**3,716**	**3,748**	**3,748**
Total comprehensive income for the period	74	403	85
Change in non-controlling interest	-0	0	0
Put/call option related to non controlling interests	-3	-3	-4
Dividends paid	–	-55	-55
Repurchase of shares	-16	-59	-59
Share option plan	2	1	1
Closing balance	**3,773**	**4,034**	**3,716**
Total shareholders´equity attributable to:			
The parent company's shareholders	3,775	4,039	3,720
Non-controlling interests	-2	-4	-4

Condensed cashflow statement

	Q3		Jan-Sep		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Oct-Sep**	**2018**
OPERATING ACTIVITIES						
Operating profit	**-168**	**144**	**11**	**390**	**-245**	**134**
Reversal of non-cash items						
Depreciation, amortization and impairments	141	70	326	196	732	602
Provisions	136	-32	130	-31	146	-15
Other profit/loss items not affecting liquidity	154	-5	167	-0	186	19
Cash flow before interest and tax	**263**	**176**	**635**	**555**	**820**	**740**
Paid financial items	-35	-46	-125	-83	-152	-109
Taxes paid	-41	-40	-79	-76	-126	-123
Cash flow from operating activites before changes in working capital	**187**	**90**	**431**	**396**	**542**	**507**
Cash flow from changes in working capital	**-11**	**-128**	**-43**	**-396**	**286**	**-67**
Cash flow from operating activities	**177**	**-38**	**388**	**0**	**828**	**441**
INVESTING ACTIVITIES						
Business acquisitions	–	-36	–	-36	-1	-37
Sale of tangible fixed assets	0	0	3	1	4	2
Sale of intangible fixed assets	0	–	1	0	2	1
Business divestments	–	–	–	-0	–	-0
Investment in tangible assets	-32	-33	-95	-106	-136	-148
Investment in intangible assets	-16	-21	-47	-60	-71	-84
Cash flow from investing activities	**-48**	**-90**	**-138**	**-202**	**-202**	**-266**
FINANCING ACTIVITIES						
Loan raised	1	214	114	408	114	408
Amortization of loans	-115	-53	-183	-176	-479	-474
Repayment of lease liabilities	-31	–	-91	–	-91	–
Repurchase of shares	-16	-59	-16	-59	-16	-59
Dividends paid	–	0	-0	-55	-0	-55
Cash flow from financing activities	**-160**	**102**	**-175**	**117**	**-472**	**-180**
Cash flow for the period	**-33**	**-25**	**74**	**-85**	**154**	**-5**
Cash and cash equivalents at period start	521	358	404	402	322	402
Exchange-rate differences in cash and cash equivalents	9	-11	19	5	21	8
Cash and cash equivalents at period end	**496**	**322**	**496**	**322**	**496**	**404**

Cash flow from the discontinued operations is disclosed in a separate note, see page 19.

Parent company

CONDENSED INCOME STATEMENT

	Q3		Jan-Sep		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Oct-Sep**	**2018**
Net sales	–	–	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**	**–**	**–**
Administrative costs	-15	-1	-36	-6	-41	-11
Profit/Loss before interest and tax (EBIT)	**-15**	**-1**	**-36**	**-6**	**-41**	**-11**
Financial income and expenses	-0	0	-0	-0	-0	-0
Profit/Loss after financial items	**-15**	**-1**	**-36**	**-6**	**-41**	**-11**
Group contributions	–	–	–	–	–	–
Profit/Loss before tax	**-15**	**-1**	**-36**	**-6**	**-41**	**-11**
Tax	–	–	-0	–	0	0
Net income for the period	**-15**	**-1**	**-36**	**-6**	**-41**	**-11**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Q3		Jan-Sep		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Oct-Sep**	**2018**
Profit/Loss for the period	-15	-1	-36	-6	-41	-11
Other comprehensive income, net after tax	–	–	–	–	–	–
Comprehensive income for the period	**-15**	**-1**	**-36**	**-6**	**-41**	**-11**

Parent company

CONDENSED BALANCE SHEET

SEKm	2019/09/30	2018/09/30	2018/12/31
ASSETS			
NON-CURRENT ASSETS			
Participations in subsidiaries	4,086	4,086	4,086
Other financial assets	0	–	0
Total non-current assets	**4,086**	**4,086**	**4,086**
CURRENT ASSETS			
Other current receivables	1	–	–
Prepaid expenses and accrued income	0	0	0
Current tax assets	0	0	0
Receivables from subsidiaries	–	0	–
Cash and cash equivalents	35	78	77
Total current assets	**36**	**79**	**77**
TOTAL ASSETS	**4,122**	**4,165**	**4,163**

SEKm	2019/09/30	2018/09/30	2018/12/31
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	6	6
Share premium reserve	4,074	4,074	4,074
Profit brought forward	60	87	87
Income for the period	-36	-6	-11
Total equity	**4,104**	**4,161**	**4,155**
CURRENT LIABILITIES			
Accounts payable	1	1	0
Accrued expenses and deferred income	5	1	2
Liabilities to subsidiaries	0	–	3
Other liabilities	3	2	2
Other provisions	9	–	–
Total current liabilities	**18**	**4**	**8**
TOTAL EQUITY AND LIABILITIES	**4,122**	**4,165**	**4,163**

Other disclosures

ACCOUNTING POLICIES

This report has been prepared, with regards to the Group, in accordance with IAS 34 *Interim Financial Reporting*, recommendation RFR 1 of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act and, with regards to the Parent Company, in accordance with recommendation RFR 2 of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. The accounting principles applied correspond to those presented in the Annual Report 2018 (Note 1).

As of January 1, 2019 all new lease agreements are accounted for according to requirments under IFRS 16. This means that lease agreements are reported as right-of-use assets in the balance sheet and a corresponding lease liability recognized on the commencement day of the lease. Each lease payment is divided between a repayment of the debt and an interest expense. The interest expense is distributed over the lease term so that each accounting period is expensed with an amount corresponding to a fixed interest rate for the liability recognized during the respective period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease. Assets and liabilities arising from leases are initially recognized at present value. The lease payments are discounted with the implicit interest rate if that interest rate can be determined, otherwise the incremental borrowing rate. The incremental borrowing rate is decided based on the contract duration and contract transaction currency. Payments for short-term contracts and leases of low value are expensed on a straight-line basis in the income statement. Short-term contracts are contracts with a lease term of 12 months or less. Contracts of low value include various IT-equipment and smaller office furniture. The Parent Company, should it have any lease agreements, will not recognise leases in the balance sheet. Instead leasing fees will continue to be expensed on a straight-line basis over the lease term in accordance with the exemption from IFRS 16 in RFR 2, Accounting for Legal Entities.

For transition purposes the simplified transition approach has been used to transfer to the new accounting standard and therefore there are no restatements of comparative amounts for the year prior to the first adoption. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Munters has used the transition exempt rule under IFRS 16 not to make a new assessment if a contract is or contains parts that constitute a lease and has therefore applied the standard for all contracts that have previously been identified as leases. Munters has also applied the exempt rule to exclude intitial direct costs when calculating the right-of-use asset. As of January 1, 2019, Munters has recognised right-of-use assets of approximately SEKm 475, lease liabilities of SEKm 458 (after adjustments for prepayments and accrued lease payments recognised as at December 31, 2018) and provision for dismantling expenses of SEKm 18. Net profit after tax expects to decrease, provided no new agreements are added, by approximately SEKm 13 for the full year 2019 as a result of adopting to the new rules. EBITDA is expected to increase with approximately SEKm 109 as the operating lease payments were included in EBITDA but the depreciation of the right-of-use assets and interest on the lease liability are excluded from this measure. Adjusted EBITA is expected to increase by approximately SEKm 1, as the operating lease payments were included in EBITA but the interest on the lease liability is excluded from this measure. Total cash flow will not be affected, however there is a shift in cash flow from operating activities to financial activites since the lease payments are repaying the recognized lease liability.

As of September 30, 2019 Munters are reporting a discontinued operation, see further information in separate note below. The discontinued operation relates to the disposal group that has been abandoned constituting the European Data Center 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. An 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.

The Group presents certain financial metrics in the Interim report that are not defined in accordance with IFRS. The Group is of the opinion that these metrics provide valuable complementary information, in that they enable an evaluation of the Group's performance. The financial metrics are calculated in accordance with the definitions presented on page 134 of the Annual Report 2018.

TRANSACTIONS WITH RELATED PARTIES

At the annual general meeting in May 2019 it was resolved in accordance with the Board's proposal on the implementation of a long-term incentive program in the form of a performance based employee stock option program for members of the group management and certain other key employees ("LTIP 2019" or the "Programme"), approximately 72 employees in total. The Programme was to 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, the remaining employee stock options shall entitle to the acquisition of shares in the company. A total of 68 employees has accepted the offer comprising 1,498,000 employee stock options, whereof 85,000 cash settled. The employee stock options has been granted free of charge. 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 financial years 2019-2021 (the "Performance Period"). The performance conditions determine the extent to which (if any) the employee stock options of the respective series may be exercised to acquire shares in the company or receive a cash amount at the expiry of a period of three years from and including the date of the grant 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 equivalent to 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 at Nasdaq Stockholm during a period of ten business days immediately prior to the exercise of the option, with deduction of an exercise price of SEK 50.27. The Programme participants shall be able to exercise employee stock options during a one year period as from and including the date of the expiry of the Vesting Period. The costs of the program are estimated to SEKm 13 that will be incurred over the three-year period.

In February Munters' largest shareholder, a Nordic Capital Fund VII entity, offered the Chairman of the Board of Directors, Magnus Lindquist, and the acting CEO, Johan Ek, to acquire in total 6,000,000 call options for shares in Munters. The program entailed that Magnus Lindquist and Johan Ek was offered to acquire in total 6,000,000 call options (3,000,000 call options per person) at a total value of SEKm 13.8. The Chairman of the Board of Directors, Magnus Lindquist, acquired 3,000,000 call options and Johan Ek acquired 3,000,000 call options at February 20, 2019. Nordic Capital believes that the call option incentive program contributes to creating a clear alignment of interests between these individuals and the other existing shareholders in Munters.

ENVIRONMENTAL IMPACT AND ENVIRONMENTAL POLICY

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

RISKS AND UNCERTAINTIES

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

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

Munters works actively with insurance solutions, and group-wide insurances are governed by central guidelines. This includes for example coverage for general liability and product liability, property, business interruption, transportation, the liability of Board members and the CEO and employment practices liabilities. A more detailed description of the Group's risks and how they are managed can be found in the Annual Report 2018.

ALLOCATION OF NET SALES

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

	Q3 2019			Jan-Sep 2019		
SEKm	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	754	443	1,197	2,576	1,384	3,960
Goods transferred over time	362	44	407	981	47	1,028
Services transferred over time	208	39	247	383	106	490
Total	**1,324**	**527**	**1,851**	**3,940**	**1,537**	**5,478**
whereof related to the discontinued operation	38	–	38	167	–	167
Total net sales from continuing operations	**1,286**	**527**	**1,813**	**3,773**	**1,537**	**5,311**

	Q3 2018			Jan-Sep 2018		
SEKm	**AirTech**	**FoodTech**	**Total**	**AirTech**	**FoodTech**	**Total**
Allocation timing of revenue recognition						
Goods transferred at a point in time	908	472	1,381	2,671	1,399	4,070
Goods transferred over time	244	-0	244	881	1	882
Services transferred over time	86	37	123	236	100	336
Total	**1,239**	**510**	**1,748**	**3,788**	**1,500**	**5,288**
whereof related to the discontinued operation	190	–	190	632	–	632
Total net sales from continuing operations	**1,049**	**510**	**1,559**	**3,155**	**1,500**	**4,655**

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's derivatives, recognized at fair value in the statement of financial position, are measured according to IFRS 9 and are categorized in level 2 in the fair value hierarchy. The derivatives amounted to SEKm 0 (2) in financial assets and to SEKm 3 (2) in financial liabilities.

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

SEKm	2019/09/30	2018/09/30	2018/12/31
Contingent considerations and put/call options			
Opening balance	137	136	136
Contingent consideration	–	8	8
Excersied put/call option	–	-24	-24
Discounting	4	1	2
Exchange-rate differences for the period	12	13	14
Closing balance	**152**	**134**	**137**

Munters deems that the interest rate on interest-bearing liabilities are in line with market terms at September 30, 2019, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount.

IMPACT OF THE NEW ACCOUNTING STANDARD FOR LEASES, IFRS 16

As of January 1, 2019 all lease agreements are accounted for according to the requirments under IFRS 16, *Leases*. If previous accounting principles for leases (IAS 17) would have been applied, the reported EBIT in the third quarter would be SEKm 3 higher, financial expenses SEKm 6 lower and profit after tax SEKm 6 higher. The reason for EBIT and profit after tax being higher without IFRS 16 is due to the fact that a leased asset has been written down during the third quarter. However, with previous principles the lease contract would most probably been regarded as onerous, resulting in a negative impact in both EBIT and profit after tax with approximately the equivalent numbers. The reported EBIT in the first nine months would be SEKm 1 higher, financial expenses SEKm 13 lower and profit after tax SEKm 11 higher. IFRS 16 does not have an impact on reported cash flow, however there is a shift in cash flow from operating activities to financial activites since the lease payments are repaying the recognized lease liability. Below is a specification per segment on the effect of the new standard on the balance sheet and income statement as of September 30, 2019.

Within the discontinued operation a write-down totaling SEKm 21 has been recorded in the quarter impacting depreciations and write-downs in the income statement from the discontinued operation. The write-down is associated with the leased assets within the European Data Center factory in Dison, Belgium.

	2019/09/30			
SEKm	AirTech	FoodTech	Other	Total
Reported amounts in the balance sheet				
Right-of-use assets				
Buildings, leased	54	27	2	84
Land, leased	2	0	0	2
Plant and machinery, leased	92	179	0	272
Equipment and tools, leased	31	11	2	45
Total	**180**	**218**	**4**	**403**
Lease liabilities reported within interest-bearing liabilities				
Long-term lease liabilities	127	186	1	313
Short-term lease liabilities	71	33	3	107
Total	**197**	**219**	**4**	**420**

	Q3 2019				Jan-Sep 2019			
	AirTech	FoodTech	Other	Total	AirTech	FoodTech	Other	Total
Reported amounts in the income statement								
Continuing operations								
Depreciation and write-downs on right-of-use assets	-18	-12	-1	-31	-50	-29	-3	-81
Interest expense on lease liabilities	-2	-2	0	-4	-6	-7	0	-13
Discontinued operation								
Depreciation and write-downs on right-of-use assets	-25	0	0	-25	-31	0	0	-31
Interest expense on lease liabilities	0	0	0	0	-2	0	0	-2

DISCONTINUED OPERATIONS

On September 9, 2019 Munters decided to close its European Data Center factory in Dison, Belgium, following the finalization of negotiations with the unions. Therefore, this business is classified as a discontinued operation. All income statement items in this report have been restated and relates to Munters continuing operations if not otherwise explicitly stated. The closure is according to the plan of the Munters Full Potential Program launched at the start of 2019 to increase the overall performance of the company.

IACs during the first nine months relating to the closure, amounted to SEKm -209, whereof SEKm -139 was severance pay and SEKm -70 mainly asset and inventory write-downs. All is mainly reflected as cost of goods sold below.

In relation to the closure process of Dison, specified components, for a previously sold customized Munters solution, have to be replaced at a specific customer's sites. As a result of this, Munters has made a provision in the third quarter for estimated non-recurring costs, amounting to SEKm -116 reported within other operational income and expences. The estimated non-recurring cost of SEKm 116 is not part of the previously communicated total cost for the Munters Full Potential Program, but has been taken in addition to these costs. Munters has insurance solutions in place for this type of events, but since Munters has not concluded the discussions with the relevant customer and its insurance providers the financial and cash flow net effect on Munters can not yet be finally determined. This is expected to be concluded during the coming months.

The statement of comprehensive income of the discontinued operation is presented below. The discontinued operations has mainly had cash flows from operating activities during 2018 and 2019.

	Q3		Jan-Sep		LTM	Full year
SEKm	**2019**	**2018**	**2019**	**2018**	**Oct-Sep**	**2018**
Net sales	38	190	167	632	245	710
Cost of goods sold	-234	-163	-371	-556	-506	-690
Gross profit	**-196**	**27**	**-204**	**77**	**-262**	**20**
Selling expenses	-13	-13	-27	-39	-363	-375
Administrative costs	-14	-5	-30	-14	-30	-15
Research and development costs	-2	-1	-9	-5	-30	-26
Other operating income and expenses	-116	1	-116	-0	-116	0
Operating profit	**-341**	**8**	**-386**	**19**	**-800**	**-396**
Financial income and expenses	-1	-1	-3	-2	-3	-2
Profit/Loss after financial items	**-342**	**7**	**-388**	**17**	**-803**	**-397**
Tax	-0	-3	12	-8	37	17
Net income for the period from discontinued operations	**-342**	**4**	**-376**	**9**	**-765**	**-380**
Cash flow from operating activities	-57	-51	-255	-193	12	74

This is a translation from the original review report in Swedish.

REVIEW REPORT

Munters Group AB (publ.), corporate identity number 556819-2321

Introduction

We have reviewed the condensed interim report for Munters Group AB (publ.) as at September 30, 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, October 24, 2019

Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

INFORMATION AND REPORTING DATES

Contact person:

Ann-Sofi Jönsson, Head of Investor Relations
Phone: + 46 (0)730 251 005
Email: ann-sofi.jonsson@munters.se

At 9:00 the President and CEO, Klas Forsström, together with the Group Vice President and CFO, Annette Kumlien will present the report in an audiocast with telephone conference.

Audiocast:

http://www.financialhearings.com/event/11800

Dial-in number for the telephone conference:
SE: +46850558365
UK: +443333009032
US: +18335268395

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

Financial calendar:

February 13, Year-end report 2019

April 23, January-March interim report 2020

May 7, Annual General Meeting 2020

July 17, January-June interim report 2020

October 22, January-September interim report 2020

This information is information that Munters Group AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on October 24, 2019

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

About Munters Group
Munters is a global leader in energy efficient air treatment and climate solutions. Using innovative technologies, Munters creates the perfect climate for customers in a wide range of industries. Munters has been defining the future of air treatment since 1955. Today, around 3,600 employees carry out manufacturing and sales in more than 30 countries. Munters Group AB reports annual net sales of about SEK 7 billion and is listed on Nasdaq Stockholm. For more information, please visit www.munters.com.

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