

**MUNTERS AB**
**INTERIM REPORT January – June 1999**

	1999 Jan - Jun	1998 Jan - Jun	Change
Order intake, SEK M	1,303	1,179	+ 10 %
Invoicing, SEK M	1,226	1,135	+ 8 %
Operating earnings, SEK M	90	76	+ 19 %
- as a percentage of invoicing	7.4	6.7	-
Earnings before taxes, SEK M	87	71	+ 22 %
- as a percentage of invoicing	7.1	6.3	-
Earnings per share, SEK	2.18	1.73	+ 26 %

- Invoicing increased by 8 per cent to SEK 1,226M
- Operating earnings improved by 19 per cent to SEK 90M
- Strong growth in Product Area MCS
- Inauguration of plant for production of HumiCool products
- Earnings per share increased by 26 per cent to SEK 2.18

**MUNTER'S OPERATIONS**

Munters is the world leader in moisture control with products and services for dehumidification, humidification and cooling of air.

Operations are divided into three geographic regions – Europe, the Americas and Asia. In each region, operations are subdivided into the product areas: Dehumidification, Moisture Control Services (MCS), HumiCool and Mist Elimination & Water Treatment. Manufacturing and sales are carried out via the Group's own companies in 25 countries. At the quarter-end, the Group had 1,973 employees.

**GROUP ORDER INTAKE, INVOICING AND EARNINGS**

During the first six months of the year, order intake increased by 10 per cent to SEK 1,303M (1,179) and order backlog rose by SEK 76M to SEK 420M (344).

Invoiced sales of the Munters Group rose by 8 per cent to SEK 1,226M (1,135). Adjusted for currency fluctuations, the increase was 4 per cent.

Distributed by region, invoicing increased by 10 per cent in Europe, 7 per cent in the Americas and fell by 2 per cent in Asia.

Consolidated operating earnings amounted to SEK 90M (76), an increase of 19 per cent. Operating earnings were positively affected by exchange rate fluctuations of approximately SEK 3M.

Consolidated earnings before taxes increased by 22 per cent to SEK 87M (71). Net earnings for the period rose by 26 per cent to SEK 55M (43) after an effective tax rate of 37 (39) per cent. Earnings per share increased to SEK 2.18 (1.73).

The earnings improvement is due to increased

invoicing and implemented rationalisation. These rationalisation measures meant that it has been possible to reduce the workforce in Region Americas and Region Europe in Product Area Dehumidification. At the same time, there has been an increase in staff in Product Area MCS in which growth has been high.

**MARKET DEVELOPMENT**

The market in Europe continued to develop positively. Demand within the MCS operations had a positive trend during the first six months.

The market in America showed continued sound growth in Product Area HumiCool.

The market in Asia confirms earlier signs of improvement. Demand in China remains high and the market situation in South-East Asia also shows an improvement.

The financial turbulence in Brazil and Japan has negatively affected market activities.

Demand for the Group's products and services have a seasonal pattern which means that invoicing and earnings during the second half of the year are generally higher than in the first half.

**FINANCIAL POSITION**

At 30 June, the equity ratio amounted to 41.7 per cent (38.4). Liquid funds were SEK 114M (134) and interest-bearing liabilities (including PRI pensions) were SEK 254M (270). During the year, the net liability has risen by SEK 4M to SEK 139M. The Group has unutilised loan facilities of approximately SEK 160M.

## INVESTMENTS

The Group's total capital expenditure amounted to SEK 53M (37). The majority refers to investments in production machines and IT equipment. Expansion of the production capacity in Tobo, Sweden, was carried out in 1998 and during the first half of 1999. The new production facility will be phased in during the third quarter. So far, SEK 42M has been invested in this expansion, of which SEK 15M during 1999. Inauguration of phase I, which refers to HumiCool, was carried out in May.

## PERSONNEL

At the end of the reporting period, the total number of employees was 1,973 which is a decrease of 6 during the year.

## REGIONS

### EUROPE

Order intake in Europe rose by 15 per cent during the reporting period. Invoicing increased by 10 per cent to SEK 671M (610). Adjusted for currency fluctuations, the increase was 7 per cent. Operating earnings amounted to SEK 37M (20).

Product Area Dehumidification reports increased order intake and invoicing on a par with the same period in the previous year. Earnings have been negatively affected due to unfavourable product mix and production disturbances.

Product Area MCS continued the very positive trend of the first quarter. The proportion of weather-dependent operations in the Product Area reduced in favour of industrial applications and service to the construction industry. Order intake as well as invoicing and earnings increased compared with the corresponding period in the previous year.

Product Area HumiCool reports strongly increased order intake, especially of equipment for evaporative cooling of induction air to gas turbines. At the same time, slightly lower invoicing is reported but improved earnings compared with the corresponding period in the previous year - thanks to a positive product mix.

Product Area Mist Elimination & Water Treatment reports increased order intake, raised invoicing and improved earnings - thanks to a number of large deliveries to water treatment plants in Great Britain.

### THE AMERICAS

During the reporting period, order intake in the Americas increased by 3 per cent. Invoicing rose by 7 per cent to SEK 465M (433) during the same period. Adjusted for currency fluctuations, the increase was 4 per cent. Earnings during the period amounted to SEK 44M (49). First quarter earnings were affected by an unfavourable product mix and costs in connection with staff reduction.

Product Area Dehumidification reports a slightly positive order trend. Order intake for dehumidification units for department stores, handling of frozen products and ice hockey arenas continued to increase.

As a result of continued investments within the industrial segment as well as positive demand in the moisture control segment, Product Area MCS reports continued positive earnings.

Product Areas HumiCool and Mist Elimination enjoyed positive growth with increased order intake,

invoicing and improved earnings. This have been achieved by increased sales to the chicken industry and equipment for cooling of induction air to gas turbines.

### ASIA

Munters' operations in Asia report a continued stable trend. Order intake increased by 13 per cent during the period. Invoicing fell by 2 per cent to SEK 117M (120). Adjusted for currency fluctuations, order intake rose by 5 per cent and invoicing fell by 8 per cent. Earnings amounted to SEK 15M (15).

All Product Areas report an increase in order intake. During the second quarter, the weak invoicing at the beginning of the year in the dehumidification operation in Japan partly recovered. Order intake, invoicing and earnings in Product Area HumiCool continued to develop positively. China and Australia report a continued positive earnings trend.

## PARENT COMPANY

In the first six months of the year, the Parent Company's result after financial items amounted to SEK -4.9M (-4.8). There were no sales.

Capital expenditure amounted to SEK 0.2M (0.3) and number of employees was 14 (15).

## FUTURE INFORMATION DATES

27 October 1999 - Interim Report January – September

22 February 2000 - Preliminary Accounts Report for 1999

Stockholm, 11 August 1999

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*This Report has not been the subject of special examination by the Company's Auditors.*

## Income statement, SEK M

	----- 6 months -----		-----12 months -----		
	1999	1998	1998/99	1997/98	1998
	<u>Jan-Jun</u>	<u>Jan-Jun</u>	<u>Jul-Jun</u>	<u>Jul-Jun</u>	<u>Jan-Dec</u>
Order intake	1 303	1 179	2 507	2 289	2 384
Invoicing	1 226	1 135	2 492	2 308	2 401
Operating expenses <sup>1)</sup>	-1 136	-1 059	-2 273	-2 120	-2 196
Operating earnings	90	76	219	188	205
Earnings from participations in associated companies	3	3	6	9	6
Financial net	-6	-8	-11	-14	-13
Earnings before taxes	87	71	214	183	198
Taxes	-32	-28	-78	-76	-74
Net earnings for the period	55	43	136	107	124
<sup>1)</sup> Of which, depreciation	39	35	76	72	72

## Balance sheet, SEK M

	1999	1998	1998
	<u>30 Jun</u>	<u>30 Jun</u>	<u>31 Dec</u>
<b>Assets</b>			
Fixed assets			
Intangible assets	14	19	16
Plants	376	317	361
Shares and participations	32	31	31
Long-term receivables	9	8	9
Total fixed assets	431	375	417
Current assets			
Inventories	176	167	157
Trade receivables	528	448	528
Current receivables	87	64	68
Liquid funds	114	134	82
Total current assets	905	813	835
<b>Total assets</b>	<b>1 336</b>	<b>1 187</b>	<b>1 252</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity (number of shares 25 000 000)	557	456	545
Long-term liabilities and provisions	63	41	63
Long-term liabilities, interest-bearing	62	80	67
Advances from customers	31	42	23
Current liabilities and provisions	432	378	403
Current liabilities, interest-bearing	191	190	151
<b>Total shareholders' equity and liabilities</b>	<b>1 336</b>	<b>1 187</b>	<b>1 252</b>

## Key figures

	1999	1998	1998/99	1997/98	1998
	<u>Jan-Jun</u>	<u>Jan-Jun</u>	<u>Jul-Jun</u>	<u>Jul-Jun</u>	<u>Jan-Dec</u>
Operating margin, %	7,4	6,7	8,8	8,1	8,5
Return on capital employed, %	26,2	e.m.	31,8	32,9	33,3
Return on shareholders' equity, %	19,8	e.m.	24,5	23,7	25,2
Equity ratio, %	41,7	38,4	41,7	38,4	43,6
Net debt, SEK M	139	136	139	136	135
Net debt ratio	0,25	0,30	0,25	0,3	0,25
Interest coverage ratio	10,4	8,0	12,7	11,0	11,6
Investments in fixed assets, SEK M	53	37	125	80	109
Number of shares at period-end, million	25	25	25	25	25
Earnings per share, SEK	2,18	1,73	5,41	4,24	4,95
Equity per share, SEK	22,3	18,3	22,3	18,3	21,8
Number of employees at period-end	1 973	1 878	1 973	1 878	1 979

## Region

Invoicing, SEK M		1999	1998	1998/99	1997/98	1998
		<u>Jan-Jun</u>	<u>Jan-Jun</u>	<u>Jul-Jun</u>	<u>Jul-Jun</u>	<u>Jan-Dec</u>
Europe		671	610	1 386	1 247	1 325
The Americas		465	433	917	852	885
Asia		117	120	236	261	239
Eliminations/adjustments		-27	-28	-47	-52	-48
<b>Total</b>		<b>1 226</b>	<b>1 135</b>	<b>2 492</b>	<b>2 308</b>	<b>2 401</b>

## Operating earnings, SEK M

	1999	1998	1998/99	1997/98	1998
Europe	37	20	107	83	90
The Americas	44	49	91	95	96
Asia	15	15	33	29	33
Group overheads	-5	-6	-14	-19	-15
Eliminations/adjustments	-1	-2	2	0	1
<b>Total</b>	<b>90</b>	<b>76</b>	<b>219</b>	<b>188</b>	<b>205</b>

## QUARTERLY SUMMARY

### Income statement, SEK M

	1997 (Pro forma)				1998				1999	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Order intake	547	608	554	558	577	602	583	622	659	644
Invoicing	467	557	570	603	554	581	610	656	574	652
Operating expenses <sup>1)</sup>	-443	-508	-522	-540	-522	-537	-554	-583	-537	-599
Operating earnings	24	49	48	63	32	44	56	73	37	53
Earnings from participations in associated companies	1	1	2	4	1	2	2	1	2	1
Financial net	-4	-4	-5	-1	-3	-5	-3	-2	-3	-3
Earnings before taxes	21	46	45	66	30	41	55	72	36	51
Taxes	-8	-17	-17	-30	-12	-16	-21	-25	-13	-19
Net earnings for the period	13	29	28	36	18	25	34	47	23	32
<sup>1)</sup> of which, depreciation	-15	-15	-16	-20	-18	-17	-18	-19	-19	-20

### Balance sheet, SEK M

	1997 (Pro forma)				1998				1999	
	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun
<b>Assets</b>										
Fixed assets										
Intangible assets	25	23	24	19	19	19	18	16	15	14
Plants	315	313	307	331	313	317	327	361	369	376
Shares and participations	27	27	27	29	31	31	29	31	32	32
Long-term receivables	8	8	7	8	8	8	8	9	9	9
Total fixed assets	375	371	365	387	371	375	383	417	425	431
Current assets										
Inventories	141	155	163	148	152	167	164	157	171	176
Trade receivables	415	428	446	448	441	448	479	528	480	528
Current receivables	103	69	78	41	70	64	95	68	82	87
Liquid funds	66	81	129	175	140	134	84	82	102	114
Total current assets	725	733	816	812	803	813	822	835	835	905
<b>Total assets</b>	<b>1 100</b>	<b>1 104</b>	<b>1 181</b>	<b>1 199</b>	<b>1 174</b>	<b>1 187</b>	<b>1 205</b>	<b>1 252</b>	<b>1 260</b>	<b>1 336</b>
<b>Shareholders' equity and liabilities</b>										
Shareholders' equity (25 000 000 shares)	339	361	372	437	456	456	495	545	561	557
Long-term liabilities and provisions	24	21	38	56	28	41	38	63	63	63
Long-term liabilities, interest-bearing	204	266	289	93	75	80	120	67	67	62
Advances from customer	25	20	24	36	38	42	26	23	25	31
Current liabilities and provisions	308	388	419	383	381	378	398	403	396	43
Current liabilities, interest-bearing	200	48	39	194	196	190	128	151	148	192
<b>Total shareholders' equity and liabilities</b>	<b>1 100</b>	<b>1 104</b>	<b>1 181</b>	<b>1 199</b>	<b>1 174</b>	<b>1 187</b>	<b>1 205</b>	<b>1 252</b>	<b>1 260</b>	<b>1 336</b>

### Key figures

	1997 (Pro forma)				1998				1999	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Operating margin, %	5,1	8,8	8,4	10,4	5,7	7,5	9,2	11,1	6,5	8,2
Equity ratio, %	30,8	32,7	31,5	36,5	38,8	38,4	41,1	43,6	44,5	41,7
Net debt, SEK M	338	233	199	112	131	136	165	135	114	139
Net debt ratio	1,00	0,65	0,53	0,26	0,29	0,30	0,33	0,25	0,20	0,25
Interest coverage ratio	7,0	12,1	10,7	11,6	7,4	10,6	13,0	15,0	9,5	11,3
Investments in fixed assets, SEK M	22	19	16	27	13	24	26	46	29	24
Number of shares at period-end, million	25	25	25	25	25	25	25	25	25	25
Earnings per share, SEK	0,52	1,16	1,12	1,44	0,72	1,00	1,36	1,86	0,90	1,28
Equity per share, SEK	13,56	14,44	14,88	17,49	18,23	18,25	19,79	21,82	22,42	22,26
Number of employees at period-end	1 791	1 837	1 837	1 871	1 896	1 878	1 936	1 979	1 962	1 973

### Regions

#### Invoicing, SEK M

	1997 (Pro forma)				1998				1999	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Europe	269	285	303	334	298	312	333	382	321	350
The Americas	150	220	225	195	201	232	229	223	208	257
Asia	58	63	71	70	67	53	56	63	62	55
Eliminations/adjustments	-10	-11	-29	4	-12	-16	-8	-12	-17	-10
<b>Total</b>	<b>467</b>	<b>557</b>	<b>570</b>	<b>603</b>	<b>554</b>	<b>581</b>	<b>610</b>	<b>656</b>	<b>574</b>	<b>652</b>

#### Operating earnings, SEK M

	1997 (Pro forma)				1998				1999	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Europe	13	15	22	42	10	10	27	43	17	20
The Americas	9	29	28	17	19	30	25	22	14	30
Asia	7	8	10	4	10	5	9	9	9	6
Group overheads	-4	-2	-8	-5	-6	0	-6	-1	-2	-3
Eliminations/adjustments	-1	-1	-4	5	-1	-1	1	0	-1	0
<b>Total</b>	<b>24</b>	<b>49</b>	<b>48</b>	<b>63</b>	<b>32</b>	<b>44</b>	<b>56</b>	<b>73</b>	<b>37</b>	<b>53</b>

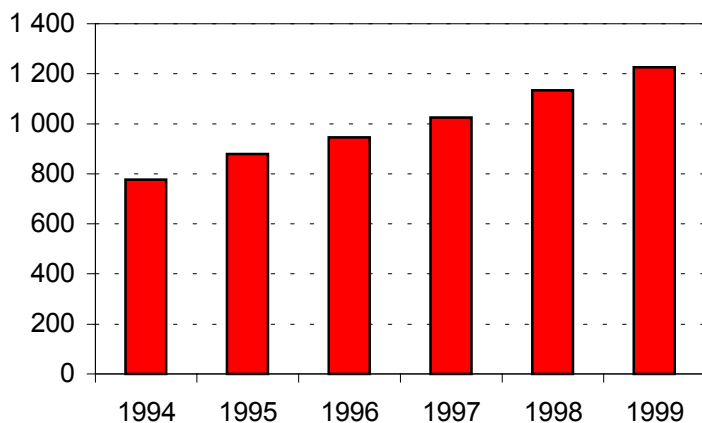
# Statement of changes in Financial Position

	---- 3 months ----		---- 6 months ----		---- 12 months ----	
	1999	1998	1999	1998	1998/99	1998
	<u>Jan-Mar</u>	<u>Jan-Mar</u>	<u>Jan-Jun</u>	<u>Jan-Jun</u>	<u>Jul-Jun</u>	<u>Jan-Dec</u>
Earnings after financial items excluding associated companies	34	31	84	68	208	192
Depreciation according to plan	19	18	39	35	76	72
Change in working capital						
trade receivables	47	7	-1	-6	-74	-79
inventories	-14	-7	-19	-19	-9	-9
trade payables	-8	-13	-4	1	3	8
advances from customers	3	3	9	7	-11	-13
Investments in tangible assets	-29	-13	-53	-38	-121	-106
<b>Operating cash flow</b>	<b>52</b>	<b>26</b>	<b>55</b>	<b>48</b>	<b>72</b>	<b>65</b>
Changes in other working capital	-2	-24	24	-10	26	-8
Investments in intangible assets	0	0	0	0	-3	-3
Dividend paid	0	0	-38	-25	-38	-25
Taxes paid	-26	-29	-44	-46	-75	-77
Other, including translation differences	-3	8	-1	16	7	25
<b>Changes in net debt</b>	<b>21</b>	<b>-19</b>	<b>-4</b>	<b>-17</b>	<b>-11</b>	<b>-23</b>

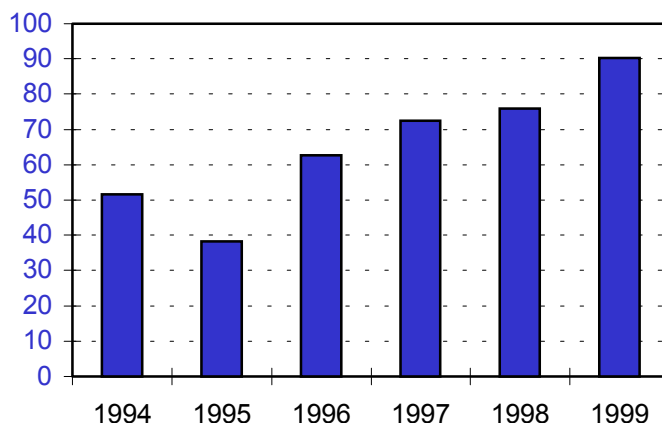
The Group's net debt is defined as follows:

	1999	1998	1999	1998	1998
	<u>31 Mar</u>	<u>31 Mar</u>	<u>31 Jun</u>	<u>30 Jun</u>	<u>31 Dec</u>
SEK M					
Current loans	148	196	191	189	151
Long-term loans	4	15	0	13	5
Pensions	63	60	62	60	62
Cash and bank	-102	-140	-114	-134	-83
<b>Net debt</b>	<b>114</b>	<b>131</b>	<b>139</b>	<b>128</b>	<b>135</b>

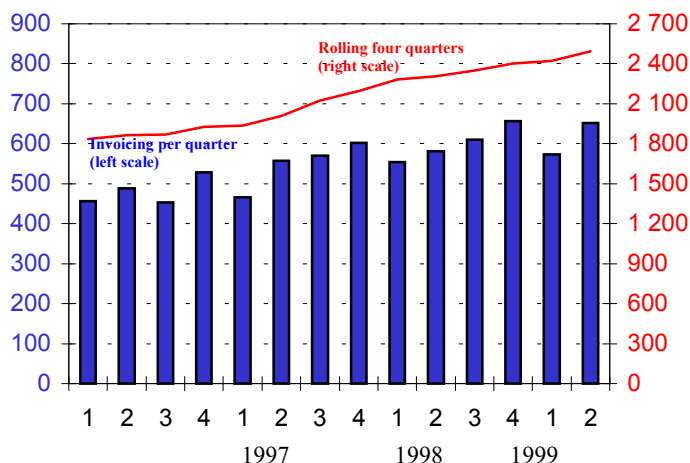
Invoicing, January - June (SEK M)



Operating earnings, January - June (SEK M)



Invoicing per quarter (SEK M)



Order intake per quarter (SEK M)

