

MUNTERS AB
PRELIMINARY ACCOUNTS REPORT, 1 January– 31 December 1999

	1999	1998	Change
Order intake, SEK M	2,608	2,384	+ 9 %
Invoicing, SEK M	2,594	2,401	+ 8 %
Operating earnings, SEK M	237	205	+ 16 %
- as a percentage of invoicing	9.1	8.5	-
Earnings before taxes, SEK M	231	198	+ 17 %
- as a percentage of invoicing	8.9	8.2	-
Earnings per share, SEK	5.78	4.95	+ 17 %
Dividend (1999: proposal)	1.80	1.50	+ 20 %

- Strong fourth quarter and uninterrupted growth over 24 quarters
- Invoicing increased by 8 per cent to SEK 2,594M
- Operating earnings improved by 16 per cent to SEK 237M
- Strong growth in MCS and HumiCool
- Acquisition of Euroemme SpA, Italy
- Earnings per share rose by 17 per cent to SEK 5.78
- Proposal for dividend of SEK 1.80 (1.50)

MUNTERS' OPERATIONS

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

Munters' business concept is to be a global customer-oriented and problem-solving niche company within air treatment, with a base within dehumidification and humidification.

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. The Group had 2,146 employees at year-end.

MARKET DEVELOPMENT

During the year, the market in Europe, except within Mist Elimination & Water Treatment, developed positively. Demand in the MCS operations was high throughout the year.

The market in America showed high growth in Product Area HumiCool and in Product Area MCS.

The market in Asia improved during the year. Demand in China, South East Asia and Australia was high. In addition, Japan shows a trend towards improvement.

Demand for the Group's products and services has a seasonal pattern which has the effect that invoicing in the second half of the year is generally

higher than in the first half of the year.

FOURTH QUARTER 1999

Munters' order intake improved by 12 per cent in the fourth quarter to SEK 691M (622). Invoicing rose by 11 per cent to SEK 731M (656). Adjusted for currency fluctuations, the increase in both order intake and invoicing was 12 per cent compared with the fourth quarter of 1998. Operating earnings rose by 14 per cent to SEK 83M (73).

At the end of December, Munters acquired Euroemme SpA, Italy, which is a leading manufacturer of climate systems for chicken farms and greenhouses. Euroemme, with invoicing of SEK 160 M, is included in the balance sheet at 31 December 1999 and included in the income statement from 1 January 2000. The acquisition involves goodwill of approximately SEK 160M which will be amortised over 20 years, with a start in the year 2000.

GROUP ORDER INTAKE, INVOICING AND EARNINGS FOR 1999

During the year order intake increased by 9 per cent to SEK 2,608M (2,384) and backlog rose by SEK 13M to SEK 357M (344).

Invoicing of the Munters Group rose by 8 per cent to SEK 2,594M (2,401). Adjusted for currency fluctuations, the increase was 5 per cent.

Distributed by region, invoicing increased by 6 per cent in Europe, 10 per cent in the Americas and 17 per cent in Asia.

Consolidated operating earnings amounted to

SEK 237M (205), an increase of 16 per cent. Operating earnings were positively affected by exchange rates fluctuations, by approximately SEK 7M.

Consolidated earnings before taxes increased by 17 per cent to SEK 231M (198). Net earnings for the year rose by 17 per cent to SEK 144M (124) after an effective tax rate of just over 37 per cent (38). Earnings per share increased to SEK 5.78 (4.95).

The earnings improvement is due to the increased invoicing and implemented rationalisation. Invoicing increased thanks to the launch of new products and improved value added. The rationalisation measures meant, among other things, that in Region Americas staff were reduced by 50 within Product Area Dehumidification and by 10 in Europe within Product Area Mist Elimination & Water Treatment. However, within Product Area MCS, in which growth was high, the number of employees was increased by 132.

FINANCIAL POSITION

At the year-end, the equity ratio amounted to 38.8 per cent (43.6). Had the effects of the acquisition of Euroemme been excluded, the equity ratio would have been 46.7 per cent. Liquid funds were SEK 121M (82) and interest-bearing liabilities (including PRI pensions) were SEK 351M (218). During the year, the net debt, excluding the acquisition of Euroemme, decreased by SEK 85M to SEK 50M. Including the acquisition of Euroemme, the net debt increased by SEK 95M to SEK 230M. The Group has unutilised loan facilities of approximately SEK 125M.

CAPITAL EXPENDITURE

The Group's total capital expenditure amounted to SEK 114M (109). The majority of the investments refer to investments in production machinery and IT equipment. An expansion of the production capacity in Tobo, Sweden, was carried out during 1998 and the first six months of 1999. Fine tuning of the production plant was carried out during the third quarter and full-scale production of HumiCool products started during this quarter. Total capital expenditure relating to this expansion amounted to SEK 44M, of which SEK 17M during 1999.

PERSONNEL

At year-end the number of staff was 2,146, an increase of 167 during the year. Of the increase, Euroemme represents 74. Within product Area MCS, staff were increased by 132 and within HumiCool, excluding Euroemme, by 40. The other product Areas reported a net decrease.

REGIONS

EUROPE

During the year order intake in Europe increased by 9 per cent to SEK 1,423M. Invoicing rose by 6 per cent to SEK 1,404M (1,325). Adjusted for currency fluctuations, the increase was 6 per cent. Operating earnings improved by 15 per cent and amounted to SEK 103M (90).

Product Area Dehumidification reports increased order intake and slightly lower invoicing compared with the previous year. Earnings were negatively affected by an unfavourable product mix and

production interruptions in connection with the expansion that was carried out in the production unit in Tobo, Sweden.

Product Area MCS enjoyed very positive development throughout the year. 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 significantly compared with the corresponding period in the previous year.

Product Area HumiCool reports strongly increased order intake, mainly relating to deliveries for cooling intake air to gas turbines and equipment for cooling chicken houses and greenhouses. Compared with the corresponding period in the previous year, HumiCool reports significantly improved order intake, slightly increased invoicing and earnings on a par with the previous year. With the investment that has been made in the production unit in Tobo, Sweden, production capacity has been raised to meet the increased order intake. Euroemme, which was acquired in December, will be included in Product Area HumiCool. No effect of the acquisition of Euroemme has been reported during 1999.

In Product Area Mist Elimination & Water Treatment, the Mist Elimination operations reported substantially reduced order intake, a fall in invoicing and a significant drop in earnings. Measures have been implemented to reduce the cost level.

THE AMERICAS

During 1999, order intake in the Americas rose by 8 per cent to SEK 956M. Invoicing increased by 10 per cent to SEK 970M (885). Adjusted for currency fluctuations, the increase was 5 per cent. Earnings during the period amounted to SEK 104M (96). During the year, an unfavourable product mix and costs in connection with staff reductions, mainly within Product Area Dehumidification affected earnings.

Product Area Dehumidification reports a slightly positive order trend. However, order intake for dehumidification units, handling of frozen products and ice hockey rinks enjoyed strong growth.

Through continued activities within the industrial segment and high demand within the water damage control segment, Product Area MCS reported increased order intake and invoicing as well as improved earnings. During autumn, several orders were received as a result of damage caused by hurricane Floyd.

Product Area HumiCool reported substantially increased order intake and invoicing as well as significantly improved earnings. This was achieved through increased sales of cooling equipment to the chicken industry and equipment for cooling intake air to gas turbines.

Product Area Mist Elimination reports a negative trend regarding order intake, invoicing and earnings.

ASIA

In 1999, Munters' operations in Asia showed continued improvement except in Japan. During the year, order intake increased by 23 per cent to SEK 285M and invoicing rose by 17 per cent to SEK 279M (239). Adjusted for exchange rate fluctuations, the

increase was 4 per cent. Earnings amounted to SEK 41M (33).

All Product Areas reported increased order intake and invoicing. Product Area Dehumidification reported strong development in China. The dehumidification operations in Japan, which had a weak start to the year, reported an improvement in the latter part of the year. Order intake, invoicing and earnings within Product Area HumiCool showed a positive trend.

CHANGEOVER TO YEAR 2000

Munters did not have any Y2K-related interruptions and the changeover to the new Millennium was problem-free.

SPP's SURPLUS FUNDS

According to information received from SPP, SEK 17M of SPP's surplus funds have been allocated to the Munters Group's companies. The allocation has not affected the year's result.

PARENT COMPANY

The Parent Company's result was SEK -15.2M (-12.5). There were no sales.

Capital expenditure amounted to SEK 0.7M (0.5) and the number of employees was 16 (20).

PROPOSAL FOR DIVIDEND

The Board of Directors has decided to propose to the Annual General Meeting an increase in dividend to SEK 1.80 (1.50) per share for 1999, which is equivalent to a dividend of SEK 45M (37.5).

OPTION PROGRAMME

The Board of Directors intends to propose that the Annual General Meeting authorise the Board to issue an option programme directed at senior executives within Munters. The scope and terms of the programme is currently being investigated and will be submitted to the Annual General Meeting in April.

OPPORTUNITY TO BUY BACK SHARES

The Board of Directors has decided to propose that the Annual General Meeting authorise the Board to decide a buy-back of the Company's shares. Such a mandate would mean that the Board is given the opportunity until the next AGM – if this is deemed to be appropriate – to decide a buy-back of the Company's shares. This is subject to the proposed legislation regarding buy-back of shares coming into force as announced. Any buy-back could be made via the stock market as well as via an offer to the shareholders. The Board of Directors' mandate is also proposed to include an opportunity to transfer repurchased shares within the limits permitted by the new legislation.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in City Conference Center, Norra Latin, Barnhusgatan 7, in Stockholm on Thursday 27 April 2000 at 5pm.

FUTURE INFORMATION DATES

The complete Annual Report for Munters AB will be available on the Company's premises at the March/April turn of month. At the same time, it will be distributed to the registered shareholders.

27 April 2000 - Annual General Meeting and Interim Report January-March 2000

10 August 2000 - Interim Report January-June 2000

26 October 2000 - Interim Report January-September 2000

February 2001 - Preliminary Accounts report 2000

Stockholm, 22 February 2000

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Income statement, SEK M	1999	1998	1997
	<u>Jan-Dec</u>	<u>Jan-Dec</u>	<u>Jan-Dec</u>
Order intake	2 608	2 384	2 265
Invoicing	2 594	2 401	2 197
Operating expenses ¹⁾	-2 357	-2 196	-2 013
Operating earnings	237	205	184
Earnings from participation in associated companies	8	6	8
Financial net	-14	-13	-14
Earnings before taxes	231	198	178
Taxes	-87	-74	-73
Net earnings for the period	144	124	105
¹⁾ of which, depreciation	82	72	67

Balance sheet, SEK M	1999	1998	1997
Assets	<u>31 Dec</u>	<u>31 Dec</u>	<u>31 Dec</u>
Fixed assets			
Intangible assets	171	16	19
Plants	440	361	331
Shares and participations	33	31	29
Long-term receivables	11	9	8
Total fixed assets	655	417	387
Current assets			
Inventories	207	157	148
Trade receivables	621	528	448
Current receivables	85	68	41
Liquid funds	121	82	175
Total current assets	1 034	835	812
Total assets	1 689	1 252	1 199

Shareholders equity and liabilities			
Shareholders' equity (number of shares 25 000 000)	655	545	437
Long-term liabilities and provisions	75	63	56
Long-term liabilities, interest-bearing	68	67	93
Advances from customers	28	23	36
Current liabilities and provisions	580	403	383
Current liabilities, interest-bearing	283	151	194
Total shareholders' equity and liabilities	1 689	1 252	1 199

Key figures	1999	1998	1997
	<u>Jan-Dec</u>	<u>Jan-Dec</u>	<u>Jan-Dec</u>
Operating margin, %	9,1	8,5	8,4
Return on capital employed, %	30,3	33,3	34,5
Return on shareholders' equity, %	24,1	25,2	28,2
Equity ratio, %	38,8	43,6	36,5
Net debt, SEK M	230	135	112
Net debt ratio	0,35	0,25	0,26
Interest coverage ratio	13,1	11,6	10,5
Investments in fixed assets, SEK M	114	109	84
Number of shares at period-end, million	25	25	25
Earnings per share, SEK	5,78	4,95	4,18
Equity per share, SEK	26,2	21,8	17,5
Number of employees at period-end	2 146	1 979	1 871

Regions	1999	1998	
Invoicing, SEK m	<u>Jan-Dec</u>	<u>Jan-Dec</u>	<u>Change %</u>
Europe	1 404	1 325	5,9
The Americas	970	885	9,6
Asia	279	239	16,8
Eliminations/adjustments	-59	-48	-
Total	2 594	2 401	8,0

Operating earnings, SEK M			
Europe	103	90	14,8
The Americas	104	96	8,1
Asia	41	33	25,1
Group overheads	-10	-15	-
Eliminations/adjustments	-1	1	-
Total	237	205	15,9

(1997 pro forma)

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	Jul-Sep	Oct-Dec
Order intake	547	608	554	558	577	602	583	622	659	644	614	697
Invoicing	467	557	570	603	554	581	610	656	574	652	637	737
Operating expenses ¹⁾	-443	-508	-522	-540	-522	-537	-554	-583	-537	-599	-573	-648
Operating earnings	24	49	48	63	32	44	56	73	37	53	64	82
Earnings from participations in associated companies	1	1	2	4	1	2	2	1	2	1	2	3
Financial net	-4	-4	-5	-1	-3	-5	-3	-2	-3	-3	-5	-3
Earnings before taxes	21	46	45	66	30	41	55	72	36	51	61	83
Taxes	-8	-17	-17	-30	-12	-16	-21	-25	-13	-19	-23	-33
Net earnings for the period	13	29	28	36	18	25	34	47	23	32	38	50
¹⁾ of which, depreciations	15	15	16	20	18	17	18	19	19	20	19	24

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	30 Sep	31 Dec
Assets												
Fixed assets												
Intangible assets	25	23	24	19	19	19	18	16	15	14	14	17
Plants	315	313	307	331	313	317	327	361	369	376	370	440
Shares and participations	27	27	27	29	31	31	29	31	32	32	32	33
Long-term receivables	8	8	7	8	8	8	8	9	9	9	10	11
Total fixed assets	375	371	365	387	371	375	383	417	425	431	426	651
Current assets												
Inventories	141	155	163	148	152	167	164	157	171	176	179	207
Trade receivables	415	428	446	448	441	448	479	528	480	528	539	627
Current receivables	103	69	78	41	70	64	95	68	82	87	94	83
Liquid funds	66	81	129	175	140	134	84	82	102	114	105	127
Total current assets	725	733	816	812	803	813	822	835	835	905	917	1 034
Total assets	1 100	1 104	1 181	1 199	1 174	1 187	1 205	1 252	1 260	1 336	1 343	1 685

Shareholders' equity and liabilities

Shareholders' equity (25 000 000 shares)	339	361	372	437	456	456	495	545	561	557	591	651
Long-term liabilities and provisions	24	21	38	56	28	41	38	63	63	63	62	71
Long-term liabilities, interest-bearing	204	266	289	93	75	80	120	67	67	62	63	61
Advances from customers	25	20	24	36	38	42	26	23	25	31	44	21
Current liabilities and provisions	308	388	419	383	381	378	398	403	396	432	448	580
Current liabilities, interest-bearing	200	48	39	194	196	190	128	151	148	191	135	283
Total shareholders' equity and liabilities	1 100	1 104	1 181	1 199	1 174	1 187	1 205	1 252	1 260	1 336	1 343	1 685

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	Jul-Sep	Oct-Dec
Operating margin, %	5,1	8,8	8,4	10,4	5,7	7,5	9,2	11,1	6,5	8,2	10,0	11,4
Equity ratio, %	30,8	32,7	31,5	36,5	38,8	38,4	41,1	43,6	44,5	41,7	44,0	38,8
Net debt, SEK M	338	233	199	112	131	136	165	135	114	139	93	230
Net debt ratio	1,00	0,65	0,53	0,26	0,29	0,30	0,33	0,25	0,20	0,25	0,16	0,34
Interest coverage ratio	7,0	12,1	10,7	11,6	7,4	10,6	13,0	15,0	9,5	11,3	16,5	15,7
Investments in fixed asset, SEK M	22	19	16	27	13	24	26	46	29	24	22	37
Number of shares at period-end, million	25	25	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	1,54	2,01
Equity per share, SEK	13,56	14,44	14,88	17,49	18,23	18,25	19,79	21,82	22,42	22,26	23,64	26,18
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	2 026	2 144

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	Jul-Sep	Oct-Dec
Europe	269	285	303	334	298	312	333	382	321	350	338	398
The Americas	150	220	225	195	201	232	229	223	208	257	240	268
Asia	58	63	71	70	67	53	56	63	62	55	77	83
Eliminations/adjustments	-10	-11	-29	4	-12	-16	-8	-12	-17	-10	-18	-14
Total	467	557	570	603	554	581	610	656	574	652	637	737

Operating earnings, SEK M

Europe	13	15	22	42	10	10	27	43	17	20	25	47
The Americas	9	29	28	17	19	30	25	22	14	30	26	34

Asia	7	8	10	4	10	5	9	9	9	6	13	13
Group overheads	-4	-2	-8	-5	-6	0	-6	-1	-2	-2	-1	-1
Eliminations/adjustments	-1	-1	-4	5	-1	-1	1	0	-1	-1	0	0
Total	24	49	48	63	32	44	56	73	37	53	64	88

Statement of changes in Financial Position

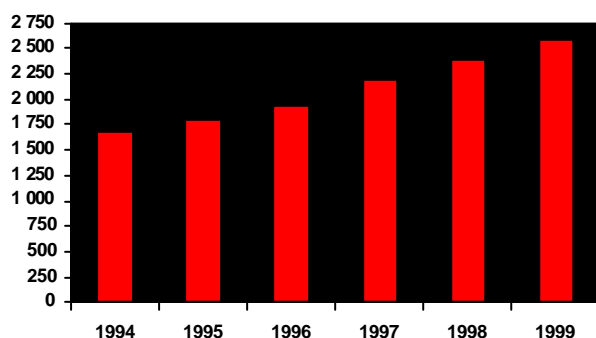
	1999	1999 ¹⁾ <u>adjusted</u>	1998	1997
Earnings after financial items excluding associated companies	283	223	192	170
Depreciation according to plan	82	82	72	67
Change in working capital				
trade receivables	-94	-62	-79	-37
inventories	-50	-29	-9	-33
trade payables	53	33	8	25
advances from customers	5	5	-13	19
Investments in tangible assets	<u>-114</u>	<u>-114</u>	<u>-106</u>	<u>-84</u>
Operating cash flow	105	138	65	127
Changes in other working capital	94	37	-8	2
Investments in intangible assets	-157	0	-3	-
Dividend paid	-38	-38	-25	0
Taxes paid	-66	-71	-77	-48
Other, including translation differences	<u>-33</u>	<u>19</u>	<u>25</u>	<u>32</u>
Changes in net debt	-95	85	-23	113

The Group's net debt is defined as follows:

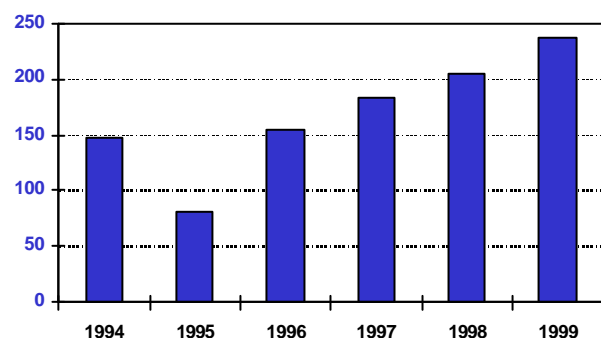
	1999 <u>Jan-Dec</u>	1999 ¹⁾ <u>adjusted</u>	1998 <u>Jan-Dec</u>	1997 <u>Jan-Dec</u>
SEK M				
Current loans	283	83	151	194
Long-term loans	3	0	5	35
Pensions	65	65	62	58
Cash and bank	<u>-121</u>	<u>-98</u>	<u>-83</u>	<u>-175</u>
Net debt	230	50	135	112

¹⁾ Shows the Munters Group's change in financial position and the net debt excluding the effects of the acquisition of Euroemme.

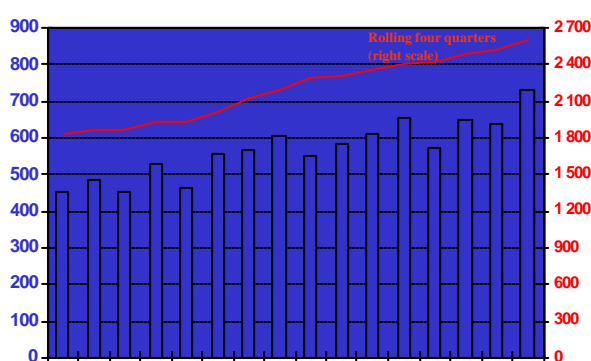
Invoicing, January - December (SEK M)



Operating earnings, January - December (SEK M)



Invoicing per quarter (SEK M)



Order intake per quarter (SEK M)

