

Interim Report 1 January - 30 September 1997

Strong development in the third quarter

- In the third quarter, sales increased by 26 percent to SEK 570 million
- Earnings before taxes rose by 47 percent to SEK 45 million
- Sales increased by 14 percent to SEK 1,594 million during the period January to September and earnings before taxes improved by 26 percent to SEK 112 million
- Continued strong development in Asia and in the Product Areas MCS and Water Treatment
- Munters listed on the Stockholm Stock Exchange

Munters' operations

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

Operations are divided into three geographic regions: Europe, the Americas, and Asia. In each region, operations are divided into the Product Areas: Dehumidification, Moisture Control Services (MCS), HumiCool, Mist Eliminators and Water Treatment.

Manufacturing and sales are carried out via own companies in 25 countries. The Group has more than 1,800 employees.

Listing on the Stockholm Stock Exchange

Munters, which was wholly-owned by Incentive AB for more than 20 years, was quoted on the O list of the Stockholm Stock Exchange on 21 October 1997.

Incentive's sale of Munters comprised 91 percent of Munters' capital stock. The offering price was set at SEK 80 per share which is equivalent to a market value of Munters of SEK 2,000 million.

Following the stockmarket introduction, Munters has more than 8,000 shareholders. Institutional investors in Sweden and abroad own approximately 90 percent of the number of shares and votes in Munters. The foreign ownership amounts to approximately 60 percent.

Group sales and earnings

The figures below are reported pro forma. Basis for the pro forma accounts are found in the Offering Memorandum which was issued in connection with the Combined Offering.

In the first nine months of the year, the order intake improved by 16 percent to SEK 1,709 million (1,475).

During the reporting period, sales of the Munters Group increased by 14 percent to SEK 1,594 million (1,398). Adjusted for exchange rate fluctuations, the increase was 6 percent.

Distributed by region, sales improved by 12 percent in Europe, 17 percent in the Americas, and 29 percent in Asia.

Consolidated earnings before taxes rose by 26 percent to SEK 112 million (88).

Earnings per share increased by 26 percent to SEK 2.76 (2.19).

During the third quarter, Group order intake increased by 15 percent to SEK 553 million (481) and sales increased by 26 percent to SEK 570 million (453). Earnings before taxes improved by 47 percent to SEK 45 million (30). All regions and product areas have developed positively during the third quarter.

Europe

During the reporting period, sales in Europe increased by 12 percent to SEK 857 million (762). Operating earnings increased to SEK 50 million (35) in the first nine months of the year.

In the third quarter, sales increased by 23 percent to SEK 303 million (247), mainly because of a strong market and sales trend on the Scandinavian and German markets. In the third quarter, operating earnings increased to SEK 22 million (17).

Despite continued strong competition and downward pressure on prices, Product Area Dehumidification achieved a slight increase in both sales and operating earnings compared with the same period in the previous year.

Product Area MCS reported a significant increase in sales and improvement in earnings partly as a result of heavy

precipitation and major flooding in, among other countries, Germany and Poland.

In Product Area Water Treatment, both sales and earnings developed very positively.

The Americas

Sales in the region increased by 17 percent during the reporting period to SEK 595 million (511). Operating earnings amounted to SEK 66 million (66).

The region reported a growth in sales of 43 percent to SEK 225 million (158) in the third quarter and operating earnings increased to SEK 28 million (17).

In the first half of the year, comparative figures for 1996 include a number of large projects. Excluding these, the region showed stable growth in both sales and earnings.

In common with corresponding European operations, Product Area MCS reports substantial growth in both sales and earnings partly as a result of significant precipitation and flooding.

Asia

During the period, sales in Asia increased by 29 percent to SEK 192 million (149). Operating earnings improved to SEK 25 million (12).

In the third quarter, sales increased to SEK 71 million (57) and operating earnings improved to SEK 10 million (6).

A large proportion of the sales and earnings increase is attributable to Japan.

The currency turmoil in South-East Asia has not affected earnings so far this year. However, a number of new orders and procurements in progress have been postponed and future influence can therefore be expected.

Financial position

On 30 September 1997, the equity ratio amounted to 31 percent (30 percent on 31 December 1996). At the end of the reporting period, cash and deposits amounted to SEK 129 million (SEK 75 million on 31 December 1996) and interest-bearing liabilities (including PRI pensions) to SEK 328 million (SEK 290 million on 31 December 1996). During the year, net debt decreased by SEK 16 million and amounted to SEK 199 million. The Group has unutilized loan facilities of approximately SEK 100 million.

Capital expenditure

The Group's capital expenditure amounted to SEK 57 million (53). The majority of the investments refer to production equipment, MCS equipment and IT investments.

Personnel

During the year, the number of employees increased by 93, of whom 23 were employed during the third quarter. At the end of the reporting period, the total number of employees amounted to 1,837.

Future information dates

Preliminary Accounts Report for 1997 will be published at end-February/early-March 1998.

Stockholm, October 30 1997

Lennart Evrell
President and CEO

For further information, please contact:

Lennart Evrell, President and CEO Tel: +46 8 626 63 03
Bernt Ingman, Controller and CFO Tel: +46 8 626 63 06
Henrik Hegardt, Head of Corporate Communications Tel: +46 8 626 63 05

This Interim Report has not been reviewed by Munters' Auditors.