

## Strong growth

	1998 January-March	1997 January-March	Change %
Invoicing, SEK M	554	467	+ 19
Operating earnings, SEK M	32	24	+34
- as a percentage of invoicing	5.7	5.1	-
Earnings before taxes, SEK M	30	21	+39
- as a percentage of invoicing	5.4	4.6	-

- First quarter invoicing increased by 19 percent to SEK 554M
- Operating earnings rose by 34 percent to SEK 32M
- Marked improvement in the Americas and continued positive trend in Asia
- Increased invoicing in Europe despite weak demand within MCS

### MUNTERS' 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. The Group has 1,896 employees.

### GROUP

#### INVOICING AND EARNINGS

During the first three months of the year, order intake increased by 5 percent to SEK 577M (547) and the order backlog rose by SEK 22M to SEK 367M (345).

Invoiced sales of the Munters Group increased by 19 percent to SEK 554M (467). Adjusted for currency fluctuations, the increase was 15 percent.

Distributed by region, invoicing increased by 11 percent in Europe, 34 percent in the Americas and 14 percent in Asia.

Consolidated earnings before taxes increased by 39 percent to SEK 30M (21). Earnings per share rose to SEK 0.72 (0.53).

Comparative figures referring to 1997 and earlier are reported pro forma. The criteria for the pro forma accounts are to be found in the Company's Annual Report for 1997.

### MARKET DEVELOPMENT

Munters has a seasonal pattern in which the first quarter is generally the weakest from a sales and earnings viewpoint.

The market in Europe continued to develop positively. However, the weather was mild which had a negative influence on the MCS operations. Normally, MCS enjoys a positive demand in the first quarter as a result of frozen water-pipes.

The market in the Americas remained strong. Brazil, Mexico and Canada reported positive trends.

The market in Asia, and especially in South-East Asia, is very turbulent. As a whole, the Asian market enjoyed a continued positive trend but prospects in the region are uncertain.

### FINANCIAL POSITION

On March 31, 1998, the equity ratio amounted to 38.9 percent (36.5 percent on December 31, 1997). At the end of the reporting period, liquid funds were SEK 140M (SEK 175M on December 31, 1997) and interest-bearing liabilities (including PRI pensions) were SEK 271M (SEK 287M on December 31, 1997). During the year, the net debt increased by SEK 19M and amounted to SEK 131M. The Group has unutilized loan facilities of approximately SEK 139M.

## **CAPITAL EXPENDITURE**

The Group's capital expenditure amounted to SEK 13M (22). The majority of the investments refer to production equipment and IT investments.

## **PERSONNEL**

During the year, the number of staff increased by 25. In total, the number of staff was 1,896 at the end of the reporting period.

## **REGIONS**

### **EUROPE**

Invoicing in Europe increased by 11 percent to SEK 298M (269). Operating earnings fell to SEK 10M (13).

Product Area Dehumidification continued the positive trend from the previous quarter and increased both invoicing and operating earnings compared with the same period in the previous year despite continued tough competition and price-squeeze on some markets. During the period, the new Modular Dehumidification System - MDS - was delivered to customers. MDS is a newly-developed modular dehumidification system to which functions can be added for, among other things, temperature-control and filtration in order to suit various customers' areas of application and climate.

As a result of the extremely mild winter, Product Area MCS has had low capacity utilization which affected both invoicing and operating earnings negatively.

Product Area HumiCool enjoyed a strong increase in order intake, partly as a result of increased sales of system sales and entrance into new market segments.

Product Area Mist Elimination & Water Treatment reports a slow-down mainly as a result of low order intake in Water Treatment.

### **THE AMERICAS**

During the reporting period, invoicing in the Americas increased by 34 percent to SEK 201M (150). Operating earnings improved to SEK 19M (9) during the period. All geographic markets contributed to the growth and the positive earnings trend.

Product Area Dehumidification reports a strong trend despite a continued low investment rate in the market segment of the product, Zeol. Growth for DryCool recovered from the low level of the previous year.

Product Areas MCS and HumiCool report continued strong growth.

Product Area Mist Elimination registered increased order intake and invoicing in flue gas treatment for coal-fired powerstations.

## **ASIA**

Invoicing increased by 14 percent during the period to SEK 67M (58). Operating earnings improved by 38 percent to SEK 10M (7).

Product Area Dehumidification reports continued strong development, primarily in Japan, whereas the order intake slowed down in South-East Asia as a result of the financial crisis.

Product Area HumiCool developed strongly in Australia, whereas China and South-East Asia had weaker demand as a consequence of the financial crisis.

## **SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

At today's Board Meeting it was decided to make an investment of SEK 40M to increase production capacity in Tobo, Sweden, for the Product Areas Dehumidification and HumiCool. The need for this investment was mentioned in the prospectus for the offering in October 1997.

## **FUTURE**

### **INFORMATION DATES**

Interim Report January - June will be published on August 10, 1998.

Interim Report January - September will be published on November 2, 1998.

Stockholm, May 5, 1998

Lennart Evrell  
*President*

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

Comparative figures relating to 1997 are reported pro forma below.

## INCOME STATEMENT

	January-March 1998	January-March 1997	April-March 97/98	Full year 1997
<b>SEK M</b>				
Order intake	577	547	2,295	2,265
Invoiced sales	554	467	2,284	2,197
<u>Operating expenses</u> <sup>1)</sup>	<u>-522</u>	<u>-443</u>	<u>-2,092</u>	<u>-2,013</u>
<b>Operating earnings</b>	<b>32</b>	<b>24</b>	<b>192</b>	<b>184</b>
Earnings from participations in associated companies	1	1	8	8
<u>Financial net</u>	<u>-3</u>	<u>-4</u>	<u>-13</u>	<u>-14</u>
<b>Earnings before taxes</b>	<b>30</b>	<b>21</b>	<b>187</b>	<b>178</b>
<u>Taxes</u>	<u>-12</u>	<u>-8</u>	<u>-77</u>	<u>-73</u>
<b>Net earnings for the period</b>	<b>18</b>	<b>13</b>	<b>110</b>	<b>105</b>

<sup>1)</sup> Of which, depreciation 18 15 70 67

## BALANCE SHEET

<b>SEK M</b>	<u>980331</u>	<u>970331</u>	<u>971231</u>
<b>Assets</b>			
Fixed assets			
Intangible assets	19	25	19
Plants	313	315	331
Shares and participations	31	27	29
<u>Long-term receivables</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total fixed assets	371	375	387
Current assets			
Inventories	152	141	148
Trade receivables	441	415	448
Current receivables	70	103	41
<u>Liquid funds</u>	<u>140</u>	<u>66</u>	<u>175</u>
Total current assets	803	725	812
<b>Total assets</b>	<b>1,174</b>	<b>1,100</b>	<b>1,199</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity <sup>2)</sup>	456	339	437
Long-term liabilities and provisions	28	24	56
Long-term liabilities, interest-bearing	75	204	93
Advances from customers	38	25	36
Current liabilities and provisions	381	308	383
<u>Current liabilities, interest-bearing</u>	<u>196</u>	<u>200</u>	<u>194</u>
<b>Total shareholders' equity and liabilities</b>	<b>1,174</b>	<b>1,100</b>	<b>1,199</b>

<sup>2)</sup> Number of shares 25 000 000

## INVOICING AND OPERATING EARNINGS BY REGION

	January-March 1998	January-March 1997	April-March 97/98	Full year 1997
<b>Invoicing, SEK M</b>				
Europe	298	269	1,220	1,191
The Americas	201	150	841	790
Asia	67	58	271	262
<u>Eliminations/adjustments</u>	<u>-12</u>	<u>-10</u>	<u>-48</u>	<u>-46</u>
Total	554	467	2,284	2,197

	January-March 1998	January-March 1997	April-March 97/98	Full year 1997
<b>Operating earnings SEK M</b>				
Europe	10	13	89	92
The Americas	19	9	94	84
Asia	10	7	32	29
Group overheads	-6	-4	-21	-19
<u>Eliminations/adjustments</u>	<u>-1</u>	<u>-1</u>	<u>-2</u>	<u>-2</u>
Total	32	24	192	184

## QUARTERLY SUMMARY

	1997				1998			
<b>SEK M</b>	1	2	3	4	1	2	3	4
Order intake	547	608	554	556	577			
Sales	467	557	570	603	554			
Operating earnings	24	49	48	63	32			
Operating margin	5.1	8.8	8.4	10.4	5.7			

## KEY FIGURES

	January-March 1998	January-March 1997	April-March 97/98	Whole year 1997
<b>SEK M</b>				
Operating margin %	5.7	5.1	8.4	8.4
Return on capital employed <sup>1)</sup> %	n.a.	n.a.	33.9	34.5
Return on shareholders' equity <sup>1)</sup> %	n.a.	n.a.	24.5	28.2
Equity ratio, %	38.9	30.9	n.a.	36.5
Net debt, SEK M	131	338	n.a.	112
Net debt ratio	0.3	1.0	n.a.	0.3
Interest coverage ratio	6.5	6.2	10.3	10.5
Investments in fixed assets, SEK M	13	22	75	84
Number of shares at period-end, million	25	25	25	25
Earnings per share, SEK	0.72	0.53	4.38	4.18
Equity per share, SEK	18.20	13.60	n.a.	17.50
Number of employees at period-end	1,896	1,791	n.a.	1,871

<sup>1)</sup> Rolling twelve-month values