

22 February 2001

## MUNTERS AB

### PRELIMINARY ACCOUNTS REPORT, 1 January– 31 December 2000

	2000	1999	Change
Order intake, SEK M	3,322	2,608	+ 27 %
Invoicing, SEK M	3,179	2,594	+ 23 %
Operating earnings <sup>1)</sup> , SEK M	306	237	+ 29 %
- as a percentage of invoicing	9.6	9.1	-
Earnings before taxes <sup>1)</sup> , SEK M	289	231	+ 25 %
- as a percentage of invoicing	9.1	8.9	-
Earnings per share, SEK	7.34	5.78	+ 27 %
Dividend (for 2000, proposal)	2.30	1.80	+ 28 %

<sup>1)</sup> Excluding the current value of so far received and future refunds of surplus from SPP totalling SEK 15M.

- The company saw continued strong development in the fourth quarter and has now achieved uninterrupted growth over 28 quarters
- In the fourth quarter, invoicing increased by 27 per cent and operating earnings by 37 per cent
- Invoicing rose by 23 per cent to SEK 3,179M during the year
- Operating earnings improved by 29 per cent to SEK 306M
- Earnings per share increased by 27 per cent to SEK 7.34
- The Board of Directors proposes a dividend of SEK 2.30 (1.80)

## MUNTERS' OPERATIONS

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

Munters' business concept is to be a global application and service driven company in air treatment from a base in 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) and HumiCool. Manufacturing and sales are carried out via the Group's own companies in more than 25 countries. The Group had 2,374 employees at the end of the year.

## MARKET DEVELOPMENT

During the year, the market in Europe developed positively. Demand, especially within HumiCool, has accelerated and demand within MCS was high throughout the year. In the fourth quarter, demand increased within Dehumidification.

The market in America showed a high growth rate in all product areas and a significant market growth within HumiCool, within the Zeol segment and within Dehumidification for industrial applications.

The market in Asia showed strong demand in China and Australia, whereas market activities have been lower in Japan and South East Asia.

## FOURTH QUARTER 2000

In the fourth quarter, Munters' order intake increased by 25 per cent to SEK 863M (691). Invoicing rose by 27 per cent to SEK 932M (731). Adjusted for exchange rate fluctuations the increase was 20 per cent compared with the fourth quarter of 1999. If the effects of the acquisition of Euroemme are also excluded, the sales increase was 15 per cent.

Operating earnings, excluding the discounted value of surplus funds from SPP, improved by 37 per cent to SEK 114M (83). This is equivalent to an operating margin of 12.2 per cent (11.4). Adjusted for currency fluctuations the increase was 28 per cent.

Munters has now enjoyed uninterrupted sales growth over 28 quarters, compared with the same quarter in the previous year.

## GROUP ORDER INTAKE, NET SALES AND EARNINGS FOR 2000

During the year, order intake increased by 27 per cent to SEK 3,322M (2,608) and the backlog rose by SEK 153M to SEK 510M (357).

Invoicing of the Munters Group rose by 23 per cent to SEK 3,179M (2,594). Adjusted for currency fluctuations the increase was 18 per cent and excluding the effects of the acquisition of Euroemme, the sales increase was 13 per cent.

Distributed by region invoicing increased by 19 per cent in Europe, 27 per cent in the Americas and 20 per cent in Asia.

Consolidated operating earnings, excluding the discounted current value of surplus funds from SPP, amounted to SEK 306M (237), an increase of 29 per cent. During the year, the operating margin amounted to 9.6 per cent (9.1). Operating earnings were affected positively by exchange rates fluctuations, by approximately SEK 9M.

Consolidated earnings before taxes, including the discounted current value of surplus funds from SPP, increased by 31 per cent to SEK 303M (231). Net earnings for the year rose by 27 per cent to SEK 184M (144) after an effective tax rate of just over 39 per cent (37). Adjusted for non-deductible goodwill amortisation, the tax rate was 38 per cent. Earnings per share increased to SEK 7.34 (5.78).

The earnings improvement is due to increased invoicing, a favourable product mix and an implemented rationalisation. Sales increased thanks to the launch of new products and improved added value in made deliveries. From a percentage viewpoint, the number of employees has increased less than sales in all regions.

## **FINANCIAL POSITION**

At the year end, the equity ratio amounted to 40,8 per cent (38,8). Liquid funds were SEK 88M (121) and interest-bearing liabilities (including PRI pensions) were SEK 421M (351). During the year, the net debt increased by SEK 103M to SEK 333M due to a buy-back of the company's own shares of SEK 25M; a supplementary purchase price paid in respect of the acquisition of Euroemme of SEK 28; and an increased requirement for working capital due to the growth of the Group. The Group has unutilised loan facilities of approximately SEK 200M.

## **INVESTMENTS**

The Group's total capital expenditure amounted to SEK 148M (114). The majority refers to investment in MCS, production and IT equipment. Depreciation amounted to SEK 103M (82) during the period, of which goodwill amortisation accounted for SEK 11M (3).

## **PERSONNEL**

At the year end, the number of staff was 2,374, an increase of 228. Within Europe, the number increased by 126; within the Americas by 88; and within Asia by 18. MCS is the product area which reported the largest increase in the number of staff, up by 113.

During the year, 42 senior executives have subscribed for call options in Munters AB on market terms. In connection with the subscription of the options Munters bought back 200,000 shares in the Company at an average price of SEK 124 per share to cover the Company's commitments to the call options programme.

## **REGIONS**

### **EUROPE**

During the year, order intake in Europe increased by 20 per cent to SEK 1,702M (1,423). Invoicing rose by 19 per cent to SEK 1,674M (1,404). Adjusted for currency fluctuations, the increase was 22 per cent.

Operating earnings improved by 45 per cent and amounted to SEK 150M (103). During the year, the production unit in Tobo, Sweden, was certified in accordance with ISO 14001.

Product Area Dehumidification reports an order intake which is on a par with the previous year, following a recovery during the last quarter of the year. In the third quarter, a rationalisation programme was started aimed at increasing the operating margin within the product area. Invoicing increased during the year thanks to a favourable product mix and an implemented rationalisation, which led to significantly improved operating earnings.

Product Area MCS enjoyed strong growth. The proportion of weather-dependent operations in the product area reduced during the first nine months of the year. In the last quarter, Great Britain, France, Italy and Sweden suffered extensive flooding, which had a positive effect on sales. Volume from flooding and other catastrophe business is less than 5 per cent of total invoicing in the product area. Both order intake and invoicing increased significantly compared with the corresponding period in the previous year. However, operating earnings fell as a result of high marginal costs in connection with staff expansion.

Product Area HumiCool reported a strongly increased order intake, increased invoicing and improved earnings compared with the previous year. Euroemme, Italy, which was acquired at the end of December 1999, is included in HumiCool from 1 January 2000. The previously separate product area, Mist Elimination and Water Treatment, has been integrated into HumiCool. The growth and earnings improvements relate to deliveries for cooling of inlet air to gas turbines, equipment for cooling chicken houses and greenhouses, and new applications. The acquisition of Euroemme has enabled Munters to establish itself as a supplier of cooling systems for chicken houses and greenhouses, having previously been recognised primarily as a component supplier. During the year, invoicing of Mist Elimination and Water Treatment fell but earnings were maintained at the previous year's level thanks to a significant rationalisation implemented during the latter part of the previous year.

### **THE AMERICAS**

During the year, order intake in the Americas rose by 39 per cent to SEK 1,325M (956). Invoicing increased by 27 per cent to SEK 1,231M (970). Adjusted for currency fluctuations, the increase was 14 per cent. Earnings during the period amounted to SEK 140M (104). Earnings during the year were influenced by high invoicing, a favourable product mix and a generally sound market situation.

Product Area Dehumidification reported a strong order intake and good invoicing, especially for dehumidification units for industrial processes and Zeol applications for the semiconductor and automotive industries. Operating earnings improved significantly compared with the previous year thanks to increased sales and the rationalisation implemented at the end of 1999.

Product Area MCS – through continued investment within the industrial segment and high demand within the water damage control segment –

reported an increased order intake and invoicing, as well as improved earnings despite the absence of major flooding during the year.

Product Area HumiCool enjoyed a very high growth rate in order intake and invoicing. The growth emanates mainly from products for cooling of inlet air to gas turbines, from new applications and increased value content in made deliveries.

#### **ASIA**

During the year, Munters' operations in Asia showed continued improvement except in Japan and South-East Asia. Order intake increased by 25 per cent to SEK 357M (285) and invoicing rose by 20 per cent to SEK 335M (279). Adjusted for exchange rate fluctuations the increase in invoicing was nine per cent. Earnings amounted to SEK 40M (41) after the year had been charged with costs in connection with establishing new operations in Thailand and Korea.

All Product Areas reported increased order intake and invoicing. Product Area Dehumidification reported strong development in China. The dehumidification operation 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. During the year, a production unit for CELdek was established in Thailand.

#### **ITEMS AFFECTING COMPARABILITY**

The Group's share of SPP's surplus funds amount to SEK 15M, calculated on current values. In the third quarter, these were reported as an item affecting comparability in the income statement. During the year, the first instalment of SEK 3M was received.

#### **PROVISIONS**

Munters has made a provision of SEK 10M in operating expenses during the fourth quarter relating to a legal dispute from 1991.

#### **PARENT COMPANY**

The Parent Company's results after financial income and expenses amounted to SEK -14,7M (-15.2). There were no sales.

Capital expenditure amounted to SEK 0.2M (0.7) and the number of employees was 13 (16).

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

At 4 January 2001, Munters has acquired the operations of the Australian company, Mullins Restoration. The company operates in the property restoration control segment and has three depots, around 30 employees and sales of approximately SEK 35M.

#### **PROPOSAL FOR DIVIDEND**

The Board of Directors has decided to propose that the Annual General Meeting decide an increase in dividend to SEK 2.30 (1.80) per share for 2000. This is equivalent to a dividend of SEK 57M (45).

#### **WARRANT PROGRAMME**

The Board of Directors intends to propose that the Annual General Meeting authorise the Board to issue a warrant programme directed at senior executives within Munters. The scope and terms of the programme are currently being analysed. The Board intends to submit its proposal to the Annual General Meeting in April.

#### **OPPORTUNITY TO BUY BACK SHARES**

The Board of Directors intends to propose that the Annual General Meeting renew the Board's authority 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. Any buy-back could be made via the stockmarket 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 legislation.

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held in Konferenshallen Polstjärnan, Sveavägen 77, in Stockholm at 5pm on Wednesday 25 April 2001.

#### **FUTURE INFORMATION DATES**

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

25 April 2001	- Annual General Meeting and Interim Report January-March 2001
10 August 2001	- Interim Report January-June 2001
26 October 2001	- Interim Report January-September 2001
February 2002	- Year-end Report 2001

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Munters AB (publ)

Lennart Evrell  
*President*

For further information, please contact:

Lennart Evrell, CEO	Tel: +46 8-626 63 03
Bernt Ingman, CFO	Tel: +46 8-626 63 06

Munters AB (publ)  
Box 430  
SE-191 24 SOLLENTUNA  
Sweden  
Tel: +46 8-626 63 00  
Fax: +46 8-754 68 96  
Web site on the Internet: [www.munters.com](http://www.munters.com)

<b>Income statement, SEK M</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<u>Jan-Dec</u>	<u>Jan-Dec</u>	<u>Jan-Dec</u>
Order intake	3 322	2 608	2 384
Invoicing	3 179	2 594	2 401
Operating expenses <sup>1)</sup>	-2 873	-2 357	-2 196
Items affecting comparability, net	15	-	-
Operating earnings	321	237	205
Earnings from participation in associated companies	6	8	6
Financial net	-24	-14	-13
Earnings before taxes	303	231	198
Taxes	-119	-87	-74
Net earnings for the period	184	144	124
<sup>1)</sup> Depreciation	103	82	72
of which amortisation of goodwill	11	3	3

<b>Balance sheet, SEK M</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Assets</b>	<u>31 Dec</u>	<u>31 Dec</u>	<u>31 Dec</u>
Fixed assets			
Intangible assets	163	171	16
Plants	513	440	361
Shares and participations	34	33	31
Long-term receivables	19	11	9
Total fixed assets	729	655	417
Current assets			
Inventories	254	207	157
Trade receivables	789	621	528
Current receivables	89	85	68
Liquid funds	88	121	82
Total current assets	1 220	1 034	835
<b>Total assets</b>	<b>1 949</b>	<b>1 689</b>	<b>1 252</b>

<b>Shareholders' equity and liabilities</b>			
Shareholder's equity (number of shares 25 000 000)	795	655	545
Long-term liabilities and provisions	69	75	63
Long-term liabilities, interest-bearing	74	68	67
Advances from customers	50	28	23
Current liabilities and provisions	614	580	403
Current liabilities, interest-bearing	347	283	151
<b>Total shareholders' equity and liabilities</b>	<b>1 949</b>	<b>1 689</b>	<b>1 252</b>

<b>Key figures</b> excl surplus funds from SPP	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<u>Jan-Dec</u>	<u>Jan-Dec</u>	<u>Jan-Dec</u>
Operating margin, %	9,6	9,1	8,5
Return on capital employed, %	29,7	30,3	33,3
Return on shareholder's equity, %	25,3	24,1	25,2
Equity ratio, %	40,8	38,8	43,6
Net debt, SEK M	333	230	135
Net debt ratio	0,42	0,35	0,25
Interest coverage ratio	12,4	13,1	11,6
Investments in fixed assets, SEK M	148	114	109
Number of shares at period-end, million	25	25	25
Earnings per share, SEK	7,34	5,78	4,95
Equity per share, SEK	31,8	26,2	21,8
Number of employees at period-end	2 374	2 146	1 979

<b>Regions</b>	<b>2000</b>	<b>1999</b>	
<b>Invoicing, SEK M</b>	<u>Jan-Dec</u>	<u>Jan-Dec</u>	<u>change %</u>
Europe	1 674	1 404	19.3
The Americas	1 231	970	26.9
Asia	335	279	20.3
Eliminations/adjustments	-61	-59	-
<b>Total</b>	<b>3 179</b>	<b>2 594</b>	<b>22.5</b>

<b>Operating earnings, SEK M</b>			
Europe	150	103	44.6
The Americas	140	104	34.3
Asia	40	41	-1.6
Group overheads	-12	-10	-
Eliminations/adjustments <sup>1)</sup>	-12	-1	-

<b>Oper. earnings before items affecting comparability</b>	<b>306</b>	<b>237</b>	<b>29</b>
Items affecting comparability	15	-	-
<b>Oper. earnings after items affecting comparability</b>	<b>321</b>	<b>237</b>	<b>29</b>

<sup>1)</sup> including provisions

#### Income statement, SEK M

	1998				1999				2000			
	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	577	602	583	622	659	644	614	691	791	884	784	863
Invoicing	554	581	610	656	574	652	637	731	707	741	799	932
Operating expenses <sup>1)</sup>	-522	-537	-554	-583	-537	-599	-573	-648	-656	-676	-723	-818
Items affecting comparability	-	-	-	-	-	-	-	-	-	-	15	-
Operating earnings	32	44	56	73	37	53	64	83	51	65	91	114
Earnings from participations in associated companies	1	2	2	1	2	1	2	3	1	2	2	1
Financial net	-3	-5	-3	-2	-3	-3	-5	-3	-4	-7	-6	-7
Earnings before taxes	30	41	55	72	36	51	61	83	48	60	87	108
Taxes	-12	-16	-21	-25	-13	-19	-23	-32	-19	-23	-35	-42
Net earnings for the period	18	25	34	47	23	32	38	51	29	37	52	66
<sup>1)</sup> of which, depreciations	18	17	18	19	19	20	19	24	24	25	26	28

#### Balance sheet, SEK M

	1998				1999				2000			
	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec
<b>Assets</b>												
Fixed assets												
Intangible assets	19	19	18	16	15	14	14	171	162	162	161	163
Plants	313	317	327	361	369	376	370	440	447	461	491	513
Shares and participations	31	31	29	31	32	32	32	33	34	35	32	34
Long-term receivables	8	8	8	9	9	9	10	11	10	11	20	19
Total fixed assets	371	375	383	417	425	431	426	655	653	669	704	729
Current assets												
Inventory	152	167	164	157	171	176	179	207	214	239	263	254
Trade receivables	441	448	479	528	480	528	539	621	623	630	696	789
Current receivables	70	64	95	68	82	87	94	85	92	102	122	89
Liquid funds	140	134	84	82	102	114	105	121	127	107	90	88
Total current assets	803	813	822	835	835	905	917	1 034	1 056	1 078	1 171	1 220
<b>Total assets</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>1 343</b>	<b>1 689</b>	<b>1 709</b>	<b>1 747</b>	<b>1 875</b>	<b>1 949</b>

#### Shareholders' equity and liabilities

Shareholders' equity (25 000 000 shares)	456	456	495	545	561	557	591	655	676	651	733	795
Long-term liabilities and provisions	28	41	38	63	63	63	62	75	81	68	69	69
Long-term liabilities, interest-bearing	75	80	120	67	67	62	63	68	70	68	72	74
Advances from customers	38	42	26	23	25	31	44	28	38	39	43	50
Current liabilities and provisions	381	378	398	403	396	432	448	580	529	531	591	614
Current liabilities, interest-bearing	196	190	128	151	148	191	135	283	315	390	367	347
<b>Total shareholders' equity and liabilities</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>1 343</b>	<b>1 689</b>	<b>1 709</b>	<b>1 747</b>	<b>1 875</b>	<b>1 949</b>

#### Key figures

	1998				1999				2000			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Excl items affecting comparability												
Operating margin, %	5.7	7.5	9.2	11.1	6.5	8.2	10.0	11.4	7.3	8.7	9.6	12.2
Equity ratio, %	38.8	38.4	41.1	43.6	44.5	41.7	44.0	38.8	39.5	37.3	38.8	40.8
Net debt, SEK M	131	136	165	135	114	139	93	230	258	351	349	333
Net debt ratio	0.29	0.30	0.33	0.25	0.20	0.25	0.16	0.35	0.38	0.54	0.48	0.42
Interest coverage ratio	7.4	10.6	13.0	15.0	9.5	11.3	16.5	15.1	11.6	10.5	12.9	13.8
Investments in fixed assets, SEK M	13	24	26	46	29	24	22	37	33	33	33	49
Number of shares at period-end, million	25	25	25	25	25	25	25	25	25	25	25	25
Earnings per share, SEK	0.72	1.00	1.36	1.86	0.90	1.28	1.54	2.05	1.17	1.45	1.73	2.63
Equity per share, SEK	18.23	18.25	19.79	21.82	22.42	22.26	23.64	26.18	27.03	26.06	28.97	31.80
Number of employees at period-end	1, 896	1,878	1,936	1,979	1,962	1,973	2,026	2,146	2,249	2,326	2,346	2,374

#### Regions

	1998				1999				2000			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
<b>Invoicing, SEK M</b>												
Europe	298	312	333	382	321	350	338	395	392	383	406	493
The Americas	201	232	229	223	208	257	240	265	261	300	312	358
Asia	67	53	56	63	62	55	77	85	67	77	95	96
Eliminations/adjustments	-12	-16	-8	-12	-17	-10	-18	-14	-13	-19	-14	-15
<b>Total</b>	<b>554</b>	<b>581</b>	<b>610</b>	<b>656</b>	<b>574</b>	<b>652</b>	<b>637</b>	<b>731</b>	<b>707</b>	<b>741</b>	<b>799</b>	<b>932</b>

#### Invoicing, SEK M

Europe	10	10	27	43	17	20	25	41	28	20	33	69
The Americas	19	30	25	22	14	30	26	34	25	38	32	45
Asia	10	5	9	9	9	6	13	13	6	10	15	9
Group overheads	-6	0	-6	-1	-2	-2	-1	-5	-4	-3	-4	-1
Eliminations/adjustments/provisions	-1	-1	1	0	-1	-1	0	0	-4	0	0	-8
<b>Op. earnings before items affecting comparability</b>	<b>32</b>	<b>44</b>	<b>56</b>	<b>73</b>	<b>37</b>	<b>53</b>	<b>64</b>	<b>83</b>	<b>51</b>	<b>65</b>	<b>76</b>	<b>114</b>
Items affecting	-	-	-	-	-	-	-	-	-	-	15	-
<b>Op.earnings after items affecting comparability</b>	<b>32</b>	<b>44</b>	<b>56</b>	<b>73</b>	<b>37</b>	<b>53</b>	<b>64</b>	<b>83</b>	<b>51</b>	<b>65</b>	<b>91</b>	<b>114</b>

#### Statement of changes in Financial Position, SEK M

	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<u>Jan-Dec</u>	<u>Jan-Dec</u>	<u>Jan-Dec</u>
<b>Earnings after financial items excl associated companies</b>	297	223	192
Depreciation according to plan	103	82	72
Change in working capital			
trade receivables	-168	-94	-79
inventories	-47	-50	-9
trade payables	70	53	8
advances from customers	22	5	-13
Investments in tangible assets	<u>-148</u>	<u>-114</u>	<u>-106</u>
<b>Operating cash flow</b>	129	105	65
Changes in other working capital	-44	94	-8
Investments in intangible assets	-	-157	-3
Acquisition of own shares	-25	-	-
Dividend paid	-45	-38	-25
Taxes paid	-131	-66	-77
Other, incl translation differences	<u>13</u>	<u>-33</u>	<u>25</u>
<b>Changes in net debt</b>	<b>-103</b>	<b>-95</b>	<b>-23</b>

The Group's net debt is defined as follows:

	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<u>31 Dec</u>	<u>31 Dec</u>	<u>31 Dec</u>
SEK M			
Current loans	347	283	151
Long-term loans	2	3	5
Pensions	72	65	62
Cash and bank	<u>-88</u>	<u>-121</u>	<u>-83</u>
<b>Net debt</b>	<b>333</b>	<b>230</b>	<b>135</b>

