

28 October 2002

MUNTERS AB
PRELIMINARY REPORT, 1 January – 30 September 2002

	2002	2001	
	Jan-Sep	Jan-Sep	Change
Order intake, SEK M	3 531	2 916	+ 21 %
Net sales, SEK M	3 380	2 830	+ 19 %
Operating earnings, SEK M	318	265	+ 20 %
- as a percentage of net sales	9.4	9.4	-
Earnings before taxes, SEK M	300	255	+ 18 %
- as a percentage of net sales	8.9	9.0	-
Earnings per share, SEK	7.24	6.19	+ 17 %

- Order intake increased by 25 per cent to SEK 1,229M in the third quarter
- Two strategic acquisitions were implemented during the quarter
- Operating earnings increased by 20 per cent to SEK 318M
- Following the acquisitions, service (MCS and after sales service) represent nearly 50 per cent of sales
- Earnings per share increased by 17 per cent to SEK 7.24

MUNTERS OPERATIONS

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

Munters' mission is to be a global applications and service-driven niche 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 divisions: Dehumidification, Moisture Control Services (MCS) and HumiCool. Manufacturing and sales are carried out through the Group's own companies in more than 25 countries. The Group had 3,216 employees at the quarter end.

MARKET TREND

The market in Europe continued to improve within MCS and Dehumidification. During the latter part of the quarter, demand for MCS's services was high in the water damage restoration segment following floods in Europe.

Despite the negative economic trend, the markets in America showed continued growth within the Dehumidification and HumiCool divisions. The market situation for Munters Zeol business, which is included in the Dehumidification division, has stabilised at a lower demand level after a dramatic decline during the previous quarters. Products for

cooling of inlet air to gas turbines were also in lower demand. In the previous year, MCS reported strong demand for services relating to water damage restoration after Hurricane Allison in Texas. Demand for normal water damage restoration continued to increase during the reporting period.

Demand was high in Australia and Thailand, but there was a continued low level of activity in Japan and South-East Asia.

THIRD QUARTER 2002

During the third quarter, order intake increased by 25 per cent to SEK 1,228M (982). When adjusted for currency fluctuations, the order intake for comparable units rose by five per cent.

Net sales of the Munters Group rose by 16 per cent to SEK 1,179M (1,020). When adjusted for currency fluctuations, sales for comparable units were unchanged. In the third quarter of 2001, Munters invoiced its largest ever MCS project, as a result of Hurricane Allison in Houston, Texas. At the same time the demand within the cyclical semi-conductor industry reached its peak. If these effects are discounted, Munters had a currency-adjusted sales growth for comparable units of six per cent.

Compared with the third quarter in the previous year, operating earnings improved by 17 per cent to SEK 118M (100), equivalent to an operating margin of 10.0 per cent (9.8). Amortisation of goodwill and

surplus values are included by SEK 10M (5) and SEK 1M (0), respectively. When adjusted for currency fluctuations, the operating profit for comparable units rose by six per cent.

In July, Munters acquired the fire damage restoration operations from the German group, Svt (System- und Verfahrenstechnik GmbH). The business reported net sales of approximately SEK 180M and has 65 employees. The acquisition is aimed at further strengthening Munters' position in the German water and fire damage restoration market. The acquisition was structured as a combined share and assets and liabilities deal. The total purchase price includes a fixed price of approximately SEK 90M and an earn-out based on the company's operating earnings in 2002 and 2003, up to a maximum of approximately SEK 45M. The acquisition was consolidated in Munters from 1 July 2002 and gave rise to goodwill of SEK 125M which will be amortised over 10 years.

In July, Munters acquired all the shares in Aerotech Inc, a leading supplier of evaporative cooling systems and ventilation systems mainly for the poultry industry in the USA. The company has 80 employees and reported net sales of approximately SEK 180M in 2001. The acquisition is aimed at positioning Munters as the leading global supplier of cooling systems for the poultry industry. The total purchase price will not exceed SEK 107M and consists of a fixed portion and an earn-out based on Aerotech's operating earnings in 2002 and 2003. On the date of acquisition, Aerotech had interest-bearing liabilities of approximately SEK 20M. The acquisition was consolidated in Munters from 1 July 2002 and gave rise to goodwill of approximately SEK 75M which will be amortised over 15 years.

At 1 September, Munters acquired all the shares in Polygon Kristiansand AS, Norway, through its subsidiary Polygon AS in Norway. The company, which was previously a franchisee of Polygon, has seven employees. The acquisition is aimed at strengthening Polygon's position within the water and fire damage restoration segment in the Norwegian market.

All the aforementioned acquisitions are expected to make a positive impact on Munters profit by the end 2002.

FIRST NINE MONTHS OF 2002

During the first nine months of the year, order intake increased by 21 per cent to SEK 3,531M (2,916). When adjusted for currency fluctuations, the increase in order intake for comparable units was five per cent. At the period end, the backlog was SEK 703M (638), an increase of 10 per cent. When adjusted for currency fluctuations for comparable units, the backlog increase was 15 per cent.

Net sales of the Munters Group rose by 19 per cent to SEK 3,380M (2,830). When adjusted for currency fluctuations, the sales increase for comparable units was four per cent.

Distributed by region, net sales increased by 38 per cent in Europe, one per cent in the Americas and seven per cent in Asia.

Operating earnings, after goodwill amortisation, amounted to SEK 318M (265), an improvement of 20 per cent. Operating earnings were negatively affected by exchange rates fluctuations of SEK 5M. The

operating margin amounted to 9.4 per cent (9.4). Amortisation of goodwill and surplus values are included by SEK 22M (11) and SEK 2M (0), respectively. For comparable units, the operating margin was 10.0 per cent (9.4).

Consolidated earnings before taxes increased by 18 per cent to SEK 300M (255). Net earnings for the period improved by 17 per cent to SEK 181M (155) after an effective tax rate of 39 per cent (39). Earnings per share increased to SEK 7.24 (6.19).

Net sales increased through acquisitions within MCS and HumiCool. The earnings improvement is due to increased net sales, a favourable product mix and implemented rationalisation programme primarily on indirect costs.

FINANCIAL POSITION

The equity ratio fell during the reporting period as a result of implemented acquisitions, and amounted to 38.0 per cent on 30 September (31 December 2001: 45.4 per cent). Liquid funds were SEK 112M (120) and interest-bearing liabilities (including PRI pensions) were SEK 637M (442). During the year, the net debt has increased by SEK 329M, of which financing of acquisitions (including refinanced loans) accounts for SEK 313M and buy back of own shares for SEK 25M. Net debt amounted to SEK 525M at the end of the reporting period. The Group has unutilised loan facilities of approximately SEK 140M.

From 3 October 2002, Alecta has temporarily stopped repayment of previously paid SPP premiums (so-called company-linked funds). At the end of the reporting period, there was a claim for SEK 6.6M in Munters Group relating to repayment of these funds.

INVESTMENTS

The Group's capital expenditure amounted to SEK 135M (91). The majority relates to investment in equipment for the MCS operation and production and IT equipment. Depreciation amounted to SEK 96M (70) during the period.

During the period, a new production plant was completed in China. At the end of the reporting period, the total investment of SEK 24M had been implemented.

PERSONNEL

At the end of the reporting period, the number of staff was 3,216, an increase of 637 during the year. Within Region Europe, the number increased by 521; within Region Americas by 73; and within Region Asia by 43. Product area MCS reported the largest increase in the number of staff, up by 476, of which approximately 400 relate to personnel in the acquired companies – Polygon AS, Alfa Service Senter, Svt and Polygon Kristiansand.

BUY-BACK OF SHARES

In connection with the year's call-option scheme, Munters bought back 114,700 own shares at an average price of SEK 218.50 per share, equivalent to SEK 25.1M in total.

REGIONS

EUROPE

During the reporting period, order intake in Europe increased by 40 per cent to SEK 2,010M (1,441). Net

sales rose by 38 per cent to SEK 1,917M (1,388). When adjusted for currency fluctuations, the sales increase was 10 per cent for comparable units. Operating earnings improved by 50 per cent and amounted to SEK 164M (109). Of this, acquired units, excluding goodwill amortisation, contributed SEK 34M. Earnings were affected positively by increased net sales within all the divisions.

The Dehumidification division reported increased order intake, sales and improved operating earnings after a normal start to the year. Growth was high in Northern Europe, whereas Southern Europe reported slightly weaker growth. Growth is mainly driven by strong demand in the food and pharmaceutical industries.

The MCS division enjoyed continued organic growth which was strengthened still further by acquisitions implemented during the year. Order intake, sales and operating earnings improved significantly compared with the corresponding period in the previous year. Following the floods in Europe during the third quarter, Munters is continually receiving orders for water damage restoration.

The HumiCool division reported increased order intake, sales and improved operating earnings. Growth remains high in cooling systems for the poultry industry and for mist eliminators. The water treatment operation and products for cooling of inlet air to gas turbines reported a weak trend.

AMERICAS

During the reporting period, order intake in the Americas rose by two per cent to SEK 1,239M (1,217). Net sales increased by one per cent to SEK 1,190M (1,180) during the reporting period. When adjusted for currency fluctuations net sales fell by four per cent for comparable units. Operating earnings amounted to SEK 154M (148). Earnings during the reporting period were positively affected by material-cost reductions.

The Dehumidification division reported continued strong order intake, sales and operating earnings with the exception of the Zeol operation which mainly sells to the semiconductor industry. During the third quarter, order intake for Zeol was on a par with the corresponding period in the previous year, whereas sales fell by SEK 25M. Order intake for dehumidification units for industrial applications and department stores showed continued high growth.

The MCS division reported a significant fall in order intake. During the third quarter of 2001 it reported sales of approximately SEK 69M as a result of Hurricane Allison. Industrial applications for temporary dehumidification enjoyed a continued positive trend. As a result of the previous year's effects of Hurricane Allison, order intake, net sales and operating earnings have fallen significantly. The operating margin remains on a good level.

The HumiCool division reports continuing growth. Order intake, sales and operating earnings improved significantly compared with the previous year. Sales of components for mist eliminators showed a significant growth.

ASIA

Munters' operations in Region Asia reported a positive trend in order intake, sales and earnings despite a low level of activity in Japan. During the reporting period, order intake increased by 11 per cent to SEK 334M (301). Net sales rose by seven per

cent to SEK 325M (304). When adjusted for currency fluctuations, it represented an increase of 15 per cent. Operating earnings increased by three per cent to SEK 37M (36).

The Dehumidification division reported a fall in order intake, sales and operating earnings, mainly due to the delayed start-up of the new production unit in China and low demand in Japan.

The MCS division reported continued growth in order intake and sales. Operating earnings improved during the second and third quarters.

The HumiCool division enjoyed a continued increase in order intake, sales and operating earnings. The HumiCool operations in Thailand and Australia, in particular, reported a strong trend. The positive development of the poultry industry in Thailand and China has a positive effect on the HumiCool operation. Components for evaporative cooling systems also showed a positive trend.

FUTURE INFORMATION DATES

25 February 2003	- Year-End Report 2002
25 April 2003	- Interim Report
	January-March 2003
7 May 2003	- Annual General Meeting

Stockholm, 28 October 2002

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Comments on the accounts

The applied accounting principles and calculation methods correspond with the latest Annual Report with the addition of the Swedish Accounting Standards Council's recommendations which came into force on 1 January 2002. The application of these recommendations has not had any significant effect on the company's results and position. The alternative, to re-calculate goodwill in accordance with the transitional regulations in RR 1:00, has not been applied as such re-calculation would not involve any significant change.

This Interim Report has not been examined by the company's auditors.

Income statement, SEK M

	— 9 months —		— 12 months —	
	2002 Jan-Sep	2001 Jan-Sep	2001/02 Oct-Sep	2001 Jan-Dec
Order intake	3 531	2 916	4 560	3 945
Net sales	3 380	2 830	4 443	3 894
Operating expenses *	-3 062	-2 565	-3 989	-3 493
Operating earnings	318	265	454	401
Earnings from participation in associated companies	-	5	4	9
Financial net	-18	-15	-24	-21
Earnings before taxes	300	255	434	389
Minority share	-1	-	-1	-
Taxes	-118	-100	-167	-149
Net earnings for the period	181	155	266	240
* Depreciation	118	81	151	125
of which amortisation of goodwill	22	11	25	14
Earnings per share before dilution, SEK, Note 2	7.24	6.19	10.63	9.57
Earnings per share after dilution, SEK, Note 2	7.24	6.19	10.63	9.57
Number of shares at period-end, million, Note 2	25	25	25	25

Balance sheet, SEK M

	2002 30 Sep	2001 30 Sep	2001 31 Dec
Assets			
Fixed assets			
Patents, licenses and similar rights	6	13	13
Goodwill	445	185	176
Buildings and land	234	167	171
Machinery and plant	204	220	219
Equipment, tools, fixtures and fittings	205	151	155
New construction in progress and advances	34	14	18
Shares and participations	1	36	38
Long-term receivables	23	20	14
Total fixed assets	1 152	806	804
Current assets			
Inventories	384	324	264
Trade receivables	924	872	861
Current receivables	159	117	147
Liquid funds	112	120	152
Total current assets	1 579	1 433	1 424
Total assets	2 731	2 239	2 228
Shareholders' equity and liabilities			
Shareholders' equity (no of shares 25 000 000), Note 1 and 2	1 037	908	1 012
Minority interest	5	-	-
Long-term liabilities and provisions	177	93	131
Long-term liabilities, interest-bearing	325	75	81
Advances from customers	49	64	77
Current liabilities	826	731	660
Current liabilities, interest-bearing	312	368	267
Total shareholders' equity and liabilities	2 731	2 239	2 228

Key figures

	2002 Jan-Sep	2001 Jan-Sep	2001/02 Oct-Sep	2001 Jan-Dec
Operating margin, %	9.4	9.4	10.2	10.3
Return of capital employed, %	e.m.	e.m.	32.5	34.0
Return of shareholders' equity, %	e.m.	e.m.	27.3	26.1
Equity ratio, %	38.0	40.5	38.0	45.4
Net debt, SEK M	525	322	525	196
Net debt ratio	0.51	0.36	0.51	0.19
Interest coverage ratio	17.9	15.7	19.8	18.2
Investments in fixed assets, SEK M	135	91	184	140
Equity per share, SEK	41.49	36.30	41.49	40.49
Number of employees at period-end	3 216	2 563	3 216	2 579

QUARTERLY SUMMARY

Income statement, SEK M

	2000				2001				2002		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Order intake	791	884	784	863	960	974	982	1 029	1 144	1 159	1 228
Net sales	707	741	799	932	851	960	1 020	1 063	1 052	1 149	1 179
Operating expenses ¹⁾	-656	-676	-723	-818	-779	-868	-920	-926	-966	-1 035	-1 061
Items affecting comparability	-	-	15	-	-	-	-	-	-	-	-
Operating earnings	51	65	91	114	72	92	100	137	86	114	118
Earnings from participations in associated companies	1	2	2	1	2	2	2	3	-	-	-
Financial net	-4	-7	-6	-7	-7	-3	-5	-6	-5	-8	-5
Earnings before taxes	48	60	87	108	67	91	97	134	81	106	113
Minority share	-	-	-	-	-	-	-	-	0	0	-1
Taxes	-19	-23	-35	-42	-26	-36	-38	-49	-32	-41	-45
Net earnings for the period	29	37	52	66	41	55	59	85	49	65	67
¹⁾ of which depreciation	24	25	26	28	28	31	33	33	36	38	44

Balance sheet, SEK M

	2000				2001				2002		
	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep
Assets											
<i>Fixed assets</i>											
Intangible assets	162	162	161	163	174	174	190	189	250	281	451
Plants	447	461	491	513	538	555	560	563	670	635	677
Shares and participations	34	35	32	34	33	39	36	38	1	1	1
Long-term receivables	10	11	20	19	19	20	20	14	23	23	23
Total fixed assets	653	669	704	729	764	788	806	804	944	940	1 152
<i>Current assets</i>											
Inventories	214	239	263	254	291	319	324	264	326	309	384
Trade receivables	623	630	696	789	773	803	872	861	888	894	924
Current receivables	92	102	122	133	101	103	117	147	136	151	159
Liquid funds	127	107	90	88	98	79	120	152	151	65	112
Total current assets	1 056	1 078	1 171	1 264	1 263	1 304	1 433	1 424	1 501	1 419	1 579
Total assets	1 709	1 747	1 875	1 993	2 027	2 092	2 239	2 228	2 445	2 359	2 731
Shareholders' equity and liabilities											
Shareholders' equity (25 000 000 shares)	676	651	733	821	864	877	908	1 012	1 029	991	1 037
Minority share	-	-	-	-	-	-	-	-	4	4	5
Long-term liabilities and provisions	81	68	69	106	88	84	93	131	181	104	177
Long-term liabilities, interest-bearing	70	68	72	74	75	73	75	81	82	134	325
Advances from customers	38	39	43	50	50	42	64	77	52	45	49
Current liabilities	529	531	591	595	612	673	731	660	683	769	826
Current liabilities, interest-bearing	315	390	367	347	338	343	368	267	414	312	312
Total shareholders' equity and liabilities	1 709	1 747	1 875	1 993	2 027	2 092	2 239	2 228	2 445	2 359	2 731

Key figures

excl items affecting comparability

	2000				2001				2002		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Operating margin, %	7.3	8.7	9.6	12.2	8.5	9.6	9.8	12.8	8.2	9.9	10.0
Equity, %	39.5	37.3	38.8	41.2	42.6	41.9	40.5	45.4	42.1	42.0	38.0
Net debt, SEK M	258	351	349	333	316	337	322	196	345	381	525
Net debt ratio	0.38	0.54	0.48	0.41	0.37	0.38	0.36	0.19	0.33	0.38	0.51
Interest coverage ratio	11.6	10.5	12.9	13.8	11.3	18.0	18.9	26.1	19.6	17.7	17.0
Investments in fixed assets, SEK M	33	33	33	49	31	33	27	49	40	53	42
Number of shares at period-end, million	25	25	25	25	25	25	25	25	25	25	25
Earnings per share, SEK	1.17	1.45	1.73	2.63	1.62	2.21	2.35	3.39	1.97	2.61	2.66
Equity per share, SEK	27.03	26.06	28.97	32.83	34.56	35.10	36.30	40.49	41.16	39.27	41.49
Number of employees at period-end	2 249	2 326	2 346	2 374	2 419	2 488	2 563	2 578	2 916	3 043	3 216

Regions

Net sales, SEK M

	2000				2001				2002		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Europe	392	383	406	493	435	477	476	562	605	630	682
The Americas	261	300	312	358	331	400	449	412	364	419	407
Asia	67	77	95	96	100	95	109	104	96	125	104
Eliminations/adjustments	-13	-19	-14	-15	-15	-12	-15	-15	-13	-25	-14
Total	707	741	799	932	851	960	1 020	1 063	1 052	1 149	1 179

Operating earnings, SEK M

	2000				2001				2002		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Europe	29	21	33	71	34	42	33	73	47	51	66
The Americas	26	40	33	46	34	52	62	50	40	58	56
Asia	7	10	16	11	13	10	13	15	9	14	14
Group overhead	-4	-2	-3	-2	-5	-7	-2	-4	-1	-4	-6
Eliminations/adjustments/provisions	-7	-4	-3	-12	-4	-5	-6	3	-9	-5	-12
Op.Earnings before items affecting comparability	51	65	76	114	72	92	100	137	86	114	118
Items affecting comparability	-	-	15	-	-	-	-	-	-	-	-
Op.Earnings after items affecting comparability	51	65	91	114	72	92	100	137	86	114	118

Statement of changes in Financial Position, SEK M

	—9 months—		— 12 months—	
	2002	2001	2001/02	2001
	<u>Jan-Sep</u>	<u>Jan-Sep</u>	<u>Oct-Sep</u>	<u>Jan-Dec</u>
Earnings after financial items excl associated companies	300	250	429	379
Depreciations according to plan	118	92	151	125
Change in working capital				
trade receivables	62	-83	73	-72
inventories	-28	-70	32	-10
trade payables	-32	22	-33	21
advances from customers	-31	14	-18	27
Investments in tangible assets	<u>-135</u>	<u>-91</u>	<u>-184</u>	<u>-140</u>
Operating cash flow	254	134	450	330
Changes in other working capital	-40	69	-78	31
Investments in intangible assets	-	-16	-5	-21
Effect from acquired unit	-313	-	-313	-
Buy-back of own shares, payment for call options, net	-22	-39	-22	-39
Dividend paid	-74	-57	-74	-57
Taxes paid	-132	-87	-169	-124
Other, incl translation differences	<u>-2</u>	<u>7</u>	<u>8</u>	<u>17</u>
Change in net debt	-329	11	-203	137

The Group's net debt is defined as follows:

	2002	2001	2001
	<u>30 Sep</u>	<u>30 Sep</u>	<u>31 Dec</u>
SEK M			
Current loans	312	368	267
Long-term loans	246	2	7
Pensions	79	72	74
Cash and bank	<u>-112</u>	<u>-120</u>	<u>-152</u>
Net debt	525	322	196

REGIONS

	2002	2001	2001/02	2001
	<u>Jan-Sep</u>	<u>Jan-Sep</u>	<u>Oct-Sep</u>	<u>Jan-Dec</u>
Net sales, SEK M				
Europe	1 917	1 388	2 478	1 950
The Americas	1 190	1 180	1 602	1 592
Asia	325	304	429	408
Eliminations/adjustments	-52	-42	-66	-56
Total	3 380	2 830	4 443	3 894

Operating earnings, SEK M

Europe	164	109	237	182
The Americas	154	148	204	198
Asia	37	36	52	51
Group overheads	-11	-14	-15	-18
Eliminations/adjustments/provisions	-26	-14	-24	-12
Operating earnings	318	265	454	401

NOTES
Note 1
Change in equity, Group

(SEK M)

Opening balance

Effect of change in accounting principle

2002	2001
<u>30 Sep</u>	<u>Jan-Dec</u>
1 012	821
—	<u>5</u>

Opening balance adjusted in accordance with new accounting principle

Dividend

Received payment for warranty program

Buy-back of shares

Net earnings for the period

Translation difference

Closing balance

1 012	826
-74	-57
3	3
-25	-41
181	239
-60	42
1 037	1 012

Note 2

Staff in Munters has subscribed during May 2000 for 202,700 call options, equivalent to approximately 0.8 per cent of the share capital. The warrants can be utilized for subscription of corresponding number of shares in Munters AB during the period 3 January – 31 March 2005, at a set price of SEK 145 per share.

Staff in Munters has subscribed during May 2001 for 245,500 warrants, equivalent to approximately 1.0 per cent of the share capital. The warrants can be utilized for subscription of corresponding number of share in Munters AB during the period 1 May - 20 October 2004, at a set price of SEK 263 per share.

Staff in Munters has subscribed during May 2002 for 114,000 call options, equivalent to approximately 0.5 per cent of the share capital. The warrants can be utilized for subscription of corresponding number of share in Munters AB during the period 1 September 2005- 31 March 2006, at a set price of SEK 315 per share.

Munters has bought back 562,200 shares, equivalent to the aforementioned warrant schemes, to ensure that the schemes will not lead to any dilution for existing shareholders.