**IMPORTANT NOTICE**
**THIS OFFERING MEMORANDUM IS AVAILABLE ONLY: (1) TO INVESTORS WHO ARE QIBs (AS DEFINED BELOW) UNDER RULE 144A; AND (2) TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES AND SWEDEN**

**IMPORTANT: You must read the following before continuing.** The following applies to the attached Offering Memorandum relating to Munters Group AB (the "Company"). You are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. Recipients of this electronic transmission who intend to subscribe for or purchase the Offer Shares are reminded that any subscription or purchase may only be made on the basis of the information contained in this Offering Memorandum and the pricing statement to be published. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Offering Memorandum is intended for you only and you agree you will not forward this electronic transmission or the attached Offering Memorandum to any other person.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, OR UNDER THE APPLICABLE SECURITIES LAWS OF AUSTRALIA, CANADA OR JAPAN. SUBJECT TO CERTAIN EXCEPTIONS, THE OFFER SHARES MAY NOT BE OFFERED OR SOLD WITHIN AUSTRALIA, CANADA, JAPAN OR THE UNITED STATES.

CARNEGIE INVESTMENT BANK AB (PUBL) AND GOLDMAN SACHS INTERNATIONAL (THE "JOINT GLOBAL COORDINATORS") AND DANSKE BANK A/S, DANMARK, SVERIGE FILIAL, JEFFERIES INTERNATIONAL LIMITED AND NORDEA BANK AB (PUBL) (TOGETHER WITH THE JOINT GLOBAL COORDINATORS, THE "JOINT BOOKRUNNERS") AND SWEDBANK AB (PUBL) (TOGETHER WITH THE JOINT BOOKRUNNERS, THE "MANAGERS") MAY ARRANGE FOR THE OFFER AND SALE OF OFFER SHARES (I) IN THE UNITED STATES TO PERSONS WHO ARE "QUALIFIED INSTITUTIONAL BUYERS" ("QIBS") AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND (II) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT AND APPLICABLE SECURITIES REGULATIONS IN EACH JURISDICTION IN WHICH THE OFFER SHARES ARE OFFERED. THE OFFER SHARES ARE NOT TRANSFERABLE EXCEPT IN COMPLIANCE WITH THE RESTRICTIONS DESCRIBED IN THE OFFERING MEMORANDUM.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE OFFER SHARES DESCRIBED THEREIN.

**Confirmation of your Representation**: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the Offer Shares: (i) you have understood and agree to the terms set out herein; (ii) you consent to delivery of such Offering Memorandum by electronic transmission; and (iii) you are (a) a QIB who would be acquiring Offer Shares for your own account or for the account of another QIB or (b) you and any customers you represent are outside the United States and Sweden and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States or Sweden.

In any Member State of the European Economic Area (the "EEA") other than Sweden that has implemented the Prospectus Directive, this Offering Memorandum is only addressed to, and is only directed at, investors in that EEA Member State who fulfil the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Directive as implemented in each such EEA Member State. The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA that has implemented the Prospectus Directive, excluding Sweden. For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are “qualified investors” or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the UK Financial Services and Markets Act 2000. Any investment or investment activity to which the Offering Memorandum relates is available only to, and will be engaged in only with persons who: (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iii) other persons to whom such investment or investment activity may lawfully be made available (all such persons being together referred to as “relevant persons”). This Offering Memorandum is directed only at relevant persons. Any person who is not a relevant person must not act or rely on this Offering Memorandum or any of its contents. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Memorandum to any other person. Nothing in this electronic transmission constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Company, the Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# Munters Group AB

(a Swedish public limited liability company)

## Offering of 73,439,120 common shares

This Offering Memorandum (the "**Offering Memorandum**") relates to the initial public offering (the "**Offering**") of 73,439,120 common shares, each with a quota value of SEK 0.03, of Munters Group AB (the "**Company**" or "**Munters**") . Munters is offering 1,872,728 new shares (the "**New Shares**"), to raise gross proceeds of approximately SEK 103 million, and Cidron Maximus S.à r.l. (the "**Principal Selling Shareholder**") and FA International Investments S.C.A. (together, the "**Selling Shareholders**") are offering, in aggregate, 71,566,392 existing common shares (the "**Existing Shares**" and, together with the New Shares, the "**Firm Shares**"). The sale of the Existing Shares by the Selling Shareholders will include the sale of 2,453,865 existing common shares by and on behalf of other existing shareholders in the Company, including certain members of the Board of Directors and management of Munters, including the Chief Executive Officer, Chief Financial Officer and other senior members of management. For additional information on the Selling Shareholders and ownership structure, see "*Selling Shareholders*". Munters will not receive any proceeds from the sale of the Existing Shares or the Option Shares (as defined below).

The Selling Shareholders will grant the Joint Global Coordinators and Joint Bookrunners (as defined herein), on behalf of the Managers (as defined herein), an option (the "**Over-allotment Option**"), exercisable in whole or in part within 30 calendar days after the date on which the Shares (as defined below) commence trading on Nasdaq Stockholm, to purchase up to 8,812,694 additional common shares (the "**Option Shares**") at the Offer Price (as defined below), to cover potential over-allotments or short positions, if any, incurred in connection with the Offering. The Firm Shares and, if any are sold pursuant to the Over-allotment Option, the Option Shares, shall be referred to as the "**Offer Shares**" and the term "**Shares**" shall refer to all outstanding shares of Munters at any given time.

This Offering consists of: (i) an offering to the general public in Sweden; (ii) private placements to institutional investors in various jurisdictions, including a private placement in the United States to persons who are qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. All offers and sales outside the United States will be made in compliance with Regulation S ("**Regulation S**") under the U.S. Securities Act.

FAM AB, Alecta pensionsförsäkring, AMF Fonder AB, Handelsbanken Fonder and Carve (Brummer) (the "**Cornerstone Investors**") have committed to acquire, at the Offer Price (as defined below), a number of Offer Shares equivalent to the percentage of the Shares following completion of the Offering set out next to their respective names below:

- FAM AB: 10.0 percent;
- Alecta pensionsförsäkring: 5.0 percent;
- AMF Fonder AB: 5.0 percent;
- Handelsbanken Fonder: 3.0 percent; and
- Carve (Brummer): 3.0 percent.

Each Cornerstone Investor's commitment is subject to certain conditions as described in "*Plan of distribution—Cornerstone investor commitments*". The Cornerstone Investors will not be subject to a lock-up in respect of their allocations.

The offer price at which the Offer Shares will be sold (the "**Offer Price**") has been determined by the Company and the Selling Shareholders, in consultation with the Joint Bookrunners, based on the estimated investment interest of institutional investors in the Offering.

**OFFER PRICE: SEK 55 PER OFFER SHARE**

Prior to the Offering, there has been no public market for the Shares. Application has been made for the Shares to be admitted to trading and listing on Nasdaq Stockholm under the trading symbol MTRS. The first day of trading in, and the listing of, the Shares is expected to be 19 May 2017.

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**Investing in the Offer Shares involves risks. See "*Risk factors*" for a discussion of certain risks prospective investors should consider before investing in the Offer Shares.**

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**This Offering Memorandum does not constitute an offer to sell, or the solicitation of an offer to purchase, any of the Offer Shares to any person in any jurisdiction to whom or in which such an offer or solicitation would be unlawful.**

**The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States, and may be offered and sold in the United States only to persons who are QIBs in reliance on Rule 144A or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and offered and sold outside the United States only in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on offers of Offer Shares and on distribution of this document, see "*Plan of distribution—Selling restrictions*". For a description of certain restrictions on transfer of the Offer Shares, see "*Transfer restrictions*".**

The Joint Bookrunners expect to deliver the Offer Shares on or about 23 May 2017 through the facilities of Euroclear Sweden AB ("**Euroclear Sweden**"), against payment for the Offer Shares in immediately available funds. The Shares will be eligible for clearing through Euroclear Sweden.

Joint Global Coordinators and Joint Bookrunners

Carnegie    Goldman Sachs

Joint Bookrunners

Danske Bank    Jefferies    Nordea

Co-Lead Manager

Swedbank

8 May 2017

## NOTICE TO INVESTORS

**Information to investors**

The distribution of this Offering Memorandum and the Offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in the Offer Shares may, in certain jurisdictions other than Sweden, including, but not limited to, the United States, be restricted by law. Persons in possession of this Offering Memorandum are required to inform themselves about, and to observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. This Offering Memorandum may not be used for, or in connection with, and does not constitute, an offer to sell, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation is not authorised or would be unlawful. Neither this Offering Memorandum, nor any related materials, may be distributed or transmitted to, or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations.

None of the Company, the members of its Board of Directors (the "**Board of Directors**" or the "**Board**"), the Group (as defined below) management, the Selling Shareholders, the Managers or any of their respective representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

All purchasers of the Offer Shares are deemed to acknowledge that: (i) they have not relied on the Managers or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this Offering Memorandum or their investment decision; and (ii) they have relied only on the information contained in this Offering Memorandum, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries, the Selling Shareholders or the Offer Shares (other than as contained in this Offering Memorandum) and, that if given or made, any such other information or representation has not been relied upon as having been authorised by the Company, the Selling Shareholders or any of the Managers.

EXCEPT AS OTHERWISE SET OUT IN THIS OFFERING MEMORANDUM, THE OFFERING DESCRIBED IN THIS OFFERING MEMORANDUM IS NOT BEING MADE TO INVESTORS IN THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN OR IN ANY OTHER JURISDICTION IN WHICH SUCH OFFERING WOULD BE UNLAWFUL.

This Offering Memorandum does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire, the Offer Shares in any jurisdiction in which such an offer or solicitation is unlawful or would result in the Company becoming subject to public company reporting obligations outside Sweden.

The distribution of this Offering Memorandum, and the offer or sale of Offer Shares, is restricted by law in certain jurisdictions. This Offering Memorandum may only be used where it is legal to offer, solicit offers to purchase or sell the Offer Shares. Persons who obtain this Offering Memorandum must inform themselves about and observe all such restrictions.

No action has been or will be taken to permit a public offer or sale of the Offer Shares, or the possession or distribution of this Offering Memorandum or any other material in relation to the Offering, in any jurisdiction outside Sweden where action may be required for such purpose. Accordingly, neither this Offering Memorandum nor any advertisement or any other related material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. See "*Plan of distribution—Selling restrictions*" and "*Transfer restrictions*".

**United States**

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold within the United States unless the Offer Shares are registered under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the Offer Shares will be sold only to persons reasonably believed to be QIBs as defined in, and in reliance on, Rule 144A or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Any offer or sale of Offer Shares in the United States in reliance on Rule 144A will solely be made by one or more broker-dealers who are registered as such under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Nordea's activities in connection with the Offering are limited solely to outside the United States. All offers and sales of the Offer Shares outside the United States will be made in compliance with Regulation S and in accordance with applicable law. See "*Plan of distribution—Selling restrictions*" and "*Transfer restrictions*". The Offer Shares have neither been approved nor rejected by the United States Securities and Exchange Commission, any state securities authority or any other authority in the United States. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum. To assert the contrary is a criminal offense in the United States.

**European Economic Area**

In any member state of the European Economic Area ("**EEA**") other than Sweden that has implemented European Parliament and Council Directive 2003/71/EC (the "**Prospectus Directive**"), this Offering Memorandum is only addressed to, and is only directed at, investors in that EEA member state who fulfil the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Directive as implemented in each such EEA member state.

This Offering Memorandum has been prepared on the basis that all offers of Offer Shares, other than the Offer contemplated in Sweden, will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of the Offer Shares. Accordingly any person making or intending to make any offer within the EEA of the Offer Shares that is the subject of the placement contemplated in this Offering Memorandum should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholders or any of the Managers to produce a prospectus for such offer. None of the Company, the Selling Shareholders and the Managers has authorised, nor do the Company, the Selling Shareholders or the Managers authorise, the making of any offer of the Offer Shares through any financial intermediary, other than offers made by Managers that constitute the final placement of the Offer Shares contemplated in this Offering Memorandum.

The Offer Shares have not been, and will not be, offered to the public in any EEA member state that has implemented the Prospectus Directive (as defined below), excluding Sweden (each a "**Relevant Member State**"). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Offer Shares results in a requirement for the publication by the Company, the Selling Shareholders or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

**United Kingdom**

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are "qualified investors" or otherwise in circumstances that do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000.

Any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with persons who: (i) are investment professionals falling within Article 19(5); or (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc."), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this Offering Memorandum and should not act or rely on it.

**Canada**

The Offer Shares are not being offered and may not be sold to any purchaser in a province or territory of Canada other than the provinces of Alberta, British Columbia, Ontario and Quebec.

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

**IMPORTANT INFORMATION**

The content of this Offering Memorandum is not to be considered or interpreted as legal, financial or tax advice. It is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the members of its Board of Directors, the Group management, the Selling Shareholders, any of the Managers or any of their respective representatives that any recipient of this Offering Memorandum should subscribe for or purchase any Offer Shares. The Managers are party to various agreements pertaining to the Offering and have entered or may enter into financing arrangements with the Company or the Group, but this should not be considered as a recommendation by them to invest in the Offer Shares. Each prospective investor should consult his own stockbroker, bank manager, lawyer, auditor or other financial, legal or tax advisors before making any investment decision with regard to the Offer Shares, to among other things consider such investment decision in light of his or her personal circumstances and in order to determine whether or not such prospective investor is eligible to subscribe for the Offer Shares.

In this Offering Memorandum, "**Company**" and "**Munters**" refer to Munters Group AB or Munters Group AB and its subsidiaries, as the context requires, and "**Group**" refers to Munters Group AB and its subsidiaries.

Potential investors should rely only on the information contained in this Offering Memorandum and any supplements announced in accordance with the provisions of Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (Sw. *lag (1991:980) om handel med finansiella instrument*) (the "**Trading Act**"). The Company does not undertake to update this Offering Memorandum, unless required pursuant to the provisions of Chapter 2, Section 34 of the Trading Act, and therefore potential investors should not assume that the information in this Offering Memorandum is accurate as of any date other than the date of this Offering Memorandum. No person is or has been authorised to give any information or to make any representation in connection with the Offering, other than as contained in this Offering Memorandum, and, if given or made, any other such information or representation must not be relied upon as having been authorised by the Company, the members of its Board of Directors, the Group management, the Selling Shareholders, any of the Managers or any of their respective representatives. The delivery of this Offering Memorandum at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Group's affairs since the date hereof or that the information set forth in this Offering Memorandum is correct as of any time since its date.

No representation or warranty, express or implied, is made or given by or on behalf of the Managers or any of their affiliates or any of their respective directors, officers or employees or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Offering Memorandum, or incorporated by reference herein, and nothing in this Offering Memorandum, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Managers or any of their respective affiliates as to the past or future. None of the Managers accepts any responsibility whatsoever for the contents of this Offering Memorandum or for any other statements made or purported to be made by either itself or on its behalf in connection with the Company, the Selling Shareholders, the Offering or the Shares. Accordingly, the Managers disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort or contract or which they might otherwise be found to have in respect of this Offering Memorandum and/or any such statement.

The Managers are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Offering Memorandum) as their respective customers in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective customers or for giving advice in relation to, respectively, the Offering and the listing or any transaction or arrangement referred to herein.

In connection with the Offering, the Managers and any of their respective affiliates, acting as investors for their own accounts, may subscribe for and/or acquire Offer Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Offer Shares and other securities of the Company or related investments in connection with the Offering or otherwise. Accordingly, references in this Offering Memorandum to the Offer Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, the Managers and any of their affiliates acting as investors for their own accounts. None of the Managers intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Carnegie has also been engaged by the Company as Listing and Paying Agent for the Shares in relation to the admission of the Shares to trading on Nasdaq Stockholm. The Listing and Paying Agent's activities consist essentially of filing the application for admission to trading with Nasdaq Stockholm AB and paying sums due on the Shares. The Listing and Paying Agent is acting for the Company only and will not regard any other person as its client in relation to the Offering. Neither the Listing and Paying Agent nor any of its directors, officers, agents or employees makes any representation or warranty as to the accuracy, completeness or fairness of the information or opinions described or incorporated by reference into this Offering Memorandum, in any investor report or for any other statements made or purported to be made either by itself or on its behalf in connection with the Company, the Selling Shareholders, the Offering or the Shares. Accordingly, the Listing and Paying Agent disclaims all and any liability, whether arising in tort or contract or otherwise in respect of this Offering Memorandum and or any such other statements.

**Stabilisation**

IN CONNECTION WITH THE OFFERING, GOLDMAN SACHS, AS THE STABILISING MANAGER, OR ITS AGENTS, ON BEHALF OF THE MANAGERS, MAY ENGAGE IN TRANSACTIONS THAT WILL STABILISE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES FOR UP TO 30 DAYS FROM THE FIRST DAY OF TRADING IN AND LISTING OF THE OFFER SHARES ON NASDAQ STOCKHOLM. SPECIFICALLY, THE STABILISING MANAGER MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. THE STABILISING MANAGER AND ITS AGENTS ARE NOT REQUIRED TO ENGAGE IN ANY OF THESE ACTIVITIES AND, AS SUCH, THERE IS NO ASSURANCE THAT THESE ACTIVITIES WILL BE UNDERTAKEN; IF UNDERTAKEN, THE STABILISING MANAGER OR ITS AGENTS MAY END ANY OF THESE ACTIVITIES AT ANY TIME AND THEY MUST BE BROUGHT TO AN END AT THE END OF THE 30-DAY PERIOD MENTIONED ABOVE. STABILISATION ACTIVITIES, IF UNDERTAKEN, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. IN NO EVENT WILL TRANSACTIONS BE EFFECTED AT LEVELS ABOVE THE PRICE SET IN THE OFFERING. SAVE AS REQUIRED BY LAW OR REGULATION, THE STABILISING MANAGER DOES NOT INTEND TO DISCLOSE THE EXTENT OF ANY STABILISATION TRANSACTIONS UNDER THE OFFERING. FOR MORE INFORMATION, SEE "*PLAN OF DISTRIBUTION*".

**Supplements**

If a significant new factor, material mistake or inaccuracy relating to the information included in this Offering Memorandum that is capable of affecting the assessment of the Offer Shares, arises or is noted between the date of this Offering Memorandum and the later of the end of the Offering Period and the start of trading on Nasdaq Stockholm, a prospectus supplement must be announced in accordance with the provisions of Chapter 2, Section 34 of the Trading Act. Such a supplement will be subject to approval by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**").

Investors who have already agreed to purchase or subscribe for the Offer Shares before the supplement is published shall have the right, exercisable within two business days following the publication of a supplement, to withdraw their acceptances.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Memorandum or in a document that is incorporated by reference in this Offering Memorandum. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Offering Memorandum. For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the pricing statement.

**Forward-looking statements**

This Offering Memorandum contains various forward-looking statements that reflect the Group management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Offering Memorandum, including, without limitation, in the sections entitled "*Summary*", "*Risk factors*", "*Operating and financial review*", "*Industry overview*", "*Dividends and dividend policy*" and "*Business description*" and include, among other things, statements relating to:

- Munters' strategy, outlook and growth prospects, including on a business area and geographic segment basis;
- Munters' operating and financial targets and dividend policy;
- Munters' ongoing and planned efficiency programmes and initiatives;
- Munters' liquidity, capital resources and capital expenditure;
- Munters' ability to retain existing and attract new customers, in particular certain larger customers within the Data Centers and Air Treatment business areas;
- Munters' ability to capture a share higher share of the services market;

- Munters' planned investments, acquisitions and/or divestments, including its ability to integrate acquired businesses;
- Munters' ability to continue to develop new technologies and solutions through focused development and research activities, including strategic initiatives relating to IoT;
- the expectations as to future growth in demand for Munters' products and services;
- the expected developments of Munters' end markets;
- Munters' ability to protect itself against patent and other intellectual property right infringements;
- the impact of changes in laws and regulations to which Munters is subject; and
- the competitive environment in which Munters operates.

Although Munters believes that the expectations reflected in these forward-looking statements are reasonable, Munters can give no assurances that they will materialise or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors, including, among others:

- changes in the economic conditions in the markets in which Munters operates;
- the potential impairment of Munters' access to funding at similar cost or at all;
- inability to manage Munters' acquisitions and growth;
- inability to retain existing customers and attract new customers;
- the potential failure of Munters' expansion in the Data Centers market;
- reliance on Munters' senior management team and trained employees;
- failure to comply with applicable laws, regulations and codes of practice or changes to the regulatory environment in which Munters operates;
- changes the regulatory environments in which Munters' customers operate;
- changes in the levels of investment and spending on climate control solutions by Munters' customers;
- increases in Munters' operating costs, including costs of materials;
- inability to develop Munters' connectivity and service offerings; and
- inability to maintain or further develop Munters' manufacturing footprint and production capabilities.

Additional factors that could cause Munters' actual results of operations, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

These forward-looking statements speak only as of the date of this Offering Memorandum. The Company, the Selling Shareholders and the Managers expressly undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

**Enforcement of civil liabilities**

The ability of shareholders in certain countries other than Sweden, in particular in the United States, to bring an action against the Company may be limited under law. The Company is a public limited liability company (Sw. *publikt aktiebolag*) incorporated in Sweden and has its statutory seat (Sw. *säte*) in the municipality of Stockholm, Sweden.

Certain members of the Board of Directors, the Group management and other officers of the Group named herein are residents of countries other than the United States, and all or a substantial proportion of the assets of these individuals are located outside the United States. A significant portion of the Company's assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or the Company or to enforce against them in U.S. courts a judgment obtained in such courts.

The United States and Sweden do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a judgment rendered by a court in the United States will not be recognised and enforced by the Swedish courts. However, if a person has obtained a final and conclusive judgment for the payment of money rendered by a court in the United States which is enforceable in the United States and files his or her claim with the competent Swedish court, the Swedish court will generally give binding effect to such foreign judgment insofar as it finds that the jurisdiction of the court in the United States has been based on grounds which are internationally acceptable and that proper legal procedures have been observed and except to the extent that the foreign judgment contravenes Swedish public policy.

**Presentation of financial and other information**

For information regarding the presentation and financial and other information, see "*Presentation of financial and other information*".

**Additional information**

For so long as any of the Shares are "restricted securities" within the meaning of the U.S. Securities Act, the Company has agreed that it will, during any period in which it is neither subject to the reporting requirements of Section 13 or Section 15(d) of the U.S. Exchange Act, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

**Important information regarding the possibility to sell Shares allotted in the Offering**

Notification of allocation to the general public in Sweden will be made through distribution of contract notes. Such contract notes are expected to be distributed on or about 19 May 2017. After payment has been received for allotted Shares, the Shares duly paid for will be transferred to the securities account or securities depository account designated by the investor. Due to the time required for transfer of the Shares acquired to investors, the Shares acquired will not be available for the investors on the designated securities account or securities depository account until on or about 23 May 2017, at the earliest. Trading in the Shares on Nasdaq Stockholm is expected to commence on or about 19 May 2017. The fact that the Shares will not be available on the investors' securities account or securities depository account prior to 23 May 2017, at the earliest, may result in the investors being unable to sell the Shares on Nasdaq Stockholm on the first day of trading. Instead they may only be able to sell the Shares once the Shares are available on their securities account or securities depository account.

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## The offering in brief

**Offer Price**

SEK 55 per Share

**Application period for the general public in Sweden**

10–17 May 2017

**First day of trading of the Munters Shares**

19 May 2017

**Settlement date**

23 May 2017

**Other information**

| | |
|---|---|
| Trading symbol | MTRS |
| ISIN Code | SE0009806607 |

**Financial calendar**

| | |
|---|---|
| Interim report January–June 2017 | 15 August 2017 |
| Interim report January–September 2017 | 9 November 2017 |
| Year-end report 2017 | 19 February 2018 |

## Certain definitions

In this Offering Memorandum, the following definitions are used:

"**Munters**" and "**Company**" refer to Munters Group AB or Munters Group AB and its subsidiaries, as the context requires.

The "**Group**" refers to Munters Group AB and its subsidiaries.

The "**Selling Shareholders**" refer to Cidron Maximus S.à r.l. and FA International Investments S.C.A.

The "**Principal Selling Shareholder**" refers to Cidron Maximus S.à r.l.

The "**Offering**" refers to the offering in this Offering Memorandum.

"**Joint Global Coordinators**" refers to Carnegie Investment Bank AB (publ) ("**Carnegie**") and Goldman Sachs International "**Goldman Sachs**").

"**Joint Bookrunners**" refers to the Joint Global Coordinators, Danske Bank A/S, Danmark, Sverige Filial ("**Danske Bank**"), Jefferies International Limited ("**Jefferies**") and Nordea Bank AB (publ) ("**Nordea**").

"**Co-Lead Manager**" refers to Swedbank AB (publ) ("**Swedbank**").

"**Managers**" refers to the Joint Bookrunners and Co-Lead Manager.

"**Euroclear Sweden**" refers to Euroclear Sweden AB.

"**Nasdaq Stockholm**" refers to the Swedish regulated market Nasdaq Stockholm or its operator Nasdaq Stockholm AB, as the context may require.

"**SEK**", "**EUR**", "**USD**", "**GBP**" and "**CNY**" refers to Swedish kronor, Euro, U.S. dollars, Great Britain Pounds and Chinese Yuan, respectively, and "**M**" indicates millions.

For additional definitions and a glossary, please refer to "*Definitions*".

# Summary

*This Offering Memorandum summary consists of information requirements presented in "items". The items are numbered in sections A–E (A.1–E.7).*

*The summary in this Offering Memorandum includes all of the items required in a summary for the relevant type of security and issuer under the Prospectus Directive. However, since certain items are not applicable to all types of prospectuses, there may be gaps in the numbering of the items.*

*Even if an item is required to be included in the summary for the relevant type of security and issuer, it is possible that no relevant information can be provided regarding the item. In such case, the information is replaced by a brief description of the item together with the indication "not applicable".*

## Section A – Introduction and warnings

| | | |
|---|---|---|
| **A.1** | *Introduction and warnings* | This summary should be read as an introduction to the Offering Memorandum.<br>Any decision to invest in the securities should be based on consideration of the Offering Memorandum as a whole by the investor.<br>Where a claim relating to the information in this Offering Memorandum is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Offering Memorandum before the legal proceedings are initiated.<br>Civil liability may attach to those persons who produced the summary, including any translation thereof, only if the summary is misleading, inaccurate or inconsistent with other parts of the Offering Memorandum or if, together with other parts of the Offering Memorandum, it fails to provide key information to help investors when considering investing in such securities. |
| **A.2** | *Consent to use the offering memorandum* | Not applicable. Financial intermediaries are not entitled to use the Offering Memorandum for subsequent resale or final placement of securities. |

## Section B – Issuer

| | | |
|---|---|---|
| **B.1** | *Legal and commercial name* | The Company's name (and trading name) is Munters Group AB. |
| **B.2** | *Domicile and legal form* | The registered office is situated in the municipality of Stockholm. The Company is a Swedish public limited liability company (Sw. *publikt aktiebolag*) governed by the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). |

| | | |
|---|---|---|
| **B.3** | *Nature of operations and principal activities* | Munters is a leading global provider of energy efficient and mission critical precision climate control solutions for commercial and industrial applications. The Company leverages its application expertise and advanced technologies to offer its business-to-business customers engineered solutions that are designed to deliver each customer's "perfect climate". The Company provides advanced climate control solutions that are customised and developed to meet exacting specifications and requirements. These customised climate control solutions are used by customers in mission critical applications within targeted end markets, where precision of control over climate and other air quality parameters has a direct impact on the success and operations of the customers' businesses.<br>• **Air Treatment** – provides customised dehumidification, cooling and air control solutions for the food, pharmaceuticals, electronics, industrials, utilities, supermarkets and other commercial end markets. According to a market study, commissioned by the Company from a leading international third-party consulting firm (the "**Commissioned Market Study**"), the business area has a leading market position in end markets that represented 66 percent of the business area's net sales for the year ended 31 December 2016. The Air Treatment solutions are designed to improve production efficiency, product quality and energy efficiency. In many cases, these solutions include customised equipment that is integrated directly into customer production processes. This business area generated 54.5 percent of the Company's net sales for the year ended 31 December 2016.<br>• **Data Centers** – provides precision climate control systems to medium and large scale data centers. According to the Commissioned Market Study, the business area is a leader in the direct and indirect evaporative market sub-segments of the air economiser market within the broader data center cooling market, and has a leading market position in the air economiser market, which represented 95 percent of the business area's net sales for the year ended 31 December 2016. These systems are designed to improve the energy efficiency, performance and reliability of data centers. This business area generated 11.3 percent of the Company's net sales for the year ended 31 December 2016.<br>• **Agriculture and Horticulture** ("**AgHort**") – provides a full suite of climate control solutions for the poultry (layer and broiler), greenhouse, dairy and swine end markets. According to the Commissioned Market Study, the business area has a leading market position in end markets that represented 64 percent of the business area's net sales for the year ended 31 December 2016. AgHort products are designed to improve productivity, animal welfare and energy efficiency. This business area generated 28.2 percent of the Company's net sales for the year ended 31 December 2016.<br>• **Mist Elimination** – provides mist eliminators that separate liquids from gas flows for the power, process and marine end markets. According to the Commissioned Market Study, the business area has a leading market position in end markets that represented 73 percent of the business area's net sales for the year ended 31 December 2016. Mist Elimination products are designed to assist customers in complying with regulations and improving processes and operating efficiency. This business area generated 7.2 percent of the Company's net sales for the year ended 31 December 2016.<br><br>The Company also offers a variety of aftermarket services to customers, primarily within the Air Treatment and Data Centers business areas. These services range from installation and repairs to supervision and performance optimisation, and help to ensure that the Company's solutions are properly maintained and optimised for customer use. The Company's service offering focuses on the specialised needs and applications of its customers, and has become one of the key components of the Company's operations and strategy. The net sales generated by the Company's services operations have increased by 55 percent from the year ended 31 December 2014 to the year ended 31 December 2016, and the services operations generated 10.7 percent of the Company's net sales in the year ended 31 December 2016. |

| | | |
|---|---|---|
| **B.3, cont'd** | | The Company operates globally with more than 3,500 FTEs working in over 30 countries to sell Munters' products and solutions to a diverse range of customers, including global blue chip companies, in over 180 countries. For the year ended 31 December 2016, the Company generated 41.4 percent, 40.0 percent and 18.6 percent of its net sales in the Americas, EMEA and Asia, respectively. As of the date of this Offering Memorandum, the Company has a production footprint that includes 18 major manufacturing facilities and seven assembly units across 16 countries worldwide. |
| **B.4a** | *Recent trends* | Demand for Munters' products is affected by the development of customer markets, which in turn are affected by general macroeconomic trends, unemployment rates, the expansion of trade, regulatory development, population growth, consumer demographics and preferences, changes in technology and product replacement cycles. Current market trends include energy efficiency (increased focus on reducing negative environmental impact), quality and productivity (higher quality standards and increasing competition in the customer end markets), food safety and sustainability (focusing on sustainability in food production), increased regulation (stricter environmental standards drives inter alia the demand for solutions to remove pollutants from flue gases) and digitalisation (additional Internet traffic and demands for higher bandwidth together with significantly increased use of cloud services and connected devices). |
| **B.5** | *Group* | Munters Group AB is the parent company in the Group, which comprises 48 legal entities in 25 countries. |
| **B.6** | *Major shareholders, etc.* | In Sweden, the lowest threshold for mandatory reporting of changes in shareholdings (Sw. *flaggning*) is 5 percent of all shares or voting rights in respect of all shares. The table below sets forth Munters' direct and indirect ownership structure, and indicates the Company's shareholders owning 5 percent or more of the Shares or votes, immediately before the Offering and directly after completion of the Offering (if the Over-allotment Option is fully exercised). |

| | Prior to the Offering | | After the Offering | |
|---|---|---|---|---|
| **Shareholder** | **Number** | **Shares and votes, %** | **Number** | **Shares and votes, %** |
| Cidron Maximus S.à r.l. | 157,419,664 | 86.63 | 91,999,607 | 50.11 |
| FA International Investments S.C.A. | 15,613,290 | 8.59 | 3,108,126 | 1.69 |
| FAM AB | 0 | 0 | 18,359,780 | 10.00 |
| Alecta pensionsförsäkring | 0 | 0 | 9,179,890 | 5.00 |
| AMF Fonder AB | 0 | 0 | 9,179,890 | 5.00 |
| *Other existing shareholders[1)]* | 8,692,120 | 4.78 | 6,238,255 | 3.40 |
| *Other new shareholders* | *0* | *0* | *45,532,254* | *24.80* |
| **Total** | **181,725,074** | **100.0** | **183,597,802** | **100.0** |

1) Includes members of the Board of Directors and management of Munters, including the Chief Executive Officer, Chief Financial Officer and other senior members of management.

FAM AB, Alecta pensionsförsäkring, AMF Fonder AB, Handelsbanken Fonder and Carve (Brummer) (the "**Cornerstone Investors**") have committed to acquire, at the Offer Price, a number of Offer Shares equivalent to the percentage of the Shares following completion of the Offering set out next to their respective names below:

- FAM AB: 10.0 percent;
- Alecta pensionsförsäkring: 5.0 percent;
- AMF Fonder AB: 5.0 percent;
- Handelsbanken Fonder: 3.0 percent; and
- Carve (Brummer): 3.0 percent.

Each Cornerstone Investor's commitment is subject to certain conditions as described in "*Plan of distribution—Cornerstone investor commitments*". The Cornerstone Investors will not be subject to a lock-up in respect of their allocations.

| | | |
|---|---|---|
| **B.7** | *Selected historical key financial information* | The selected consolidated historical financial information set forth below as of and for the years ended 31 December 2016, 2015 and 2014 has been derived from the Company's audited consolidated financial statements, which were audited by Ernst & Young AB. The selected consolidated historical financial information set forth below as of and for the three months ended 31 March 2017 and 2016 has been derived from the Company's unaudited interim consolidated financial statements as of and for the three months ended 31 March 2017, which were reviewed by Ernst & Young AB, as set forth in its review report included elsewhere herein, with comparable figures for the three months ended 31 March 2016. The Company's audited and unaudited interim consolidated financial statements as of and for the periods set forth below have each been prepared in accordance with IFRS, as adopted by the European Union. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, subject only to normal and recurring adjustments that are necessary for a fair statement of the results for the interim periods presented.<br>The Company presents below certain key operating metrics that are not defined under IFRS (alternative performance measures). These non-IFRS measures are used by Group management to monitor the underlying performance of the Company's business and operations, and it believes that these metrics are important and helpful in understanding the Company's performance from period to period and to facilitate comparison with its peers. |

**SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE COMPANY**

| | For the three months ended 31 March | | For the year ended 31 December | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| | *(unaudited)* | | *(audited)* | | |
| Net sales | 1,519 | 1,220 | 6,040 | 5,399 | 4,216 |
| Cost of goods sold | (1,001) | (791) | (3,931) | (3,580) | (2,925) |
| **Gross profit** | **518** | **429** | **2,109** | **1,819** | **1,291** |
| Other operating income | 0 | 0 | 31 | 2 | 6 |
| Selling expenses | (246) | (214) | (913) | (838) | (836) |
| Administrative costs | (158) | (106) | (512) | (465) | (407) |
| Research and development costs | (38) | (35) | (138) | (127) | (132) |
| Other operating expenses | (1) | 0 | 0 | (7) | (26) |
| **Earnings before interest and tax (EBIT)** | **75** | **74** | **577** | **384** | **(104)** |
| Financial income | 3 | 3 | 12 | 3 | 3 |
| Financial expenses | (110) | (95) | (436) | (374) | (412) |
| **Profit/Loss after financial items** | **(32)** | **(19)** | **153** | **13** | **(513)** |
| Tax | (9) | (10) | (69) | (31) | 78 |
| **Income for the period** | **(41)** | **(29)** | **85** | **(18)** | **(435)** |

| B.7, cont'd | | SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE COMPANY |
|---|---|---|

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| **ASSETS** | *(unaudited)* | | *(audited)* | | |
| *NON-CURRENT ASSETS* | | | | | |
| Goodwill | 4,359 | 3,900 | 4,227 | 3,944 | 3,536 |
| Patents, licenses, brands and similar rights | 1,669 | 1,554 | 1,550 | 1,614 | 1,629 |
| Buildings and land | 148 | 151 | 156 | 154 | 122 |
| Plant and machinery | 165 | 140 | 172 | 140 | 127 |
| Equipment, tools, fixtures and fittings | 148 | 94 | 133 | 92 | 71 |
| Other non-current assets | 354 | 311 | 335 | 274 | 266 |
| **Total non-current assets** | **6,843** | **6,149** | **6,574** | **6,218** | **5,751** |
| *CURRENT ASSETS* | | | | | |
| Raw materials and consumables | 343 | 261 | 321 | 230 | 192 |
| Products in process | 159 | 112 | 123 | 74 | 77 |
| Finished products and goods for resale | 254 | 190 | 208 | 176 | 143 |
| Accounts receivable | 1,070 | 697 | 1,094 | 790 | 700 |
| Other receivables | 131 | 93 | 103 | 92 | 72 |
| Cash and cash equivalents | 396 | 309 | 432 | 346 | 273 |
| Other current assets | 173 | 107 | 135 | 82 | 60 |
| **Total current assets** | **2,526** | **1,768** | **2,417** | **1,790** | **1,517** |
| **TOTAL ASSETS** | **9,370** | **7,918** | **8,991** | **8,008** | **7,268** |

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| **EQUITY AND LIABILITIES** | *(unaudited)* | | *(audited)* | | |
| *EQUITY* | | | | | |
| Shareholders' equity | 704 | 450 | 756 | 487 | 523 |
| Non-controlling interest | 10 | 8 | 11 | 8 | 2 |
| **Total equity** | **714** | **458** | **767** | **495** | **525** |
| *NON-CURRENT LIABILITIES* | | | | | |
| Shareholder loan | 2,689 | 2,488 | 2,688 | 2,488 | 2,304 |
| Interest-bearing liabilities | 2,495 | 2,289 | 2,544 | 2,351 | 2,091 |
| Other non-current liabilities | 399 | 324 | 224 | 299 | 194 |
| Deferred tax liabilities | 533 | 510 | 525 | 527 | 565 |
| **Total non-current liabilities** | **6,116** | **5,611** | **5,981** | **5,665** | **5,154** |
| *CURRENT LIABILITIES* | | | | | |
| Interest-bearing liabilities | 660 | 393 | 429 | 441 | 162 |
| Advances from customers | 247 | 231 | 315 | 193 | 118 |
| Accounts payable | 567 | 389 | 530 | 361 | 329 |
| Accrued expenses and deferred income | 630 | 466 | 565 | 466 | 428 |
| Other current liabilities | 436 | 369 | 404 | 387 | 552 |
| **Total current liabilities** | **2,540** | **1,848** | **2,243** | **1,848** | **1,589** |
| **TOTAL EQUITY AND LIABILITIES** | **9,370** | **7,918** | **8,991** | **8,008** | **7,268** |

| B.7, cont'd | | **SELECTED CONSOLIDATED CASH FLOW STATEMENT DATA OF THE COMPANY** |
|---|---|---|

| | For the three months ended 31 March | | For the year ended 31 December | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| **OPERATING ACTIVITIES** | *(unaudited)* | | *(audited)* | | |
| Cash flow from operating activities | (20) | 53 | 277 | 314 | 38 |
| Cash flow from investing activities | (242) | (37) | (186) | (626) | (90) |
| Cash flow from financing activities | 222 | (54) | (19) | 385 | 1 |
| **Cash flow for the period** | **(40)** | **(37)** | **72** | **73** | **(51)** |
| **Cash and cash equivalents at end of period** | **396** | **309** | **432** | **346** | **273** |

**SELECTED NON-IFRS KEY OPERATING METRICS OF THE COMPANY**

| **MSEK** unless otherwise stated | As of and for the three months ended 31 March | | As of and for the year ended 31 December | | |
|---|---|---|---|---|---|
| | **2017** | **2016** | **2016** | **2015** | **2014** |
| **Consolidated non-IFRS metrics (alternative performance measures)** | | | *(unaudited)* | | |
| EBIT [1] | 75 | 74 | 577 | 384 | (104) |
| EBIT Margin[2] | 4.9% | 6.0% | 9.6% | 7.1% | (2.5)% |
| Adjusted EBIT[3] | 95 | 74 | 594 | 373 | 61 |
| Adjusted EBIT Margin[4] | 6.3% | 6.1% | 9.8% | 6.9% | 1.5% |
| EBITA[5] | 127 | 119 | 764 | 555 | 156 |
| EBITA Margin[6] | 8.4% | 9.8% | 12.6% | 10.3% | 3.7% |
| Adjusted EBITA[7] | 147 | 119 | 781 | 544 | 321 |
| Adjusted EBITA Margin[8] | 9.7% | 9.8% | 12.9% | 10.1% | 7.6% |
| Adjusted EBITDA[7] | 167 | 137 | 855 | 607 | 383 |
| Adjusted EBITDA Margin[9] | 11.0% | 11.2% | 14.2% | 11.2% | 9.1% |
| Adjusted Net Working Capital[10] | 438 | 227 | 386 | 276 | 258 |
| Adjusted Operating Cash Flow[11] | 111 | 100 | 672 | 494 | 279 |
| Cash Conversion[12] | 66.5% | 73.0% | 78.5% | 81.4% | 72.8% |
| Capital Employed[13] | 1,990 | 1,590 | 1,952 | 1,658 | 1,442 |
| External Net Debt[14] | 2,946 | 2,544 | 2,724 | 2,618 | 2,148 |
| Net Debt[15] | 5,635 | 5,032 | 5,412 | 5,106 | 4,452 |
| External Net Debt to Adjusted EBITDA Ratio[16] | 3.3 | – | 3.2 | 4.3 | 5.6 |
| Return on Capital Employed[17] | 31.2% | – | 32.9% | 24.1% | 4.4% |
| Return on Equity[18] | 10% | – | 13.6% | (3.5)% | (123.9)% |
| Order Intake[19] | 1,654 | 1,617 | 6,373 | 5,420 | 4,323 |
| Order Backlog[20] | 1,998 | 1,713 | 1,741 | 1,348 | 1,242 |
| Organic Net Sales Growth Excluding FX[21] | 217 | – | 425 | 508 | – |
| Organic Net Sales Growth[22] | 278 | – | 452 | 1,046 | – |
| Core Net Working Capital Ratio[23] | 16.3% | – | 15.1% | 13.5% | 15.9% |
| Capital Expenditures Ratio[24] | 3.1% | 2.9% | 2.7% | 1.7% | 1.9% |
| Total capital expenditures[25] | 56 | 37 | 184 | 113 | 104 |

| | | |
|---|---|---|
| **B.7, cont'd** | | 1) Earnings before interest and tax.<br>2) EBIT as a percentage of net sales. EBIT Margin is a non-IFRS measure and is not a substitute for any IFRS measures.<br>3) Adjusted EBIT is EBIT as adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property.<br>4) Adjusted EBIT as a percentage of net sales.<br>5) Earnings before interest, tax and amortisation.<br>6) EBITA as a percentage of net sales.<br>7) Adjusted EBITA and Adjusted EBITDA are EBITA and earnings before interest, tax, depreciation and amortisation ("**EBITDA**") respectively, as adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property.<br>8) Adjusted EBITA as a percentage of net sales.<br>9) Adjusted EBITDA as a percentage of net sales.<br>10) The sum of total current assets (less derivative instruments, current tax assets and cash and cash equivalents) less total current liabilities (less interest-bearing liabilities, derivative instruments, current tax liabilities, provisions for pensions and similar commitments and other provisions), as adjusted for acquisition-related earn-outs and liabilities.<br>11) Adjusted EBITDA less total capital expenditures.<br>12) Adjusted Operating Cash Flow as a percentage of Adjusted EBITDA.<br>13) The sum of net assets (total assets less total non-current liabilities and total current liabilities) and Net Debt less goodwill. As of 31 December 2013, net assets were SEK 179 million, Net Debt was SEK 4,304 million and goodwill was SEK 3,172 million.<br>14) Net Debt excluding the Shareholder Loan.<br>15) The sum of Shareholder Loan, non-current interest-bearing liabilities, current interest-bearing liabilities, non-current provisions for pensions and similar commitments (less long-term other employee benefits), current provisions for pensions and similar commitments (less long-term other employee benefits) and financial accrued interest expenses excluding Shareholder Loan, less cash and cash equivalents.<br>16) External Net Debt divided by Adjusted EBITDA. For the three months ended 31 March 2017, External Net Debt to Adjusted EBITDA Ratio is calculated based on annualised Adjusted EBITDA.<br>17) Adjusted EBIT as a percentage of average Capital Employed for the period. Average calculated as the average of the opening balance and the closing balance for the period. For the three months ended 31 March 2017, Return on Capital Employed is calculated based on annualised Adjusted EBIT.<br>18) Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period. For the three months ended 31 March 2017, Return on Equity is calculated based on annualised income for the period. As of 31 December 2013, shareholder equity was SEK 177 million.<br>19) Received and confirmed sales orders during the period.<br>20) Received and confirmed sales orders not yet delivered and accounted for as net sales.<br>21) Organic Net Sales Growth excluding the impact of fluctuations in currency exchange rates during the period. The impact of fluctuations in currency exchange rates represents the translation of net sales in local currencies to the Group's functional currency and is calculated as the difference in the average currency exchange rates of the respective periods multiplied by the net sales generated in local currencies during the comparative (prior) period.<br>22) The change in net sales compared to the previous period, excluding the structural effects of acquisitions and divestments, but including the impact of fluctuations in currency exchange rates during the period. The structural effects of acquisitions represent contributions to net sales from acquired businesses, which are classified as structural effects of acquisitions for the 12-month period from the date of the respective acquisition. Thereafter, such contributions to net sales are included in organic net sales for purposes of calculating this measure. Structural effects of divestments represent contributions to net sales in the comparative (prior) period from divested businesses, which are classified as structural effects of divestments for the 12-month period from the date of the respective divestment.<br>23) The sum of inventory (raw materials and consumables, products in process, finished products and goods for resale and work on contract) and accounts receivable, less accounts payable and advances from customers, as a percentage of net sales. For the three months ended 31 March 2017, Core Net Working Capital Ratio is calculated based on annualised net sales.<br>24) Tangible capital expenditures as a percentage of net sales. See "*Operating and Financial Review—Liquidity and capital resources*".<br>25) The sum of tangible and intangible investments. See "*Operating and Financial Review—Liquidity and capital resources*". |

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| **B.7, cont'd** | | **Significant changes**<br>The Company's net sales increased by SEK 299 million, or 24.5 percent, from SEK 1,220 million for the three months ended 31 March 2016 to SEK 1,519 million for the three months ended 31 March 2017. Organic Net Sales Growth Excluding FX was SEK 217 million, or 17.8 percent, due primarily to an increase in net sales generated by the Data Centers business area due to an increase in sales to Data Centers customers in the United States and Europe, and an increase in net sales generated by the Air Treatment business area due to an increase in demand from customers in the Americas. The increase was also due to a general increase in demand for the Company's climate control solutions in China. The increase was also due to the positive impact of currency movements which resulted in a translation gain of SEK 61 million for the three months ended 31 March 2017, as well as the positive impact of the acquisition of MTech Systems in February 2017, which increased net sales by SEK 21 million for the three months ended 31 March 2017. The Company's EBIT increased by SEK 1 million, or 1.4 percent, from SEK 74 million for the three months ended 31 March 2016 to SEK 75 million for the three months ended 31 March 2017. This increase was due primarily to an increase in net sales and the positive impact of the Company's operational improvement initiatives, including savings generated from the Munters Production System (the "**MPS**") and the Company's materials sourcing programme, the continued optimisation of the Company's manufacturing footprint and an increase in capacity utilisation of the Company's manufacturing facilities. The Company's Adjusted EBITA increased by SEK 28 million, or 23.5 percent, from SEK 119 million for the three months ended 31 March 2016 to SEK 147 million for the three months ended 31 March 2017. This increase was due primarily to the performance and mix of the Company's business areas, with strong growth in the Company's Data Centers and Air Treatment business areas, as well as the positive impact of the Company's operational improvement initiatives.<br>The Company's net sales increased by SEK 641 million, or 11.9 percent, from SEK 5,399 million for the year ended 31 December 2015 to SEK 6,040 million for the year ended 31 December 2016. Organic Net Sales Growth Excluding FX was SEK 425 million, or 7.9 percent, due primarily to an increase in net sales in the Company's Data Centers and AgHort business areas due to an increase in sales to Data Centers customers in Europe and an increase in demand from the Company's AgHort customers in the Americas and Asia. The increase was also due to the structural effects of the acquisitions of HB Group and Reventa in 2015 and the divestment of MKE, which increased net sales by SEK 190 million for the year ended 31 December 2016. In addition, the increase was due to the positive impact of currency movements which resulted in a translation gain of SEK 27 million in the year ended 31 December 2016. The Company's EBIT increased by SEK 193 million, from SEK 384 million for the year ended 31 December 2015 to SEK 577 million for the year ended 31 December 2016. This increase was due to an increase in net sales and the positive impact of the Company's operational improvement initiatives, including savings generated from the MPS and the Company's materials sourcing programme and continued optimisation of the Company's manufacturing footprint and an increase in capacity utilisation of the Company's manufacturing facilities. The Company's Adjusted EBITA increased by SEK 237 million, or 43.4 percent, from SEK 544 million for the year ended 31 December 2015 to SEK 781 million for the year ended 31 December 2016. This increase was due to the performance and mix of the Company's business areas, with the strongest growth in the Company's Data Centers and AgHort business areas. The increase was also due to the positive impact of the Company's operational improvement initiatives. |

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| **B.7, cont'd** | | The Company's net sales increased by SEK 1,183 million, or 28.1 percent, from SEK 4,216 million for the year ended 31 December 2014 to SEK 5,399 million for the year ended 31 December 2015. Organic Net Sales Growth Excluding FX was SEK 508 million, or 12.0 percent, due primarily to price increases and an increase in sales volumes due to strong growth in the AgHort and Mist Elimination business areas as a result of the positive development of the underlying end markets and customer demand. The increase was also due to the positive impact of currency movements which resulted in a translation gain of SEK 538 million in the year ended 31 December 2015, and the structural effects of the acquisitions of HB Group in July 2015 and Reventa in November 2015, which increased net sales by SEK 137 million in the year ended 31 December 2015. The Company's EBIT increased by SEK 488 million, from negative SEK 104 million for the year ended 31 December 2014 to SEK 384 million for the year ended 31 December 2015. This increase was due to an increase in net sales and the positive impact of the Company's operational improvement initiatives, including savings generated from MPS, materials sourcing programme and continued optimisation of the manufacturing footprint. The Company's Adjusted EBITA increased by SEK 223 million, or 69.4 percent, from SEK 321 million for the year ended 31 December 2014 to SEK 544 million for the year ended 31 December 2015. This increase was due to the performance and mix of the Company's business areas, with the strongest growth in the Company's Air Treatment, AgHort and Mist Elimination business areas. The increase was also due to the positive impact of the Company's operational improvement initiatives. |
| **B.8** | *Selected key pro forma financial information* | Not applicable. The Offering Memorandum contains no pro forma financial information. |
| **B.9** | *Profit forecast or estimate* | Not applicable. The Offering Memorandum contains no profit forecast or calculation of anticipated profit. |
| **B.10** | *Audit report qualifications* | Not applicable. There are no qualifications of audit report. |
| **B.11** | *Insufficient working capital* | Not applicable. It is Munters' assessment that the Company's working capital is sufficient for its present requirements during the following 12 months. |

## Section C – Securities

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| **C.1** | *Securities offered/ admitted to trading* | Shares of Munters (ISIN code SE0009806607). |
| **C.2** | *Currency* | The Shares are denominated in SEK. |
| **C.3** | *Number of shares issued* | The Company's registered share capital as of the date of this Offering Memorandum is SEK 503,950.44, represented by 16,798,348 Shares. Each Share has a quota value of SEK 0.03. All Shares have been fully paid. |
| **C.4** | *Rights attached to the securities* | At general meetings of shareholders, each Share carries one vote. If the Company issues new Shares, warrants or convertibles in a cash issue or a set-off issue (Sw. *kvittningsemission*), the holders of Shares have preferential rights to subscribe for such securities in proportion to the number of Shares held prior to the issue. All Shares carry equal rights to dividends as well as to the Company's assets and potential surplus in the event of liquidation. Resolutions on payment of dividend are adopted by the general meeting and will be distributed through Euroclear. Right to dividend accrues to persons registered as owners in the share register maintained by Euroclear Sweden on the record date determined by the general meeting of shareholders. |
| **C.5** | *Restrictions on the free transferability* | Not applicable. The Shares will not be subject to restrictions on transferability. |

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| **C.6** | *Admission to trading* | The Board of Directors has applied for listing of the Shares on Nasdaq Stockholm. Nasdaq Stockholm's Listing Committee has on 25 April 2017 decided to admit the Shares for listing on Nasdaq Stockholm subject to customary conditions, including that the distribution requirement for the Shares has been met. Trading in the Shares on Nasdaq Stockholm is expected to commence on 19 May 2017. The trading symbol of the Shares on Nasdaq Stockholm will be MTRS. |
| **C.7** | *Dividend policy* | Munters aims to pay an annual dividend corresponding to 30–50 percent of its consolidated income for the period. The pay-out decision will be based on the Company's financial position, investment needs, acquisitions and liquidity position. |

## Section D – Risks

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| **D.1** | *Key risks specific to the issuer or its industry* | An investment in securities is associated with risk. Prior to making any investment decision, investors should carefully consider all information contained in this Offering Memorandum. Below is a summary of Munters' key risks specific to the issuer or its industry.<br>**Munters' results of operations and the demand for its products are susceptible to the effects of macroeconomic developments, the general market environment and levels of economic activity in the countries and end markets in which the Group conducts its business**<br>Munters has a global presence with equipment being sold in over 180 countries worldwide. The demand for the Group's products and services is affected by the general economic and business environments and levels of economic activity in the countries and end markets in which the Group conducts its business, and is significantly impacted by customers' investment plans and production levels. This includes a variety of macroeconomic factors, including, but not limited to, renovation and new construction activity, particularly in respect of industrial and commercial real estate, levels of industrial and agricultural investments, and changes in energy prices, as well as by general macroeconomic circumstances, such as recession, inflation or deflation and general weakening of the purchasing power of the Group's customers. Any deterioration in general economic and business conditions or reduction in the level of economic activity in the countries in which the Group conducts its business, or any adverse change in customers' investment plans and production levels, could have a material adverse effect on Munters' business, financial condition and results of operations.<br>**If the Group fails to develop, launch and market new products, respond to technological developments or compete effectively, its business and revenues may suffer**<br>The Group's long-term growth and profitability are affected by business development risks and partially dependent on its ability to continue to develop and successfully launch and market new products and customer applications, and further develop its technologies, processes, know-how and service offering. The Group's revenues and market share may suffer if it is unable to successfully introduce new products and technologies in a timely fashion or if any new or enhanced products, technologies or services are introduced by its competitors that its customers find better suited to their needs. While the Group continuously invests in research and development to develop products and technologies in line with customer demand and expectations, if it is not able to keep pace with product development and technological advances, including shifts in technology in the markets in which it operates, or to meet customer demands, this could have a material adverse effect on the Group. Any new product Munters develops or acquires might not be introduced in a timely or cost-effective manner and might not achieve the market acceptance necessary to generate significant revenue. Furthermore, competitors may implement new or refined production processes and other procedures, and thereby making it possible for them to produce at lower cost. If Munters cannot respond to, or counter, such shifts, Munters' ability to compete effectively and to generate growth and revenue over time may be impaired. |

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| **D1, cont'd** | | **Munters is dependent on retaining existing and attracting new customers as well as the efficiency of Munters' sales channels and distributors**<br>In order for Munters to maintain its current position as well as to grow its operations, it is important that Munters retains existing customers and succeeds in entering into agreements with new customers. Munters' customers are under no obligation to extend existing agreements once they expire and there is a risk that Munters may lose important customers in the future. This may be the result of several factors such as the customers' degree of satisfaction with Munters' products and services, the performance and effectiveness of the products, Munters' pricing, the prices of competing products, the effectiveness of sales and marketing efforts or global economic conditions. The loss of a major customer, or a major customer permanently or temporarily reducing its commitments towards Munters, could have an adverse effect on the Group's business, financial condition and results of operations.<br>**Munters may be adversely affected if the Group's expansion in the Data Centers Market is not successful**<br>Munters has actively targeted the data center market for approximately eight years. In 2014, Munters established a data center segment within its Air Treatment business area, and in 2017, the segment was carved out to form the separate Data Centers business area. The Group's data center business has experienced rapid growth in recent years and is generally composed of larger projects and customer orders (compared to the Group's other business areas), which can cause the results of the Data Centers business area to fluctuate from period to period and decrease in periods in which the Company generates no or fewer new customer contracts or orders, which could have a material adverse effect on Munters' business, financial condition and results of operations. These larger projects also require and utilise a substantial part of the production capacity of Munters' manufacturing facilities. There is a risk that Munters will not be able to expand its current production capacity sufficiently, or do so in a timely and efficient manner or at a reasonable cost, which would have an adverse impact on the ability of the Company to realise or benefit from the growth of the Data Centers Market forecast. Insufficient production capacity may also negatively affect Munters' ability to meet agreed delivery terms and other customer specifications, which could have a material adverse effect on Munters' reputation, business, financial condition and results of operations.<br>**Inefficient or unsuccessful project management and/or forecasting may result in significant losses if costs are greater than anticipated**<br>Munters relies on significant project management and site-management expertise to ensure that large individual installation projects, which primarily are common within the Data Centers business area, are conducted efficiently. Essential skills for performance and profitability of a project includes Munters' ability to accurately forecast the costs relating to a project, to correctly assess the various resources (including human resources) necessary to carry out the project, to effectively manage any services provided by subcontractors, and to control technical events that could delay progress on the project. In practice, poor project management, failure to assess the resources needed to execute the project and errors in forecasting the costs involved in a particular project may reduce margins and cause significant additional costs and delays, in turn leading to delays in payment for Munters' services. Consequently, inefficient or unsuccessful project management or forecasting may adversely affect Munters' ability to offer high-quality and profitable services, which may have a material adverse effect on Munters' business, financial condition and results of operations. |

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| **D1, cont'd** | | **Any difficulties the Group encounters relating to the integration of recent or future acquisitions could adversely affect the Group's business**<br>The Group continuously evaluates potential acquisitions in the core areas of its business to complement its existing product and service portfolio, to gain access to new markets and to create synergies. The process of coordinating and integrating acquired businesses with the Group's own business, and making them operate as one business, has required and will continue to require managerial and financial resources, and may divert the attention of Munters' executive management and other resources away from Munters' core operations. The management of integration of the businesses, systems and culture of any acquired business requires, among other things, the continued development of its financial and management controls, including the integration of information systems and structure, the integration of product offerings and customer base and the training of new personnel, any of which could disrupt and place a strain on the Group's management resources as well as require significant expenditure. |
| **D.3** | *Key risks specific to the securities* | Below is a summary of key risks specific to the Shares and the Offering.<br>**Since an investment in shares can increase or decrease in value, there is a risk that an investor will not regain the capital invested**<br>Risk and risk-taking are an unavoidable aspect of share ownership. Since an investment in shares can decrease in value, there is a risk that an investor will not regain the capital invested. The performance of a listed share depends on a number of factors, some of which are company-specific, while others are related to the equity capital market as a whole. It is impossible for an individual company to control all the factors which may affect its share price, and thus each investment decision concerning shares should be preceded by a careful analysis.<br>**An active, liquid and orderly trading market for the Shares may not develop, the price of the Shares may be volatile, and potential investors could lose a portion or all of their investment**<br>Prior to the Offering, there will be no public market for the Shares. There is a risk that an active and liquid market will not develop or, if developed, that it will not be sustained after completion of the Offering. The Offer Price has been determined by the Company and the Selling Shareholders, in consultation with the Joint Bookrunners, based on the estimated investment interest of institutional investors in the Offering. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell the Shares following the Offering. Investors may, thus, not be able to resell Shares at or above the Offer Price.<br>**Future sales of Shares by existing shareholders, such as sales after the end of lock-up periods, could cause the Share price to decline**<br>The market price of the Shares could decline if there are substantial sales of Shares, particularly sales by the Company's directors, members of Group management, and significant shareholders, or otherwise when a large number of Shares are sold. The Selling Shareholders and shareholding members of the Board of Directors and the members of Group management will each agree, subject to certain exceptions, for a certain period after trading of the Shares on Nasdaq Stockholm has commenced, not to sell their Shares or enter into transactions with a similar effect. After the expiry of the relevant lock-up period, the shareholders subject to lock-up will be free to sell their Shares. Any sales of a substantial number of Shares by the Selling Shareholders or Munters' other current shareholders, or the perception that such sales might occur, could cause the market price of the Shares to decline. |

| Section E – Offer | | |
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| **E.1** | *Net proceeds and expenses* | The Company expects to receive gross proceeds amounting to approximately SEK 103 million from the Company's issue of New Shares in connection with the Offering, before deduction of certain transaction costs. The transaction costs relate to the review of strategic ownership alternatives and the Offering, and are expected to amount to approximately SEK 70 million in 2017, of which SEK 27 million has been recorded as an expense in operating profit in the three months ended 31 March 2017 and SEK 43 million is estimated to be recorded as an expense in operating profit in the three months ending 30 June 2017. As a result, the Company expects to receive net proceeds of approximately SEK 33 million from the sale of the New Shares. The Company will not receive any proceeds from the sale of Shares offered by Cidron Maximus S.à r.l. and FA International Investments S.C.A. |
| **E.2a** | *Reasons for the offer, use of proceeds* | Nordic Capital's investment strategy is to acquire and support the growth of attractive companies with development potential. The investment strategy also entails a subsequent divestment of every acquired company within a certain period. The Board of Directors and Group management of Munters, together with the Principal Selling Shareholder, believe that the time is appropriate for a listing of Munters. Notwithstanding this fact, the Principal Selling Shareholder will remain a large and committed shareholder and is, by retaining a part of its holdings, able to participate in the future development of the Company. Munters has established a solid platform and has further potential for substantial future growth and improved results during the coming years.<br>The Offering and the listing will expand the shareholder base and enable Munters to access the Swedish and international capital markets, which is expected to support Munters' continued growth and development. The Board of Directors and Group management of Munters, supported by the Selling Shareholders, consider the Offering and listing of the Shares to be a logical and important next step in Munters development, which will also increase the awareness of Munters and its operations.<br>The Company expects to receive gross proceeds amounting to approximately SEK 103 million from the Company's issue of New Shares in connection with the Offering, before deduction of certain transaction costs. The transaction costs payable by the Company relate to the review of strategic ownership alternatives and the Offering, and are expected to amount to approximately SEK 70 million in 2017. SEK 27 million of the transaction costs has been recorded as an expense in operating profit in the three months ended 31 March 2017 and SEK 43 million is estimated to be recorded as an expense in operating profit in the three months ending 30 June 2017. The Company expects to use remaining the net proceeds of approximately SEK 33 million from the sale of the New Shares to reduce the Company's indebtedness related to acquisitions completed in 2017. The Company will not receive any proceeds from the sale of Shares by the Selling Shareholders.<br>In connection with the Offering, the Company expects to refinance its existing indebtedness through new credit facilities to achieve more favourable terms as a result of an improved debt/equity ratio and the Company's listing. As of 31 March 2017, the total interest-bearing liabilities of the Company amounted to SEK 5,844 million. |
| **E.3** | *Terms and conditions of the offer* | Not applicable to this Offering Memorandum. |

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| **E.4** | *Interests material to the offer* | Carnegie and Goldman Sachs are Joint Global Coordinators in the Offering and provide financial advice and other services to the Company and the Principal Shareholder in connection with the Offering, for which they will receive customary remuneration. The total remuneration will be dependent on the success of the completed Offering. Danske Bank, Jefferies and Nordea are Joint Bookrunners in the Offering and Swedbank is Co-Lead Manager in the Offering. The total remuneration paid to the Managers will depend on the success of the Offering.<br>Certain of the Managers and their respective affiliates have from time to time engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company or the Selling Shareholders or any of the Company's or the Selling Shareholders' related parties. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with potential investors' and the Company's interests. |
| **E.5** | *Person/entity offering to sell the security, lock-up agreements* | Cidron Maximus S.à r.l. and FA International Investments S.C.A are sellers of the Existing Shares in the Offering.<br>The Selling Shareholders, shareholding members of the Board of Directors and members of Group management will undertake, with certain exceptions, not to sell their respective holdings, or otherwise enter into transactions with similar effect, for a certain period after the first day of trading of the Shares on Nasdaq Stockholm (the "**Lock-up period**"). The Lock-up period for the Selling Shareholders will be 180 days. The Lock-up period for shareholding members of the Board and Group management will be 360 days. The lock-up arrangements restrict the ability of shareholders subject to any such lock-up to sell their Shares during the Lock-up period, but the Joint Global Coordinators may waive the restrictions on the sale of Shares during this period in their discretion and at any time. Exceptions during the Lock-up period include, for example, (i) any security interests granted to margin loan lenders in respect of any margin loan facilities made available to the Principal Selling Shareholder and (ii) any transfers of Shares to margin loan lenders, their nominees or affiliates or a third party pursuant to enforcement of any security entered into in accordance with (i), provided that in each case the transferee agrees to be bound by the terms of the lock-up applicable to the Principal Selling Shareholder prior to such transfers. Such margin loans could encompass a significant majority of the total shareholdings of the Principal Selling Shareholder. The Company will agree with the Managers that it will not, among other things and with certain exceptions, for a period of 180 days from the first day of trading of the Shares on Nasdaq Stockholm, without the prior written consent of the Joint Global Coordinators: (i) issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell or otherwise dispose of, directly or indirectly, any Shares or any securities of the Company that are substantially similar to the Shares, including securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities or do anything with the same economic effect as any of the foregoing ("**Securities**"); or (ii) submit to its shareholders any proposal for a capital increase or a proposal to effect any of the foregoing. The foregoing sentence does not apply to issues of Shares or Securities pursuant to employee incentive plans of the Company.<br>The Cornerstone Investors will not be subject to a lock-up in respect of their allocations. |
| **E.6** | *Dilution* | The issuance of New Shares in connection with the Offering will increase the number of Shares from 181,725,074 to 183,597,802 Shares, which corresponds to an increase of 1.0 percent. |
| **E.7** | *Expenses charged to the investor* | Not applicable. The issuer will not impose any charges or taxes on investors. |

# Risk factors

*An investment in securities is associated with risk. Prior to making any investment decision, investors should carefully consider all information contained in this Offering Memorandum, including the risk factors described below. The risks currently considered to be of importance to Munters and the future performance of the Shares are described below, and are not listed in any particular order of priority as to significance or probability. The risk factors below address both general risks associated with the industry in which Munters operates and specific risks associated with Munters and its business, and also address risks associated with the Shares and the Offering. Some risks are beyond Munters' control. The description below does not purport to be complete and it is not possible to foresee, predict or describe in detail any and all risk factors. The risks and uncertainty factors described below may, individually or jointly, have a material adverse effect on Munters' business, financial condition and results of operations. The risks and uncertainty factors described below may also cause the Shares to decrease in value, which may result in Munters' shareholders losing all or part of their invested capital. Additional risks and uncertainties, including those of which Munters is currently unaware or which it currently deems not to be risks, may also arise or become material in the future and have corresponding negative effects.*

## Risks related to Munters' operations and industry

### Munters' results of operations and the demand for its products are susceptible to the effects of macroeconomic developments, the general market environment and levels of economic activity in the countries and end markets in which the Group conducts its business

Munters has a global presence with equipment sold in over 180 countries worldwide. For the year ended 31 December 2016, 41.4 percent of the Company's net sales was generated in the Americas, 40.0 percent in EMEA (Europe, the Middle East and Africa) and 18.6 percent in Asia. The demand for the Group's products and services is affected by the general economic and business environments and levels of economic activity in the countries and end markets in which the Group conducts its business, and is significantly impacted by customers' investment plans and production levels. This includes a variety of macroeconomic factors, including, but not limited to, renovation and new construction activity, particularly in respect of industrial and commercial real estate, levels of industrial and agricultural investments, and changes in energy prices, as well as by general macroeconomic circumstances, such as recession, inflation or deflation and general weakening of the purchasing power of the Group's customers. Customers' investment plans and production levels could change materially in the event of a widespread financial crisis and economic downturn, such as the one experienced in 2008–2009, or in the case of an economic downturn in a particular industry, country or region. Furthermore, the levels of demand and investment activity in the AgHort business area's end markets, primarily in Europe and the United States, are driven by a number of unique regional and market factors that are specific to these end markets. These drivers, which include regional sales trends and developments, consumer preferences and fluctuations in the prices of meat, eggs and feed, affect the investment capacity of market participants. As a result, the end markets of the AgHort business area fluctuate, with periods of high investment activity and demand followed by periods of reduced investment activity and demand. Historically, these periods of reduced investment activity and demand have occurred every four years and, based on these historical patterns and the market data available regarding these drivers, the Group management expects that the end markets of the AgHort business area will experience reduced investment and demand in 2017. Any deterioration in general economic and business conditions or reduction in the level of economic activity in the countries in which the Group conducts its business, or any adverse change in customers' investment plans and production levels, could have a material adverse effect on Munters' business, financial condition and results of operations.

In addition, demand for the Company's products and solutions is impacted by a number of other global and regional factors, including, but not limited to, market and industry liquidity, changes in laws and regulations, political uncertainty, changes in production capacity, competing technologies and competitive pressures. For example, the availability and terms of financing within the industries that Munters serves and fluctuations in commodity prices could adversely affect Munters' customers, counterparties, suppliers or creditors. Changes in the rules and regulations that impact the countries and end markets in which the Company operates can have a significant impact on the Company's results of operations. See "*—Munters' sales may be adversely affected by changes in laws and regulations applicable to its customers and end markets*". Furthermore, changes in the political situation in a region or country, or political decisions affecting an industry or country, could also materially impact the level of investments in equipment and the general demand for the Group's products and services. For example, recent widely unanticipated political events, such as the United Kingdom's vote to leave the EU and Donald Trump's victory in the U.S. presidential election, have created great uncertainty regarding future EU and U.S. economic and trade policies. Any adverse development involving these global or regional factors could have a material adverse effect on Munters' business, financial condition and results of operations.

## If the Group fails to develop, launch and market new products, respond to technological developments or compete effectively, its business and revenues may suffer

The Group's long-term growth and profitability are affected by business development risks and partially dependent on its ability to continue to develop and successfully launch and market new products and customer applications, and further develop its technologies, processes, know-how and service offering. The Group's revenues and market share may suffer if it is unable to successfully introduce new products and technologies in a timely fashion or if any new or enhanced products, technologies or services are introduced by its competitors that its customers find better suited to their needs. The continuous development of innovative, sustainable products that consume less resources, such as energy, water, raw material and human effort, over the entire life cycle of the product is a key challenge for Munters in this respect, as well as the ability to meet new requirements in regard to emissions, noise and vibrations levels as well as recycling. There is a risk that the Group's continuous investments in research and development to develop products and technologies in line with customer demand and expectations turn out to be insufficient, or that the Group will not be able to keep pace with product development and technological advances, including shifts in technology and regulatory framework in the markets in which it operates, or meet customer demands, any of which could have a material adverse effect on the Group. For example, customers in the Data Centers business area face rapid technological change. In addition, the success of any new product or solution depends on several factors, including the timely completion, introduction and market acceptance of the product. Any new product Munters develops or acquires might not be introduced in a timely or cost-effective manner and might not achieve the market acceptance necessary to generate significant revenue. Furthermore, competitors may implement new or refined production processes and other procedures, and thereby making it possible for them to produce at lower cost. If Munters cannot respond to, or counter, such shifts, Munters' ability to compete effectively and to generate growth and revenue over time may be impaired.

The markets for the Group's products and services are competitive in terms of pricing, product characteristics and quality, reliability, the timeliness of delivery, technical expertise, the timing of development and introduction of new products, technological enhancements, customer service and financing terms. If the Group does not compete successfully in all of its business areas and does not anticipate and respond to changes in evolving market demands and other market conditions, including for new products and technologies, it will not be able to compete successfully in its markets, which could have a material adverse effect on its business, financial condition and results of operations.

## Munters is dependent on retaining existing and attracting new customers as well as the efficiency of Munters' sales channels and distributors

In order for Munters to maintain its current position as well as to grow its operations, it is important that Munters retains existing customers and succeeds in entering into agreements with new customers. Munters' customers are under no obligation to extend existing agreements once they expire and there is a risk that Munters may lose important customers in the future. This may be the result of several factors such as the customers' degree of satisfaction with Munters' products and services, the performance and effectiveness of the products, Munters' pricing, the prices of competing products, the effectiveness of sales and marketing efforts or global economic conditions. The loss of a major customer, or a major customer permanently or temporarily reducing, postponing or delaying its orders from, or commitments to, Munters, particularly in the Data Centers business area where there are larger orders and greater customer concentration (e.g., the top three data center customers accounted for more than half of the business area's net sales for the year ended 31 December 2016) than in the other business areas, could have an adverse effect on the Group's business, financial condition and results of operations. There is also a risk that orders are cancelled, or otherwise never completed, by customers and thus never convert into sales.

Furthermore, Munters' operations are conducted worldwide through a sales force presence in over 30 countries, and comprise the development, manufacture and sale of products and engineered customer solutions across a variety of markets. Sales are, depending on the end market, mainly to end customers directly, to system integrators and contractors, or through distributors. Due to the range of Munters' end markets and the nature of the products and services that Munters offers, the Group does not have a centralised sales function. Instead, customer relationships are managed by the sales organisation within each business area. Should Munters' internal control functions, such as the order authorisation and reporting procedures for the local and regional sales organisations, not be adhered to, there is a risk that local and regional sales personnel exceed their authorisation and, for example, enters into large contracts on disadvantageous terms, which could have an adverse effect on the Group's business, financial condition and results of operations.

In addition, some sales, primarily in the AgHort business area, are made indirectly through distributors in certain end markets. Munters may be reliant on the performance of such distributors to reach customers. Munters ability to affect the performance of its distributors is limited, and disruptions or failures by distributors to successfully sell products and perform service could have an adverse effect on the Group's business, financial condition and results of operations.

### If the Group's manufacturing facilities are damaged, destroyed or closed for any reason, its ability to manufacture and distribute its products will be significantly affected

Munters has a global presence with 18 major manufacturing facilities and seven smaller assembly units across 16 countries worldwide, with certain facilities dedicated to the production and assembly of products for specific business areas. If the Group's manufacturing facilities or assembly units are damaged, destroyed or closed for any reason, its ability to manufacture, assemble and distribute its products will be negatively affected. For example, manufacturing or mechanical failures or breakdowns, electrical outages, fires, explosions, severe weather and natural disasters, including any disruptions or production capacity constraints resulting from Munters' failure or inability to accurately or effectively manage its manufacturing facilities and assembly units or changes in production levels, may impact Munters' ability to perform its obligations to supply its customers. If any of Munters' manufacturing facilities or assembly units were to be shut down unexpectedly, if certain of its manufacturing operations or equipment and machinery within an otherwise operational facility were to cease production unexpectedly or if the Group were to fail to accurately or effectively manage its manufacturing facilities and assembly units or changes in its production levels, there is a risk that alternative production capacity, primarily in certain markets of the Data Centers and Mist Elimination business areas, would not be available or that, if it were available, it could not be obtained quickly enough or at the same cost or could not be easily transferred. In addition, products within the Air Treatment and Data Centers business areas are typically bulky and need to be transported with care and precision, and loss of proximity to end customers due to alternative production capacity being used as a result of damaged, destroyed or closed facilities or other production disruptions might result in higher transportation costs and loss of competitive advantages. While Munters generally manufactures its products across its various manufacturing facilities and assembly units, certain facilities are dedicated to producing specific products for designated business areas, and a significant loss of the use of all or a portion of one or more of these or the Company's key manufacturing facilities, whether short- or long-term, could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters may face challenges when new facilities are opened, or new product lines or technologies are introduced at existing facilities

Operational disruptions, interruptions and process problems related to start-up issues at facilities such as shifting the production focus of one facility from products within one business area to another, or failure or inability to accurately or effectively manage changes to production levels or customer demand in respect of new products or solutions, may lead to production not being commenced as planned, significant production downtimes and interruptions in early stages of production or excessive production capacity due to lack of customer demand, which, for example, could in turn result in customers using other suppliers or, particularly in the event of excess production capacity, increased costs for Munters. For example, Munters experienced production expansion and quality issues in 2014, which impacted the production facilities of the Data Centers business area in the United States. These issues resulted in production stoppages at one manufacturing facility, which increased costs and required time and attention of Group management. These issues had a negative effect on the results of operations of the Data Centers business area. There is a risk that Munters may encounter similar problems in the future, for example, in conjunction with the introduction of new techniques and procedures or when the production at a certain facility shifts focus to new or altered products, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

### The Group may be exposed to complaints, breach of contract claims, product recalls, warranty claims and product liability claims and any available insurance coverage may be inadequate or insufficient

Munters is constantly exposed to the risk of selling and delivering products that do not meet customer requirements or specifications, and is subject to the risk of potential for warranty claims and product liability. This risk is compounded by the fact that Munters manufactures and sells customised products and complete systems that are tailored for specific customer needs and requirements and that these systems are used by customers in mission critical applications, where precision of control over humidity, temperature and other environmental parameters have a critical impact on production safety, product quality, operation efficiency, financial viability and/or compliance with environmental regulations. For example, some of Munters' customers are dependent on precise control of the temperature and humidity in their production facilities in order to avoid severe accidents, such as self-combustion of materials, while other customers are dependent on air treatment control to avoid the death of livestock, either of which could occur quickly if there are any malfunctions of the products delivered by Munters. Munters is currently involved in legal proceedings in the United States, pursuant to which a customer has claimed that it suffered property damage due to a fire at its egg barn as a result of certain of Munters' products. According to the customers' insurance carrier, which has acceded to the claim, the total monetary loss suffered by the customer as a result of the fire was approximately USD 9.8 million. A general discovery and fact-finding process has begun and there is a risk that Munters will not be able to successfully defend the claim, which could result in Munters having to pay damages in excess of, or that may not be covered by, Munters' insurance policies.

There is a risk that the measures taken by Munters to ensure that its products are safe and meet current safety regulations are not sufficient, or that Munters' products and services will not satisfy all customer requirements or specifications. If a product fails to comply with all relevant customer specifications and/or regulations, the customer may claim damages on the basis of a breach of contract or make a product liability or warranty claim. For example, Munters is involved in a breach of contract dispute in Australia regarding services that were provided to a customer by the Company's discontinued Moisture Control Services business area. The Company entered into a contract with the customer, pursuant to which the Company was retained to dry and otherwise remediate records that had been affected by a water leak, and the customer has claimed that Munters breached the terms of its contract and was negligent because it failed to properly treat the water-affected records. The total amount of the claim is AUD 11.3 million, plus interest, and there is a risk that Munters will not be able to successfully defend the claim, which could result in Munters having to pay damages in excess of, or that may not be covered by, Munters' insurance policies.

Historically, Munters has delivered more custom-made and specialised products in the United States than in other geographical markets, and has due to this experienced more claims regarding failure to meet customer requirements or specifications in the United States than in other markets. Warranty obligations can include modification or replacement of equipment as well as re-performance of services and product liability claims may include requests for direct, and sometimes also indirect, damages of substantial amounts. These claims may be expensive to defend and can divert the attention of Group management and other personnel for significant periods of time. Claims of this nature could negatively affect customer confidence in Munters and its products, regardless of whether Munters is successful in defending such claims or not, and could generate significant adverse publicity, which could have a negative impact on Munters' customer relationships and reputation.

The causes of warranty and other product issues are sometimes beyond Munters' control. In addition to errors in the design, development, production or handling of Munters' products, the components and materials provided by its suppliers may be non-conforming or contain defects or flaws.

There is a risk that the Group's insurance coverage in respect of product liability claims is inadequate or that the amount of such insurance will not be sufficient to satisfy claims made against the Group in the future. Product liability or warranty claims could result in significant litigation costs and damages awards, and a successful claim brought against the Group in excess of available insurance coverage.

Any of these risks could result in lower sales and higher costs and could have a material adverse effect on Munters' reputation, business, financial condition and results of operations.

### Munters may be adversely affected if the Group's expansion in the Data Centers Market is not successful

Munters has actively targeted the data center cooling market for approximately eight years. In 2014, Munters established a data center segment within its Air Treatment business area, which, in 2017, was established as a standalone Data Centers business area. The Group's data center business has experienced rapid growth in recent years and, while the Company has a strong market share according to the Commissioned Market Study, Group management expects that Munters share of supply will decrease going forward due in part to the forecast rapid expansion of the Data Centers Market. The Group's data center business is generally composed of larger projects and customer orders (compared to the Group's other business areas), which can cause the results of the Data Centers business area to fluctuate from period to period and decrease in periods in which the Company generates no or fewer new customer contracts or orders, which could have a material adverse effect on Munters' business, financial condition and results of operations. See "*—Munters is dependent on retaining existing and attracting new customers as well as the efficiency of Munters' sales channels and distributors*".

In addition, these larger projects require and utilise a substantial part of the production capacity of Munters' manufacturing facilities. In 2017, Munters leased an additional factory in China in order to achieve additional production capacity for the growing Data Centers business area. There is a risk that Munters will not be able to expand its current production capacity sufficiently, or do so in a timely and efficient manner or at a reasonable cost, which would have an adverse impact on the ability of the Company to realise or benefit from the growth of the Data Centers Market as forecast in the Commissioned Market Study. Insufficient production capacity may also negatively affect Munters' ability to meet agreed delivery terms and other customer specifications, which could have a material adverse effect on Munters' reputation, business, financial condition and results of operations.

The demand for Munters' products within the Data Centers business area is mainly driven by the fact that the data processors and other hardware in data centers require a precise temperature to operate, and is also impacted by the application and location of the respective data center, as certain factors (e.g., local air quality, humidity and other environmental factors) can reduce the effectiveness of certain products. The temperatures at which current data processors and other hardware in data centers can operate generally match the temperature thresholds at which the Company's data center products can provide customers with suitable and cost competitive climate control solutions. For example, the Company's data center products are generally most suitable and cost competitive where data centers have maximum temperature limits above 22°C. To the extent maximum temperature limits are below 22°C, the Company's data center products could generate lower savings and efficiency benefits and may be less competitive. In addition, where data centers have maximum temperature limits above 30°C, demand for the Company's technologically-advanced indirect non-evaporative air economiser products is reduced and is generally driven by customer requirements, location and the extent to which certain factors (e.g., local air quality, humidity and other environmental factors) may preclude the use of more basic direct non-evaporative air economiser products that are offered by the Company and a variety of competitors. The technological development of data processors and other hardware is rapid and the conditions required by these systems (temperature, air quality, etc.) may change as systems become more advanced, less sensitive to heat, humidity and other factors or more durable. If future systems can withstand higher, or require lower, temperatures, Munters' products may be less suitable or unable to meet such demands, and competitors may be able to meet such demands more cost efficiently than Munters. This could result in a decrease in demand and Munters losing customers and business opportunities to competitors, which, in turn, could have a material adverse effect on Munters' business, financial condition and results of operations.

Data centers consume a significant amount of energy and Munters believes that the energy savings potential of its data center products is one of the most important competitive advantages and drivers of demand. Accordingly, a decline in energy prices may negatively affect demand for Munters' data center solutions as further discussed under "*—A decline in energy prices may lessen the demand for Munters' products*".

## Munters may be adversely affected by its suppliers facing financial or operational problems, increasing prices or being unable to make deliveries as agreed

Munters sources a wide range of materials, components and finished products on a global basis. In 2016, the Company used approximately 2,050 suppliers to support its manufacturing and assembly operations. The largest suppliers provide cooling and heating coils, metal parts for customised air handling units, electrical motors for AgHort fans and compressors. Munters is dependent on external suppliers meeting agreed requirements for, among other things, the volume, quality and time of delivery of its supplies. Incorrect, defective, late or omitted/cancelled deliveries from suppliers, whether due to plant closures, strikes, manufacturing and mechanical failures or breakdowns, electrical outages, fires, explosions, political upheaval, severe weather, natural disasters, delayed customs processing, transportation problems or financial difficulties, among other things, can result in Munters making late, deficient or incorrect product deliveries, cancelling product deliveries or ceasing production of its products, potentially for a prolonged period. Munters has suppliers in emerging markets, which generally have a heightened risk of disruptions and operational problems due to the potential for greater political, economic and social instability, and limited transportation infrastructure in these regions. Munters is also exposed to the risk that suppliers act in a way that could damage the reputation or trademarks of Munters.

A temporary or long-term shortage in the availability of components, raw materials and other supplies from suppliers, and an increase in the prices for these components, raw materials and other supplies, may also complicate and delay the ability of Munters to manufacture and deliver its products on time. Furthermore, in the event that Munters has to source components, raw materials or other supplies from alternative suppliers, a failure of a product to meet the required quality requirements could force Munters to halt or postpone deliveries while it validates the quality of alternatives. Shortage in the availability of components, raw materials and other supplies or failure to replace any of its suppliers on commercially reasonable terms, or at all, could have a material adverse effect on Munters' business, financial condition and results of operations.

Any of these risks or any other disruption involving Munters' suppliers or the delivery of its products could result in lower sales and higher costs, or adversely affect Munters' profitability and competitiveness, which in turn, could have a material adverse effect on Munters' business, financial condition and results of operations.

### Increases in the prices of raw materials and other supplies may increase Munters' cost and have a negative impact on Munters' profitability

Munters uses a broad range of components, metals and supplies in its products, including copper, steel, aluminium, paper and oil and other raw materials, the price of which depend, to a certain degree, on market prices and the availability of sources and suppliers to provide the required quantity and quality of materials to meet the Company's production needs. In addition, the components purchased by the Company for use in its products and solutions generally include a varying degree of raw material content and are thus subject to price changes based on fluctuations in the cost of the underling raw materials. Significant changes in the markets in which Munters purchases these materials and supplies for the manufacture of its products, and in the markets in which its suppliers purchase materials for the manufacture of the components that Munters sources from external suppliers, may adversely impact Munters' profitability, particularly in the event of significant increases in demand for its products where there is no corresponding increase in supply of the raw materials that it uses, or in the event of inflation or other pricing increases. The prices of the raw materials used by Munters and its suppliers have fluctuated significantly in the past and may continue to be volatile in the future. For example, prices for certain metals, such as aluminium, reached all-time highs in 2008, declined significantly during the global economic crisis, rose sharply in the period from 2009 to 2010 and have continued to be volatile in recent years. In the second half of 2016 and the first three months of 2017, prices for materials, including metals, have increased.

For production of certain products such as fans, small- and mid-size dehumidifiers and DryCool units within the AgHort and Air Treatment business areas, Munters sometimes charges fixed prices to its customers and generally does not have a contractual right to pass supply and raw material costs onto these customers. In cases where Munters is able to pass on such costs to its customers, whether through price adjustments or otherwise, there is a risk that it will not be able to do so on a timely basis, and that such efforts may be subject to a time lag in the implementation and impact of any such adjustments. If Munters cannot offset increases in supply and raw material costs whether through price or otherwise, there could be a negative impact on Munters' profitability and margins. Furthermore, any long-term increase in the cost of Munters' raw materials or other supplies, and the resultant increase in the price of Munters' products, could have a negative impact on demand for its products and on Munters' market share and customer relationships. Accordingly, any inability to manage price increases and costs related to raw materials and other supplies, in part or in full, or to find suitable substitutes for its raw materials and other supplies could have a material adverse effect on Munters' business, financial condition and results of operations.

### A decline in energy prices may lessen the demand for Munters' products

Munters believes that one of its main competitive strengths in general, and within the Data Centers and AgHort business areas in particular, is that its advanced climate control solutions can offer customers substantial energy savings. If energy prices in the markets in which Munters operate were to decline due to macroeconomic factors, increased supply of inexpensive sources of energy, technological development resulting in new sources of energy or more efficient use of current energy sources, or any other reason, and cost savings achieved through energy saving products, such as Munters', thereby would decrease and become less attractive as a selling point, there is a risk that Munters would lose this competitive advantage and that customers would seek alternative suppliers to find products that fulfil their needs at lower overall costs, which could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters' sales may be adversely affected by changes in laws and regulations applicable to its customers and end markets

Munters may be negatively affected by changes in the laws and regulations applicable to Munters' customers. For example, a relaxation in environmental climate (including air quality and emissions) and animal welfare regulations applicable to Munters' customers within the Air Treatment, AgHort and Mist Elimination business areas may reduce such customers' need for products and systems that are customised and tailor-made for specific regulatory requirements. In such event, customers could choose to use less sophisticated products and systems offered by other market players, which could lessen the demand for Munters' products and reduce Munters' sales. As a further example, the Mist Elimination business area has experienced a significant increase in demand from China due to regulatory changes regarding emissions standards and air quality, which became effective in 2014 and have phased in enforcement deadlines from 2017 to 2020. There can be no assurances that any such regulations will continue to be enforced or will not be withdrawn, or that new regulations will not supersede or replace existing regulations in a manner that could be adverse to the Company. Any adverse development involving the above could have a material adverse effect on Munters' business, financial condition and results of operations.

### Inefficient or unsuccessful project management and/or forecasting may result in significant losses if costs are greater than anticipated

Munters is dependent on significant project management and site-management for large individual installation projects, which primarily are common within the Data Centers business area, to be conducted efficiently. In order to profitably carry out a project, Munters is also dependent on its ability to accurately forecast the costs relating to a project, to correctly assess the various resources (including human resources) necessary to carry out the project, to effectively manage any services provided by subcontractors, and to control technical events that could delay progress on the project. Furthermore, Munters is dependent on its ability to act selectively and to weigh the risks associated with the projects against their profitability, as well as to duly review the terms and conditions of agreements with customers and suppliers in accordance with specified processes. There is consequently a risk that poor project management, failure to assess the resources needed to execute the project and errors in forecasting the costs involved in a particular project may reduce margins and cause significant additional costs and delays, in turn leading to delays in payment for Munters' services. Consequently, inefficient or unsuccessful project management or forecasting may adversely affect Munters' ability to offer profitable services, which may have a material adverse effect on Munters' business, financial condition and results of operations.

The length of the project may increase the complexity of the project management and forecasting of the project. Thus, the above risks may be exacerbated by the length of time between signing a contract and completing the project, which may affect the larger projects within the Data Centers business area in particular. Additionally, Munters may at times bear the risk of delays caused by unexpected conditions or events. Munters may be subject to delay penalties if portions of long-term projects are not completed in accordance with agreed-upon standards in the agreed-upon time limits. The materialisation of any such risks, conditions, events or penalties could have a material adverse effect on Munters' business, financial condition and results of operations.

### Deterioration of Munters' corporate reputation and brand perception could adversely affect its business

Munters relies on its corporate reputation and brand perception for its marketing, sales and acquisition strategies, both on a local level as well as on a global level. Munters must actively manage its corporate reputation and brand with a number of different stakeholders, including commercial and public sector customers, investors, employees and regulatory and trade union bodies. Failure to do so could have an adverse impact on Munters' business and profitability. Moreover, Munters' corporate reputation can be affected by incidents or accidents on a particular project, at a local branch or at customer premises. Any damage to Munters' reputation or brand as a result of adverse litigation, product liability or warranty claims, incidents and accidents, breach of laws or regulations, failure to meet contract deadlines or specialised performance requirements, or for any other reason, could have a material adverse effect on Munters' marketing and ability to obtain projects or assignments from customers, as well as the Company's business, financial condition and results of operations.

### Any significant failure or interruption to Munters' IT systems could adversely affect its business

Munters uses information systems and other technology to conduct and manage its business, including a significant amount of systems and other technology provided by third-party providers through outsourcing. The Company's ability to efficiently run and monitor its organisation is dependent on a well-functioning IT system integrated throughout the organisation and effective IT security measures. Munters' supply chain and business processes are, to a large extent, automated by its IT systems. Munters is particularly dependent on its IT systems to purchase, sell and deliver products, to invoice its customers and to operate its automated warehouse. It is also an important tool for accounting and financial reporting and for inventory and net working capital management. Factors that may affect Munters' ability to maintain and upgrade its information systems and technologies include the continued support capabilities of its third-party providers, third-party providers' stable operating environment, and appropriate upgrade and enhancement strategies, which may require substantial capital expenditures from time to time. Disruptions, however brief, for example, as a result of upgrades of existing IT systems and deficiencies affecting the function of its IT systems could adversely affect Munters' operations. Furthermore, there is a risk that Munters' IT systems could be the subject of unlawful access or interference by unauthorised third parties, for example, through so-called cyber-attacks, which could adversely affect Munters' operations. To the extent that Munters experiences a significant failure or interruption in any of its IT systems or other technology, due to business decisions, actions by its third-party providers, or malicious manoeuvres by unauthorised third parties, that is not sufficiently covered by its disaster recovery plans, Munters may be unable to effectively conduct and manage its business. There is a risk that Munters will not be able to prevent, or timely and adequately address or mitigate, the negative effects of any failure or interruption in, or malicious interference with, its IT systems and other technology. Any significant failure, interruption or malicious interference could harm Munters' business, customer relations, reputation, risk management and profitability, and could have a material adverse effect on Munters' business, financial condition and results of operations.

## Increased competition could adversely affect Munters' business

The markets in which Munters operates are competitive, and existing and potential customers could choose to use competitors' products and services. Munters primarily faces competition in each of its business areas from individual local and niche players that do not have a global footprint and whose activities are often limited in terms of capacity, geographic concentration and diversity of expertise and technology. The competition could intensify if such competitors were to begin to offer products and services across multiple fields of technology, expand geographically or increase their capacity and expertise, or if competitors began to consolidate within certain regions or business areas. In addition, within the Data Centers business area, Munters faces competition from larger competitors with a global presence similar to that of Munters. Furthermore, competition may increase if, for example, construction companies decided to expand their operations into advanced climate control solutions. Given the local character of the competition that Munters primarily faces within most of its business areas, new competitors may also be formed by skilled individuals or teams leaving larger companies, including Munters, and setting up competing companies in certain markets. An increase in competition resulting from any of the above scenarios could have a material adverse effect on Munters' business, financial condition and results of operations.

## The Group may not be able to attract and retain key personnel or skilled employees

As of 31 March 2017, the Group had more than 3,500 employees worldwide. Due to seasonality and peak workloads that vary depending on the business area and location, Munters also hires a number of temporary workers each year. The number of temporary workers ranges from approximately 200 workers in January and February to approximately 400 workers at the peak in September through December. The success of the Group's business and its growth strategy depend in large part on the ability to attract and retain key management and operating personnel, including skilled sales personnel. The Group's future growth and ultimately its success depends on its ability to hire and retain qualified personnel with the level of expertise, knowledge of its products or industry necessary to conduct its operations. Given that the Group constantly needs to introduce new or enhanced products and services, it is important that it is able to attract people with sufficient expertise in its product areas, particularly its research and development divisions as well as retaining sales personnel with good customer relationships. If the Group fails to meet its need for additional employees or if it fails to continue to attract and retain highly qualified management and other skilled employees on acceptable terms, there is a risk that it will not be able to sustain or further develop parts of its business, which could have a material adverse effect on Munters' business, financial condition and results of operations. In addition, accidents or incidents at the workplace due to the lack of the application of proper safety measures, as well as other circumstances that cause dissatisfaction among employees, could negatively affect productivity and the Group's reputation as an employer.

## Any difficulties the Group encounters relating to the integration of recent or future acquisitions could adversely affect the Group's business

The Group continuously evaluates potential acquisitions in the core areas of its business, with an aim to focus on selected customer segments and end markets, expand its technologies and focus on capturing higher growth in emerging geographies and end markets. Munters has completed four acquisitions since 1 January 2014, including the acquisitions of MTech-Systems USA LLC ("**MTech Systems**") during the three months ended 31 March 2017 and Kevin Enterprises Private Ltd. ("**Kevin Enterprises**") in April 2017, and it intends to continue to acquire businesses that it believes support its long-term strategy. The process of coordinating and integrating acquired businesses with the Group's own business, and making them operate as one business, has required and will continue to require managerial and financial resources, and may divert the attention of Munters' executive management and other resources away from Munters' core operations. In addition, the integration process could also cause the interruption to, or a loss of momentum in, the activities of its business. The management of integration of the businesses, systems and culture of any acquired business requires, among other things, the continued development of its financial and management controls, including the integration of information systems and structure, the integration of product offerings and customer base and the training of new personnel, any of which could disrupt and place a strain on the Group's management resources as well as require significant expenditure.

Furthermore, when acquiring companies and businesses there is a risk that Munters has not been able to identify all potential liabilities, for example in relation to properties in connection with a company acquisition. An owner of properties may be liable for environmental damage caused by previous owners. If environmental damage is discovered or occurs in the properties owned by Munters there is a risk that Munters will be held liable for such damage to the extent it is not covered by any warranty or insurance. For example, Munters is currently involved in dispute in New Jersey, United States, relating to environmental damage on a property previously leased by a company acquired by Munters and later merged into a U.S. subsidiary of Munters. Any of the above mentioned risks could have a material adverse effect on Munters' reputation, business, financial condition and results of operations.

In agreeing to acquire new businesses, Munters makes certain assumptions and determinations on, among other things, future sales and need for capital expenditures, based on its investigation of the respective businesses and other information then available. There is a risk that the Company will assess the opportunities and risks associated with these acquisitions incorrectly and liabilities, contingencies or losses, if realised, could have a material adverse effect on Munters' business, financial condition and results of operations.

## The implementation of structural changes and cost savings and efficiency measures may be unsuccessful

Historically, Munters has implemented a number of structural changes, such as the divestment of its cooler business in 2015, the moving or closing down production facilities and the implementation of new strategies and organisational structures, and it has also implemented a range of cost savings and efficiency measures, including, for example, the Company's Savings Ahead programme launched in August 2014, and may continue to do so in the future. The Group has also expanded both geographically and into new product categories. Any future structural changes, cost savings and efficiency measures and expansion could strain Munters' relations with employees, suppliers, customers and other stakeholders. In addition, there is a risk that structural changes and expansion efforts implemented by Munters will not result in the anticipated and desired benefits in terms of cost or efficiency savings, increased production capacity or increased growth and profitability. The unsuccessful implementation of such efforts could have a material adverse effect on Munters' business, financial condition and results of operations.

## Disruption of operations due to changes in labour laws, work stoppages, strikes, the negotiation of new collective bargaining agreements and other industrial actions could adversely affect Munters' business

Munters operates globally and is required to comply with local labour laws (including in respect of minimum salary levels as well as employment conditions) in the jurisdictions where Munters' employees perform their work. This requires a substantial understanding of local labour laws and good coordination among jurisdictions. In addition, Munters must comply with applicable labour laws applicable to transfers of businesses, such as when Munters acquires or divests operations. Changes with regard to labour laws in any of the jurisdictions in which Munters operates could restrict its ability to utilise employees away from their home jurisdiction, result in increased labour costs, including increases due to healthcare reforms or minimum wage increases, all of which could have a material adverse effect on Munters' reputation, business, financial condition and results of operations.

As certain of Munters' employees are members of trade unions, Munters is required to undertake consultations with trade unions, and is exposed to the risk of strikes, work stoppages or other industrial actions, which could adversely affect Munters' ability to serve customers in a timely manner. Strikes and other industrial actions and the negotiation of new collective bargaining agreements or salary increases in the future, could disrupt Munters' operations and make it more costly to operate its business, which in turn could have a material adverse effect on Munters' business, financial condition and results of operations.

## Munters operates in a global environment and is exposed to local business risks and subject to regulations in the jurisdictions in which it operates

Munters operates in a global environment, with equipment sold in over 180 countries worldwide. Based on the locations of the registered headquarters of the Company's customers, the United States, China and Germany represented the Company's largest countries by net sales and represented 35.6 percent, 10.9 percent and 7.5 percent, respectively, of the Company's net sales for the year ended 31 December 2016. As a result, Munters is subject to risks inherent in doing business globally, including, among other things:

- exposure to local economic, political and labour conditions;
- changes in trade, monetary or fiscal policy, including interest rates, foreign currency exchange rates and the rate of inflation;
- tariffs, duties, customs and other import and export controls and trade barriers;
- expropriation and nationalisation;
- difficulty of enforcing agreements, collecting receivables and protecting assets through non-U.S. or non-European legal systems;
- reduced intellectual property protection;
- limitations on repatriation of earnings;
- investment restrictions or requirements;
- violence and civil unrest;
- domestic or international terrorist events and hostilities;
- complications due to natural disasters; and
- the introduction or application of stringent product norms and standards.

In addition, Munters is exposed to risks related to the implementation of new, or changes in existing, legislation, rules or regulations. For example, Munters is subject to laws and regulations in the jurisdictions in which it operates within key areas, such as:

- accounting, tax, VAT and corporate governance;
- health and safety (including work place safety);
- the environment;
- employment and labour law, including social charges;
- regulations that require licenses, permits and approvals;

- anti-corruption law;
- prevention of money laundering and financing of terrorism;
- antitrust regulations; and
- data protection and privacy.

Adverse regulatory developments under the laws and regulations to which Munters is subject could expose the Company to a number of risks. For example, new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. A change in accounting rules or regulations may even retroactively affect the Company's reporting of transactions completed before the change is effective, and future changes to accounting rules or regulations or the questioning of current accounting practices may adversely affect the Group's financial condition and results of operations. Changes in legislation and regulations, as well as stricter official application of legislation and regulations, may also require additional investment and lead to higher expenses and other undertakings for Munters. Furthermore, new and amended laws and regulation may be difficult to anticipate and may need to be complied with within a narrow time frame or even retroactively. Moreover, changes in trade laws could require Munters to change and adapt its business in terms of strategy, geographical location of facilities or transportation routes. For example, Munters sells products manufactured in Mexico into the United States, and any tariffs or other measures affecting the import of goods from Mexico into the United States implemented by the new U.S. administration would negatively affect such sales. Such measures may ultimately also cause Munters to transfer production in Mexico to the United States, resulting in additional costs.

Failure to obtain or maintain required licenses and permits or failure to comply with current or future laws and regulations may result in:

- the institution of administrative, civil or criminal proceedings;
- sanctions and the payment of fines and penalties, including potential suspension or revocation of licenses and permits depending on the severity and scale of any regulatory issues;
- increased review and scrutiny of the Group's products by regulatory authorities and others; and
- negative media publicity and reputational damage.

Munters may not be able to develop and implement systems, policies and practices to completely manage these risks or comply with applicable regulations or to do so without incurring additional costs. The materialisation of any of these risks, or any non-compliance with applicable regulations, could have a material adverse effect on Munters' business, financial condition and results of operations.

In addition, Munters imports and exports goods to various countries and, therefore, must comply with the applicable customs rules and regulations. In certain countries, Munters engages customs agents for customs handling. If Munters is deficient in respect of its customs handling or does not comply with applicable customs rules and regulations, it could lead to sanctions and costs, which may have a material adverse effect on Munters' business, financial condition and results of operations.

## The Group's current and future international operations in countries in emerging markets involve political, economic, military and other risks that could harm its business

Munters operates production facilities in certain emerging markets, including China, that have different general market conditions and in some cases considerably lower levels of economic, political and legal stability compared to the United States and Western Europe. This lack of stability could have a material adverse effect on sales, revenue trends and growth opportunities in these regions. Risks associated with certain emerging market countries in which Munters operates, or might expand operations to in the future, include uncertainty in enforcing contracts, unexpected changes to regulatory frameworks, political and social instability, labour unrest, challenges in obtaining legal redress, particularly against a state or state-owned entities, implementation of restrictions on imports, and bribery and corruption risks, which can lead to reputational damage and impair the Group's ability to win and retain contracts as well as have a material adverse effect on the Group's business, financial condition and results of operations.

## Munters may incur liabilities or suffer negative financial impacts relating to occupational health and safety matters

Munters' operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace. The industry in which Munters operates involves a certain degree of operational risk, such as working with high voltages, heat, heavy lifting, cutting presses and working at heights, and procedures implemented to address these risks may prove insufficient. These hazards, or other issues relating to the work place environment, can cause personal injury or death, severe damage to or destruction of real property and equipment and other consequential damages and could lead to suspension of operations and large damage claims and, in extreme cases, criminal liability. Employees may deviate from Munters' standards and safety policies and there is a risk that Munters will not manage to avoid significant liability exposure relating to these and other occupational, health and safety hazards, which could have a material adverse effect on Munters' business, financial condition and results of operations.

### Instances of noncompliance with competition laws may occur and competition laws may restrict Munters' ability to fully implement its business strategies

Munters is subject to general competition laws in the jurisdictions in which it operates. Contractual conditions and prices in agreements that are used in Munters' operations may be subject to restrictions under such competition laws. Competition authorities have the power to initiate ex-post regulation procedures and to require a party to cease applying contractual terms and prices that are found to be anticompetitive. Competition authorities also have the power to impose fines and other sanctions as a result of noncompliance with relevant regulatory requirements. Competition laws are often complex and given the size of Munters' operations there is a risk that instances of noncompliance of Munters' internal competition law procedures have occurred in the past and may occur in the future. To the extent Munters is unable to ensure compliance with applicable competition laws, Munters may be adversely affected by regulatory sanctions and remedies as well as inability to enforce contractual terms that are found to be anticompetitive.

Furthermore, Munters' strong position in certain product markets may signify that Munters is considered to have significant market power in such markets. Significant market power in one or more markets may result in regulatory restrictions on Munters' ability to implement fully its business strategies in these markets and its ability to grow through acquisitions.

The materialisation of any of these risks could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters is exposed to risks relating to intellectual property rights

Munters holds a large number of patents, trademarks and other intellectual property rights and may acquire or develop its own and shared products and technical solutions that can be patented, registered or protected in some other way. There is a risk that Munters will not be able to maintain patents, trademarks and other intellectual property rights granted and that registration applications for new intellectual property rights will not be granted or, if granted, will be limited in scope or by geography. For example, the Company has patents in the United States and Mexico related to its evaporative polymer exchanger technology, which is used in, among other products, its Oasis System for data centers. However, the Company has a patent pending in Europe regarding this technology and, as a result, does not have full international coverage and may have limited or reduced intellectual property rights and protection regarding this intellectual property in Europe. If Munters is unable to protect, maintain or obtain new protection for its intellectual property rights, this could have a material adverse effect on Munters' business, financial condition and results of operations. Moreover, patents are limited in time. For example, three of Munters' patents pertaining to humidity control units will expire within four to seven years. Once the term of a patent has expired, there is a risk that Munters will not be able to rely more heavily on product quality, brand and niche market specialisation to prevent customers from turning to existing or new market entrants who decide to benefit from Munters' design. A failure by Munters in doing so could have a material adverse effect on the Group's business, financial condition and results of operations.

There is also a risk of Munters infringing or being accused of infringing third-party intellectual property rights, which may entail expenses either to defend itself or to settle an infringement dispute. In addition, uncertainty due to patent lawsuits or other administrative processes initiated could have a material adverse effect on Munters' competitiveness. Where Munters has infringed third-party intellectual property rights, there may be a need for Munters to develop alternative products or technologies, or buy licenses. Furthermore, there is a risk that Munters' products or technologies that are patented or otherwise protected by intellectual property rights, with or without intent, is infringed by Munters' competitors. Any developments involving these risks could have a material adverse effect on Munters' business, financial condition and results of operations.

In addition to products and technologies protected by intellectual property rights, Munters uses know-how that is not protected by patents or similar intellectual property rights. There is a risk that the measures taken to protect such information, such as agreements with employees, consultants and partners, are insufficient to prevent disclosure of confidential information. Additionally, Munters' trade secrets may otherwise become known or independently developed by competitors. If Munters cannot protect its internal information and know-how, this could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters is exposed to environmental risks and liabilities due to non-compliance with applicable environmental laws

Munters has manufacturing facilities and assembly units in Sweden, Denmark, the United States, Mexico, Brazil, Germany, the Czech Republic, Belgium, the Netherlands, Italy, Israel, India, South Africa, China, Japan and Australia. Munters' operations affect the environment in the production processes, through the use of natural resources, and the generation of emissions and waste, in the distribution and transportation of, as well as in the use and final disposal of, its products. Compliance with environmental requirements is a significant factor in Munters' operations, and substantial resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. The Group is subject to a variety of environmental laws and regulations governing, among other things:

- the generation, storage, handling, use, transportation, presence of or exposure to hazardous materials;
- the emission and discharge of hazardous materials into the ground, air or water;
- the protection of natural resources; and
- the incorporation of certain chemical substances into products.

For example, Munters is subject to environmental laws and regulations relating to air emissions, waste management, energy efficiency and the protection of natural resources, such as the REACH-regulation, the Restriction of Hazardous Substances directive ("**RoHS 2**"), the Waste Electrical and Electronic Equipment directive ("**WEEE**"), the Packaging and Packaging Waste directive and the Energy Efficiency Directive ("**EED**"). These laws and regulations are complex, change frequently and have generally become stricter in recent years and may become more stringent in the future. Violations of these laws and regulations can lead to substantial fines, injunctions or criminal penalties, and the cost of complying with future changes may be substantial. Munters is required to obtain permits from governmental authorities for certain operations, including environmental permits and licenses relating to its manufacturing and assembly facilities. Some of the Group companies do not hold all the necessary licenses, permits or approvals for the operations conducted and the properties used in their operations. Each of these Group companies is in the process of taking the necessary steps to obtain relevant licenses, permits or approvals. There is a risk that one or more of the relevant Group companies fail to take the necessary measures and therefore will not obtain the relevant licenses, permits or approvals, which may result in fines or in extreme cases, certain activities must be discontinued. If Munters violates or fails to comply, or is deemed to have previously violated or failed to comply, with these laws, regulations or permits, it could be fined or otherwise sanctioned by regulators, which, in turn, could have a material adverse effect on Munters' business, financial condition and results of operations.

Certain environmental laws impose liability, sometimes regardless of fault, for investigating or cleaning up contamination on or emanating from Munters' currently or formerly owned, leased or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. For example, Munters is currently involved in a dispute in New Jersey, United States, relating to environmental damage on a property previously leased by a company acquired by Munters and later merged into a U.S. subsidiary of Munters. Environmental laws also assess liability on persons who arrange for hazardous substances to be sent to third-party disposal or treatment facilities when such facilities are found to be contaminated. In addition, the Company is currently named as co-respondent in eight asbestos-related cases.

There is a risk that costs and liabilities will be incurred in the future and that the adoption of increasingly strict environmental laws, regulations and enforcement policies will result in increased costs and liabilities, which could have a material adverse effect on Munters' business, financial condition and results of operations.

## Munters is subject to potential tax liabilities

Munters is subject to, among others, income tax, withholding tax, value added tax ("**VAT**") and other sales-based taxes in various jurisdictions. In addition, Munters is obligated to pay social security costs relating to employees within the Group.

Significant judgement is required in determining Munters' provision for taxes. The tax position with respect to certain transactions and calculations may be challenged by tax authorities for various reasons. There is a risk that the final outcome of any tax audits or reviews will be materially different from what is reflected in respect of historical tax provisions and accruals. Munters is frequently subject to reviews in respect of income tax, VAT, sales tax, social security costs and other taxes. Munters may therefore be required to make additional tax payments should the review result in different interpretations, allocations or valuations of its services or transactions. Any developments involving these risks could have a material adverse effect on Munters' business, financial position and results of operations.

For example, the Group is currently subject to a tax audit carried out by the Italian Guardia di Finanza in respect of corporate income tax, VAT and withholding tax for the years ended 31 December 2012 and 2014–2015, with the focus of the tax audit being the Group's transfer pricing policy, cost deductions and VAT deductions. In the year ended 31 December 2016, the Group made a provision of EUR 150,000 related to the tax audit. However, if Guardia di Finanza ultimately determines that Munters has not been compliant with Italian tax law, Munters estimates that it may have to reduce its tax loss carry-forwards by SEK 7.0 million and may be subject to additional tax expenses and penalties totalling approximately SEK 2.1 million for the relevant years. The reduction of tax loss carry-forwards may result in the Company having to pay taxes for the year ended 31 December 2016. The Group is currently also subject to a tax audit in Germany covering, among other things, income tax and VAT for the years ended 31 December 2011, 2012, 2013 and 2014.

There is a risk that the Company's subsidiary in Israel may be charged withholding tax on dividend distributions made to the Company for the financial years 2014 to 2016. Any additional tax is estimated to amount to in total SEK 15.8 million for the mentioned period. An informal settlement has been made with the tax authorities in Israel in respect of the dividend payments made for the financial years 2015 and 2016 (out of SEK 15.8 million, SEK 11.7 million concerns the financial years 2015 and 2016). Regardless of the informal settlement, there is a risk that additional tax may be charged in an amount of up to SEK 15.8 million, and there is a risk that the possibility to avoid any potential double taxation, by way of a mutual agreement according to the tax treaty between Sweden and Israel, is not available.

Further, the Company's subsidiary in Israel is subject to a special tax regime under which the subsidiary pays a lower corporate tax compared to what a company does that is not eligible to the relevant tax benefit. This may be questioned by the tax authorities in Israel which in such case may lead to additional corporate tax being payable by the subsidiary in an amount of up to SEK 17 million in respect of the financial years 2014 to 2016.

The group companies in Germany are part of a tax group, which means that the companies are treated as one unit for tax purposes. There is a risk that the tax authorities may question the tax group and if so, that could lead to additional taxes of an amount of up to SEK 15.3 million for the financial years 2014 to 2016.

There is a risk that additional tax may be charged in respect of the Company's subsidiary in Mexico in an amount of up to SEK 11.8 million for the financial year 2015 should the subsidiary in connection with a tax audit or inquiry not be able to prove that it has provided necessary documentation to the tax authorities in connection with the submission of the tax returns. Should Munters not be able to strengthen its routines, leading to that necessary documentation not being provided, that could result in increased tax cost including tax surcharges.

### Failure to comply with transfer pricing regulations may result in the payment of additional tax or penalties by Munters

Munters operates in a number of countries. Due to the international nature of its business, Munters is subject to the tax laws and regulations of several jurisdictions, in particular with regard to transfer pricing rules that apply in certain jurisdictions.

The jurisdictions in which Munters operates have transfer pricing regulations that require transactions involving related parties to be undertaken on arm's length terms and conditions. Arrangements between companies in the Group, such as intragroup transactions involving management services, royalties, IT service fees, cash-pool arrangements, intra-group loans and consultancy fees, are, according to the Company, carried out on an arm's length basis. If the tax authorities in any relevant jurisdiction do not regard such arrangements as being made on an arm's length basis and would successfully challenge those arrangements, the amount of tax payable by the relevant member or members of the Group, in respect of both current and previous years, may increase materially and penalties or interest may be payable. Further, in all countries in which Munters operates there are statutory requirements entailing that the applied pricing principles in cross border intra-group transactions must be documented. Failure by Munters to provide transfer pricing documentation evidencing the outcome of applied pricing principles, should they be requested by the relevant tax authorities, may result in penalties that could have a material adverse effect on Munters' business, financial condition and results of operations.

### Changes in Swedish tax legislation may adversely affect the Group's tax position

The Swedish corporate tax legislation is currently under review. In 2014, the Swedish Committee on Corporate Taxation presented proposals to the previous government for a new corporate income tax regime with the aim to increase the neutrality of the tax treatment between equity and debt. As a result of this, new interest deduction limitation rules were proposed by the committee. However, the rules were heavily criticised and were never adopted. It was announced that the proposal would be revised and no new proposal has been published as of the date of this Offering Memorandum. Since the proposal was presented by the committee, a new EU-directive (Council Directive (EU) 2016/1164 of 12 July 2016) was adopted in 2016, which sets forth new requirements for rules affecting the tax-deductibility of interest costs and other financial expenses. The interest deduction rules in the Directive are generally aligned with the principles in the final report for Action 4 of the Organisation for Economic Co-operation and Development's (the "**OECD**") current project against base erosion and profit shifting (BEPS). In brief, the rules proposed in the Directive limit the deduction of net interest costs up to an amount equivalent to 30 percent of a company's earnings before interest, taxes depreciation and amortisation. The Directive also includes certain exceptions to the rule allowing the member states to adopt less stringent interest restrictions than those proposed. The member states must adopt and publish any new legislation necessary to comply with the Directive no later than 1 January 2019. However, member states that already have specific interest deduction limitation rules that are as effective as the proposed new rules may continue to apply these until the OECD agrees on minimum standards, but no longer than until 1 January 2024. The Directive sets out a minimum level for the member states to observe and how Sweden chooses to implement the Directive is unknown as of the date of this Offering Memorandum. Hence, how the government's final proposal will be designed and when it can be expected is uncertain. Changes in the tax legislation following the implementation of the Directive may have an adverse impact on the tax position of the Group.

### Munters has tax losses that could be affected by change in the ownership

As of 31 December 2016, the Company's tax loss carry-forwards amounted to SEK 900 million. As of 31 December 2016, the Company reported a deferred tax asset of SEK 100 million relating to a part of the Company's tax loss carry-forwards that amounted to SEK 372 million. The majority of the losses relate to the Group companies in Sweden, Belgium, Germany, Turkey, South Africa, the Netherlands and Australia.

Tax losses may be limited or reduced in full due to future changes in the tax regulation or pursuant to current regulation. Tax losses in Sweden may under the current legal framework be reduced in full as a result of changes in the ownership structure where one or several shareholders, according to specific calculations over a certain period of time acquire shares representing more than 50 percent or the votes. Such changes in the ownership structure lead to the forfeiture historic tax losses to the extent they exceed 200 percent of the costs to acquire the controlling influence (contributions and other value transfers may under certain circumstances reduce the cost).

The tax losses in Belgium, the Netherlands, South Africa and Australia may under current regulations be affected by a change in ownership structure. The tax losses in Germany may also under certain circumstances be affected by a change in ownership structure, and could result in the tax losses being partly or fully reduced.

If the Group's tax losses are partly or fully reduced, this could adversely affect the Group's tax burden and have a material adverse effect on the Munters' business, financial condition and results of operations.

## Adverse resolution of litigation and other legal proceedings could adversely affect Munters and any available insurance coverage may be inadequate or insufficient

Munters is a party to lawsuits and other legal proceedings related to the normal course of its business. Such legal proceedings typically include claims by customers or subcontractors related to products delivered and services provided by Munters or its subcontractors, disputes related to delays or payment or employment disputes. For example, the Company is involved in a breach of contract dispute in Australia regarding services provided to the John Hunter Hospital in 2008. In January 2008, the Company's discontinued Moisture Control Services business area entered into a contract with the John Hunter Hospital, pursuant to which the Company was retained to dry and otherwise remediate records that had been affected by a water leak. The John Hunter Hospital claims that the Company breached the terms of its contract and was negligent because it failed to properly treat the water-affected records, which resulted in, among other things, the growth of mould. The total amount of the claim is AUD 11.3 million, plus interest. The Company's insurance coverage is limited to AUD 3.4 million in connection with these types of claims.

Furthermore, the results of complex legal proceedings are difficult to predict, and litigation and other legal proceedings can be expensive, lengthy and disruptive to normal business operations. An unfavourable resolution of any such legal proceeding in the future could have such adverse effects, and in some cases, also affect Munters' reputation or its ability to obtain projects or assignments from customers, including governmental entities.

The costs that the Group may incur in managing litigation, including but not limited to costs in connection with settlements or imposed penalties could have a material adverse effect on Munters' business, financial condition and results of operations.

## Munters' insurance coverage may not provide sufficient funds to protect Munters from all liabilities that could result from its operations

There are certain types of losses and liabilities to contracting parties and third parties that generally are not insured either through Munters' general insurance coverage or its large project-specific insurance coverage, because they are either considered uninsurable or excluded in the relevant insurance policies. For example, Munters has historically been, and is currently, engaged in a number of asbestos related cases in the United States. Many of these cases have been dismissed through summary judgement, however, Munters' current insurance policies contain asbestos exclusions and there can be no assurances that the costs related to any asbestos claims will be covered by the Company's insurance or will not exceed the amount of the Company's insurance coverage. Uninsured losses may also include losses caused by acts of war or terrorism or professional/personal liability claims where there has been dishonesty, or criminal acts involved. In addition, most of the insurance policies of Munters have limitations (sums insured) on the maximum amounts that may be recovered for any one loss event, any series of losses and in aggregate during an insurance period. Recovery is also generally dependent on the insured first making payment of the appropriate excess or deductible and that the maximum limitation amount has not already been exhausted as well as notifying the insurer within the time period set forth in the relevant insurance policy. There is a risk that Munters will incur losses or that claims will be brought that exceed the type and scope of its existing insurance coverage, or that Munters will not continue to be able to obtain sufficient levels of insurance for the respective risks it incurs in connection with its business operations on terms and conditions that are economically justifiable or reasonable. In the event that Munters incurs losses for which there is no, or only insufficient, insurance coverage, or if higher insurance premiums and/or restrictions on insurance coverage are required, this could have a material adverse effect on Munters' business, financial condition and results of operations.

## The internal governing documents, procedures, processes and evaluation methods used by Munters to assess and manage risk may be insufficient to cover unidentified, unanticipated or incorrectly quantified risks

The internal governing documents, procedures, processes and evaluation methods used by Munters to assess and manage risk may not be fully effective in managing all types of risks, including risks that Munters fails to identify or anticipate. Such risks could include misconduct caused by a lack of adequate internal governance or control. Furthermore, Munters faces the risk that its operations may not be in compliance with internal governing documents, including codes of conduct, or that it may not correctly quantify identified risks. If Munters is unable to successfully implement and adhere to effective internal governing documents, procedures, processes and evaluation methods to assess and manage risk, and if the Group's employees act in a way that is not consistent with the level of business ethics and integrity that Munters is committed to, it could have a material adverse effect on Munters' reputation, business, financial condition and results of operations.

Effective internal governance and control is necessary for Munters to provide reliable financial reports and to ensure compliance with internal and external rules as well as to prevent fraud. There is a risk that Munters in its corporate governance and internal controls, regardless of any applicable corporate governance policies and routines, will not successfully manage corporate functions or internal risks or will not identify areas requiring improvement in an efficient manner. Furthermore, Munters' financial and operational policies and controls may prove to be inadequate, which may result in non-compliance with Munters' internal governing documents and, as a result, may cause Munters to incur compliance costs, regulatory sanctions and cause reputational damage. If Munters does not maintain an effective internal governance and control framework, it could have a material adverse effect on Munters' reputation, business, financial condition and results of operations.

## Munters may not be in compliance with applicable data protection laws and regulations

Munters' ability to obtain, retain, share and otherwise process customer data is governed by data protection laws, privacy requirements and other regulatory restrictions, including, for example, that personal data may only be collected for specified, explicit and legitimate purposes, and may only be processed in a manner consistent with these purposes. Further, the collected personal data must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed, and it must not be kept for a longer period of time than necessary for the purposes of the collection. Munters' data protection practices may not prevent the improper disclosure or processing of customer data, including personal data, in breach of applicable laws and contracts, and IT or system breaches or failures may result in the loss of customer data. Insufficient routines for data retention may for example lead to excessive processing of personal data and lacking separation routines for personal data may cause Munters to process personal data, in its capacity of data processor, in violation of data processor agreements.

Furthermore, the acquisition of MTech Systems and the increased connectivity of devices, systems, and services that follows from the use of the IoT will result in Munters gathering more customer data than before, which increases the need for, and importance of, measures to protect and prevent unauthorised access to such data. If Munters' policies, procedures or systems are deemed not to be in compliance, or are deemed not to have previously been in compliance, with applicable data protection laws and regulations, or if Munters materially fails to protect or process customer data, or other personal data, in compliance with applicable laws and regulations it could result in monetary fines, criminal charges and breach of contractual arrangements, and/or reputational damages which, in turn, could have a material adverse effect on Munters' business, financial condition and results of operations.

## The terms of Munters' existing debt and any inability to refinance any existing debt as it comes due and payable could adversely affect Munters' financial condition

Concurrently with the Offering, Munters expects to refinance it credit facilities and replace its 2016 Revolving Credit Agreement and the Facilities under its Credit Agreement with the New Credit Facilities. In addition, in connection with the Offering, Munters expects to convert amounts outstanding under its Shareholder Loan to equity through a directed Set-Off Issue of new common Shares to the Selling Shareholders. As a result, Munters expects that its financing arrangements after the Offering will consist of the 2017 Revolving Credit Agreement and the New Credit Facilities. The New Credit Facilities will be provided by Danske Bank A/S, DNB Sweden AB, Nordea Bank AB (publ), Nykredit Bank A/S, Svenska Handelsbanken AB (publ) and Swedbank AB (publ) and their availability is subject to customary conditions precedent. The New Credit Facilities may, at the lenders' request, be cancelled and required to be prepaid in full or in part if certain events occur, including but not limited to, if Munters does not comply with its obligations under the relevant agreements. Munters' capacity to pay its debts and otherwise comply with its obligations and the terms and conditions of the relevant agreements, as well as its general capacity to refinance its loans and make payments in accordance with its undertakings depend on, among other things, Munters' future results of operations. Some aspects of Munters' future results of operations depend on economic, financial and competitive factors and other factors beyond Munters' control. Should Munters fail to meet its obligations under its Existing Agreements or the New Credit Facilities or breach any covenant in the respective agreements related to its financing arrangements, this could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters may not be able to obtain financing at favourable terms, or obtain financing at all, or perform payment obligations due to insufficient liquidity

Munters is exposed to the risk of becoming unable to raise new loans, refinance new loans or perform payment and other obligations under its existing loans due to insufficient liquidity. In regard to Munters' existing long-term financing, there is a risk that Munters may breach its financial covenants and other obligations in credit and loan agreements due to the general economic climate, disturbances in the capital and credit markets or delays in payments from its customers. There is a risk that Munters may come to require additional financing, for example, in order to accomplish growth of the Group's business, both organically and through acquisitions. Access to additional financing is affected by a number of factors, such as market conditions, general access to loan financing, as well as Munters' credit rating and credit capacity. Disruptions and uncertainties on the capital and credit markets may also restrict access to the capital required to conduct the business. Any developments involving these risks could have a material adverse effect on Munters' business, financial condition and results of operations. If additional financing cannot be accessed on the debt markets, Munters may seek to raise capital through offerings of additional equity securities that could dilute the economic and voting rights of existing shareholders, See "*—Risks related to the Shares and the Offering—Issuance of new securities on a non-pre-emptive basis as well as non-participation in future issuances of securities will result in dilution of ownership*".

### Munters is exposed to currency risks

Due to its international operations, Munters generates a significant portion of its revenue and incurs a significant portion of its expenses in various currencies and outside Sweden. Munters' primary currency exposures are to the USD, EUR, CNY and GBP. As a result, changes in currency exchange rates may have a significant and negative impact on Munters' income statement, balance sheet and/or cash flows. Munters is exposed to risks involving currency transaction exposure and currency translation exposure. Currency transaction exposure arises in connection with purchases and sales of goods and services in currencies other than the functional currency of the relevant subsidiary. Currency translation exposure arises in conjunction with the translation of the balance sheets and income statements of subsidiaries into SEK, the reporting currency of the Group. For example, exchange rate movements impact Munters' revenues when income statements of the Group's foreign subsidiaries are translated into SEK, and impact Munters' consolidated balance sheet when the net assets of the Group's foreign subsidiaries are translated into SEK.

Hedging arrangements and other measures implemented to manage currency transaction and translation exposure may prove to be insufficient or ineffective, and Munters may fail to successfully implement and manage any hedging arrangements. There is a risk that fluctuations in currency rates and exposures will have a material adverse effect on Munters' business, financial condition and results of operations.

Changes in currency exchange rates can also affect Munters' competitiveness and customer demand. Any developments involving these risks could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters is exposed to interest rate risks

Munters borrowings, including under the Existing Agreements and, if the 2016 Revolving Credit Agreement and the Facilities under the Credit Agreement are refinanced, the New Credit Facilities, are subject to variable interest rates and Munters is therefore exposed to movements in interest rates. Fluctuations in market interest rates may cause Munters' financial income and expenditure, as well as the values of its financial instruments, to fluctuate. Interest rate risk can also lead to changes in fair values, changes in cash flows and fluctuations in Munters' profit. For example, increases in market interest rates would increase the Group's net interest cost and might further have a negative impact on Munters' cash flow.

As of 31 December 2016 and 31 March 2017, the Company's Net Debt amounted to SEK 5,412 million and SEK 5,635 million, respectively, and the Company's External Net Debt (which excludes the Shareholder Loan) amounted to SEK 2,724 million and SEK 2,946 million, respectively. Based on the portion of Net Debt carrying interest that was not hedged as of 31 December 2016, a one percent increase in the interest rates applicable in all countries in which the Company has loans or investments would have had an impact on the Company's net financial income and expenses of SEK 23 million.

Interest rates are affected by a number of factors that are beyond Munters' control, including the interest rate policy of governments and central banks on the geographical markets on which Munters operates. An increase in interest rates would increase Munters' interest commitments under its Existing Agreements and, if applicable, its New Credit Facilities, which could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters is exposed to credit risks

Credit risk means the risk of Munters' counterparties being unable to perform their payment obligations, thereby creating a loss for Munters. Financial credit risks comprise the risk of loss in the event counterparties with whom Munters has deposited cash and equivalents and other financial assets fail to perform their obligations. There is a risk that measures undertaken to counter

Munters' credit risk will not be sufficient or effective, and Munters may fail to successfully implement and manage any hedging arrangements, which could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters' results of operations and financial condition could be adversely affected in the event of impairment of goodwill or other intangible assets

Munters capitalises goodwill relating to acquisitions, which is calculated as the difference between the historical cost and fair value of an acquired business and the fair value of Munters' share of the acquired business's identifiable net assets. Goodwill from the acquisition of businesses is recognised as an intangible asset. Goodwill is tested annually for impairment and stated at cost less accumulated impairment losses. An impairment test involves comparing the recoverable amount (the higher of the value in use and fair value less cost to sell) of an individual cash-generating unit with its carrying value. As of 31 December 2016 and 31 March 2017, Munters had reported goodwill of SEK 4,227 million and SEK 4,359 million, respectively, on its balance sheet, mainly related to the Company's acquisition of the Munters Group in 2010. The value in use and fair value of Munters' cash-generating units are affected by market conditions and the performance of the economies in which Munters operates. If Munters is required to recognise impairment of goodwill or other intangible assets, it is recorded in the income statement. Any significant write-down of goodwill or other intangible assets could have a material adverse effect on Munters' business, financial condition and results of operations.

### Changes in accounting rules may adversely impact Munters' financial statements

The Company is affected by the accounting rules applicable from time to time in the jurisdictions in which the Company operates, such as IFRS, pursuant to which Munters prepares its consolidated financial statements, and other international accounting rules. In the future, Munters' accounting, financial reporting and internal control may be affected by, and need to adapt to, changes in accounting rules or changes in the application and interpretation of such accounting rules.

For example, IFRS 16 (Leases) is effective from 2019 and sets out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, replacing IAS 17. IFRS 16 eliminates the classification of leases as either operating leases or finance leases required by IAS 17 for lessees. Instead, a lessee is required to recognise (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. Lessors will continue to have two types of leases, finance and operating, and account for those two types of leases generally as they do today. The most significant effect of the new requirements will be an increase in lease assets and financial liabilities. Munters has begun to analyse the effects IFRS 16 will have on the Company's financial statements. In brief, the initial analysis shows that Munters as an operational lessee will be affected by the implementation of IFRS 16. Monetary calculations of the effect of IFRS 16 and choice of transition approach have not yet been carried out. Based on the Company's preliminary review of its leases (primarily lease agreements in respect of premises), including notice periods and rental amounts, the Company's assessment is that IFRS 16 will require changes in internal systems and procedures. The Company currently believes that IFRS 16 will have an effect on its consolidated accounts and financial key performance indicators, primarily ratios based on gross assets and gross liabilities.

IFRS 9 (Financial Instruments) will replace IAS 39 with effect from 2018. IFRS 9 contains rules for the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. The Company is evaluating the impact of the standard and has not quantified the effects of IFRS 9.

IFRS 15 (Revenue from contracts with customers), replaces the existing IFRS related to revenue recognition, such as IAS 18 Revenue, IAS 11 Construction Contracts and interpretations related to revenue. IFRS 15 is effective from 2018 and introduces new ways of determining how revenue is recognised. IFRS 15 contains rules regarding revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Pursuant to IFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of, and obtain the benefits from, the good or service.

The Company is evaluating the impact of the standard and has not quantified the effects of IFRS 15. Based on a preliminary analysis of a number of contracts related to customers of the Air Treatment business area, the Company does not currently believe that the standard will have a significant effect on the Company's financial statements. This evaluation will continue throughout 2017. Changes in accounting rules or the application and interpretation thereof may entail uncertainty related to Munters' accounting, financial reporting and internal control and could also affect the Company's reported earnings, balance sheet and equity, which could have a material adverse effect on Munters' business, financial condition and results of operations.

### The financial targets included in the Offering Memorandum may differ materially from Munters' actual results which could have a negative effect on Munters' business, financial condition and results of operations

The financial targets set forth elsewhere in the Offering Memorandum are Munters' targets for the medium term, including growth, EBITA margin, and capital structure. In addition, the Offering Memorandum describes further potential for net sales enhancement and margin improvement arising from various company initiatives such as the Company's Savings Ahead programme. Munters' future business plans and performance would be affected if it is not able to successfully implement these initiatives or reach its financial targets, and Munters must invest resources in and effectively manage its operations to be able to reach these goals. These financial targets and other forward-looking statements, however, are necessarily dependent upon a number of key assumptions Group management has made when setting them, which are inherently subject to significant business, operational, economic and other risks, many of which are outside of Munters' control. These assumptions may not continue to reflect the commercial, regulatory and economic environment in which Munters operates. Accordingly, such assumptions may change or may not materialise at all. In addition, unanticipated events, including macroeconomic and industry developments or changes in regulations, may adversely affect the actual results that Munters achieves in future periods whether or not its assumptions otherwise prove to be correct. If Munters fails to meet its financial targets or to successfully implement company initiatives due to changes in assumptions or other factors, Munters may experience lower net sales, decreased margins or reduced cash flow, which could negatively impact Munters' financial position and leverage. In turn, Munters may not be able to access suitable financing or pursue attractive business and acquisition opportunities, which could limit its ability to maintain its market position or the competitiveness of its offering, and could have a material adverse effect on Munters' business, financial condition and results of operations.

### Munters may be required to make further contributions to its defined benefit pension plans if the value of pension fund assets is not sufficient to cover potential obligations

The Group has a number of defined contribution and defined benefit pension plans, as well as other long-term employee benefits, including some smaller pension plans with plan assets. In defined contribution plans, the Group pays fixed contributions to a separate legal entity and has no obligation to pay additional fees if the legal entity does not have sufficient assets when the employee compensation is to be paid. Defined contribution plans are mainly funded by payments from each relevant Group company. Independent actuaries calculate the size of the commitments attached to each plan and re-evaluate the pension obligations each year. In determining the defined benefit obligations' current value and the fair value of any plan assets, there may be effects of revaluations, so-called actuarial gains or losses, either as a result of the actual outcome differing from previously made assumptions or as a result of the assumptions being adjusted. Pension plan liabilities vary with changes to long-term interest rates, inflation, pensionable salaries and the longevity of plan members. Changes to local legislation and regulation relating to defined benefit plan funding requirements may result in significant deviations in the timing and size of the expected cash contributions under such plans. Pension risk is the risk that the assets of Munters' various defined benefit pension plans, which are long-term in nature, do not fully match the timing and amount of the plans' liabilities, as a result of which Munters would be required or choose to make additional contributions to the plans. For the year ended 31 December 2016, Munters' expenses in respect of defined contribution plans and defined benefit plans were SEK 73 million and SEK 7 million, respectively. As of 31 December 2016, the amount of the provisions recognised in Munters' defined benefit commitments was SEK 179 million, SEK 178 million of which related to unfunded plans.

Any developments involving these risks could have a material adverse effect on Munters' business, financial condition and results of operations.

## Risks related to the Shares and the Offering

### Since an investment in shares can increase or decrease in value, there is a risk that an investor will not regain the capital invested

Risk and risk-taking are an unavoidable aspect of share ownership. Since an investment in shares can decrease in value, there is a risk that an investor will not regain the capital invested. The performance of a listed share depends on a number of factors, some of which are company-specific, while others are related to the equity capital market as a whole. It is impossible for an individual company to control all the factors which may affect its share price, and thus each investment decision concerning shares should be preceded by a careful analysis.

### An active, liquid and orderly trading market for the Shares may not develop, the price of the Shares may be volatile, and potential investors could lose a portion or all of their investment

Prior to the Offering, there will be no public market for the Shares. There is a risk that an active and liquid market will not develop or, if developed, that it will not be sustained after completion of the Offering. The Offer Price has been determined by the Company and the Selling Shareholders, in consultation with the Managers, based on the estimated investment interest of institutional investors in the Offering. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell the Shares following the Offering. Investors may, thus, not be able to resell Shares at or above the Offer Price.

In addition, the stock market has experienced extreme price and volume fluctuations in the past that have often been unrelated or disproportionate to the listed companies' operating performance. Broad market and industry factors may seriously affect the market price of Munters' Shares, regardless of its actual operating performance. These fluctuations may be even more pronounced in the trading market for the Shares shortly following the Offering. An investor who purchases Shares in the Offering or in the secondary market may lose a portion of, or all of the investment.

### The Company may not resolve to pay dividends

Munters' ability to pay dividends in the future is dependent upon its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors. Participants in the Offering will be entitled to dividends decided upon following completion of the Offering. The holder must be registered as a holder of Shares on the record date for receipt of such dividend as decided by the shareholders' general meeting. The size of future dividends that Munters will pay, if any, will depend upon a number of factors, such as future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors. There is a risk that the Company will resolve to reinvest any future profit in the business or that Munters' shareholders will resolve not to pay dividends in the future, or that the Company will not have sufficient funds to pay any dividends.

### Future sales of Shares by existing shareholders, such as sales after the end of lock-up periods, could cause the Share price to decline

The market price of the Shares could decline if there are substantial sales of Shares, particularly sales by the Company's directors, members of Group management, and significant shareholders, or otherwise when a large number of Shares are sold.

The Selling Shareholders, shareholding members of the Board of Directors and the members of Group management will each agree, subject to certain exceptions, for a certain period (180 days for the Selling Shareholders and 360 days for shareholding members of the Board of Directors and members of Group management) after trading of the Shares on Nasdaq Stockholm has commenced, not to sell their Shares or enter into transactions with a similar effect. The lock-up arrangements restrict the ability of shareholders subject to any such lock-up to sell their Shares during the lock-up period, but the Joint Global Coordinators may waive the restrictions on the sale of Shares during this period in their discretion and at any time. After the expiry of the relevant lock-up period, the shareholders subject to lock-up will be free to sell their Shares.

In addition, certain, or all, of the Shares held by the Principal Selling Shareholder could be granted as security by the Principal Selling Shareholder in connection with margin loan facilities. See "—*The Principal Selling Shareholder will continue to have significant influence over Munters after the Offering and could exercise this influence in such a manner that is contrary to the interests of the other shareholders*". The enforcement of security, in whole or in part, by the margin loan lenders will reduce the Principal Selling Shareholder's shareholding in the Company and may result in the Principal Selling Shareholder ceasing to be a significant shareholder of the Company. As a result, the Company's corporate governance and strategic direction may change due to potential changes to the Board of Directors and the removal of board members that are representatives of the Principal Selling Shareholder. These changes and potential sale of Shares by the margin loan lenders may also have a negative impact on the price of the Shares and the ability of the Company to raise capital through the issue of new Shares.

Any sales of a substantial number of Shares by the Selling Shareholders or Munters' other current shareholders, or the perception that such sales might occur, could cause the market price of the Shares to decline.

### Issuance of new securities on a non-pre-emptive basis as well as non-participation in future issuances of securities will result in dilution of ownership

In the future, Munters may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity could reduce the market price of the Shares and would dilute the economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders or if an existing shareholder, for whatever reason, cannot exercise its subscription rights. Due to the fact that the timing and nature of any future offering will depend on market conditions at the time of such an offering, Munters cannot predict or estimate the amount, timing or nature of any future offerings. Thus, holders of Shares bear the risk of any future offerings reducing the market price of the Shares and/or diluting their shareholdings in the Company.

Furthermore, issuances of new Shares on pre-emptive basis may result in a diluted ownership for shareholders who, for whatever reason, cannot participate in such an issue or who choose not to exercise their right to subscribe for Shares.

### The Principal Selling Shareholder will continue to have significant influence over Munters after the Offering and could exercise this influence in such a manner that is contrary to the interests of the other shareholders

After completion of the Offering, assuming that the Over-allotment Option is not exercised, the Principal Selling Shareholder will own 54.5 percent of the Shares. Assuming that the Over-allotment Option is exercised in full, the Principal Selling Shareholder will own 50.1 percent of the Shares. Accordingly, the Principal Selling Shareholder is likely to continue to have a significant influence over the outcome of matters submitted to Munters' shareholders for approval, including the election of directors, any merger, amendments to the Company's Articles of Association, issuances of Shares and the payment of dividends. Thus, the Principal Selling Shareholder will continue to have significant influence over Munters' management and affairs. Accordingly, this concentration of ownership could have a material adverse effect on the market price of the Shares by, among other things, delaying, deferring or preventing a change of control; impeding a merger; or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company.

The interests of the Selling Shareholders may differ significantly from, or compete with, Munters' interests or those of the other shareholders, and the Selling Shareholders could exercise influence over Munters in such a manner as is contrary to the interests of the other shareholders. For example, there could be a conflict between the interests of the Selling Shareholders on the one hand, and the interests of the Company or its other shareholders on the other hand, with respect to distribution of dividends. Such conflicts could have a material adverse effect on Munters' business, financial condition and results of operations.

The Principal Selling Shareholder is contemplating entering into a margin loan facility agreement with one or more lending banks, under which one or several margin loan facilities shall be made available to the Principal Selling Shareholder. One or several of the Managers or their affiliates may become a lending bank under this margin loan facility agreement. In the event that the Principal Shareholder decides to enter into the margin loan facilities, the Principal Selling Shareholder would be expected to provide security in favour of the margin loan lenders, which could represent a significant majority of the total number of Shares that the Principal Selling Shareholder will hold following the date on which the Shares are listed on Nasdaq Stockholm. An enforcement of this security by the margin loan lenders could have a significant impact on the Company's shareholding structure. The enforcement of security, in whole or in part, by the margin loan lenders will reduce the Principal Selling Shareholder's shareholding in the Company and may result in the Principal Selling Shareholder ceasing to be a significant shareholder of the Company. As a result, the Company's corporate governance and strategic direction may change due to potential changes to the Board of Directors and the removal of board members that are representatives of the Principal Selling Shareholder. These changes and potential sale of Shares by the margin loan lenders may also have a negative impact on the price of the Shares.

Additionally, the enforcement of a margin loan facility in respect of Shares that represent 30 percent or more of the total voting rights in the Company may trigger an obligation under the Swedish Takeover Act (Sw. *lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*) (the "**Takeover Act**"), on the relevant margin loan lender or lenders to make a mandatory offer for the Shares that they do not otherwise own. The obligation to make such a mandatory offer may fall away if Shares are disposed of within four weeks by the margin loan lender or lenders such that the holding of Shares does no longer represent 30 percent or more of the total voting rights in the Company. Any such disposal, or the perception that such disposal may occur, may have a negative impact on the price of the Shares and the ability of the Company to raise capital through the issue of new Shares.

### The commitments by the Cornerstone Investors are subject to certain conditions and the Cornerstone Investors are not subject to any formal lock-up arrangement

The Cornerstone Investors (FAM AB, Alecta pensionsförsäkring, AMF Fonder AB, Handelsbanken Fonder and Carve (Brummer)) have committed to acquire, at the Offer Price, a number Offer Shares equivalent to 10.0 percent, 5.0 percent, 5.0 percent, 3.0 percent and 3.0 percent, respectively, of the Shares following completion of the Offering. The Cornerstone Investors' undertakings are condition on, among other things: (i) the first day of trading in the Shares occurring no later than on 30 May 2017; (ii) such Cornerstone Investor being allocated in full the Offer Shares relating to its commitment; and (iii) the total equity value of the Company upon settlement of the Offering not exceeding SEK 10.1 billion. If such conditions are not satisfied, the Cornerstone Investors will not be required to acquire any Offer Shares. In addition, the Cornerstone Investors' undertakings are not secured through a bank guarantee, blocked funds or pledge of collateral or any other similar arrangement. Accordingly, there is a risk that payment of the purchase price and settlement of the Offer Shares for the Cornerstone Investors may not occur in connection with the closing of the Offering as anticipated, which could have a material adverse effect on the completion of the Offering.

In addition, the Cornerstone Investors' shares will not be subject to any formal lock-up arrangement. As a result, it is possible that the Cornerstone Investors may divest part of all of their respective shareholdings at any time. Any sales of substantial amounts of the Shares could cause the market price of the Shares to decline.

### Differences in currency exchange rates may materially adversely affect the value of shareholdings or dividends paid

The Shares will be quoted in SEK only, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects on the value of their shareholdings and their dividends, when converted into other currencies if SEK depreciates against the relevant currency.

### Shareholders in the United States or other countries outside Sweden may not be able to participate in any potential future cash offers

If Munters issues new Shares in a cash issue, shareholders shall, as a general rule, have preferential rights to subscribe for new Shares proportionally to the number of Shares held prior to the issue. Shareholders in certain other countries outside Sweden may, however, be subject to limitations that prevent them from participating in such rights offerings, or that otherwise makes participation difficult or limited. For example, shareholders in the United States may be unable to exercise any such rights to subscribe for new Shares unless a registration statement under the U.S. Securities Act is effective in respect of such subscription rights and Shares or, unless an exemption from the registration requirements under the U.S. Securities Act is available. Shareholders in other jurisdictions outside Sweden may similarly be affected if the rights and the new Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. Munters is under no obligation to file a registration statement under the U.S. Securities Act or seek similar approvals or relevant exemptions for the sale of securities under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and Shares, and doing so in the future may be impractical and costly. To the extent that Munters' shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new Shares in any future rights issues, their proportional interests in the Company will be reduced.

# Presentation of financial and other information

## Financial information

### The Company

This Offering Memorandum contains:

- Munters' unaudited interim consolidated financial statements as of and for the three months ended 31 March 2017, which have been prepared in accordance with IFRS, as adopted by the European Union, and reviewed by Ernst & Young AB, as set forth in its review report included elsewhere herein, with comparative information as of and for the three months ended 31 March 2016; and
- Munters' audited consolidated financial statements as of and for the years ended 31 December 2016, 2015 and 2014, which have been prepared in accordance with IFRS, as adopted by the European Union, and audited by Ernst & Young AB, as set forth in its audit report included elsewhere herein.

With the exception of the historical financial information on pages F1–F57 in this Offering Memorandum, no other information herein has been audited or reviewed by the Company's auditor.

Where financial information as of and for the years ended 31 December 2016, 2015 and 2014 is presented herein as "audited", such financial information has been derived from the Company's audited consolidated financial statements as of and for the years ended 31 December 2016, 2015 and 2014, which were audited by Ernst & Young AB. Where financial information as of and for the three months ended 31 March 2017 and 2016 is presented herein as "unaudited", such financial information has been derived from the Company's unaudited interim consolidated financial statements as of and for the three months ended 31 March 2017, which were reviewed by Ernst & Young AB, with comparable figures for the three months ended 31 March 2016.

Where financial information for the three months ended 31 March 2017 is presented herein as "annualised", such annualised numbers represent financial information for the twelve months ended 31 March 2017 and are calculated based on the quarterly financial information of Munters for the period from the three months ended 30 June 2016 to the three months ended 31 March 2017.

Where net sales data is presented herein by region (Americas, EMEA and Asia), the allocation of net sales to each region is calculated based on the net sales generated by Munters entities in the respective region. As a result, net sales generated by a Munters entity in one region (EMEA) that relate to orders placed by a customer located in a different region (Asia) are allocated as net sales in the region in which the related Munters entity is located (EMEA).

The Company presents its financial statements in SEK. Amounts included in the Company's financial statements that were not originally denominated in SEK have been translated into SEK using the average exchange rate for the financial period with respect to the income statement and the period-end exchange rate with respect to statement of financial position items.

## Quarterly and long-term financial information

### Quarterly financial information

This Offering Memorandum contains certain quarterly financial information of Munters for the period from the three months ended 31 March 2014 to the three months ended 31 March 2017. The Group management has presented this quarterly financial information because it believes that it is of value to investors as it enables a better evaluation of the Company's quarterly development during the period from the three months ended 31 March 2014 to the three months ended 31 March 2017. Other than the quarterly financial information for the three months ended 31 March 2017 and 2016, this quarterly financial information is based on information derived from the Company's internal management accounts, which are not included in the audit reports or otherwise reviewed by the Company's auditors. The quarterly financial information for the three months ended 31 March 2017 and 2016 is based on information derived from Munters' unaudited interim consolidated financial statements as of and for the three months ended 31 March 2017, which have been prepared in accordance with IFRS, as adopted by the European Union, and reviewed by Ernst & Young AB, as set forth in its review report included elsewhere herein, with comparable figures for the three months ended 31 March 2016.

Pursuant to the Company's accounting policies, the Company accounts for market factor income and costs related to sales and purchases between different legal entities of the Group. At the end of each year, the Company adjusts its accounts for this market factor income and costs, based on the Group's transfer pricing model, and allocates such amounts to each business area. As a result, the quarterly financial information presented herein, including the quarterly financial information as of and for the three months ended 31 March 2017 and 2016, does not reflect the impact or allocation of market factor income and costs on each business area.

## Long-term financial information

This Offering Memorandum also contains certain adjusted net sales data of Munters for the period from the year ended 31 December 2006 to the year ended 31 December 2016. The Group management has presented this adjusted net sales data because it believes that it is of value to investors as it indicates the Company's performance during multiple economic cycles. This adjusted net sales data has been adjusted to reflect the impact of the divestment of Moisture Control Services ("**MCS**") by Munters AB in 2010 and the restructured operations of the Spot Climate Control ("**SCC**") business area completed in 2015:

i. The divestment of MCS by Munters AB in 2010. The MCS business area generated net sales in the years ended 31 December 2006 to 2010, which are set out in Munters AB's audited consolidated financial statements for the years ended 31 December 2006 to 2010. As presented herein, net sales for the years ended 31 December 2006 to 2010 have been adjusted to exclude the net sales generated by the MCS business area for such periods to reflect the Company's net sales development excluding the impact of the divested MCS business area.
ii. Restructured operations of the SCC business area in 2015. In 2015, the household and light commercial cooler business was divested and the WET Components business within the SCC business area was transferred to the Air Treatment business area, with the complete business area being dissolved on 1 January 2016 (the heaters business was discontinued in 2014). The restructured operations of the SCC business area generated net sales in the years ended 31 December 2006 to 2015, which are set out in the Company's internal accounts for the years ended 31 December 2006 to 2015. As presented herein, net sales for the years ended 31 December 2006 to 2015 have been adjusted to exclude the net sales generated by the restructured operations of the SCC business area for such periods to reflect the Company's net sales development excluding the impact of the restructured operations.

The net sales for the years ended 31 December 2006 to 2010 have been extracted from the audited consolidated financial statements of Munters AB for the years ended 31 December 2006 to 2010, and the net sales for the years ended 31 December 2011 to 2016 have been extracted from the audited consolidated financial statements of the Company for the years ended 31 December 2011 to 2016, which, in each case have been prepared in accordance with IFRS, as adopted by the European Union. The adjusted net sales data is based on the reported foreign exchange rates for each period and has not been adjusted for any other acquisition or structural changes. The adjusted net sales data for the years ended 31 December 2006 to 2015 is not included in the audit reports or otherwise reviewed by the Company's auditors. The adjusted net sales data for the years ended 31 December 2006 to 2015 are non-IFRS measures and are not a substitute for any IFRS measure. The adjusted net sales data for the years ended 31 December 2006 to 2016 have been prepared for illustrative purposes only and may not necessarily be representative of the Company's results for such periods or any future period and should not be considered to provide an indication of any combined or separated financial position or results of operations of the Company. For a reconciliation of adjusted net sales to reported net sales for each period, see "*Operating and financial review—Key factors affecting the results of operations—Strategic initiatives and Company transformation*".

## Acquired businesses

This Offering Memorandum also contains net sales financial information of each of MTech Systems and Kevin Enterprises for the year ended 31 December 2016. The Group management has presented this net sales financial information because it believes that it is of value to investors as the information is helpful to understand the size of the acquired businesses. The net sales financial information of MTech Systems is based on information derived from MTech Systems' unaudited internal management accounts for the twelve months ended 31 December 2016, which have been prepared in accordance with United States Generally Accepted Accounting Principles ("**US GAAP**"). The net sales financial information of Kevin Enterprises is based on information derived from Kevin Enterprises' unaudited internal management accounts for the twelve months ended 31 December 2016, which have been prepared in accordance with Indian Generally Accepted Accounting Principles ("**Indian GAAP**").

An analysis has been made by the Company to determine if there are any significant differences between the accounting principles applied by the Company according to IFRS, as adopted by the European Union, and those applied by MTech Systems (US GAAP) and Kevin Enterprises (Indian GAAP). With respect to the accounting principles applied by MTech Systems, the assessment is that there are no material differences. With respect to the accounting principles applied by Kevin Enterprises, under Indian GAAP, excise taxes are netted against sales, while under IFRS, as adopted by the European Union, excise taxes are treated as expenses and are not netted against sales. The estimated amount of these excise taxes was approximately SEK 5.5 million for the year ended 31 December 2016.

## Non-IFRS key operating metrics

In this Offering Memorandum, the Company presents certain key operating metrics, including certain key operating metrics and ratios that are not measures of financial performance or financial position under IFRS (alternative performance measures). The non-IFRS metrics presented herein are not recognised measures of financial performance under IFRS, but measures used by Group management to monitor the underlying performance of the Company's business and operations. In particular, non-IFRS metrics should not be viewed as substitutes for income statement or cash flow items computed in accordance with IFRS. The non-IFRS metrics do not necessarily indicate whether cash flow will be sufficient or available to meet the Company's cash requirements and may not be indicative of the Company's historical operating results, nor are such metrics meant to be predictive of the Company's future results.

Group management uses these IFRS and non-IFRS metrics for many purposes in managing and directing the Company and has presented these metrics because it believes that these metrics are important and helpful in understanding the Company's performance from period to period and to facilitate comparison with its peers. Since not all companies compute these or other non-IFRS metrics in the same way, the manner in which the Company has chosen to compute the non-IFRS metrics presented herein may not be compatible with similarly defined terms used by other companies.

The non-IFRS measures included in this Offering Memorandum are defined below.

| Non-IFRS Financial Measures | Definition | Reason for use |
|---|---|---|
| **Adjusted EBIT** | EBIT as adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property. Adjusted EBIT has not been adjusted for transaction costs related to acquisitions during the periods. For a reconciliation of Adjusted EBIT to income for the period, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*". | Munters believes that Adjusted EBIT is a useful measure for showing the Company's profit generated by the operating activities, and primarily uses Adjusted EBIT for calculating the Company's Return on Capital Employed, which is used by Munters to monitor profitability as it relates to the capital efficiency of the Company. |
| **Adjusted EBIT Margin** | Adjusted EBIT as a percentage of net sales. | Munters believes that Adjusted EBIT Margin is a useful measure for showing the Company's profit generated by the operating activities. |
| **Adjusted EBITA** | EBITA as adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property. Adjusted EBITA has not been adjusted for transaction costs related to acquisitions during the periods. For a reconciliation of Adjusted EBITA to income for the period, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*". | Munters believes that Adjusted EBITA is a useful measure for showing the Company's profit generated by the operating activities, and monitors Adjusted EBITA as the main profit and loss measure for the Company. |
| **Adjusted EBITA Margin** | Adjusted EBITA as a percentage of net sales. | Munters believes that Adjusted EBITA Margin is a useful measure for showing the Company's profit generated by the operating activities. |
| **Adjusted EBITDA** | EBITDA as adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property. Adjusted EBITDA has not been adjusted for transaction costs related to acquisitions during the periods. For a reconciliation of Adjusted EBITDA to income for the period, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*". | Munters believes that Adjusted EBITA is a useful measure for showing the Company's profit generated by the operating activities, and primarily uses Adjusted EBITDA for purposes of calculating the Company's Adjusted Operating Cash Flow and Cash Conversion. |
| **Adjusted EBITDA Margin** | Adjusted EBITDA as a percentage of net sales. | Munters believes that Adjusted EBITDA Margin is a useful measure for showing the Company's profit generated by the operating activities. |
| **Adjusted Operating Cash Flow** | Adjusted EBITDA less total capital expenditures. See "*Operating and Financial Review—Liquidity and capital resources*". | Adjusted Operating Cash Flow is used by Munters to monitor business performance. |

| Non-IFRS Financial Measures | Definition | Reason for use |
|---|---|---|
| **Adjusted Net Working Capital** | The sum of total current assets (less derivative instruments, current tax assets and cash and cash equivalents) less total current liabilities (less interest-bearing liabilities, derivative instruments, current tax liabilities, provisions for pensions and similar commitments and other provisions), as adjusted for acquisition-related earn-outs and liabilities. For a reconciliation of Adjusted Net Working Capital for the periods, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*". | Adjusted Net Working Capital shows how much net working capital is allocated in the operations and is useful to indicate how effectively net working capital is used. |
| **Capital Expenditures Ratio** | Tangible capital expenditures as a percentage of net sales. See "*Operating and Financial Review—Liquidity and capital resources*". | Munters believes Capital Expenditures Ratio is a useful measure to monitor the Company's level of investment in plants, property and equipment in relation to net sales. |
| **Cash Conversion** | Adjusted Operating Cash Flow as a percentage of Adjusted EBITDA. | Cash Conversion is used by Munters to indicate how effectively allocated net working capital is used. |
| **Capital Employed** | The sum of net assets (total assets less total non-current liabilities and total current liabilities) and Net Debt less goodwill. As of 31 December 2013, net assets were SEK 179 million, Net Debt was SEK 4,304 million and goodwill was SEK 3,172 million. | Capital employed is used by Munters to indicate the capital efficiency of the Company. |
| **Core Net Working Capital Ratio** | The sum of inventory (raw materials and consumables, products in process, finished products and goods for resale and work on contract) and accounts receivable, less accounts payable and advances from customers, as a percentage of net sales. For the three months ended 31 March 2017, Core Net Working Capital Ratio is calculated based on annualised net sales. | Munters believes Core Net Working Capital Ratio is a useful measure to monitor the Company's working capital. |
| **External Net Debt to Adjusted EBITDA Ratio** | External Net Debt divided by Adjusted EBITDA. For the three months ended 31 March 2017, External Net Debt to Adjusted EBITDA Ratio is calculated based on annualised Adjusted EBITDA. | Munters believes External Net Debt to Adjusted EBITDA Ratio helps to show financial risk and is a useful measure for Munters to monitor the level of the Company's indebtedness. |
| **EBIT** | Earnings before interest and tax. | Munters believes that EBIT shows the profit generated by the operating activities. |
| **EBIT Margin** | EBIT as a percentage of net sales. | Munters believes EBIT Margin is a useful measure together with net sales growth and net working capital to monitor value creation. |
| **EBITA** | Earnings before interest, tax and amortisation. | Munters believes that EBITA shows the profit generated by the operating activities. |
| **EBITA Margin** | EBITA as a percentage of net sales. | Munters believes EBITA Margin is a useful measure together with net sales growth and net working capital to monitor value creation. |
| **EBITDA** | Earnings before interest, tax, depreciation and amortisation. | Munters believes that EBITDA shows the profit generated by the operating activities and is a good measure of cash flow from operations. |
| **External Net Debt** | Net Debt excluding the Shareholder Loan. For a reconciliation of Net Debt for the periods, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*". | Munters believes that External Net Debt is a useful measure for showing the Company's total external debt financing. |

| Non-IFRS Financial Measures | Definition | Reason for use |
| --- | --- | --- |
| **Net Debt** | The sum of Shareholder Loan, non-current interest-bearing liabilities, current interest-bearing liabilities, non-current provisions for pensions and similar commitments, current provisions for pensions and similar commitments and financial accrued interest expenses excluding Shareholder Loan, less cash and cash equivalents. For a reconciliation of Net Debt for the periods, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*". | Munters believes Net Debt is a useful measure to show the Company's total debt financing. |
| **Order Intake** | Received and confirmed sales orders during the period. | Order Intake is a useful measure to indicate the development of net sales in future periods, and is used by Munters to monitor business performance and customer demand, and adjust operations. |
| **Order Backlog** | Received and confirmed sales orders not yet delivered and accounted for as net sales. | Order Backlog is a useful measure to indicate the efficiency of the conversion of received and confirmed sales orders into net sales in future periods, and is used by Munters to monitor business performance and customer demand, and adjust operations. |
| **Organic Net Sales Growth** | The change in net sales compared to the previous period, excluding the structural effects of acquisitions and divestments, but including the impact of fluctuations in currency exchange rates during the period. The structural effects of acquisitions represent contributions to net sales from acquired businesses, which are classified as structural effects of acquisitions for the 12-month period from the date of the respective acquisition. Thereafter, such contributions to net sales are included in organic net sales for purposes of calculating this measure. Structural effects of divestments represent contributions to net sales in the comparative (prior) period from divested businesses, which are classified as structural effects of divestments for the 12-month period from the date of the respective divestment. For example, the structural effect of a business that was divested on 30 September of the current year represents the contributions to net sales in the fourth quarter of the comparative (prior) year from the divested business. | Organic Net Sales Growth is used by Munters to monitor the underlying development of net sales between different periods excluding the impact of any acquisitions and/or divestments. |
| **Organic Net Sales Growth Excluding FX** | Organic Net Sales Growth excluding the impact of fluctuations in currency exchange rates during the period. The impact of fluctuations in currency exchange rates represents the translation of net sales in local currencies to the Group's functional currency and is calculated as the difference in the average currency exchange rates of the respective periods multiplied by the net sales generated in local currencies during the comparative (prior) period. | Organic Net Sales Growth Excluding FX is used by Munters to monitor net sales growth driven by changes in volume, price and product sales between different periods. |
| **Return on Capital Employed** | Adjusted EBIT as a percentage of average Capital Employed for the period. Average calculated as the average of the opening balance and the closing balance for the period. For the three months ended 31 March 2017, Return on Capital Employed is calculated based on annualised Adjusted EBIT. | Return on Capital Employed shows the return that is generated on Capital Employed by the Company, and is used by Munters to monitor profitability as it relates to the capital efficiency of the Company. |

| Non-IFRS Financial Measures | Definition | Reason for use |
|---|---|---|
| **Return on Equity** | Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period. For the three months ended 31 March 2017, Return on Equity is calculated based on annualised income for the period. As of 31 December 2013, shareholder equity was SEK 177 million. | Return on Equity shows the return that is generated on the shareholders' capital that is invested in the Company. |
| **Total capital expenditures** | The sum of tangible and intangible investments. See "*Operating and Financial Review—Liquidity and capital resources*". | Total capital expenditures represents the Company's investments in tangible (primarily investments in property, plant and equipment) and intangible assets (primarily capitalised research and development expenses) and is a useful measure to monitor the Company's level of investment in its operations. |

## Product, services and end market information

This Offering Memorandum contains certain statistics, data and other information relating to the products, services and end markets of the Air Treatment, Data Centers, AgHort and Mist Elimination business areas of Munters, which Group management has provided solely for purposes of this Offering Memorandum. Munters' reports, and in future reporting periods will report, statistics, data and other information on a segment basis only by business area and may or may not provide statistics, data and other information regarding its products, services and end markets within its business areas.

## Adjustments

Certain numerical information and other amounts and percentages presented in this Offering Memorandum may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number. As used herein, the symbol "n.m." means "not meaningful" and "n.a." means "not applicable".

## Currency

In this Offering Memorandum, all references to: (i) "SEK" are to the lawful currency of Sweden; (ii) "EUR" or "€" are to euro, the single currency of the member states (the "**Member States**") of the European Union participating in the European Monetary Union having adopted the euro as its lawful currency; (iii) "USD" are to the lawful currency of the United States; (iv) "GBP" are to the lawful currency of the United Kingdom; (v) "CNY" are to the lawful currency of China; (vi) "SGD" are to the lawful currency of Singapore; (vii) "JPY" are to the lawful currency of Japan; (viii) "AUD" are to the lawful currency of Australia; (ix) "BRL" are to the lawful currency of Brazil; (x) "KRW" are to the lawful currency of South Korea; (xi) "MXN" are to the lawful currency of Mexico; and (xii) "ILS" are to the lawful currency of Israel. For certain information regarding rates of exchange between SEK and EUR and USD, see "*—Exchange rate information and regulation*". No representation is made that the SEK, EUR or USD amounts referred to herein could have been or could be covered into SEK, EUR or USD, as the case may be, at the rates referred to in "*—Exchange rate information and regulation*", at any particular rate, or at all.

## Trademarks

Munters owns or has rights to certain trademarks, trade names or service marks that it uses in connection with the operation of its business. Munters asserts, to the fullest extent under applicable law, its rights to its trademarks, trade names and service marks.

Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Offering Memorandum are listed without the ™, ® and © symbols.

## Certain terms used

For definitions of certain terms used in this Offering Memorandum as well as a glossary of other terms used in this Offering Memorandum, see "*Glossary*".

## Industry and market data

This Offering Memorandum contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets. Unless otherwise indicated, such information is based on the Company's analysis of multiple sources, including a market study (the "**Commissioned Market Study**") the Company commissioned from a leading international third-party consultancy firm, which was conducted in 2016 and finalised in 2017, an engineering review (the "**Engineering Review**") the Company commissioned from a leading international third-party consultancy firm in 2016 and information otherwise obtained. Such information has been accurately reproduced, and, as far as the Company is aware and able to ascertain from such information, no facts have been omitted which would render the information provided inaccurate or misleading. The Commissioned Market Study is based on primary interviews conducted with industry experts and participants, secondary market research, and internal financial and operational information supplied by, or on behalf of, the Company.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurance as to the accuracy of market data contained in this Offering Memorandum that were extracted or derived from these industry publications or reports. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

This Offering Memorandum also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such information is prepared by Munters based on third-party sources and the Company's internal estimates, including the Commissioned Market Study. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organisations and institutions. Group management believes that its estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which Munters operates as well as its position within the industry. Although management believes that Munters' internal market observations are reliable, Munters' estimates are not reviewed or verified by any external sources. While Munters is not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed herein and under the heading "*Risk factors*" in this Offering Memorandum.

## Exchange rate information and regulation

Investors with a reference currency other than the SEK may become subject to certain foreign exchange risks when investing in the Offer Shares. The Company's equity capital is denominated in SEK, and any returns will primarily be distributed in SEK. The Offer Shares will be denominated and traded in SEK on Nasdaq Stockholm. Investors whose reference currency is a currency other than the SEK may be adversely affected by any reduction in the value of the SEK relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting SEK into another currency. Investors whose reference currency is a currency other than the SEK are therefore urged to consult their financial advisors with a view to determining whether they should enter into hedging transactions to offset these currency risks. To the extent owners of Offer Shares receive dividends that are converted from SEK to USD or EUR, fluctuations in the exchange rate between the SEK and the USD and EUR will affect the USD and EUR amounts received by owners of Offer Shares on conversion of dividends.

The following table sets forth, for the periods indicated, certain information regarding the noon buying rate in New York for cable transfers for SEK, expressed in SEK per USD. The noon buying rates are certified by the Federal Reserve Bank of New York for customs purposes and for cable transfers payable in foreign currencies. The average rate for a year means the average of the noon buying rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily noon buying rates during that month, or a shorter period, as the case may be. The rates below may differ from the actual rates used in the preparation of the Company's consolidated financial statements and other financial information appearing in this Offering Memorandum. The inclusion of the exchange rate information below is not meant to suggest that the SEK amounts actually represent such USD amounts or that such amounts could have been converted into USD at the rates indicated or at any other rate.

| | Exchange Rate SEK per USD | | | |
|---|---|---|---|---|
| | High | Low | Period end | Average |
| **Year** | | | | |
| 2014 | 7.8245 | 6.3394 | 7.8245 | 6.8576 |
| 2015 | 8.8180 | 7.8847 | 8.4485 | 8.4350 |
| 2016 | 9.4207 | 8.0267 | 9.0803 | 8.5541 |
| **Month** | | | | |
| January 2017 | 9.1583 | 8.8254 | 8.7520 | 8.9450 |
| February 2017 | 9.0134 | 8.7176 | 9.0098 | 8.9007 |
| March 2017 | 8.7701 | 9.0664 | 8.9349 | 8.9147 |
| April 2017 | 9.0635 | 8.7675 | 8.8635 | 8.96162 |

On 28 April 2017 (the last banking day of the month), the noon buying rate as certified by the Federal Reserve Bank of New York for customs purposes, for SEK per USD, was SEK 8.8635 per USD 1.00.

The following table sets forth, for the periods indicated, certain information concerning the European Central Bank (the "**ECB**") daily reference rate published by the ECB (the "**ECB Daily Reference Rate**") for EUR, expressed in SEK per EUR. The average rate for a year means the average of the daily mid-rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily mid-rates during that month, or a shorter period, as the case may be. The period end rate represents the mid-rate on the last business day of each applicable period. These exchange rates are provided only for the convenience of the reader. No representation is made that amounts in SEK have been, could have been, or could be converted into EUR, or vice versa, at the mid-rate or at any other rate.

| | Exchange Rate SEK per EUR | | | |
|---|---|---|---|---|
| | High | Low | Period end | Average |
| **Year** | | | | |
| 2014 | 9.6234 | 8.7661 | 9.3930 | 9.0985 |
| 2015 | 9.6557 | 9.1141 | 9.1895 | 9.3901 |
| 2016 | 10.0025 | 9.1381 | 9.5525 | 9.4689 |
| **Month** | | | | |
| January 2017 | 9.5695 | 9.4390 | 9.4505 | 9.5110 |
| February 2017 | 9.5675 | 9.4183 | 9.5675 | 9.4762 |
| March 2017 | 9.5778 | 9.4610 | 9.5322 | 9.5279 |
| April 2017 | 9.6390 | 9.5145 | 9.6318 | 9.5941 |

On 28 April 2017 (the last banking day of the month), the ECB Daily Reference Rate for SEK per EUR, was SEK 9.6318 per EUR 1.00.

Figures reported in the Offering Memorandum are presented in SEK unless otherwise specified. The Company's audited accounts are denominated in SEK.

## Exchange control regulations in Sweden

There are currently no foreign exchange control restrictions in Sweden, other than in certain national crisis situations, that would restrict the payment of dividends to a shareholder outside Sweden, and there are currently no restrictions that would affect the right of shareholders who are not residents of Sweden to dispose of their shares and receive the proceeds from a disposal outside Sweden. There is no maximum transferable amount either to or from Sweden, although transferring banks are required to report to the Swedish tax authorities any payments to or from Sweden exceeding SEK 150,000, or the foreign currency equivalent thereof. Such information may also be forwarded to authorities in the countries where the holders of the shares are resident.

# The Offering

The Offering comprises 73,439,120 Shares, representing 40.0 percent of the total number of Shares after the Offering.

The Offering comprises 1,872,728 New Shares issued by the Company to raise gross proceeds of approximately SEK 103 million, and, in aggregate, 71,566,392 Existing Shares offered by the Selling Shareholders (excluding any Shares offered under the Over-allotment Option). The sale of the Existing Shares by the Selling Shareholders will include the sale of 2,453,865 existing common shares by and on behalf of other existing shareholders in the Company, including certain members of the Board of Directors and management of Munters, including the Chief Executive Officer, Chief Financial Officer and other senior members of management. For additional information, see "*Selling Shareholders*" and "*Shares and share capital—Transfers and reallocation of shares amongst existing shareholders*". The Offering consists of: (i) an offering to the general public in Sweden; and (ii) an institutional offering to investors in Sweden and various other jurisdictions, including a private placement in the United States to persons who are QIBs as defined in, and in reliance on, Rule 144A under the U.S. Securities Act or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. All offers and sales outside the United States will be made in compliance with Regulation S under the U.S. Securities Act.

To cover any over-allotments or short positions in connection with the Offering, the Selling Shareholders will grant the Joint Global Coordinators and Joint Bookrunners, on behalf of the Managers, an option to purchase up to 8,812,694 Option Shares under the Over-allotment Option, representing approximately 12.0 percent of the number of Offer Shares and approximately 4.8 percent of the total number of Shares after the Offering. For additional information, see "*Selling Shareholders*" and "*Plan of distribution—Over-allotment Option*".

If the Over-allotment Option is exercised in full, the Offering will comprise up to 82,251,814 Shares, representing up to 44.8 percent of the total number of Shares following completion of the Offering.

The Offer Price has been determined by the Company and the Selling Shareholders in consultation with the Managers and set at SEK 55, based on the estimated investment interest of institutional investors in the Offering. The first day of trading in the Shares is expected to be 19 May 2017.

At an Extraordinary General Meeting held on 7 May 2017, it was resolved to issue the New Shares of approximately SEK 103 million in the Offering. The subscription price corresponds to the Offer Price. The right to subscribe for New Shares shall, with deviation from shareholders' preferential rights, be given to the general public in Sweden, institutional investors in Sweden and institutional investors in certain other jurisdictions.

The total value of the Offering amounts to approximately SEK 4,039 million (SEK 4,524 million if the Over-allotment Option is exercised in full). The number of Shares outstanding following completion of the Offering will be 183,597,802.

Munters' transaction costs related to the review of strategic ownership alternatives and the Offering and listing are expected to amount to approximately SEK 70 million. For additional information, see "*Legal considerations and supplementary information—Costs related to the Offering and listing*".

*Reference should be made to the full particulars of this Offering Memorandum, which has been prepared by the Board of Directors of Munters in conjunction with the Offering and the application for the listing of the Shares of Munters on Nasdaq Stockholm.*

Stockholm, 8 May 2017
**Munters Group AB (publ)**
*The Board of Directors*

Luxembourg, 8 May 2017
**Cirdron Maximus S.à r.l.**

Luxembourg, 8 May 2017
**FA International Investments S.C.A.**

# Background and reasons and use of proceeds

Munters is a leading global provider of energy efficient and mission critical precision climate control solutions. The Company leverages its application expertise and advanced technologies to offer engineered solutions that are designed to deliver its customers' "perfect climate". Unlike producers of consumer appliances and conventional HVAC businesses, the Company provides advanced climate control solutions that are customised and developed to meet the exacting customer specifications and requirements. These customised climate control solutions are used by customers in mission critical applications within targeted end markets, where precision of control over climate and other environmental parameters has a direct impact on the success and operations of the customers' businesses. The Company also offers a variety of aftermarket services to customers in certain of its business areas. These services range from installation to supervision and performance optimisation, and help to ensure that the Company's solutions are properly maintained and optimised for customer use.

The Company operates globally in four business areas: Air Treatment, Data Centers, AgHort and Mist Elimination. The Company's equipment is sold to a diverse range of customers, including global blue chip companies, in over 180 countries. The Company has a production footprint that includes 18 major manufacturing facilities and seven assembly units across 16 countries worldwide.

Munters' current main owner, Nordic Capital, acquired the Company in 2010 and the Company was subsequently delisted from Nasdaq Stockholm. Under the new ownership and the new management team lead by John Peter Leesi, who was appointed as CEO in 2014, several important strategic initiatives have been launched to strengthen Munters' competitive position and increase its operational efficiency and performance. Munters has reshaped its business portfolio by acquiring four companies since 1 January 2014 which have positively impacted the Company's product offering, financial performance and growth. As part of the transformation the Company has implemented focused growth efforts towards customers in target end markets where precision climate control is mission critical to its customers' operations as well as implemented significant operational changes including investments in product configuration, rationalisation of the production footprint, purchasing and sourcing, lean manufacturing and product cost-out programmes. Furthermore, Munters has introduced a joint vision and strategy for the Group ("**Your Perfect Climate**").

Munters' strong market positions and positive underlying market drivers have resulted in favourable development over the last years. The Company's net sales have increased from SEK 4,216 million for the year ended 31 December 2014 to SEK 6,040 million for the year ended 31 December 2016, representing a CAGR of 19.7 percent, while the Company has increased its Adjusted EBITA Margin from 7.6 percent to 12.9 percent during the same period. The Board of Directors and Group management believe that Munters is well positioned to deliver continued growth in revenue and earnings.

Nordic Capital's investment strategy is to acquire and support the growth of attractive companies with development potential. The investment strategy also entails a subsequent divestment of every acquired company within a certain period. The Board of Directors and Group management of Munters, together with the Principal Selling Shareholder, believe that the time is appropriate for a listing of Munters. Notwithstanding this fact, the Principal Selling Shareholder will remain a large and committed shareholder and is, by retaining a part of its holdings, able to participate in the future development of the Company. Munters has established a solid platform and has further potential for substantial future growth and improved results during the coming years.

The Offering and the listing will expand the shareholder base and enable Munters to access the Swedish and international capital markets, which is expected to support Munters' continued growth and development. The Board of Directors and Group management, supported by the Principal Selling Shareholder, consider the Offering and listing of the Shares to be a logical and important next step in Munters development, which will also increase the awareness of Munters and its operations.

## Use of proceeds

The Company expects to receive gross proceeds amounting to approximately SEK 103 million from the Company's issue of New Shares in connection with the Offering, before deduction of transaction costs. The transaction costs payable by the Company relate to the review of strategic ownership alternatives and the Offering, and are expected to amount to approximately SEK 70 million, of which SEK 27 million has been recorded as an expense in operating profit in the three months ended 31 March 2017 and SEK 43 million is estimated to be recorded as an expense in operating profit in the three months ending 30 June 2017. The Company expects to use the remaining net proceeds of approximately SEK 33 million from the sale of the New Shares to reduce the Company's indebtedness related to acquisitions completed in 2017. The Company will not receive any proceeds from the sale of Shares by the Selling Shareholders.

In connection with the Offering, the Company expects to refinance its existing indebtedness through new credit facilities to achieve more favourable terms as a result of an improved debt/equity ratio and that the Company following the Offering will be listed. As of 31 March 2017, the total interest-bearing liabilities of the Company amounted to SEK 5,844 million, of which SEK 2,689 million relates to a shareholder loan, which will be repaid in conjunction with the Offering through a directed set-off issue.

*The Board of Directors of Munters is responsible for the contents of this Offering Memorandum. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, information in this Offering Memorandum is, to the best of the Board of Directors' knowledge, in accordance with the facts and contains no omissions likely to affect its import.*

Stockholm, 8 May 2017
**Munters Group AB (publ)**
*The Board of Directors*

# Dividends and dividend policy

Holders of the Shares will be entitled to receive future dividends, including any future dividends declared in respect of the year ended 31 December 2016 and in respect of any subsequent period, provided dividends are declared.

Munters aims to pay an annual dividend corresponding to 30–50 percent of its consolidated income for the period. The pay-out decision will be based on the Company's financial position, investment needs, acquisitions and liquidity position. There can be no assurances, however, that in any given year a dividend will be proposed or declared.

The declaration of dividends by Swedish companies is decided upon by the general meeting. Dividends may only be declared to the extent that there will be full coverage for the Company's restricted equity (Sw. *bundet eget kapital*) after the dividend distribution and only to the extent that such declaration is prudent, taking into consideration (i) the demands with respect to the size of the equity which are imposed by the nature, scope and risks associated with the operations of the Company and the Group as well as (ii) the need to strengthen the statement of financial condition, liquidity and financial condition of the Company and the Group. The shareholders may, as a general rule, not resolve on dividends in an amount higher than the Board of Directors proposed or approved.

Under the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*) (the "**Companies Act**"), minority shareholders that together represent at least 10 percent of all outstanding Shares have the right to request a payment of dividend (to all shareholders) from the Company's profits. Following such a request, the Annual General Meeting is required to resolve to distribute 50 percent of the remaining profit for the relevant year as reported on the statement of financial position adopted at the Annual General Meeting, after deductions made for: (i) losses carried forward that exceed unrestricted reserves (Sw. *fria fonder*); (ii) amounts which, by law or the articles of association ("**Articles of Association**"), must be transferred to restricted equity; and (iii) amounts which, pursuant to the Articles of Association, are to be used for any purpose other than distribution to the shareholders. However, the general meeting is not obliged to declare dividends in excess of 5 percent of the Company's shareholders' equity. Moreover, the general meeting may not declare dividends to the extent that there will not be full coverage of the Company's restricted equity. The right for minority shareholders to request a payment of dividend is also conditional upon such dividend payment not being in violation of the prudence rule described above.

Dividends will normally be paid to shareholders in cash on a per share basis through Euroclear Sweden, but may also be paid in kind. On the record date established by the general meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends.

The Company declares dividends in SEK. Shareholders with nominee registered holdings should contact their nominee regarding dividend payment currency. See "*Risk factors—Risks related to the Shares and the Offering—Differences in currency exchange rates may materially adversely affect the value of shareholdings or dividends paid*".

If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of 10 years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the Company. Neither the Companies Act nor the Company's Articles of Association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. For a discussion of withholding taxes on the payment of dividends, see "*Taxation*".

**The information on the Company's policies relating to dividends constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance and the Company's actual dividends or capital distributions could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under "*Important information–Forward-looking statements*" and "*Risk factors*".**

## Dividend history

To date, no dividend has been paid out in respect of the years ended 31 December 2016, 2015 and 2014.

# Market & industry overview

*Certain information set forth in this section has been derived from external sources, including the Commissioned Market Study and publicly available industry publications or reports. The Commissioned Market Study has been prepared for the Company by a leading international third-party consulting firm. See "Presentation of financial and other information—Industry and market data" for more information. Industry publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company believes that these industry publications, reports and forecasts are reliable, but the Company has not independently verified them and cannot guarantee their accuracy or completeness. As far as the Company is aware and able to ascertain from such information, no facts have been omitted that would render the reproduced information inaccurate or misleading. The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Important information—Forward-looking statements", "Presentation of financial and other information—Industry and market data" and "Risk factors".*

## Introduction

### Overview

Munters provides advanced mission critical climate control solutions that require thorough understanding of customer applications across a wide range of industries and geographies. The Company's products are applied within some of its customers' most demanding processes in the Air Treatment, Data Centers, Agriculture and Horticulture and Mist Elimination markets (together, the "**addressable markets**"). As the products that Munters offers relate to a number of different market categories, the addressable markets are referred to in this Offering Memorandum using terminology that is consistent with Munters reporting of its business. For example, the addressable market for the Air Treatment business area is referred to in this Offering Memorandum as the "**Air Treatment Market**". Munters conducts its operations in three regions: Americas, EMEA and Asia. Within the Air Treatment Market, Data Centers Market and Mist Elimination Market, the Company's sales and marketing strategy is primarily based on its internal sales representatives.

Within the AgHort Market, the majority of the Company's products are sold via third-party distributors, since end customers generally are individual farms or livestock breeders. In addition, the Company sometimes uses independent sales representatives and agents as part of its overall sales and marketing strategy.

The Company currently operates manufacturing plants in 18 countries worldwide and has over 3,500 FTEs, with equipment sold in over 180 countries. The Company has headquarters in Kista, Sweden, and Brentford, United Kingdom.

According to the Commissioned Market Study, Munters' total addressable market is expected to grow from SEK 31.8 billion in 2016 to SEK 47.9 billion in 2020, representing a CAGR of 11 percent (7 percent excluding the Data Centers Market; 9 percent based on end markets weighted by the Company's net sales for the year ended 31 December 2016).

| Addressable market | Air treatment | Data Centers | AgHort | Mist Elimination |
|---|---|---|---|---|
| End market | • Food processing<br>• Pharmaceuticals<br>• Lithium-ion batteries<br>• Supermarkets<br>• Other commercial/ DOAS<br>• Other industrial | • Air economiser market | • Layer<br>• Broiler<br>• Swine<br>• Greenhouse<br>• Dairy | • Power (including Flue gas desulphurisation)<br>• Process<br>• Marine |

## Overall market size and growth

According to the Commissioned Market Study, the total value (calculated on the basis of total net sales) of Munters' addressable markets was SEK 31.8 billion in 2016. Of this total addressable market, the Air Treatment Market was the largest addressable market at approximately SEK 12.7 billion, followed by the AgHort Market at SEK 10.5 billion, the Data Centers Market at SEK 6.3 billion and the Mist Elimination Market at SEK 2.4 billion. According to the Commissioned Market Study, the total addressable market is expected to grow at a CAGR of 11 percent from 2016 to 2020 (7 percent excluding the Data Centers Market; 9 percent based on end markets weighted by the Company's net sales for the year ended 31 December 2016). In comparison, global GDP is expected to grow at a CAGR of 2.9 percent over the same period.

The table below sets forth the total value of the Company's addressable markets, the expected CAGR for each addressable market from 2016 to 2020 and the extent to which each business area contributed to the Company's net sales for the year ended 31 December 2016.

| | Air Treatment | Data Centers | AgHort | Mist Elimination | Total |
|---|---|---|---|---|---|
| **Market size (2016E)** | SEK 12.7 billion | SEK 6.3 billion | SEK 10.5 billion | SEK 2.4 billion | SEK 31.8 billion |
| **Market growth (CAGR 2016E-2020E)** | 8% | 23% | 6% | 6% | 11% |
| **Business area net sales contribution (2016)** | 55% | 11% | 28% | 7% | – |

Source: Commissioned Market Study

## General market drivers and trends

Munters benefits from an array of structural drivers across its end markets, all of which are expected to support long-term sustainable growth in the adoption of Munters' advanced climate control solutions:

- **Energy Efficiency** – Increased focus on reduction of adverse environmental footprint, which drives demand for energy efficient technologies;
- **Quality and Productivity** – Increasing quality standards and competitive pressures in customers' end markets underpin the need for solutions that drive higher efficiency and throughput, lower rejection rates and increased shelf lives. In agriculture, the growing global population and increased consumption of protein is driving a need for enhanced productivity;
- **Food Safety and Sustainability** – Focus on sustainability of food production increases demand for advanced climate control solutions that ensure optimal living conditions for farm animals and a hygienic environment for food processing;
- **Increasing Regulation** – Stricter environmental standards drive demand for solutions to remove pollutants from exhaust and flue gases. More stringent regulations for production environments or indoor climate require full control over the production environment (including temperature and humidity) and energy-efficient climate control in industrial and commercial buildings; and
- **Digitalisation** – Growing data traffic and bandwidth requirements with an escalation in use of cloud computing and connected devices.

# The Air Treatment Market

## Overview of the end markets

According to the Commissioned Market Study, the total value of the Air Treatment Market is expected to grow from SEK 12.7 billion in 2016 to SEK 17.1 billion in 2020, representing a CAGR of 8 percent. The Air Treatment Market is comprised of end markets that require climate control solutions, such as dehumidification in critical applications in order to meet increasingly strict standards, ensure product and process quality and safety and improve energy efficiency. Air Treatment is Munters' largest business area by net sales and accounted for 54.5 percent of Munters' total net sales for the year ended 31 December 2016. Within the Air Treatment Market, the most significant end markets for Munters are food processing, pharmaceuticals, lithium-ion battery manufacturing, supermarkets and other commercial end markets. For the year ended 31 December 2016, the food processing, pharmaceuticals, lithium-ion batteries, supermarkets, other commercial and power/utilities end markets are estimated to have accounted for 14 percent, 12 percent, 7 percent, 11 percent, 11 percent and 8 percent, respectively, of the Air Treatment business area's net sales, with the remaining 36 percent comprised of other industrial end markets, including power/utilities, transportation, chemicals, manufacturing industries, preservation (archives, storage), military/defence), etc.

### *Food processing end market*

Unwanted moisture is often a problem in food, meat, poultry and fish processing plants. For example, condensation can form on equipment, floors, ceilings and walls, negatively affecting product quality and potentially leading to food contamination. Increased scrutiny by the United States Department of Agriculture and other similar enforcement bodies has resulted in companies actively searching for cost-effective solutions to manage fogging, icing, dripping and other moisture related problems, in order to comply with strict guidelines and avoid non-compliance issues.

Food manufacturers are highly demanding customers with strict hygienic requirements, driven by food safety concerns. Food manufacturers tend to directly decide on a supplier or influence brand choice by specifying necessary product outputs and requirements regardless of sales channel. The key priorities for food manufacturers are quality and reliability of equipment and the track record of the supplier.

### *Pharmaceuticals end market*

Many pharmaceutical products are sensitive to the effects of excess humidity. Contact with moisture in the air can damage powders, tablets, capsules and diagnostic strips and reduce their shelf life. Therefore, controlling humidity is critical to protect raw materials and products during production, storage and transport. In addition, non-compliance with good manufacturing practice and standards for humidity levels can result in production facility closures by authorities.

Pharmaceuticals manufacturers are highly sophisticated customers that value performance, product quality and reliability of the product.

### *Lithium-ion batteries end market*

Electronics manufacturing generally requires strictly controlled levels of humidity to ensure process consistency and product quality. Some electronic components, such as lithium-ion batteries, require extremely low levels of humidity, in order to remove the risk of explosion. In these extreme applications, air with a consistent dew point as low as negative 65°C is supplied to the process.

### *Supermarkets and dedicated outdoor air systems ("**DOAS**") end markets*

Energy represents a significant portion of a supermarket's operating expenses. High performance climate solutions can reduce energy costs, and can also improve sales potential by increasing customer comfort and improving display visibility by preventing fogging.

DOAS is an energy efficient way of treating outdoor air separately from indoor air, which reduces the load on heating and cooling equipment.

## Competitive landscape and market position

Munters' Air Treatment business area has a leading position in end markets that together represented approximately 66 percent of the Air Treatment business area's net sales for the year ended 31 December 2016, and has a leading share of supply of desiccant rotors. The table below illustrates Munters' estimated market positions in selected end markets in 2015, as set out in the Commissioned Market Study.

| | | | | | | | Industrial | | | Commercial | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Company | Proprietary Rotor Technology | Proprietary Evaporative Pad Technology | Americas | EMEA | APAC | Food | Pharma | Lithium | Supermarkets | DOAS |
| | Munters | ✓ | ✓ | ✓ | ✓ | ✓ | #1 30% | #2 23% | #1 46% | #1 | 10% |
| Industrial | evapco | ✗ | ✗ | ✓ | ✓ | ✗ | 20% | ✗ | ✗ | ✗ | ✗ |
| Industrial | Bry-Air | ✓ | ✗ | ✓ | ✓ | ✓ | 15% | 15-20% | ✓ | ✗ | ✗ |
| Industrial | Concepts and Designs | ✗ | ✗ | NA | NA | NA | 10-15% | ✗ | ✗ | ✗ | ✗ |
| Industrial | Airenterprises | ✗ | ✗ | ✓ | ✗ | ✗ | ✗ | 30% | ✗ | ✗ | ✗ |
| Industrial | Buffalo | ✗ | ✗ | NA | NA | NA | ✗ | 15% | ✗ | ✗ | ✗ |
| Lithium Specialists | Cotes | ✗ | ✗ | ✗ | ✓ | ✓ | ✗ | ✗ | 15% | ✗ | ✗ |
| Lithium Specialists | DST | ✓ | ✗ | ✗ | ✓ | ✓ | ✗ | ✗ | 15% | ✗ | ✗ |
| Commercial | Seasons 4 | ✗ | ✗ | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | #2 | ✗ |
| Commercial | Aaon | ✗ | ✗ | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | #3 | 25% |
| Commercial | Greenheck | ✗ | ✗ | NA | NA | NA | ✗ | ✗ | ✗ | ✗ | 10-15% |
| Commercial | Semco | ✓ | ✗ | NA | NA | NA | ✗ | ✗ | ✗ | ✗ | 5-10% |

Source: Commissioned Market Study

According to the Commissioned Market Study, Munters holds a leading position in the food processing end market and had a market share of 30 percent in the relevant equipment market. Munters serves 35 of the top 50 food manufacturers globally, according to the Commissioned Market Study. Overall, the food processing end market is a consolidated market, with the top four players representing approximately 75 percent of the deliveries to the end market and smaller regional players making up the remaining percentage.

In the pharmaceuticals end market, Munters serves 37 of the top 50 pharmaceuticals manufacturers globally, and is the second largest player with a market share of 23 percent, according to the Commissioned Market Study. The pharmaceuticals end market is a consolidated market, with four players representing approximately 85 percent of the deliveries to the end market.

In the lithium-ion battery end market, Munters is a market leader with a market share of 46 percent, according to the Commissioned Market Study. The lithium-ion battery end market is also a consolidated market, with the top four players representing approximately 75 percent of the deliveries to the end market and smaller regional players making up the remaining percentage.

In the supermarkets end market in the United States, Munters holds a leading position with a share of supply of 30–40 percent, according to the Commissioned Market Study. Munters has entered into new build contracts with eight of the top 14 supermarket chains, which means that Munters' products will be installed in these chains' newly constructed supermarkets and retrofits in existing stores. The supermarkets end market is fragmented and Munters has few competitors that offer advanced dehumidification, with the majority of the market comprised of standard HVAC players and smaller niche players, according to the Commissioned Market Study.

## Air Treatment Market growth drivers

In each of its end markets, Munters supplies products and solutions to customers that operate in global industries, such as food or pharmaceuticals manufacturing, and that serve fundamental human needs. These end markets are expected to demonstrate stable underlying growth that is driven by overall population and GDP growth, industrialisation and improving global standards of living.

Another important source of growth in Munters' end markets is the increasing penetration of advanced climate control technologies, which is underpinned by customers' efforts to comply with regulations and industry standards and to improve their production, operating and energy efficiency and the quality of their products.

According to the Commissioned Market Study, market demand is driven by new builds, retrofits/replacements and services/spare parts, which represented 28 percent, 44 percent and 28 percent, respectively, of the Air Treatment Market (excluding the DOAS end market) in 2015.

According to the Commissioned Market Study, the main drivers of growth for each end market for the period from 2016 to 2020 include:

### *Food processing end market*

- **Growth of net sales of food manufacturers** – Growth driven by underlying food production growth of approximately 4–5 percent per year; and
- **Increasing penetration of desiccant dehumidification** – Increased food safety regulations, stricter GMO regulations and increased food company standardisation, which is expected to drive companies with low climate control awareness to use more advanced desiccant-based dehumidification. This growth is expected to drive end market growth of approximately 0.5–1.0 percent per year. In addition, adoption of more efficient dehumidification technology (desiccant dehumidification versus compressor based dehumidification) by food manufacturers is expected to drive near-term market growth, particularly with respect to food manufacturers with specific applications, such as spray drying (process for producing dry powers), where desiccant dehumidification can increase quality and efficiency but has a low penetration rate.

### *Pharmaceuticals end market*

- **Growth in pharmaceuticals' production** – Global production of pharmaceuticals is expected to grow by approximately 5 percent per year; and
- **Stricter regulations** – Safety regulations and standards regarding product quality and uniformity are expected to increase demand for high performance dehumidification products.

### *Lithium-ion batteries end market*

- **Growth in lithium-ion batteries end market** – The lithium-ion batteries end market is expected to grow by approximately 20 percent per year, driven primarily by an increase in the manufacturing of lithium-ion batteries and increases in the annual battery production capacity (in terms of gigawatt-hours produced) by such manufacturers; and
- **Dehumidification market** – The growth of the dehumidification market for lithium-ion batteries production is expected to be driven by the adoption of electric vehicles and anticipated increases in off-grid energy storage capacity.

### *Supermarkets and DOAS end market*

**Supermarkets**

- **Growth in Supermarkets end market** – The supermarkets end market is expected to grow by approximately 2 percent per year;
- **Construction** – Growth driven by retrofit and new construction of supermarkets; and

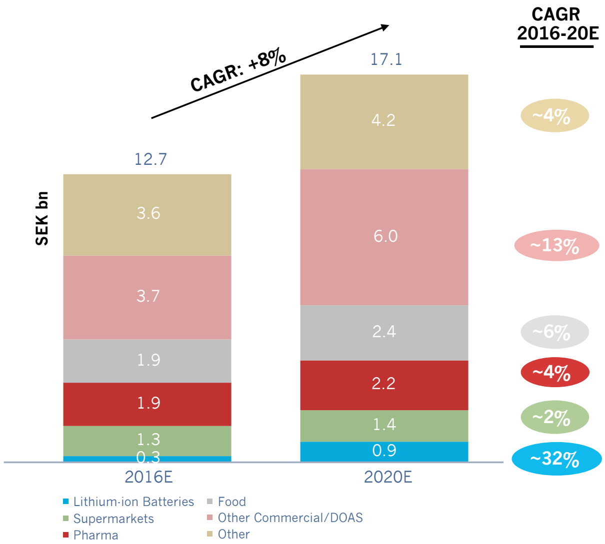
- **Shift towards more advanced dehumidification** – Non-converted supermarkets use less advanced dehumidification solutions, such as traditional cooling equipment, DX systems and cooling coils, which can have higher maintenance and operating costs. These supermarkets may shift to more advanced products to achieve cost savings, increase equipment efficiency and improve customer comfort.

### DOAS

- **Growth in DOAS end market** – The DOAS end market is expected to grow by approximately 10 percent per year;
- **Overall growth of commercial HVAC market** – Increased focus on energy efficiency drives growth of variable refrigerant flow ("**VRF**") solutions as energy efficient HVAC solutions need DOAS for outdoor air intake. Increasingly stringent standards and guidelines from the American Society of Heating, Refrigerating and Air-Conditioning Engineers regarding indoor air quality, fresh air intake and energy efficiency are expected to further drive adoption of DOAS in the United States; and
- **DOAS technology penetration** – DOAS technology is currently mainly established and used in supermarkets in the United States, and Munters believes that there is long-term potential for expansion of DOAS technology outside of the United States (e.g., DOAS component sales in EMEA and Asian markets) and into markets where DOAS adoption is currently low (e.g., education, office buildings, hospitals, hotels and restaurants). For example, according to the Commissioned Market Study, DOAS adoption levels are high for supermarket (85 percent penetration) and ice rink (80 percent penetration) markets, but is comparatively low for educational (40 percent penetration), office buildings (20 percent penetration) and hospitals (25 percent penetration) markets.

## Air Treatment Market growth outlook

According to the Commissioned Market Study, the Air Treatment Market is expected to grow from SEK 12.7 billion in 2016 to SEK 17.1 billion in 2020, representing a CAGR of approximately 8 percent. This growth is expected to be driven by growth in the lithium-ion batteries and other commercial/DOAS end markets, which are expected to grow at CAGRs of 32 percent and 13 percent, respectively, in the same period, according to the Commissioned Market Study. Munters' other end markets are primarily established markets, yet they are expected to demonstrate stable underlying growth at CAGRs of between 2 percent and 5 percent from 2016 to 2020. Within the Air Treatment Market, end markets that generated approximately 80 percent of the Air Treatment business area's net sales for the year ended 31 December 2016 are expected to grow at faster rates than GDP levels from 2016 to 2020, according to the Commissioned Market Study. The graph below sets forth the composition and expected growth rates of the end markets within the Air Treatment business area.




Source: Commissioned Market Study
Note: Market size including services and components. Other markets include utilities, semi-conductors and other electronics, preservation, transport, chemical, defence, ice rinks and water damage recovery. Other Commercial / DOAS market excludes dehumidification in supermarkets in the United States and Canada, which is included in Supermarkets segment, and ice rinks in the United States and Canada, which are included in Other.

## The Data Centers Market

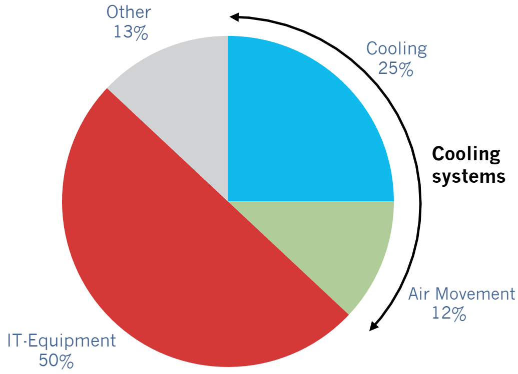
### Overview

Within the broader data center cooling market, Munters operates in the air economiser market (the "**Data Centers Market**") of the data center room cooling segment within the broader data center cooling market, and focuses on indirect evaporative cooling systems. The Data Centers business area's net sales accounted for 11.3 percent of Munters' total net sales for the year ended 31 December 2016. The exhibit below illustrates the structure of the data center cooling market and market size in 2015.

In the indirect evaporative cooling sub-segment of the air economiser cooling market, which is comprised of closed circuit cooling solutions, Munters supplies its Oasis System. In the direct evaporative cooling sub-segment of the air economiser cooling market, which is comprised of open circuit cooling solutions, Munters supplies evaporative pads and sub-systems. Co-location and digital customers have shown a preference for air economiser solutions because of the efficiency of these systems. As a result, the air economiser market is expected to be the fastest growing market of the data center room cooling segment, according to the Commissioned Market Study.

Data centers currently consume approximately 2 percent of the world's electricity, and, in some locations, this percentage can be even higher. For example, Amazon's data center in Dublin consumes approximately 4 percent of the city's electricity. With cooling accounting for up to 40 percent of a data center's energy costs, data center cooling is estimated to consume almost 1 percent of the world's electricity. Typical medium to large-sized data centers generate a heat load of 0.5 to 50+ megawatts.

Cooling represents a significant component of data center operating costs. The chart below illustrates a typical composition of a data center's energy operating costs.

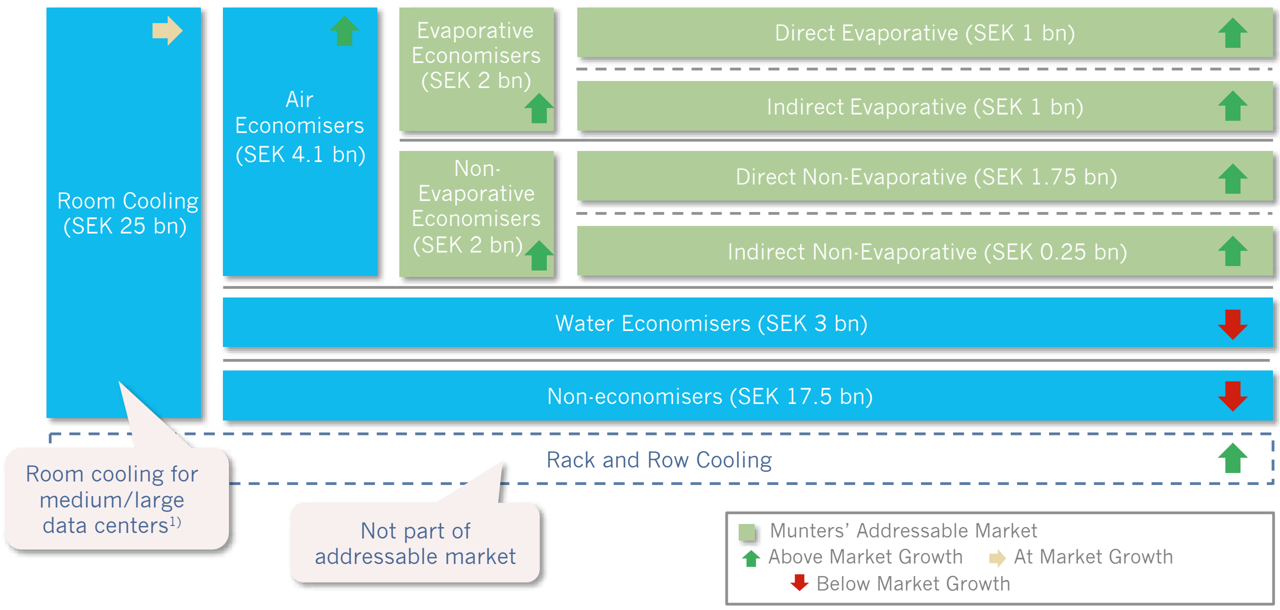



Source: Commissioned Market Study

In addition, depending upon the type of customer, data center investments can represent a significant component of the customer's operating expenses and capital expenses. For example, co-location and digital customers operate and run data centers as part of their core business models, and the operating expenses and capital expenses of these customers can be impacted significantly by data center investments, according to the Commissioned Market Study.

### Competitive landscape and market position

Munters is a market leader in indirect evaporative cooling solutions for data centers with a 30 percent share of supply, according to the Commissioned Market Study. In addition, it is a leading subsystem and component supplier in direct evaporative sub-segment with a market share of 7 percent, according to the Commissioned




Source: Commissioned Market Study

1) Excluding small data centers (<500KW, and retrofit as not currently technically feasible).

Market Study. This translates into a market share of approximately 10 percent in the air economiser market, where Munters holds a top four position and competes with full scope global players such as Emerson, Schneider Electric, medium size players, such as Stulz and Nortek, and specialist niche players, such as Kyoto Cooling. According to the Commissioned Market Study, more than 50 percent of the indirect evaporative cooling systems installed in data centers globally are Munters' indirect evaporative cooling systems. Group management expects that Munters' share of supply will decrease going forward.

## Data Centers Market growth drivers

Demand for data centers is growing and keeping these facilities operational at all times is essential for data center owners and users. Precision control over the temperature of the equipment in data centers is critical for the overall reliability and uptime of the data center, as electronic equipment could fail at high temperatures. Technological advancement in data center hardware has increased temperature thresholds of data center processors and other hardware, which has raised the cooling temperatures of data centers. This has moved the market demand in the Company's favour and provided ideal conditions for Munters' solutions given Munters' technological expertise in operating at these higher temperatures. The service level agreements between co-location data center owners and their customers often stipulate strict penalties if IT equipment is exposed to temperatures that fall outside agreed bands, as well as guarantees on data center uptime (with strict fines if breached). In addition, excessively high or low humidity can cause IT equipment to fail. Contaminants, such as salt, dust or pollen, entering data center facilities with outside air can also cause equipment failure. The data center industry focuses on reliability and also seeks solutions that reduce energy costs, given that energy is their largest individual operating cost item and data center cooling is estimated to consume almost 1 percent of the world's electricity, according to the Commissioned Market Study.

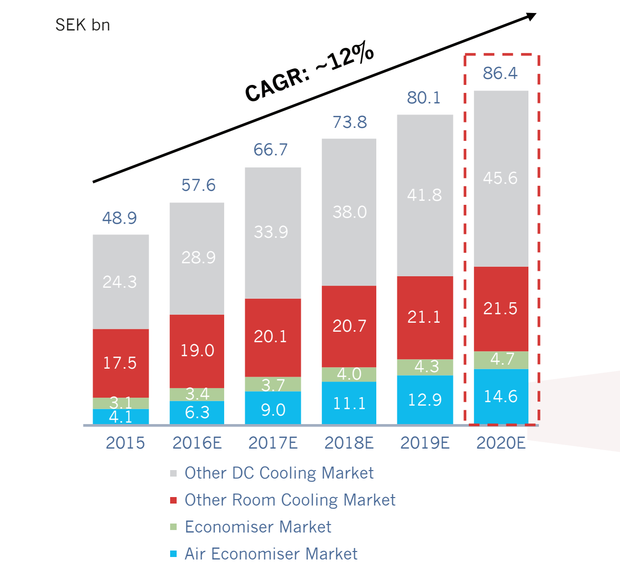
According to Cisco, global data traffic is expected to grow significantly from 2015 to 2020, which is expected to increase the demand for new data centers and larger data centers and consequently demand for data center cooling solutions.

## Data Centers Market growth outlook

According to the Commissioned Market Study, the total data center cooling market is expected to grow from SEK 57.6 billion in 2016 to SEK 86.4 billion in 2020, representing a CAGR of 11 percent, and the data center room cooling segment is expected to grow from SEK 28.7 billion in 2016 to SEK 40.8 billion in 2020, representing a CAGR of 9 percent. The growth in the room cooling segment is expected to be driven mainly by significant growth in the air economiser market and economiser market, which are expected to grow at CAGRs of 23 percent and 8 percent, respectively, in the same period, according to the Commissioned Market Study. Munters operates in the air economiser market (including direct evaporative, indirect evaporative and non-evaporative sub-segments), which is expected to grow from SEK 6.3 billion in 2016 to SEK 14.6 billion in 2020, with a higher rate of growth over the near term before slowing to a lower growth rate over the medium term. From 2015 to 2020, the sub-segments of the air economiser market are expected to deliver a CAGR of at least 27 percent, according to the Commissioned Market Study.

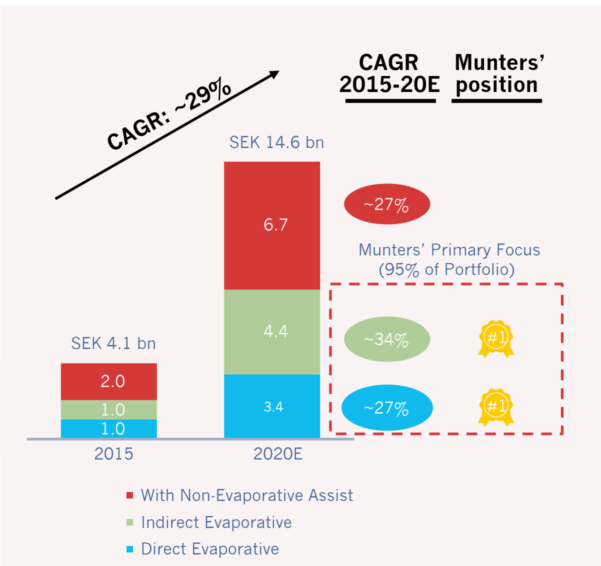
The charts below illustrate the composition and expected growth in various segments of the data center cooling market from 2015 to 2020.

### Data Centers Cooling Market Growth




Source: Commissioned Market Study

### Air Economiser Market Growth



According to the Commissioned Market Study, market demand is driven by new builds and services/spare parts, which represented 89 percent and 11 percent, respectively, of the Data Centers Market in 2015.

## The AgHort Market

### Overview of the end markets

Global factors such as growing global population, GDP, increasing consumer awareness of animal welfare and focus on food safety results in the need for improvements in farm efficiency, including advanced climate control in farming applications. The AgHort Market was estimated to amount to SEK 10.5 billion in 2016, and is expected to grow at a CAGR of 6 percent from 2016 to 2020, to SEK 13.3 billion in 2020, according to the Commissioned Market Study. The AgHort business area's net sales accounted for 28.2 percent of Munters' total net sales for the year ended 31 December 2016. Within the AgHort Market, the end markets with the greatest importance for Munters in terms of net sales are the broiler, swine and layer end markets. For the year ended 31 December 2016, the broiler, swine, layer, greenhouse and dairy end markets are estimated to have accounted for 46 percent, 27 percent, 17 percent, 6 percent and 4 percent, respectively, of the AgHort business area's net sales.

*Broiler and layer end markets*

The broiler and layer end markets relate to poultry farming. Within the broiler end market, poultry farms focus on preparing poultry for meat production. Within the layer end market, poultry farms focus on egg production. In the broiler and layer end markets, there is a strong correlation between maintaining the proper environment in farm houses and the wellbeing of birds, which makes climate control one of the key factors for a farm's economics. A climate control failure can result in mortality rate escalation within 15 minutes. In addition, animal populations can experience heat stress during the summer, which negatively affects growth and productivity. During the winter periods, ventilation is critical to maintain sufficient air quality inside facilities. If the minimum ventilation rate is exceeded by bringing more cold air from the outside the cost of heating increases, thereby adversely affecting farm profitability. This can also lead to increased mortality rates and reduced growth rates.

Key opinion leaders, such as large broiler integrators, have a strong impact on ventilation specifications and buying decisions. A key priority for end users and distributors in both markets is application know-how, system efficiency and system durability and reliability. Munters differentiates itself from the competition by providing application expertise, which has been built upon the Company's extensive experience of serving the broiler and layer end markets. In addition, Munters' products are among the strongest in terms of reliability and durability, according to the Commissioned Market Study.

According to the Commissioned Market Study, climate control can represent between 15 percent and 20 percent of total construction costs related to a new farm house within the broiler end market, but can significantly impact the operating costs of the respective farm.

*Swine end markets*

Ventilation and climate control in swine farms are critical to reduce mortality and disease within the swine population, and to improve farm economics. Heat stress negatively affects the ability of sows to produce milk for piglets, which adversely affects the piglets' growth and increases the risk of mortality. Poor air quality also leads to lung disease amongst pigs, which requires farmers to use costly and potentially consumer adverse antibiotics.

*Dairy end markets*

In dairy production, climate solutions (primarily ventilation) for dairy houses increase animal comfort and improve milk production. Increasing pressure on milk producing farms to improve productivity makes climate solutions that can reduce feed costs and improve milk production critical for dairy farmers.

*Greenhouse end markets*

Greenhouse manufacturers are one of the most technologically advanced end users of Munters' AgHort equipment. High tech greenhouse production can increase yields up to ten times compared to open field production. With vegetable production moving to more temperate climates to reduce costs and carbon footprint, climate control solutions are becoming increasingly critical for greenhouse owners.

### Competitive landscape and market position

Munters is a leading provider of advanced climate control in the layer and broiler end markets, which together represented an estimated 63 percent of the net sales generated by the AgHort business area for the year ended 31 December 2016, and 66 percent of the AgHort Market in 2016. The table below illustrates Munters' position and competitive landscape in end markets.

| | | Broiler | Layer | Swine |
|---|---|---|---|---|
| Mid/ Premium | Munters | #1 | #1 | # 1 - 3 |
| | GSI | # 2 | # 2 - 3 | # 1 - 3 |
| | CTB | # 3 - 5 | # 2 - 3 | # 1 - 3 |
| Low cost | Hog Slat | # 3 - 5 | # 4 - 5 | # 4 - 5 |
| | Big Herdsman | # 3 - 5 | # 4 - 5 | # 4 - 5 |

Source: Commissioned Market Study

In the broiler and layer end markets, Munters holds leading positions with approximately 16 percent and 25 percent market shares, respectively. Munters' key competitors in the broiler and layer markets include mid-level and premium equipment manufacturers as well as low cost manufacturers. In the broiler market, Munters is especially strong in the climate controllers segment in the United States and Brazil and to a lesser extent in Europe. In the layer market, Munters has leading positions in the United States and Europe.

In the swine end market, Munters is one of the leading players with a market share of approximately 12 percent and a strong position in the United States. Munters' key competitors in this market are mid-level and premium equipment manufacturers. Munters' acquisition of Reventa in 2015 contributed to a more complete product portfolio and stronger position towards cold climate regions.

## AgHort Market growth drivers

The underlying growth of AgHort Market and end markets is underpinned by global factors such as population and GDP growth, and is further supported by food and industry trends. Specifically, improving global living standards increase protein consumption and the popularity of white meat and eggs. Vegetable production is moving to more temperate climates to reduce costs and carbon footprint, driving the need for greenhouses with a controlled climate. Another important trend that drives the need for advanced ventilation solutions in AgHort Market is increased consumer awareness of animal welfare and growing demands to improve animal comfort.

Swine and poultry farming are competitive industries with a focus on profitability improvements. The shift to precision farming is ongoing with farming technologies becoming more sophisticated, including climate control technologies. Consistent indoor climate is a critical factor in reducing mortality, improving animal welfare and improving feed conversion. According to the Commissioned Market Study, climate equipment comprises only 15–20 percent of the equipment cost for a new farm house, but affects 85 percent of the running cost, and maintaining an optimal climate control can generate 10 percent operating expenses savings. In addition, there is an ongoing trend in the AgHort Market to increase connectivity and data collection and analysis in order to optimise farm and food chain performance. Group management believes that the Company's acquisition of MTech Systems will assist it in tracking this trend.

The end markets of the AgHort business area are driven by a number of unique regional and market factors that are specific to these end markets. These drivers include regional sales trends and developments, consumer preferences and variability in input (feed, fertiliser, etc.) and output (meat, eggs, tomatoes, etc.) prices. As a result, the end markets fluctuate, periods with high investment activity and demand followed by periods reduced investment activity and demand. Historically, these periods of reduced investment activity and demand have occurred every four years and, based on these historical patterns and market data available regarding these drivers, Group management expects that the end markets of the AgHort business area will experience reduced investment and demand in 2017. However, these end markets have generally grown at a faster rate than GDP due to the stable and favourable mega-trends as discussed above.

According to the Commissioned Market Study, market demand is driven by new builds, retrofits/replacements and services/spare parts, which represented 31 percent, 59 percent and 10 percent, respectively, of the AgHort Market in 2015.

The table below sets forth certain of the key drivers of the end markets of the AgHort business area.

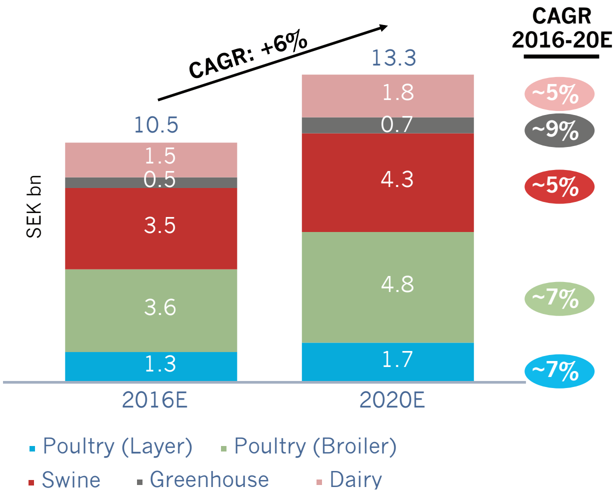
| Swine | Broiler | Layer | Dairy | Greenhouse |
|---|---|---|---|---|
| ✓ Population growth<br>✓ GDP per capita growth<br>✓ Shift from competing technologies<br>✓ Already sophisticated farms moving into more advanced solutions | ✓ Population growth<br>✓ GDP per capita growth<br>✓ Shift to white meat<br>✓ Shift from competing technologies<br>✓ Farms with forced ventilation upgrading to more advanced technology | ✓ Population growth<br>✓ GDP per capita growth<br>✓ Shift from competing technologies<br>✓ Farms with forced ventilation upgrading to more advanced technology | ✓ Population growth<br>✓ GDP per capita growth<br>✓ Increased demand for ventilation systems as farmers realise importance of ventilation for higher milk production | ✓ Population growth<br>✓ GDP per capita growth<br>✓ Technologically advanced industry where growth comes from increase in sheltered food production |

Source: Commissioned Market Study

### AgHort Market growth outlook

According to the Commissioned Market Study, the AgHort Market is expected to grow from SEK 10.5 billion in 2016 to SEK 13.3 billion in 2020, representing a CAGR of 6 percent. The layer and broiler end markets are both expected to grow at CAGRs of 7 percent in the same period primarily driven by increased demand for protein rich food such as eggs and white meat and increasing technology usage. Similar to the layer and broiler end markets, a technology shift is expected to drive growth in the swine end market. As a result, the end market is expected to grow at a CAGR of 5 percent from 2016 to 2020, according to the Commissioned Market Study. The greenhouse end market, which is the most technologically advanced among the various end markets, is expected to grow at a CAGR of 9 percent in the same period, with the majority of growth driven by sheltered food production.

The chart below illustrates the composition and expected growth of the AgHort Market and end markets.




Source: Commissioned Market Study

## The Mist Elimination Market

### Overview of the end markets

Mist eliminators are critical components of both exhaust gas cleaning and gas and liquid separation equipment used by Munters' customers in power generation, marine and process end markets. The Mist Elimination business area's total addressable market amounted to SEK 2.4 billion in 2016 and is expected to grow at a CAGR of 6 percent from 2016 to 2020, to SEK 2.9 billion in 2020, according to the Commissioned Market Study. The Mist Elimination business area's net sales accounted for 7.2 percent of Munters' total net sales for the year ended 31 December 2016. Within the Mist Elimination Market, the end market with the greatest importance for Munters in terms of net sales is the power end market. For the year ended 31 December 2016, the power, process and marine end markets are estimated to have accounted for 74 percent, 19 percent and 7 percent, respectively, of the Mist Elimination business area's net sales.

#### *Power end market*

Flue gas desulphurisation technology is critical for coal-fired power plants, as it is used to achieve compliance with stringent environmental legislation. Desulphurisation is carried out in scrubbers for coal fired power plants, where flue gases are sprayed with a mixture of water and chemicals that bind sulphur and other contaminants. The gases then pass through mist eliminators that capture the contaminated droplets.

Munters' strong position in the coal flue gas desulphurisation market has been achieved and sustained through a strong value proposition and internal capabilities. Munters strong performance is achieved through a combination of application know-how, high performing mist eliminators and short lead times. Despite some pressure from low-cost regional players, existing capabilities and targeted initiatives position Munters well to capture opportunities in China and India (the latter through the Company's acquisition of Kevin Enterprises).

Wind turbines are typically cooled using indirect cooling, specifically water or evaporation cooling. However, direct air cooling is becoming increasingly common, as it requires less capital expenditure and is cheaper to operate than indirect cooling.

Direct cooling systems use ambient air to cool the drive shaft and gearbox area of wind turbines. In order to reduce the risk of corrosion and mould build-up inside the turbine, cooling air needs to be filtered, and air droplets must be removed from it.

#### *Process end market*

Mist eliminators for in-process gas and liquid separation remove liquid droplets in processes such as evaporation, desalination and distilling. Such mist elimination solutions are used in steel, pulp and paper, chemical and petrochemical industries, where liquid droplets can cause severe technical problems such as reduced process efficiency, physical damage to downstream components, and loss of product and process fluids.

#### *Marine end market*

Mist eliminators are used at the air intakes of different equipment. For example, mist eliminators are used in ventilation systems for marine and offshore applications, or at the air intakes of gas and wind turbines. Mist eliminators capture water droplets, snow and ice particles and protect the ventilation system and the equipment from corrosion and mould.

### Competitive landscape and market position

The coal flue gas desulphurisation market is consolidated with three major players and low-cost local Chinese competitors. Munters' Mist Elimination business area has a leading position in the North American and Asian coal flue gas desulphurisation markets, which represented a significant percentage of the Mist Elimination business area's net sales for the year ended 31 December 2016. Munters competes for the leading position in Europe with RPT. The table below illustrates Munters' position in each of the regions.

| | | Flue Gas Desulphurisation (FGD) | | | | |
|---|---|---|---|---|---|---|
| | | Americas | EMEA | APAC | Process | Marine |
| International Players | Munters | #1 | #1 | #1 | ✓ (Top 5) | ✓ #1 in Emission Gas Cleaning (EGC) |
| | Koch-Glitsch | #2 | #3 | ✗ | ✓ | ✓ |
| | Sulzer | ✓ | ✓ | ✓ | #1 | ✗ |
| | Rpt | ✗ | #1–2 | #2–3 | ✗ | ✗ |
| | Peerless | ✓ | ✓ | ✓ | ✓ | ✓ |
| Local European Competitors | Lechler, Ensepatec, Optimize | ✗ | ✓ | ✗ | ✓ | ✓ |
| Local Chinese Competitors | Agilis technologies, Spc, Demster | ✗ | ✗ | ✓ | ✗ | ✗ |

Source: Commissioned Market Study
Note: (✗) denotes no significant presence

## Mist Elimination Market growth drivers

### *Power end market*

In recent years, governments across the world have introduced more stringent environmental regulations to reduce hazardous emissions from power plants. A plant can be closed down by regulators if it does not meet emission standards. As a result, flue gas desulphurisation technology became mission critical for coal-fired power plants.

The flue gas desulphurisation segment is driven primarily by new build and retrofit opportunities in China and India following increasing regulatory demands for clean coal. Established markets in North America and Europe are expected to be flat, primarily driven by replacement business.

The growth of the wind turbine segment is expected to be driven primarily by demand in Europe due to the presence of key suppliers in this region. Within the gas turbine segment, growth opportunities exist related to the installed base of gas turbines, where there is less competition.

### *Process end market*

The process mist elimination market has historically been a steady growth market primarily driven by efficiency demand and increasing environmental requirements in underlying individual segments such as pulp and paper, steel and metals, chemicals and petrochemicals.

### *Marine end market*

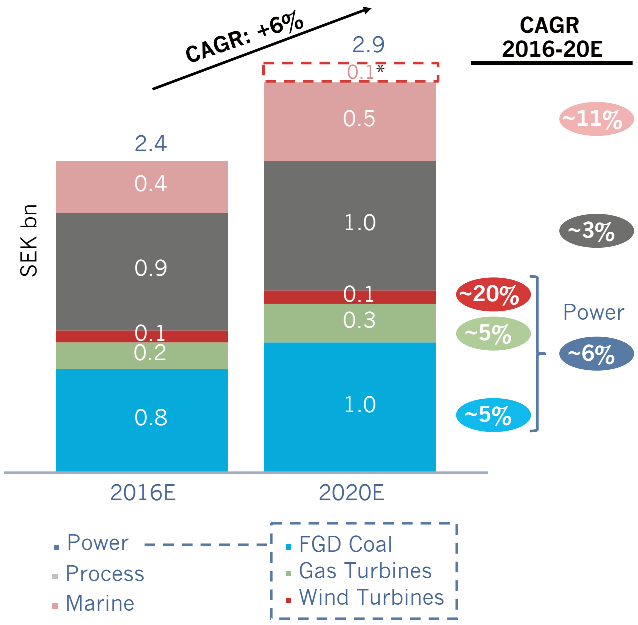
Marine mist elimination is currently a small market, which is underpinned by the growth in global ship traffic. In October 2016, the International Maritime Organisation's Marine Environment Protection Committee agreed to reduce the global sulphur oxide emissions by limiting fuel sulphur content from 3.5 percent to 0.5 percent by 2020, although the implementation of this agreement may be delayed until 2025. Significant incremental demand for mist eliminators is expected in the near future, as many customers were holding back investment in new scrubbers until there was certainty regarding the fuel sulphur cap legislation. In addition, market growth is affected by the price differential between regular and low sulphur fuel. Group management estimates that up to 4,000 ships could have scrubbers installed by 2020.

## Mist Elimination Market growth outlook

According to the Commissioned Market Study, the Mist Elimination Market is expected to grow from SEK 2.4 billion in 2016 to SEK 2.9 billion in 2020 (not including SEK 0.1 billion upside potential from the marine emissions gas cleaning ("**Marine EGC**") market, which is expected to peak in 2019 at SEK 0.4 billion), representing a CAGR of approximately 6 percent. The majority of the end markets are expected to demonstrate a stable CAGR of between 3 percent and 6 percent from 2016 to 2020 whereas wind turbines are expected to grow at a CAGR of 20 percent in the same period, according to the Commissioned Market Study.

According to the Commissioned Market Study, market demand is driven by new builds and retrofits/replacements, which represented 22 percent and 78 percent, respectively, of the Mist Elimination Market in 2015.

The chart below illustrates composition and expected growth of end markets.




* Marine EGC market upside potential
Source: Commissioned Market Study

# Business description

## Overview

Munters is a leading global provider of energy efficient and mission critical precision climate control solutions for commercial and industrial applications. The Company leverages its application expertise and advanced technologies to offer its business-to-business customers engineered solutions that are designed to deliver each customer's "perfect climate". The Company provides advanced climate control solutions that are customised and developed to meet exacting specifications and requirements. These customised climate control solutions are used by customers in mission critical applications within targeted end markets, where precision of control over climate and other air quality parameters has a direct impact on the success and operations of the customers' businesses.

The Company operates in four business areas:

- **Air Treatment** – provides customised dehumidification, cooling and air control solutions for the food, pharmaceuticals, electronics, industrials, utilities, supermarkets and other commercial end markets. According to the Commissioned Market Study, the business area has a leading market position in end markets that represented 66 percent of the business area's net sales for the year ended 31 December 2016. The Air Treatment solutions are designed to improve production efficiency, product quality and energy efficiency. In many cases, these solutions include customised equipment that is integrated directly into customer production processes. This business area generated 54.5 percent of the Company's net sales for the year ended 31 December 2016.
- **Data Centers** – provides precision climate control systems to medium and large scale data centers. According to the Commissioned Market Study, the business area is a leader in the direct and indirect evaporative market sub-segments of the air economiser market within the broader data center cooling market, and has a leading market position in the air economiser market, which represented 95 percent of the business area's net sales for the year ended 31 December 2016. These systems are designed to improve the energy efficiency, performance and reliability of data centers. This business area generated 11.3 percent of the Company's net sales for the year ended 31 December 2016.
- **Agriculture and Horticulture ("AgHort")** – provides a full suite of climate control solutions for the poultry (layer and broiler), greenhouse, dairy and swine end markets. According to the Commissioned Market Study, the business area has a leading market position in end markets that represented 64 percent of the business area's net sales for the year ended 31 December 2016. AgHort products are designed to improve productivity, animal welfare and energy efficiency. This business area generated 28.2 percent of the Company's net sales for the year ended 31 December 2016.
- **Mist Elimination** – provides mist eliminators that separate liquids from gas flows for the power, process and marine end markets. According to the Commissioned Market Study, the business area has a leading market position in end markets that represented 73 percent of the business area's net sales for the year ended 31 December 2016. Mist Elimination products are designed to assist customers in complying with regulations and improving processes and operating efficiency. This business area generated 7.2 percent of the Company's net sales for the year ended 31 December 2016.

The Company also offers a variety of aftermarket services to customers, primarily within the Air Treatment and Data Centers business areas. These services range from installation and repairs to supervision and performance optimisation, and help to ensure that the Company's solutions are properly maintained and optimised for customer use. The Company's service offering focuses on the specialised needs and applications of its customers, and has become one of the key components of the Company's operations and strategy. The net sales generated by the Company's services operations have increased by 55 percent from the year ended 31 December 2014 to the year ended 31 December 2016, and the services operations generated 10.7 percent of the Company's net sales in the year ended 31 December 2016.

The Company operates globally with more than 3,500 FTEs working in over 30 countries to sell Munters' products and solutions to a diverse range of customers, including global blue chip companies, in over 180 countries. For the year ended 31 December 2016, the Company generated 41.4 percent, 40.0 percent and 18.6 percent of its net sales in the Americas, EMEA and Asia, respectively. As of the date of this Offering Memorandum, the Company has a production footprint that includes 18 major manufacturing facilities and seven assembly units across 16 countries worldwide. The Company's manufacturing process is customer oriented and focused on delivering quality products to customer specifications. To support these operations and the Company's customer proposition, the Company seeks to apply and improve upon its core technologies and product capabilities through dedicated research and development operations within each business area. This structure facilitates close working relationships among the research and development teams, sales teams, engineers and customers' production engineers, which helps to develop products that address specific customer needs within each business area.

The Company has an experienced management team with a proven track record of delivering on operational and strategic initiatives, and has increased net sales at a CAGR of 19.7 percent from the year ended 31 December 2014 to the year ended 31 December 2016, and has increased its Adjusted EBITA Margin from 7.6 percent to 12.9 percent over the same period. For the year ended 31 December 2016, the Company generated net sales of SEK 6,040 million and an Adjusted EBITA of SEK 781 million. During the periods under review, the Company's net sales have been driven by organic growth, currency fluctuations and the positive impact of the Company's various acquisitions. The Company has made four acquisitions since 1 January 2014, including the recent acquisitions of MTech Systems and Kevin Enterprises in 2017, which have positively impacted the Company's product offering, financial performance and growth.

## History of Munters

| Year | Event |
|---|---|
| 1955 | Carl Munters & Co is formed |
| 1960s | Production of dehumidifiers began in the United States |
| 1970s | International distribution network expanded to cover Europe, North America and Japan |
| 1980s | Broad international expansion. The modern Munters takes shape through acquisition of sales agents |
| 1988 | Munters acquires a unique Swedish air purification technology |
| 1990s | Munters expanded and became an international group with own organisation in over 25 countries and manufacturing in over 14 countries |
| 1997 | Munters is listed on the Stockholm Stock Exchange |
| 1999 | Acquisition of Euroemme (cooling systems for the poultry industry) |
| 2001 | Acquisition of Aerotech (U.S. supplier for the AgHort industry) |
| 2005 | Formation of Global Divisions New organisational structure |
| 2007 | Acquisition of Des Champs Technologies (energy-efficient climate control solutions for commercial buildings) |
| 2007 | Acquisition of Turbovent |
| 2008 | Acquisition of Form (Turkish agriculture business distributor) |
| 2008 | Acquisition of Toussaint Nyssenne (energy-efficient systems for Air Treatment) |
| 2010 | Munters focuses on the core business and divests its MCS division to Triton |
| 2010 | Nordic Capital acquired Munters at the end of the year and on 23 December 2010, Munters was de-listed from the Stockholm Stock Exchange |
| 2011 | Acquisition of the majority share in Keruilai Air Treatment Equipment Co., Ltd (evaporative cooling industry), divested in 2015 |
| 2011 | Acquisition of the majority share in Rotem (Israeli provider of AgHort controllers) |
| 2013 | Acquisition of ProFlute (desiccant rotor manufacturing) |
| 2014 | Data center segment becomes a strategic focus for Munters within the Air Treatment business area |
| 2014 | John Peter Leesi appointed CEO leading to new "Your Perfect Climate" strategy |
| 2014 | Created a dedicated services organisation |
| 2015 | Divested loss-making heater business which was formerly part of the SCC business area |
| 2015 | Acquisition of HB Group (dehumidification products for food industry) |
| 2015 | Acquisition of Reventa (cold climate products in AgHort) |
| 2015 | Divestment of the household and light commercial cooler products business |
| 2016 | Carl Munters named Pioneer of Industry by American Society of Heating, Refrigerating and Air-Conditioning Engineers |
| 2017 | Data center segment separated from Air Treatment business area into a stand-alone Data Centers business area |
| 2017 | Acquisition of MTech Systems (software systems for poultry and swine production) |
| 2017 | Acquisition of Kevin Enterprises (establish presence in Mist Elimination in India) |

The history of the Munters brand dates back to 1955 and is characterised by four phases of development: "*An era of internationalisation*", "*Munters enters the stock market and broadens its business portfolio*", "*From technology focused generalist to customer focused specialist supplier of mission critical air treatment solutions*" and "*Transformed platform to drive long-term growth*". These phases of development are set out in more detail below:

- **An era of internationalisation** – In 1955, the Swedish entrepreneur, Carl Munters founded Carl Munters & Co. together with Marcus Wallenberg, Carl Wicander and Erling Berner. In the 1950s, Carl Munters & Co.'s primary focus was in the areas of dehumidification and evaporative cooling based on the initial ideas of Carl Munters. In the 1960s, Carl Munters & Co. expanded its production footprint by establishing production of dehumidifiers in the United States.

  In the 1970s, the Company expanded its international distribution network to cover Europe, North America and Japan, with increased demand for its products due to the oil crisis in 1973. Carl Munters retained an active role in Carl Munters & Co. and was part of the management team until his retirement in the early 1970s. During his lifetime, Carl Munters applied for close to 1,000 patents, 227 of which are still active today. In 1974, Carl Munters & Co. was acquired by Incentive AB.

- **Munters enters the stock market and broadens its business portfolio** – In 1997, the company was listed on the Stockholm Stock Exchange as Munters AB. Munters continued to expand internationally and broadened its business portfolio through a number of strategic acquisitions worldwide.

  In mid-2005, the Company was re-organised from three geographical regions into three global product divisions: Dehumidification, Moisture Control Services ("**MCS**") and Humidification and Cooling ("**HumiCool**"). Following a strategic review of the business portfolio, the MCS division was sold in 2010.

- **From technology focused generalist to customer focused supplier of mission critical air treatment solutions** – In 2010, Munters AB was acquired by Cidron Intressenter AB, a company indirectly wholly owned by Nordic Capital, and was subsequently delisted from the Stockholm Stock Exchange. Under the new ownership and the new management team lead by John Peter Leesi, who became CEO in 2014, Munters has been transformed by reshaping the business portfolio, focusing growth efforts, improving the operational platform and introducing a joint vision and strategy for the Group ("**Your Perfect Climate**").

  Following the change of ownership, Munters was reorganised into four business areas in 2011: Air Treatment, AgHort, Spot Climate Control ("**SCC**") and Mist Elimination. At the same time, Munters' global operations unit was established to manage the various manufacturing and assembly facilities, logistics and production-related aspects of the business. The new organisational structure was centered around customer applications rather than core technologies, and it prompted an increase in focus on customers, coordinated sales efforts and after-market sales. The new structure also prompted a strategic shift in customer targeting by concentrating the Company's focus on market segments where the Company's products are mission critical. To support the new strategic direction, a full assessment of the management at the time was carried out, resulting in, to date, the replacement of 11 members of the Company's general management team. In 2011, Jonas Ågrup joined the Company as CFO and Per-Arne Håkansson as head of HR and Communications, and in 2012 Johannes Fabó joined as head of Strategy and Business Development. In addition, business area managers were hired or recruited internally to target specific market opportunities within the Air Treatment and Mist Elimination business areas, and to develop a deep understanding of customer needs and promote a full application offering. For example, Per Hedebäck was hired as President of the Mist Elimination business area in 2011 and Neil Yule was hired as Director for the Data Centers business in 2014, which was converted to a business area in 2017.

  Following the change of leadership, the Company made significant investments in research and development to develop its Data Centers offering by leveraging Munters' core technologies, resulting in a patent-protected evaporative heat exchanger and innovative cooling solution (the "**Oasis System**"). The Dedicated Outdoor Air Systems ("**DOAS**") offering within Air Treatment was broadened and further refined to target additional commercial markets, such as education and hospitals, yielding significant savings compared to conventional technologies. To complement the existing technologies within each business area, synergistic acquisitions of Rotem (AgHort) and ProFlute (Air Treatment) were made in 2011 and 2013, respectively, with a focus on gaining access to new markets or customer groups, strengthening the Company's position within existing markets or complementing the existing offerings with new technologies. The loss-making heater business, formerly a part of the SCC business area, was closed down in 2014, the cooler business was divested in 2015 and the WET business was moved from the SCC business area to the Air Treatment business area the same year.

  As part of the transformation of the business, the Company implemented significant operational changes. The Company invested in product configuration tools, restructured its factory footprint and implemented a cost savings programme to create a leaner operating structure and improve its operational platform. Since 2013, nine factories have been consolidated, divested or relocated to low cost countries. In addition, several operational improvement programmes were implemented, on top of the rationalisation of the production footprint, including purchasing and sourcing, lean manufacturing and product cost-out programmes. Closer communication and cooperation between research and development, sales and production enhanced the ability to develop products according to specific customer needs, streamlined the production planning process and also contributed to lower production lead times. The increased application expertise gained from each customer interaction process was subsequently made available to the entire customer base.

To leverage on the Company's core technologies and focus on secular and emerging market growth trends, the Company pursued an expansion in China and India. To support this, Wolf Frank joined Munters and ultimately held the role of Head of China in 2013. In China, the Company's product portfolio was expanded by investing in local manufacturing capabilities. The Company expanded its operations within selected segments, such as its solutions used in the production of lithium-ion batteries. In addition, growth efforts were focused on the Mist Elimination business area in order to capture regulatory changes within the Chinese flue gas desulphurisation market in 2014. In India, the Company established a local assembly unit, with a focus on the Mist Elimination business area. These operations are supported by the acquisition of Kevin Enterprises (Mist Elimination) in 2017.

In the first half of 2014, additional management rotations were made. John Peter Leesi left the position as chairman of the Board to take on the role as CEO, and Sebastien Leichtnam joined as head of Global Services. In the wake of these changes, significant parts of the SCC division were divested and discontinued as they did not fit the Company's new vision and the Company's operational objectives were reassessed to concentrate efforts on segments and regions with high growth potential and where Munters could provide a differentiated customer offer. As a result, significant focus was devoted to strengthening the service business. Given the large untapped potential in Munters installed base, a decision was made to build a standalone Service organisation, develop a complete service offering and more actively selling service contracts alongside new equipment.

In 2013, the sales efficiency programme ("**Xpand**") was implemented in order to grow sales by making the organisation more industry-specific and knowledge driven. The number of sales and marketing-related FTEs increased by approximately 7 percent from 2014 to 2016 and the gross earnings per sales and marketing-related FTE increased by approximately 65 percent in the same period. On the cost side, the group-wide cost saving programme ("**Savings Ahead**") was launched in 2014 to reduce non-sales personnel and overhead roles. The programme helped to generate savings and increase efficiencies and was completed in 2015. The Company also utilises Genesys, a software platform that provides the Company with a consistent product offering, increased sales force efficiency and margin management, among other benefits.

In order to support the operational excellence initiatives and to build and maintain a homogenous culture, managers were trained in how support the "One Munters" culture across the Company. As a result, Munters has experienced a steady positive development in the employee net promoter score. The ongoing transformation of the business portfolio continued between 2014 and 2017 through synergistic acquisitions of HB Group (Air Treatment), Reventa (AgHort), Kevin Enterprises (Mist Elimination) and MTech Systems (AgHort) along with the divestment of the non-core cooler business (part of SCC). Group management also took an active decision to phase out its standard air handling units offering over time given a lower level of product differentiation.

- **Transformed platform to drive long-term growth** – Today, the Company has an established management team focused on furthering the Company's strategic transformation and driving the business forward by pursuing growth, operational improvements and the establishment of the "One Munters" corporate culture. The Company has a global presence with 18 major manufacturing sites and seven assembly units across 16 countries. Munters has sales operations in over 30 countries and its equipment is sold in over 180 countries globally. As of 31 March 2017, the Company had more than 3,500 FTEs worldwide.

  In addition, a number of strategic initiatives have been identified within the current business plan. The Company is focusing on maintaining its leading technology by continuously investing in research and development and strengthening the level of cooperation between research and development and customer-facing functions. For example, knowledge hubs for core technologies are expected to be important in increasing technology proliferation, and product selection software that facilitates combinations of the Company's core technologies into full systems in the most cost-efficient way is expected be further developed. To drive further penetration of the installed base and increased aftermarket sales, the Company plans to continue to increase the number of service engineer FTEs and launch more advanced service offerings based on IoT, such as energy optimisation and remote monitoring.

  Going forward, the Company strives to continue to deliver operational efficiencies throughout its production system and valued engineering solutions to its customers, as well as strengthen its sales organisation.

# Investment highlights

## Key strengths and competitive advantages

The Company believes that it benefits from the following six key strengths and competitive advantages:

- Sustainable outsized underlying market growth underpinned by long-term trends;
- Strong positions in niches with attractive competitive dynamics;
- Mission critical solutions for blue chip customers;
- Delivering on recently launched strategy;
- Strong track record of earnings growth, resilience and Cash Conversion; and
- Experienced management team and highly engaged workforce.

## Sustainable outsized underlying market growth underpinned by long-term trends

### *Favourable fundamental global trends driving attractive long-term market growth*

In its major established end markets, Munters supplies products to customers that operate in global industries, such as food, pharmaceuticals, manufacturing and agriculture, that serve fundamental human needs. According to the Commissioned Market Study, these markets are expected to demonstrate stable and positive growth from 2016 to 2020, driven by population and economic growth, increased food (and protein) consumption, industrialisation, urbanisation, and converging living standards globally.

Specifically, Munters benefits from an array of structural drivers across its end markets, all of which are expected to support long-term sustainable growth in the adoption of Munters' advanced climate control solutions:

- **Energy Efficiency** – Increased focus on reduction of environmental footprint, which drives demand for energy efficient technologies;
- **Quality and Productivity** – Increasing quality standards and competitive pressures underpin the need for solutions that drive higher efficiency and throughput, lower rejection rates and superior shelf lives. In agriculture, the growing global population and increased consumption of protein is driving a need for enhanced productivity in all aspects of agriculture;
- **Food Safety and Sustainability** – Focus on sustainability of food production increases demand for advanced climate control solutions that ensure optimal living conditions for farm animals and a hygienic environment for food processing;
- **Increasing Regulation** – Stricter environmental standards drive demand for solutions to clean pollutants from exhaust and flue gases. More stringent regulations for production environments or indoor climate require full control over the production environment (including temperature and humidity) and energy-efficient climate control in industrial and commercial buildings; and
- **Digital Revolution** – Growing data traffic and IoT with an escalation in use of cloud computing and connected devices.

### *Well Positioned to Capture High Growth in Selected End Markets*

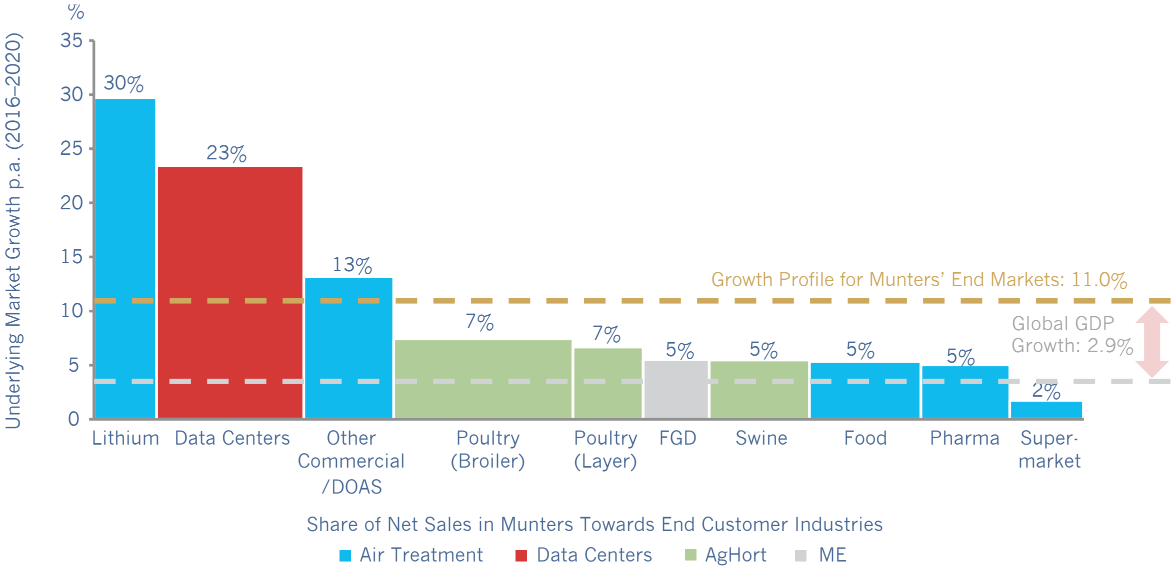
According to the Commissioned Market Study, Munters' total addressable market is expected to develop positively and grow at a CAGR of 11 percent from 2016 to 2020 (7 percent excluding the Data Centers Market; 9 percent based on end markets weighted by the Company's net sales for the year ended 31 December 2016), with end markets that generated more than 85 percent of the Company's net sales for the year ended 31 December 2016 expected to grow faster than global GDP.

In addition, certain of Munters' end markets are expected to benefit from high growth rates. For example, according to the Commissioned Market Study, the air economiser market within the broader data center cooling market is expected to continue to grow at a CAGR of 23 percent from 2016 to 2020. This growth is expected to be driven by the overall growth in the Data Centers Market, which is expected to be supported by an increase in the use of cloud computing and mobile devices, as well as the conversion of data centers from non-economiser cooling systems to economiser cooling systems.

In addition, according to the Commissioned Market Study, the lithium-ion battery end market for dehumidification solutions is expected to grow at a CAGR of 30 percent from 2016 to 2020. This growth is expected to be driven by the mission critical nature of dehumidification solutions in the production of lithium-ion batteries, where humidity has a negative effect on battery performance and lifespan and water vapour can act as a catalyst for the ignition of lithium-ion. In addition, this growth is expected to be driven by the adoption of electric vehicles and the anticipated increase in off-grid energy storage capacity.

As a further example, according to the Commissioned Market Study, the other commercial/DOAS end market is expected to grow at a CAGR of 13 percent in the United States from 2016 to 2020 (excluding DOAS for supermarkets), driven by stricter regulation of air quality and energy consumption. The DOAS market is relatively unpenetrated, with an estimated market for DOAS in commercial buildings in the United States of SEK 17 billion, according to the Commissioned Market Study.

The expected growth of Munters' primary end markets is set out in the chart below:




Source: Commissioned Market Study

## Strong positions in niches with attractive competitive dynamics

### *A leader in advanced niches of the climate control market with local and fragmented competition*

Munters leverages its technological expertise to focus on advanced high value-added segments of the climate control market. Munters is a business-to-business provider of advanced climate control solutions. It is not involved in consumer appliances business and does not supply conventional air conditioning, refrigeration, heat exchange or flow control equipment.

Due to the Company's global scale, customer base and know-how, Munters is a global leader in many of the end markets and end market segments in which it operates. According to the Commissioned Market Study, the Company has leading positions in end markets that together represented approximately 70 percent of the Company's net sales for the year ended 31 December 2016. Furthermore, according to the Commissioned Market Study, each business area has strong positions in its respective end markets:

- **Air Treatment** – The business area has a leading market position in end markets that represented 66 percent of the business area's net sales for the year ended 31 December 2016 and, based on the business area's net sales for the year ended 31 December 2016, had a share of supply of approximately 25 percent within the Air Treatment Market.
- **Data Centers** – The business area has a leading market position in the air economiser market, which represented 95 percent of the business area's net sales for the year ended 31 December 2016, and, based on the business area's net sales for the year ended 31 December 2016, had a share of supply of approximately 10 percent within the air economiser market.
- **AgHort** – The business area has a leading market position in end markets that represented 64 percent of the business area's net sales for the year ended 31 December 2016 and, based on the business area's net sales for the year ended 31 December 2016, had a share of supply of approximately 16 percent within the AgHort Market.
- **Mist Elimination** – The business area has a leading market position in end markets that represented 73 percent of the business area's net sales for the year ended 31 December 2016 and, based on the business area's net sales for the year ended 31 December 2016, had a share of supply of approximately 18 percent within the Mist Elimination Market.

Munters generally faces competition in its end markets from local or small niche players, which typically lack the breadth of Munters' product offering and research and development strength, and do not have a global footprint. Munters faces limited competition from HVAC manufacturers and, in many cases, Munters' solutions are complementary to HVAC systems.

### *End customer intimacy*

Munters' strategy is focused on developing a deep understanding of customer needs, and leveraging its application know-how and breadth of technologies and components to deliver engineered and customised customer solutions. In this sense, Munters differs significantly from conventional HVAC players, which simply offer their customers a selection of standard products and separate parts. The Company's sales team works in close collaboration with customers' production engineers and research and development department to ensure that the Company's engineered solution fits the specific criteria and application requirements of the customers and delivers the "perfect climate".

Munters has a long history of serving its end markets, and has built a deep understanding of customer requirements for particular applications. Munters strives to know its customers' needs and applications better than the customers themselves. Through these relationships, many of which are multi-year, Munters has been able to accumulate significant experience in identifying the right solutions for its customers. Munters leverages new insights across its entire customer base in a cost-efficient way. For example, as mist elimination products and solutions are generally based on similar technology, new insights gained in one product group, or from a particular customer's application, can be rolled out across other product groups and applications.

### *Vital equipment complementary to, not in competition with, traditional HVAC, representing low share of overall customer investment*

Munters' systems are used by customers in mission critical applications, yet they typically represent a small percentage of customers' overall investment in a project (e.g., a factory, production site, data center or farm). According to the Commissioned Market Study, customers tend to prioritise performance, reliability and quality of the equipment and are ready to pay a premium for Munters' equipment.

### *Technologies not applicable in "mass production"*

Munters is not involved in the production of consumer appliances and does not supply conventional air conditioning, refrigeration, heat exchange or flow control equipment. On the contrary, Munters provides customised and mission critical solutions to customers within targeted end markets where competition from low cost manufacturers is limited.

## Mission critical solutions for blue chip customers

The Company believes that it has a differentiated offering across a number of aspects, including deep application expertise and unique proprietary technologies. Munters' products feature high energy efficiency and reliability and can deliver substantial financial benefits to customers. Munters' strong reputation with customers is reflected in its net promoter score of 30, which is higher than the industry average of 19.

### *Mission critical solutions driving customer "stickiness"*

Munters' systems are used by customers in mission critical applications, where precision of control over humidity, temperature and other environmental parameters has a critical impact on production safety, product quality, operating efficiency, financial viability and/or compliance with environmental regulations.

The mission critical nature of Munters' solutions underpins the Company's longstanding relationships with a diverse range of blue chip customers, with no customer representing more than 5 percent of the Company's net sales for the year ended 31 December 2016. Munters is often deeply embedded in the process of determining the best climate solution, given the non-commoditised nature of the marketplace and the high degree of customisation required. Further, Munters' solutions are frequently designed with, and sold directly to, its customers, while competitors typically market and sell their products through distributors and integrators. As a result, customer relationships are often "sticky", as reflected by the fact that many customer relationships date back up to 25 years.

### *Deep customer applications knowledge*

Munters has application expertise that has been developed over decades, and Group management believes Munters, in many instances, is recognised as understanding their customers' needs better than the customers themselves. Given the tailored nature of the equipment that Munters provides, the Company has found that having the research and development function as close as possible to customers is the most efficient way to drive innovation.

Each business area has a research and development function, which works together with the sales force and engineers to develop products according to the specific needs of the customers. At the same time, Munters is focused on retaining the rights to its core technology, intellectual property and research and development. There are no exclusivity agreements in place regarding Munters' intellectual property, which enables the Company to roll out and offer its inventions and product enhancements across its customer base.

### *Industry-leading component technology*

The Company has a strong track record of technological achievement and innovation with a portfolio of 212 patents and 50 pending patent applications. Munters continues technological development, and many of the recent product launches contain new patent protected technologies.

- **Air Treatment Technologies** – Munters' air treatment technologies include proprietary patent-protected desiccant rotors, VOC abatement rotors and evaporative cooling pads. Munters' desiccant rotor technology, for example, is generally regarded as one of the most energy efficient dehumidification technology currently available, especially well-suited for removing moisture from the air to achieve and maintain a low humidity level.
- **Data Centers Technologies** – Munters' Data Centers technologies include, for example, the Oasis System's patented evaporative polymer heat exchanger, which provides high levels of reliability and energy efficiency.

- **AgHort Technologies** – Munters' AgHort technologies include climate controllers, evaporative cooling and Munters Drive technology, which, for example, is used in fans for agricultural applications. Munters Drive technology can deliver fan energy cost savings and eliminates bearing, belt and tensioner maintenance, which can improve reliability and durability.
- **Mist Eliminator Technologies** – Munters' Mist Eliminator technologies include mist eliminators for flue gas desulphurisation scrubbers, air intakes and gas and liquid separation with configuration tools that promote and help to select the optimal product configuration.

In addition, Munters has a track record of highly regarded investments in product quality, as reflected by the significant investment in a data center factory acceptance test facility, which underpinned its success in winning orders from leading data center players.

Munters excels at combining components based on its core technologies, such as desiccant rotors or evaporative media, into new innovative products and customised systems for its customers. Munters' systems can be custom-designed taking into account specifics of the customer's production environment, required footprint, available sources of energy and other customer-specific parameters.

### *Tangible financial benefits for customers*

Munters' solutions can deliver substantial financial benefits to its customers through significant energy savings and cost reductions due to the high reliability and durability of Munters' products, as well as increased product output and quality. The tangible financial effects, combined with relatively low initial investment, result in an attractive return on investment proposition for customers.

Indicative examples of savings for end customers include delivering up to:

- 65 percent energy savings related to data center cooling from using Munters' indirect evaporative cooling solutions, compared to water cooled chillers;
- 40 percent energy saving in supermarkets from using Munters' DOAS, compared to traditional air conditioning units;
- 45 percent reduction in certain operating expenses related to cooling in industrial processes and comfort spaces from using Munters' desiccant cooling solutions, compared to conventional compressors and/or refrigerant technology;
- 30 percent energy savings from using Munters' Power-Purge dehumidification technology in pharmaceuticals manufacturing compared to standard designs;
- 40 percent fan energy savings for forced ventilation at farms with Munters Drive technology compared to using conventional fans;
- 10 percent increase in power output from gas turbines using Munters' evaporative cooling technology, compared to gas turbines that do not use coolers;
- 30 percent energy reduction for ventilation in dairy farms using Munters' products, compared to using conventional fans;
- 10 percent operating cost reduction when running a "controlled climate" in farms, as energy usage and feed consumption decreases; and
- 99 percent reduction of SOx from coal-fired power and ship exhaust gas desulphurisation using Munters' Mist Elimination products in wet flue desulphurisation scrubbers, compared to solutions without scrubbers.

The above indicative examples are illustrative examples based on case studies. These examples reflect specific circumstances applicable to each study and should not be understood as general energy, cost or other savings potential in other circumstances.

### *Broad services offering*

Munters offers Air Treatment and Data Centers customers a wide range of aftermarket services from installation supervision and commissioning to maintenance, repairs, diagnostics and performance optimisation. Munters also supplies spare parts for its equipment.

The Company's products are manufactured from high quality parts and undergo thorough testing. Given their often mission critical nature, certain components, for example desiccant rotors, require regular performance checks and periodic replacement to ensure efficient operation of the climate control solution, which Munters delivers through its global services organisation.

Munters is well positioned in aftermarket services, primarily due to its knowledge of the desiccant technologies used in its air treatment equipment. In addition, the Company has specialised equipment and software to carry out performance tests and to calibrate and optimise the performance of its air handling units. In addition, certain services are performed by third parties, such as customers' in-house maintenance personnel or generalist HVAC maintenance and repair organisations. However, these third-party service providers generally lack the most critical elements of Munters' service offering, such as the skills or technology required to measure the performance of the equipment's core components.

## Delivering on recently launched strategy

Munters has a clear ambition to deliver profitable sales growth in line with attractive market growth rates in its main markets of operation. For more information on the Group's financial targets, see "*–Financial targets*". Improvement and growth initiatives are ongoing and planned in each business area and followed up in a structured process on a Group level. Some of these initiatives have been ongoing for some time already and have had a positive impact on the Company's net sales growth and operations. For example, the Company's expansion in the Data Centers Market and in emerging markets, and the expansion of the Company's services offering and operational improvement initiatives have each had a positive impact on the Company's business and operations. As a result of the growth of the Data Centers Market and the Company's expansion of its Data Centers business area, the Company has experienced an increase in market activity and demand for its data center products. For example, Group management estimates that the total value of the data center projects that are known to the Company, and that are expected to occur in 2017, has increased from approximately SEK 2.2 billion as of 31 March 2016 to SEK 7.6 billion as of 31 December 2016. These data center projects are not contracted or signed projects or orders of the Company and do not represent, and should not be viewed as indicative of, expected net sales. Furthermore, the order backlog of the Data Centers business area has increased and was SEK 33 million, SEK 112 million and SEK 392 million as of 31 December 2014, 2015 and 2016, respectively.

The Company has made progress in operational efficiency, footprint optimisation and streamlining of corporate functions. The Xpand programme was implemented globally across all business areas from June 2013 to December 2015 and helped to transform the Company's sales operations and create a more industry-specific and knowledge driven sales force. Several operational improvement programmes have been implemented, including the Company's Savings Ahead programme, sourcing initiative, Munters Production System and factory optimisation efforts.

The factory footprint has been improved through the consolidation of nine facilities since 2013, and Group management believes that there is further potential for savings through continued footprint optimisation and rationalisation. In parallel, the Company has invested in upgrading manufacturing equipment at selected plants and is focusing on production engineering excellence for manufacturing of core components.

In addition, Munters' product portfolio has been reshaped through targeted acquisitions, with a focus on acquiring new technologies, strengthening the Company's positions, or obtaining access to new markets and customer groups. The acquisition of ProFlute (Air Treatment) and Rotem (AgHort) reinforced Munters' technological leadership, whilst the acquisition of HB (Air Treatment) deepened application expertise, the acquisition of Reventa (AgHort) secured access to new customers and expanded Munters' product portfolio, the acquisition of MTech Systems (AgHort) enhanced the Company's software and data analytics capabilities and the acquisition of Kevin Enterprises (Mist Elimination) increased the Company's existing product portfolio to include mass transfer products, as well as increased its presence in India.

## Strong track record of earnings growth, resilience and Cash Conversion

Munters has an attractive financial profile with strong track record of sales growth, high profitability and strong Cash Conversion, reflecting the Company's strong business model and the strategic initiatives implemented as part of the transformation under the current management.

Illustrating this, for the three year period ended 31 December 2016, Munters' net sales increased at a CAGR of 19.7 percent and Adjusted EBITA Margin increased from 7.6 percent to 12.9 percent. Munters' net sales and Adjusted EBITA Margin development have contributed to strong Adjusted Operating Cash Flow, which is demonstrated by the Company's high Cash Conversion of 72.8 percent, 81.4 percent and 78.5 percent for the years ended 31 December 2014, 2015 and 2016, respectively. Group management believes that the Company's Cash Conversion will be supported by trends in Organic Net Sales Growth, the Company's ongoing initiatives to manage and reduce costs and the Company's planned investments in its operations. Furthermore, Group management believes that the Company's capital expenditures will increase for the year ended 31 December 2017 due to the Company's ongoing efforts to expand and improve its production footprint and equipment, with capital expenditures expected to decrease over the medium term as the Company fulfils its objectives related to the expansion of its production footprint. Due to the low-capital intensive nature of the Company's business model and its existing manufacturing and assembly platform, the Company has generated an attractive Return on Capital Employed of 32.9 percent for the year ended 31 December 2016.

Group management believes that the Company's business model is robust and resilient due to the Company's strong market position, attractive and diversified growth drivers and end customer intimacy. Between 2007 and 2009, which represented a challenging period as a result of the global financial crisis, Munters' net sales showed resilient performance. For the period from the year ended 31 December 2006 to the year ended 31 December 2016 Munters' net sales, as adjusted to reflect the impact of the divestment of MCS by Munters AB in 2010 and the restructured operations of the SCC business area in 2015, increased at a CAGR of 7.7 percent. For an explanation of the long-term financial information, see "*Presentation of financial and other information—Financial information—Quarterly and long-term financial information—Long-term financial information*". For a reconciliation of adjusted net sales to net sales for the periods, see "*Operating and financial review–Key factors affecting the results of operations—Strategic initiatives and Company transformation*".

### Experienced management team and highly engaged workforce

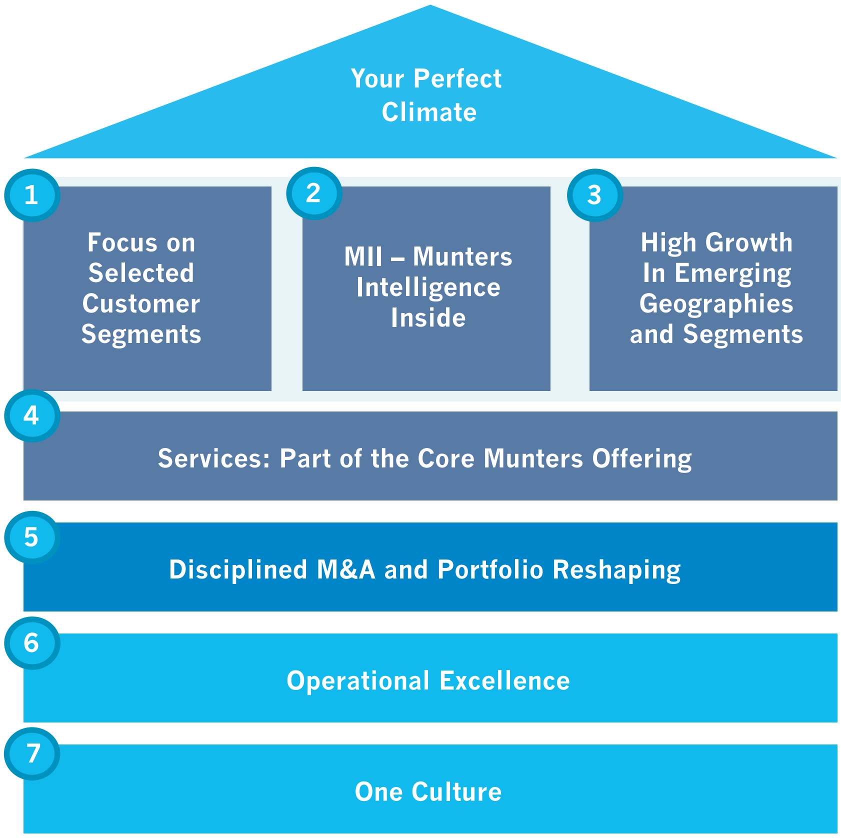
Munters has a highly qualified management team with a proven track record of success at the strategic, financial and operating levels. The management team has significant industry knowledge with an average of more than 20 years of relevant experience. The Company's senior leadership team has a combination of strategic vision, operational focus, and commitment to Munters' future success.

Following the appointment of John Peter Leesi as CEO in 2014, the organisation has been transformed by introducing a joint vision and strategy, as discussed in "–*History of Munters*" and "–*Strategy*". The management team has established a track record of executing on deployed initiatives.

Another key initiative has been the successful transformation of Munters' culture. The positive trends in the Company's culture are reflected in the attitude of its employees. According to the results of employee surveys, there has been a strong progress in how employees view the organisation culture at Munters. In 2016, the eNPS index, which measures if an employee would recommend Munters as a place to work, was significantly above industry benchmarks.

## Strategy

Under the leadership of the current management team, Munters was transformed by introducing a vision for the Group, "Your Perfect Climate". The change encompassed a combination of key themes, summarised in the exhibit below.




### 1 Continuously increased customer penetration, based on continuous innovation and offering development

In markets where Munters has strong positions and offers mission critical customised climate systems directly to end customers, Munters is focused on deepening its application expertise by continuing to co-develop applications and products with customers. Munters' strategy will be supported by hiring managers with focus on key industries, which enables them to better understand customer needs and to engage with industry associations and value-chain key opinion leaders to promote a full application offering.

## 2 Invest in core technologies to increase technology base and drive proliferation of core technologies

The Company intends to focus on maintaining its technology leadership by investing in research and development and maintaining the close alignment between research and development and customer-facing functions. In terms of the research and development organisation, knowledge hubs for core technologies will play a key role in increasing technology proliferation across the whole range of the Company's products and customers' applications.

Approximately 5 percent of Munters business involves products that do not utilise Munters' core technologies, and Munters intends to focus on further increasing the share of products with Munters' core technologies, including in the markets in which Munters sells standalone units and components rather than fully customised systems and where Munters' equipment is less critical to its customers. For such markets, Munters will seek to reduce its cost-to-serve through digital/inside sales channels with an aim to improve margins.

In order to increase penetration of core technologies in all customer applications, Munters plans to continue the development of selection software (Genesys, MEDA), which facilitates combination of individual components based on the Company's core technologies into full systems in the most cost-efficient way.

## 3 Growth in targeted niche segments and geographies

Maintaining market leadership in the growing data center room cooling market is a key priority for Munters. According to the Commissioned Market Study, the air economiser market within the broader data center cooling market is expected to grow at a CAGR of 23 percent from 2016 to 2020. The indirect evaporative cooling sub-segment of the air economiser market is expected to grow at a CAGR of 34 percent from 2015 to 2020. Munters has a strong market position in the indirect evaporative cooling sub-segment due primarily to its Oasis System and evaporative polymer heat exchanger.

Munters plans to also focus on developing its platform for the other commercial/DOAS end market, including adjusting its product offering based on core rotor technology and developing its offering for supermarkets outside of the United States. Group management believes that there is further opportunity to increase the Company's market penetration in the other commercial/DOAS end markets. This market is expected to grow at a CAGR of 13 percent in the United States from 2016 to 2020 (excluding DOAS for supermarkets), driven by stricter regulation of air quality and an increase in focus on energy efficiency.

Munters plans to pursue mist elimination opportunities regarding Marine EGC. In October 2016, the International Maritime Organisation's Marine Environment Protection Committee agreed to reduce global SOx emissions by reducing fuel sulphur content from 3.5 percent to 0.5 percent by 2020. Munters' leading position in the Marine EGC market positions it well to benefit from the Group management's expectation that shipping companies will increase their investment in emission-cleaning scrubbers. To support this growth, the Company has signed contracts and framework agreements with leading scrubber manufacturers.

The Company plans to continue to invest in research and development to maintain its leading technology and to expand its product range and sales force. In the Data Centers business area, research and development will be focused on developing a new generation of patent-protected evaporative heat exchanger and other innovative cooling solutions for geographies where water scarcity is a concern. For DOAS applications, research and development will focus on enhancing full product and service offerings for the supermarket, education and hospital end markets.

Munters is focused on continued expansion in China and India. The Company will pursue expansion in China by broadening the Company's country-specific product portfolio, investing in local manufacturing capabilities and expanding in selected applications and end markets, such as lithium-ion battery applications and VOC abatement. With the acquisition of Kevin Enterprises in India, the Company is focused on building a local organisation and manufacturing footprint in anticipation of accelerated growth, particularly in respect of the Company's Mist Elimination business area.

## 4 Capturing services potential by developing and improving the service offering

Munters intends to further develop its service offering to capture a higher share of recurring net sales generated by services. Historically, Munters was primarily focused on equipment sales, with services playing a support role comprising of installation support, commissioning, spare parts and warranty-related fixes and replacements. Currently, a small but growing percentage of Munters' customers with product installations have entered into service contracts with the Company.

Since 2014, Munters has focused on building a global services organisation and related infrastructure, and has expanded the number of FTEs in both its sales force and service engineer group. For example, the number of services FTEs has increased by 36 percent from 2014 to 2016. In addition, in the last two years, the Company mapped its base of existing customers with product installations, which has helped to identify a significant pool of customers to which the Company can introduce and expand its offering of services. This proactive approach to services, together with the Company's investments in its services offering, including its expansion of FTEs, has had a positive impact on the net sales, with strong net sales momentum generated by the Company's services operations. For example, net sales generated by the Company's services operations increased by 55 percent from the year ended 31 December 2014 to the year ended 31 December 2016. Based on the low level of customer penetration regarding the Company's services offering, Group management believes that there is additional opportunity to further grow the services business.

To drive growth of the services business, Munters will continue to focus on proactively penetrating the global base of existing customers with product installations, supported in part by its expansion of the number of services FTEs. For the year ended 31 December 2016, Group management estimates that its customer penetration for services was approximately 19 percent of the global base of existing customers with product installations. In addition, the Company will aim to increase the extent to which it cross-sells and bundles its aftermarket services with new equipment and product sales. The Company also plans to launch more advanced service offerings based on IoT, such as energy optimisation, remote monitoring and uptime guarantees.

## 5 Synergistic and strategic M&A and continued portfolio reshaping

Acquisitions are an integral part of Munters' growth strategy, and the Company intends to continue its focus on selected customers and end markets, expanding its technologies and capturing higher growth in emerging geographies and end markets. The Company believes that there are a number of acquisition opportunities to strategically grow into adjacent advanced climate related products and other value chain components of its customers' businesses, as well as into the software and connectivity solutions and related capabilities. Munters has a proven M&A track record and Group management believes that the Company has significant experience in identifying, acquiring and integrating companies. Since 1 January 2014, Munters has completed four acquisitions, and the discipline on purchase price together with efficient synergy extraction has put the Company in a position with a prospect to achieve an estimated average post-synergy acquisition EBITDA multiple of approximately 5x LTM EV/EBITDA since 2011, with the purchase price for the acquisition of MTech Systems slightly above this historical average and the purchase price for the acquisition of Kevin Enterprises in line with this historical average.

The Company will continue to re-shape and improve upon its product portfolio, and will review low-margin product lines and operations that do not utilise or contribute to Munters' core technologies for potential exits or divestment opportunities. An example of this is the standard air handling units businesses, which Group management have taken an active decision to phase out over time as the Munters' offering lacks a clear competitive edge and only marginally impacts profitability.

## 6 Driving margin expansion by continuing to roll out proven operational efficiency programmes

Munters is focused on driving margin expansion. Maturity and further growth of nascent business areas, such as Data Centers business area, as well as the Company's services operations are expected to have a positive impact on the Company's profitability. In addition, the Company will seek to use its global operating footprint and scale to increase operating leverage and to increase production volumes and drive further margin expansion.

Group management expects to continue to implement operational efficiency initiatives with respect to its manufacturing and sourcing activities. The Company sets annual improvement targets and tracks operational efficiency improvement for each manufacturing plant. These plans and targets, and the Company's ability to track improvements, are centered around the MPS, which the Company continues to roll-out and implement across its manufacturing facilities.

Munters will maintain focus on increasing sales effectiveness, which will be driven by ongoing investment in product selection software and digital sales channels. In addition, the Company is constantly working on strengthening the key account managers' organisation.

The Company has started to focus on strengthening its transactional pricing and pricing governance, and is exploring the possibility of a value-based pricing approach. Munters has generally increased its prices on a case by case basis, but has experienced positive results in instances in which the Company has used a more coordinated approach to price adjustments, such as its price adjustment strategy for certain products offered by the Company's Mist Elimination business area.

## 7 Build and maintain "One Munters" culture

Following the transformation of the Company's culture and the introduction of a joint vision and strategy ("**Your Perfect Climate**") Group management still views this as one of the top priorities going forward. Group management will continue to train senior and junior managers in how to build and maintain "One Munters" culture at every Munters site around the world. Group management have several ongoing initiatives to continuously strengthen the Company's culture, including a global ambassador programme, an extensive mentorship initiative and the Company's "Train-the-Trainer" concept. The development of the Company's culture and an engaged workforce is evidenced by a low employee turnover and strong and improving employee satisfaction from 2011 to 2016, based on an annual global survey.

## Financial targets

The Board of Directors has adopted the following financial targets for the Group:

- **Net sales growth –** Munters' objective is to achieve an annual organic sales growth of between 7–10 percent, supplemented by selective acquisitions.
- **Adjusted EBITA Margin –** Munters' objective in the medium-term is to have an Adjusted EBITA Margin of 14 percent.
- **Capital structure –** Munters aims to maintain a ratio of Net Debt to Adjusted EBITDA of 1.5x to 2.5x, and may temporarily exceed this level (*e.g.*, as a result of acquisitions).

See "*Presentation of financial and other information—Non-IFRS key operating metrics*". For detail regarding the historical development of the Company's sales growth, Adjusted EBITA Margin and capital structure, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*".

The Company sells its products and services to customers in different end markets, engages with customers in different industries and is impacted by a variety of external factors, as discussed in "*Operating and financial review—Key factors affecting the results of operations—Demand for the Company's products, solutions and services*". Accordingly, when adopting the Group's targets, the Board of Directors has specifically considered the prospective operational development of each of the Company's business areas as set out below. The Board of Directors believes that there is a reasonable basis to assume, over the medium term, the following:

- **Air Treatment** – net sales growth above the expected growth of the Air Treatment Market, in the middle of the Group's targeted medium-term range, with growth supported by net sales to the lithium-ion batteries and commercial/DOAS end markets and expansion of the Company's services offering.
- **Data Centers** – net sales growth in line with the expected growth of the Data Centers Market.
- **AgHort** – net sales growth above the expected growth of the AgHort Market, at the top of the Group's targeted medium-term range. Historically, the Company has grown faster than the AgHort Market and, in the medium term, Group managements expects to continue to increase its share of supply.
- **Mist Elimination** – net sales growth above the expected growth of the Mist Elimination Market and at the top of the Group's targeted medium-term range, with growth supported by continued enforcement of emissions and air quality regulations.
- The Adjusted EBITA Margin for the Air Treatment, Data Centers and AgHort business areas to increase over the medium term, with Air Treatment to continue to develop in line with the historical development of the business area, Data Centers to trend towards run-rate levels, with levels realised in the second half of 2016 representative of the expected level over the medium term, AgHort to grow at a rate slightly below the rate achieved by the business area in the last two years and Mist Elimination to remain stable and in line with that achieved by the business area last year.

See "*Presentation of financial and other information—Non-IFRS key operating metrics*" and "*Market & industry overview*".

In preparing the financial targets described above, the Board of Directors has in general assumed that there will be no currently unannounced changes in the existing political, legal, fiscal, market or economic conditions or in applicable legislation, regulations or rules (including, but not limited to, accounting policies, accounting treatments and tax policies), which individually or in the aggregate, would be material to the Company's results of operations or its business. The financial targets have been prepared based on Munters' existing accounting policies and do not account for foreign exchange fluctuations. The assumptions on which the Company has based its financial targets include the following:

- The Company will be able to continue to develop its offering of products and solutions and maintain its existing major customer relationships;
- The Company will be successful in expanding its services offering as discussed in "*—Investment highlights*";
- The Company's end markets will develop as estimated in the Commissioned Market Study, as discussed in "*Market & industry overview*", and that demand for the Company's products, solutions and services will develop as currently expected;
- The Company will continue to be able to successfully manage its costs and expenses (including, but not limited to, its cost of goods sold) and implement operational efficiency improvements that support the profitable development of its business areas;
- There will be no significant changes in customer requirements or applications that would have an adverse impact on the suitability and/or competiveness of the Company's products and solutions;
- The Company's capital expenditures will develop as discussed in "*Operating and financial review—Liquidity and capital resources—Capital expenditures*", including an increase in the near term and decrease in the medium term as expansionary objectives are completed;
- The ongoing litigations in which the Company is currently involved will not result in outcomes, and the Company will not become party to any litigation or administrative proceedings, that have a material adverse impact on the Company; and
- The impact of foreign exchange fluctuations remains largely in line with historical levels.

These assumptions may also be affected by external factors beyond the Company's control, including the following:

- The level of competition in the markets in which the Company operates, including pricing pressure, technological changes, pricing of raw materials and developments in the industries in which the Company and its customers operate in general or by competitors;
- The regulatory environment, rules and regulations applicable to the Company, the markets in which it operates, its customers and the industries in which it and its customers operate in general, including regulations regarding emissions standards and air quality; and
- The existing political, fiscal, market or economic conditions, and the administrative, regulatory and tax-related treatment of the Company.

**Certain statements in the section ''*Investment highlights*'' and this section, including in particular the financial targets described immediately above, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance and the Company's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under ''*Important information—Forward-looking statements*'' and ''*Risk factors*''. In particular, the financial targets discussed in this section are only targets and are not, and should not be, viewed as forecasts, projections or estimates of Munters' future performance. Investors are urged not to place undue reliance on any of the statements set forth above.**

## Business model

### Mission

The Company aims to create the "perfect climate" for its customers in their most demanding processes and applications where climate control is mission critical to their businesses.

### Customer proposition

The Company's customer proposition is centered around the Company's core technologies, diverse product offering, deep understanding of customer applications, ability to leverage know-how and expertise, sophisticated product selection tools and its service and support across all stages of the sales and product lifecycles. Unlike producers of consumer appliances and conventional HVAC businesses, the Company provides customers with advanced climate control products and solutions that are highly customisable and delivered to meet exacting customer specifications and requirements. The Company has a comprehensive product offering in each of its primary end markets, which can be combined to provide customised solutions.

#### *Core technologies*

The Company's core technologies are included in the products and solutions that are offered in each of the Company's business areas and include dehumidification rotors, evaporative cooling pads, indirect evaporative heat exchanger, droplet separators, controllers and agricultural fans. The Company has a heritage of developing, combining and improving upon its core technologies, and has a history of technological development and innovation.

#### *Broad product offering*

The Company has a comprehensive product offering in each of its primary end markets, which can be combined to provide customised solutions that meet the specific requirements of each customer. In addition, the diversity and scale of the Company's product offering enables the Company to supply complete systems that can be used across a variety of customer applications.

#### *Application expertise and product selection tools*

The Company has a long history of serving its customers across a variety of end markets and has developed a deep understanding of best practices and customer requirements for particular applications. By engaging with its customers over the lifetime of the business, the Company has accumulated a significant amount of experience in identifying key hurdles and appropriate solutions for its customers and can transfer best practices and know-how across industries and end markets to provide customers with unique services and advice.

In addition, the Company has developed software that utilises this application expertise to identify and design solutions for specific customer types and applications. Based on customer input information, the Company's software creates a unique customer specification and proposes a solution to address the respective customer's needs. This software, together with the Company's deep understanding of best practices and customer requirements, has helped to reduce the time that it takes to compile customer design plans and proposals and create solutions that minimise the number of SKUs and system complexities, which can reduce customers' costs and unnecessary customisation related to the installation of the Company's solutions.

#### *Services and support*

The Company offers its customers a full suite of services, including installation supervision and commissioning, maintenance, repairs, diagnostics and performance optimisation, which can help customers achieve reliable, efficient and effective results from the Company's solutions. The Company leverages its application expertise and deep understanding of best practices to provide customers with ongoing services and support throughout the product lifecycle. For additional information, see "—*Services*".

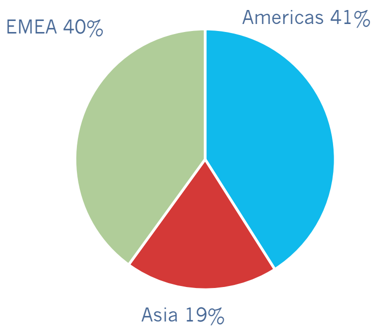
# Business areas

## Overview

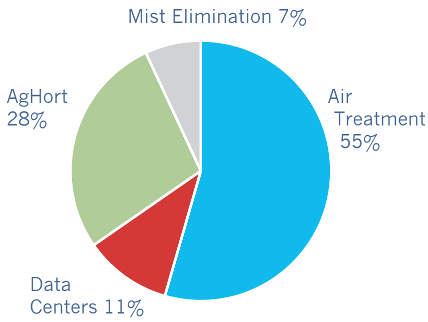
The Company operates in four business areas: Air Treatment, Data Centers, AgHort and Mist Elimination. In addition, the Company provides a full range of services to its customers in certain of its business areas. These services include installation supervision, commissioning, performance checks, maintenance and repairs and also the supply of spare and replacement parts.

The following tables set forth the Company's net sales by business area and geographic region for the year ended 31 December 2016.

**Sales Split by Geography**




**Sales Split by Business Area**




## Air Treatment

### *Overview*

The Company's Air Treatment business area provides dehumidification, cooling and air control solutions, and is a global leader in dehumidification and cooling solutions for industrial and commercial applications, with a leading market position in end markets that represented 66 percent of the business area's net sales for the year ended 31 December 2016, according to the Commissioned Market Study. The Air Treatment business area generates sales by selling its component parts, including rotors, VOC abatement modules and evaporative cooling pads, to OEM manufacturers within the HVAC industry, and by offering a full range of services related to its Air Treatment equipment. For the year ended 31 December 2016 and the three months ended 31 March 2017, the Air Treatment business area generated net sales of SEK 3,294 million and SEK 793 million, respectively, and had an Adjusted EBITA Margin of 13.6 percent and 11.4 percent, respectively. The business area generally develops a significant percentage of its net sales from the Americas and EMEA, and a sizable percentage of its net sales from Asia.

### *Mission critical customer application*

The Air Treatment business area develops and assembles climate control solutions that address a variety of climate control functions by combining a range of different components that are customised and optimised for customer specifications and applications. These solutions are critical to the success and operations of the Company's customers across the industrial (food, pharmaceutical, lithium-ion battery, defence/military and other end markets) and commercial (retail and public-facing businesses) industries. In many cases, Munters works with its customers' production engineers to supply customised equipment and systems that are integrated into the customers' production processes and perform key functions to facilitate operational success and efficiency. These solutions are particularly important in instances in which the precision of a controlled climate can have a significant impact on production safety, product quality, operating efficiency and/or financial viability. Examples of mission critical customer applications are set out in more detail below:

- **Lithium-ion battery production** – Precision climate control is critical for performance and safety with respect to the production of lithium-ion batteries, which generally requires an environment with less than 5 percent relative humidity. Dehumidification in the production process is essential because humidity levels have a negative impact on the performance and lifetime of lithium-ion batteries, and water vapour can increase the risk of fire with respect to the lithium-ion used in the production process.
- **Food processing and production** – Moisture control and precision control over condensation is critical for safety, sanitisation and quality control with respect to food processing and the production of certain food products. Dehumidification in food processing facilities is essential to reduce and control condensation and unwanted moisture that forms on equipment, floors, ceilings and walls and can lead to food contamination and non-compliance with strict hygienic requirements. In addition, dehumidification is essential in the production of certain foods, such as chocolate and

confectionary goods, where humidity levels can cause surface blemishes or cause products to become sticky.

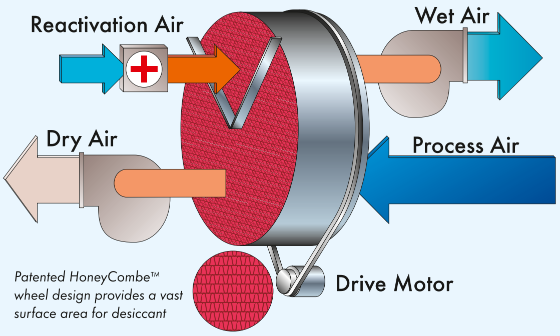
- **Pharmaceutical production** – Dehumidification is critical across the supply chain of pharmaceutical products, including in production facilities, warehouses and transport. Many pharmaceuticals are sensitive to the effects of excess humidity, and moisture levels can have a negative impact on the quality and shelf life of powders, tablets, capsules and diagnostic strips. In addition, strict manufacturing standards, particularly with respect to humidity levels, require precision moisture control.

## *Core technologies and components*

The Air Treatment business area's climate control solutions include a variety of core technologies, including dehumidification rotor and evaporative pad technologies, and combine a range of components that are customised and optimised for customer applications. Examples of the Company's key climate control solutions are set out in more detail below:

### Dehumidifiers

Desiccant Rotor




Dehumidification systems use the Company's core rotor technologies and remove moisture from the air by using a desiccant, which is a material that easily attracts and holds water vapour. The Company's dehumidification rotors and patent-protected desiccant rotor technologies are generally regarded as one of the most energy efficient dehumidification technologies available. These technologies are designed to offer customised and mission critical solutions that can be used in a variety of customer applications.

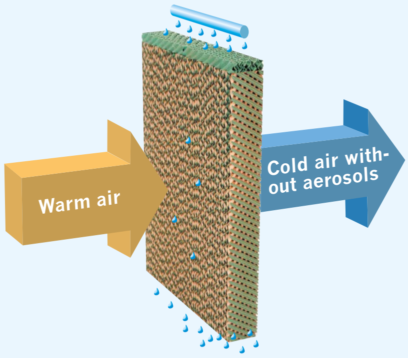
The Company has a diverse array of rotor technologies, including high performance desiccant rotors, lithium chloride desiccant rotors, quantum rotors, HCR rotors and HPX rotors, each of which is designed for a different application and to different specification. The Company's patent and design portfolio contains 85 patents and 23 pending patent applications relating to rotor technology. This wide range of rotors provides customers with a variety of products and parts that can be used depending on their specific requirements and applications.

The Company's rotors and products can be combined with the Company's other products and systems to create energy efficient systems and solutions that reduce waste and reuse energy.

### Equipment for volatile organic compounds ("VOCs") abatement

VOC abatement systems remove destructive VOCs from facilities. VOCs include industrial chemicals, solvents, alcohols and petroleum products, such as gasoline. The Company's VOC abatement solutions are based on the same general principle as the desiccant wheels used in dehumidification systems, but are designed to absorb and hold VOCs until they are heated, at which point the VOCs are converted into water vapour and carbon dioxide.

### Direct evaporative cooling




Direct evaporative cooling allows for the circulation of fresh cool air at a lower cost than traditional air-conditioning processes, and typically consists of a system that involves a cooling pad, a fan and a water pump, and air is chilled by passing air through a wet pad causing the water to evaporate. The Company's direct evaporative cooling solutions use the Company's core evaporative pads technologies, which include a variety of evaporative cooling and humidification media (pads) that can be used to address and tailor systems for a variety of customer specifications and applications.

The Company offers a wide range of high efficiency pads that are made from specialty grade paper and have been engineered to provide customers with high performance and reliable solutions. The Company's patent-protected coating technologies produce pads that can be used across broad range of applications (*e.g.*, weather-resistant coatings, algae-resistant coatings, specialty chemical treatment to resist specific forms of deterioration, etc.).

The Company designs direct evaporative cooling solutions to produce high cooling efficiency, withstand high velocity operating conditions and pressure fluctuations and require minimal cleaning and maintenance. The Company strives to develop more efficient and durable pads across a broader range of applications.

### *Customer base and end markets*

The Air Treatment business area targets customers across a diverse range of geographies and with a broad range of product specifications and requirements, that require high specification dehumidification, cooling and air control products as a core part of their operations. The Air Treatment business area targets customers within specific end markets and offers customised solutions that address the unique needs of these customers. The Company's business area classifies these customers into three customer segments: industrial, commercial and OEM components. The business area generally generates a large share of its net sales from customers in the industrial segment, and generates a significant percentage of net sales from customers in the commercial segment and OEM components segment. The Company estimates that the food, pharmaceuticals, supermarket, other commercial/DOAS, lithium-ion battery and power/utilities end markets generated 14 percent, 12 percent, 11 percent, 11 percent, 7 percent and 8 percent, respectively, of the business area's net sales for the year ended 31 December 2016, with other industrial end markets representing the remaining percentage.

The industrial segment includes customers that operate within the food, pharmaceutical, lithium-ion battery, defence/military and other end markets. The Company offers these customers solutions for manufacturing processes to help customers achieve product quality criteria and adhere to their process standards. The commercial segment includes customers that operate as supermarkets and in other commercial, retail and public-facing end markets, and the Company offers dehumidification and outdoor air intake solutions that can provide energy savings for customers. The OEM component segment includes customers that are manufacturers operating in the same industry as the Company, and the Company offers component parts, such as desiccant rotors, that utilise its core technologies. The customer base includes several blue-chip customers across the retail, food and technology industries. Examples of customers by end market include:

- Food – Kraft, Tyson, Nestle, Mondelez and Unilever
- Pharmaceuticals – Pfizer, Merck and Eli Lilly
- Electronics – intel and Siemens
- Other industrial – Conair
- DOAS – Walmart and Whole Foods.

### *Sales and marketing*

The Company has a global sales force that consists of an internal sales team and external channel partners, which further extends the Company's sales and marketing reach in respect of the Air Treatment business area. For the year ended 31 December 2016, direct sales to customers represented approximately 72 percent of sales generated by the Air Treatment business area, with 19 percent of sales generated through independent sales representatives, a significant number of which were exclusive to the Company, and 9 percent of sales sold through distributors. For the year ended 31 December 2016, 42 percent of the Air Treatment business area's sales personnel were located in EMEA, 31 percent were in the Americas, 25 percent were in Asia and 1 percent were in other locations. The Air Treatment business area uses know how and works closely with customers' engineers and internal teams to help to identify customer requirements, needs and areas of opportunity or increased control and efficiency.

In addition, sales are guided and managed by production process maps that are developed for a variety of production processes within each industry. These process maps indicate different areas within a production process where the Company's equipment can help the customer. Over the last six years, the Company has invested in its web-based global selection software, which provides users with access to information regarding the Company's product offering regardless of the location of the nearest manufacturing site or sales representative. This system allows sales representatives to input customer application design criteria and then automatically develops customised product solutions based on these input criteria. Furthermore, customers can use the data generated from the system to apply their own models and incorporate into their own drawings and product specifications.

## Data Centers

### *Overview*

The Company's Data Centers business area provides climate control systems to medium and large scale data centers and has a leading market position in the air economiser market, which represented 95 percent of the business area's net sales for the year ended 31 December 2016, according to the Commissioned Market Study. The Data Centers business area serves and has developed solutions for a broad network of data centers located in North America, Europe, Asia and Australasia, and the Company has recently increased its focus and commitment to the Data Centers Market. In 2014, the Company established a data center segment within the Air Treatment business area and, in January 2017, the Company created the dedicated Data Centers business area. For the year ended 31 December 2016 and the three months ended 31 March 2017, the Data Centers business area generated net sales of SEK 685 million and SEK 253 million, respectively, and had an Adjusted EBITA Margin of 8.1 percent and 12.8 percent, respectively. The business area generally develops the majority of its net sales from the Americas and EMEA, with significant net sales growth in Asia for the year ended 31 December 2016.

### *Mission critical customer application*

The systems offered by the Data Centers business area provide for energy efficient and precise control over the temperature, humidity and air quality of various rooms within data centers, and can be customised and optimised for customer specifications and applications.

These energy efficient systems are critical to the success and operations of the Company's customers. For example, precision control over the temperature of equipment in data centers is essential for the performance and reliability of data centers, as electronic equipment and servers can require more frequent maintenance downtime or fail at high temperatures. In addition, service level agreements between co-location data center owners and their customers often stipulate strict penalties if equipment is exposed to temperatures that fall outside of agreed ranges and can include fines and other penalties related to the amount of downtime or maintenance required. Precision control over the levels of humidity and air quality in data centers is also critical for data center customers, as excessively high or low humidity and contaminants, such as salt, dust and pollen, can lead to equipment and system failures and service interruptions.

The systems offered by the Data Centers business area are energy efficient, which is a key consideration of customers in the data center industry. Climate and cooling systems comprise a significant portion of both the construction costs and the ongoing energy costs of data centers. Energy efficient systems help to reduce these costs and thus are critical to the operations of the Company's data center customers.

## *Core technologies*

The Data Centers business area's climate control products and solutions include a variety of core technologies, including the Company's core dehumidification rotor and evaporative pad technologies. For example, the Company's DATAdek pads are specifically designed to meet the requirements of modern data center design. In addition, the Company's core technology within the Data Centers business area includes the Company's indirect evaporative heat exchanger technologies. The Company was one of the pioneers in the indirect evaporative cooling market, and has developed systems that are designed to promote air quality and control and consume significantly less energy than conventional cooling systems. The Company's indirect evaporative cooling technologies include a patent-protected evaporative polymer heat exchanger that provides improved corrosion and chemical resistance and decreased risk of failure due to scale formation. These technologies can help customers reduce the risk of contamination of servers due to outside air entering the data center facilities, maintain targeted humidity levels and reduce maintenance and operating costs as compared to the use of direct evaporative cooling technology.

## *Products*

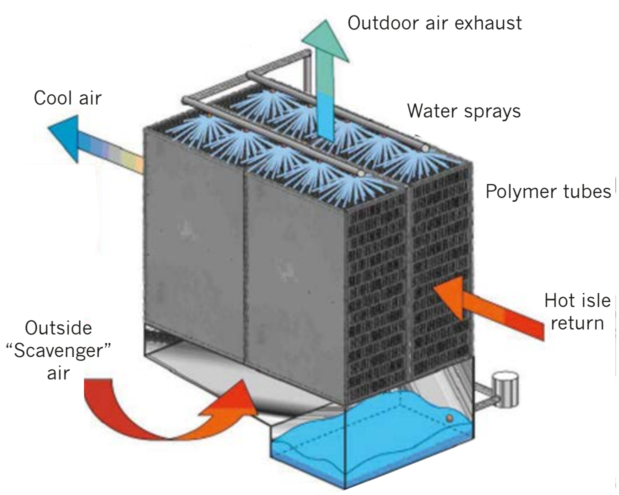
The systems offered by the Data Centers business area provide for precise control over the temperature, humidity and air quality within data centers, and provide customers with high quality solutions that address their specific needs within a critical aspect of their operations.

The Company strives to make its systems reliable and energy-efficient, with minimal maintenance and downtime required to continue operations.

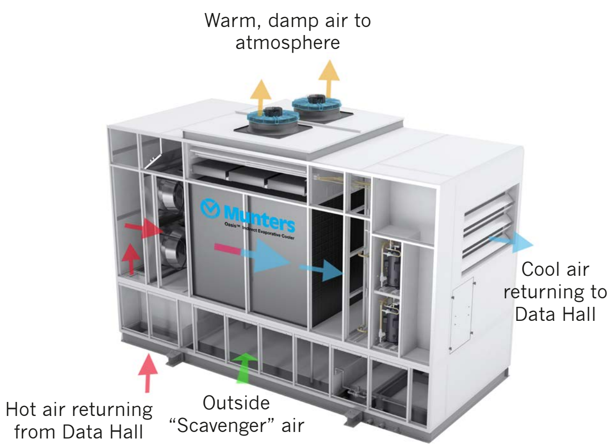
The Company has developed specialised evaporative pads that are specifically designed to meet the requirements of modern data center design. In addition, the Company has developed and offers its Oasis System, which is based on the Company's core indirect evaporative cooling technologies and uses the Company's patented evaporative polymer heat exchanger. According to the Engineering Review, the Oasis System consumes approximately 65 percent less energy than conventional cooling systems that use mechanical refrigeration, which can significantly reduce one of the key operating costs for a data center. The Company also offers direct evaporative solutions, as well as its TelcOasis system, which is a smaller version of the Oasis System designed specifically for telecommunication facilities.

The graphics below provide a functional overview of the evaporative heat exchanger and the Oasis System.

**EPX Heat Exchanger**




**Oasis System**



### *Customer base*

The Data Centers business area targets customers that operate data centers for a variety of purposes and that require high specification climate control systems. The key customers of the Data Centers business area include co-location providers, which operate data centers as a service to other businesses, digital operators for whom computing represents their core business and enterprise customers that operate data centers to handle their own IT requirements. The Company also offers its products to enterprise customers, which run their own internal IT networks and systems. Examples of customers include Equinix, Sabey, Digiplex, Hartl and other major digital and enterprise companies. The Company originally received the majority of its orders within the Data Centers business area from customers in North America, but has experienced strong growth in EMEA and currently generates approximately equal levels of business across the Americas and EMEA. In addition, the Company has experienced growth in demand from customers in Asia in the year ended 31 December 2016. The Company estimates that co-location, digital and enterprise customers generated 31 percent, 67 percent and 2 percent, respectively, of the business area's net sales for the year ended 31 December 2016.

### *Sales and marketing*

The Data Centers business area focuses on sales and marketing to co-location, digital and enterprise customers within the Data Centers Market. The Data Centers business area's sales and marketing channels vary by customer type due to the significant experience that certain customers have in building data centers. Generally, co-location providers and digital operator customer types have in-house design teams that work with the Company to design and create data center solutions, which are usually supported by external consultants for the detailed design work. Enterprise customers typically rely entirely on external consultants due to their limited experience in building data centers and less significant in-house expertise. For the year ended 31 December 2016, direct sales represented approximately 59 percent of net sales generated by the business area, with 38 percent of net sales generated from independent sales representatives and 3 percent of net sales generated from distributors. According to Company estimates, for the year ended 31 December 2016, 21 percent of the Data Centers business area's sales personnel were located in EMEA, 53 percent were in the Americas and 26 percent were in Asia.

## AgHort

### *Overview*

The Company's AgHort business area provides climate control solutions for the poultry (layer and broiler), greenhouse, dairy and swine end markets. The Company offers a full suite of climate control products for agricultural end markets and, according to the Commissioned Market Study, has leading market positions in end markets that represented 64 percent of the business area's net sales for the year ended 31 December 2016. For the year ended 31 December 2016 and the three months ended 31 March 2017, the AgHort business area generated net sales of SEK 1,705 million and SEK 404 million, respectively, and had an Adjusted EBITA Margin of 15.1 percent and 7.0 percent, respectively. The business area primarily generates net sales from third-party sales in the Americas and EMEA, with a smaller percentage of net sales generated in Asia.

### *Mission critical customer application*

The climate control solutions provided by the AgHort business area are critical to the success and operations of the Company's customers across a variety of end markets and applications, including poultry (layer and broiler), greenhouse, dairy and swine applications. Each end market requires specific considerations and the Company works with its end users and distributors to manage key issues that could impact facilities, animals and plants, such as humidity and temperature fluctuations, emission levels (e.g., ammonia), energy consumption, which affect animal wellbeing and the profitability of the customers' operations. The Company's solutions are particularly important in instances in which the precision of a controlled climate can have a significant impact on animal safety and mortality, product quality, operating efficiency and/or financial viability. Examples of mission critical customer applications are set out in more detail below:

- **Poultry and swine production** – Precision climate control is critical for animal wellbeing and can improve feed conversion (the ratio between feed consumption and the weight gain of the animals), which are key factors in the economics of the end users of the Company's AgHort products. For example, animal populations can experience heat stress and disease, which can negatively impact animal growth, reproduction and productivity rates. In addition, animal populations require sufficient ventilation and air quality in order to reduce mortality rates and the spread of disease, as well as maintain or increase growth and production rates.
- **Greenhouses** – Climate control has a direct impact on plant and produce yields and productivity in greenhouse operations and is critical to optimising growing conditions for particular plants and reducing fluctuations in the temperature and humidity within grow rooms.

The systems offered by the AgHort business area are also energy efficient, which is a key consideration of end users of the Company's AgHort products. Climate and cooling systems comprise a significant portion of the ongoing energy costs of farm houses. Energy efficient systems help to reduce these costs and thus are critical to the operations of these end users.

## *Core technologies*

The AgHort business area's products and solutions include a variety of core technologies, including the Company's core evaporative pad technology. In addition, the Company's core technologies within the AgHort business area are set out in more detail below:

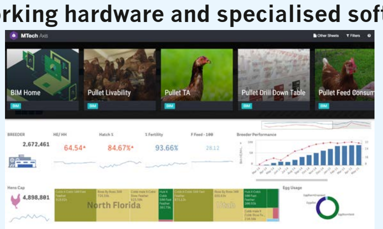
- **Controllers and software** – The Company's agriculture and horticulture technology includes precision controllers and software solutions that regulate climate and other functions inside farm buildings, such as feeding, lighting and access and can monitor feed inventory, animal weight, water consumption and air quality. This technology enables customers to use the Company's controllers to manage all functions within advanced farm and greenhouse buildings and capture data to provide live status updates and reviews, pre-set alarms and data analysis.
- **Agricultural fans** – Company's agriculture and horticulture technology also includes industry-leading circulation and extraction fans that are designed specifically for the agriculture and horticulture end users. The Company's fans feature a patent-pending Munters Drive technology, which controls fan speed and eliminates the need for separate fan drive systems, and can improve energy efficiency, automatically adjust to ventilation data and provide superior reliability and durability as compared to traditional fan systems.

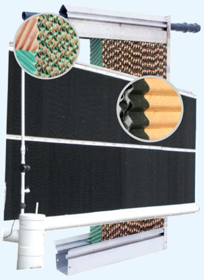
## *Products*

The AgHort business area develops and assembles climate control products and solutions that address a variety of issues specific to the agriculture and horticulture industries, and that can be used across a variety of customer applications.

The graphic below provides an example of how the products of the AgHort business area can be used and applied within a farm house.


The business area is generally comprised of six key product groups: controllers, networking hardware and software, circulation fans, extraction fans, media for evaporative cooling and inlets. The following table sets forth additional details regarding the business area's key product groups:

| Key product group | Description and key features |
|---|---|
| **Controllers**  | Controllers coordinate and regulate all climate control and other equipment inside buildings (feeding, lighting, access systems, etc.). Controllers can monitor feed inventory, animal weight, water consumption and indoor air quality, and have customisable algorithms. Controllers can be combined with the Company's networking hardware and software. |
| **Networking hardware and specialised software**  | Networking hardware and software capture and store the data and other information generated by the Company's controllers, and can provide live status updates and reviews, data analysis and alarm notifications across various mobile and computer-based applications. The Company's software offering forecasts, controls and optimises livestock operations, including processing. |

| Key product group | Description and key features |
|---|---|
| **Circulation and extraction fans**  | Circulation fans mix air inside buildings to create homogenous indoor climates. These products can be customised and adjusted to produce specific airstreams and circulation patterns, such as wind chill effects. Extraction fans extract air from inside buildings, such as a farmhouses and greenhouses. |
| **Media for evaporative cooling**  | Media for evaporative cooling is based on the same technology as the pads used in the other industrial cooling applications supplied by the Air Treatment business area. The pads offered by the AgHort business area are generally part of a cooling system that is designed specifically for livestock buildings and greenhouses. |
| **Inlets** | Inlets pull, regulate and direct incoming air into buildings, and include baffles, doors, curtains and shutters, as well as actuaries for manipulating these controls and air routers. |

### *MTech-Systems USA LLC*

On 1 February 2017, the Company acquired MTech Systems, which enhanced the Company's software and data analytics capabilities. For example, MTech Systems offers leading connectivity and software solutions, which is expected to enhance the capabilities of the solutions offered by the AgHort business area and contribute to the Company's development of its IoT solution. See "*—Connectivity and IoT*". The acquisition of MTech Systems fits one of the key strategies of the business area by increasing the connectivity of the Company's products and the ability of the Company to collect and analyse data that is generated from products and customer applications, which the Company can leverage to optimise its offering and provide customers with additional services, such as remote surveillance, access to data and third-party control of aspects of the customers' operations. Within the AgHort business area, MTech Systems is expected to further enhance the Company's offering of products and solutions for increasingly connected farms and farm houses. In line with the Company's strategy, the Company aims to combine its controls and networking hardware and software with MTech System's specialised software and data analytics to strengthen its product offering and progress its offering to include intelligence business services to its customers. While MTech Systems specialises in software systems for poultry and swine production, the Company aims to utilise the acquired data management and planning capabilities across the end markets of its AgHort business area and, potentially, in other business areas. Based on MTech Systems' unaudited internal management accounts for the twelve months ended 31 December 2016, which have been prepared in accordance with US GAAP, MTech Systems generated net sales of SEK 136.0 million (SEK 111.4 million from its United States entity and SEK 24.6 million from its Brazilian entity) for the year ended 31 December 2016. See "*Presentation of financial and other information*".

### *Customer base and end users*

The AgHort business area targets end users that are owners of poultry, swine and dairy farms and greenhouses around the globe. These end users vary in size and include large enterprises with industrial grade operations as well as individual farmers. The AgHort business area primarily sells to distributors that sell to end users. As a result, distributors are the primary sales channels of the AgHort business area, and the business area strives to work closely with its distributors to develop strong partnerships and close working relationships. The business area also works directly with end users, such as farmers and owners of greenhouse facilities. Examples of customers include Agricool, Masson & Fils, Big Dutchman and Diversified Imports. The Company estimates that the poultry (broiler), swine, poultry (layer), greenhouse and dairy end markets generated 46 percent, 27 percent, 17 percent, 6 percent and 4 percent, respectively, of the business area's net sales for the year ended 31 December 2016.

### *Sales and marketing*

The AgHort business area primarily relies on distributors to drive sales of the business area's products and solutions, but also generates sales through direct sales and independent representatives. Generally, indirect sales channels, such as distributors, offer access to a broad range of end users and provide for a more efficient sales and distribution model than relying solely on contacting individual farm owners and owners of greenhouse facilities. For the year ended 31 December 2016, distributors represented approximately 52 percent of the sales generated by the AgHort business area, with approximately 12 percent of sales generated by direct sales and approximately 36 percent of sales generated by independent representatives. Distributors typically offer a broad range of farming equipment and provide design and maintenance services to their end users and have margins in the range of 15 to 20 percent. Farmers generally use distributors for all of their needs, including climate control equipment. As a result, the Company strives to maintain strong relationships with distributors and improve its existing partnerships with key distributors. According to Company estimates, for the year ended 31 December 2016, 47 percent of the AgHort business area's sales personnel were located in EMEA, 21 percent were in the Americas, 27 percent were in Asia and 5 percent were in other locations.

## Mist Elimination

### *Overview*

The Company's Mist Elimination business area is a global supplier of mist eliminators for the separation of liquids from gas flows. According to the Commissioned Market Study, the Company has leading market positions in end markets that represented 73 percent of the business area's net sales for the year ended 31 December 2016. For the year ended 31 December 2016 and the three months ended 31 March 2017, the Mist Elimination business area generated net sales of SEK 437 million and SEK 93 million, respectively, and had an Adjusted EBITA Margin of 15.9 percent and 6.9 percent, respectively. The business area generally develops a significant percentage of its net sales from each of the Americas, EMEA and Asia, with EMEA representing the Company's largest geographic region by sales.

### *Mission critical customer application*

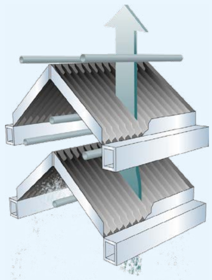
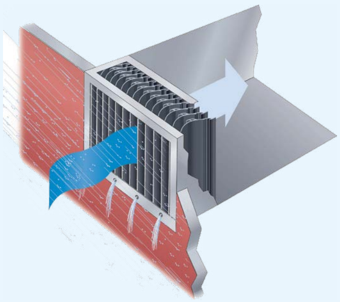
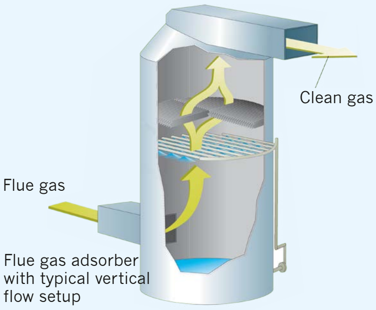
The Mist Elimination business area's products and solutions are critical to the success and operations of the Company's customers, the majority of which are power utilities, producers of steel, pulp and paper, chemicals, petrochemicals and shipbuilders and ship owners. These solutions are particularly important in instances in which the customers' operations and applications are exposed to high humidity or extreme conditions, such as offshore marine applications, or require efficient gas and liquid separation, such as in the petrochemical industry.

### *Core technologies*

The Mist Elimination business area's solutions include a variety of core technologies and components, including the Company's mist eliminators for flue gas desulphurisation, a leading technology that provides mission critical solutions across a variety of applications, including coal-fired power plants. In addition, the Company offers precision-engineered droplet separator systems, which divert gas or air flow passing through them, capture liquid droplets contained in the gas and drain the liquid from the system.

### *Products*

The Company's mist elimination products can be customised and are targeted at customers that operate in specific industries in which mist elimination is essential to the operations of their businesses. The business area is generally comprised of three key product groups: mist eliminators for flue gas desulphurisation scrubbers, mist eliminators for air intakes and mist eliminators for gas and liquid separation for the process industry. In each case, mist eliminators for different applications are based on similar technology and are precision-engineered systems made to divert gas flow passing through them, capture liquid droplets contained in the gas and drain the liquid from the system. The following table sets forth additional details regarding the business area's key product groups:

| Key product group | Description and key features |
|---|---|
| **Mist eliminators for flue gas desulphurisation**  | Mist eliminators for flue gas desulphurisation are primarily used for cleaning gas emissions. The Company offers a number of product types and assists customers in analysing flow distribution simulations to help to optimise customer performance solutions. |
| **Mist eliminators for air intakes**  | Mist eliminators for air intakes remove droplets and debris at air intakes across a variety of applications requiring air intake systems. These products can be customised and adapted to a variety of customer requirements and applications, including harsh or volatile weather and environmental conditions. |
| **Mist eliminators for gas and liquid separation in process industry**   | Mist eliminators for gas and liquid separation remove droplets in the process of evaporation, desalination, distilling and similar processes, and are used in steel, pulp and paper, chemical and petrochemical applications where liquid droplets can cause corrosion, damage, loss of process fluids or reduced process efficiency. |

### *Kevin Enterprises Private Ltd.*

On 1 April 2017, the Company acquired Kevin Enterprises, which enhanced the Company's mist elimination technologies and increased the existing product portfolio to include mass transfer products, as well as increased its presence in India. The acquisition of Kevin Enterprises is expected to improve the Company's production platform for the coal flue gas desulphurisation products in India, and help to expand the Company's offering within the process industry globally. Furthermore, Kevin Enterprises will serve as the Company's key engineering center for combined product offerings to customers within the process industry. Based on Kevin Enterprises' unaudited internal management accounts for the twelve months ended 31 December 2016, which have been prepared in accordance with Indian GAAP, Kevin Enterprises generated net sales of SEK 54.8 million for the year ended 31 December 2016. See "*Presentation of financial and other information*".

### *Customer base*

The Mist Elimination business area targets customers that operate in several end markets, including power utilities, producers of steel, pulp and paper, chemicals, petrochemicals and shipbuilders and ship owners. The customers of the Mist Elimination business area can be classified into three customer segments: power, process and marine. These customers include a number of large international businesses. Examples of customers include Huaneng, RWE and Vattenfall. The Company estimates that power, process and marine customers generated 74 percent, 19 percent and 7 percent, respectively, of the business area's net sales for the year ended 31 December 2016.

### *Sales and marketing*

The Mist Elimination business unit primarily relies on direct sales and sales through engineering procurement construction contractors, but also uses independent agents and distributors. Replacement sales are primarily conducted directly with customers, while new build and retrofit projects are typically contracted through an OEM or engineering procurement construction contractor. For the year ended 31 December 2016, direct sales and sales through engineering procurement construction contractors represented approximately 90 percent of the sales generated by the Mist Elimination, and approximately 7 percent and 3 percent was generated indirectly through distributors and independent sales representatives, respectively. According to Company estimates, for the year ended 31 December 2016, 41 percent of the Mist Elimination business area's sales personnel were located in EMEA, 26 percent were in the Americas and 32 percent were in Asia.

## Services

As part of the Company's business model and customer relationship management, the Company offers a variety of services to customers in certain of its business areas. These services range from installation supervision, commissioning, spare parts sales, repairs and performance optimisation, and help to ensure that the products and solutions offered by the Company are properly installed, monitored and maintained. The Company has developed its service offering to focus on the specialised needs and applications of its customers, and has expanded its services team by hiring employees with services and industry experience. As of 31 December 2016, the Company had 308 FTEs within its services operations and 40 service centers around the world. As a result, the Company's services have become a key component of the Company's overall customer proposition and operations. Based on internal management accounts, the Company's services operations generated net sales of SEK 649 million for the year ended 31 December 2016, representing 10.7 percent of the Company's net sales for the year.

The Company generates sales by providing both contracted and on-demand services to its customers, with the majority of service-related sales generated by customers in the Air Treatment and Data Centers business areas. The large majority of sales are genered by aftermarket services that are offered on an ongoing basis after the original sale of a product has been completed, with the remaining sales generated by services that are offered as part of and alongside the sales and marketing process for its products. For example, the Company generally includes certain services in its sales contracts, such as installation supervision or commissioning services, and also offers aftermarket services to its customers, such as ongoing maintenance and monitoring. The Company's service contracts are generally long-term agreements (e.g., three years) pursuant to which the Company provides a variety of scheduled services, such as performance checks, onsite training, proprietary repair scheduling and response and monitoring of product performance and performance history.

There are eight key services provided by the Company:

- **Installation** – the Company offers installation services for all of its products and equipment. The Company generally hires third-party engineering contractors for installation projects, and ensures that one of the Company's supervisors is present during installation and to take over the commissioning phase.
- **Commissioning and start-up services** – commissioning services are generally included as part of the initial sales contract and are typically conducted by the Company's engineers. These services are a key component of developing strong customer relationships, as the commissioning and start-up process for new products and equipment help to ensure that systems operate in accordance with their ratings and expected performance.
- **Performance tests and inspections** – as the performance of certain products and equipment are critical to customer operations, the Company is often involved in providing ongoing services to test and monitor performance of its products and conduct inspections on installed systems. These ongoing services help to identify wear and tear and sub-optimal performance due to wasted or inefficient use of energy, installation issues, etc.
- **Repairs** – the Company offers reconditioning and repair services either at a specialised service center or by sending its service engineers onsite to customers' facilities.
- **Upgrades** – the Company offers upgrade services for components and systems. Upgrade opportunities are typically discussed with the customer after a full inspection has been conducted. Upgrade services provide customers with the Company's latest updated technology and products and can improve energy efficiency and performance.
- **Spare parts sales** – the Company offers original spare parts for its products and equipment, as well as customised and regionally specific or customised parts for customers in different geographic regions. In addition, the Company offers ready-made spare part kits for critical installations, such as cooling systems for data centers, which can help to reduce customer downtime.
- **Training** – training services are provided to customers' engineers both onsite at the customers' facilities and in training centers.
- **Service contracts** – the Company offers customers the option to enter into bundled service contracts. These service contracts can be entered into at any time, including at the time of sale of the original product to the customer or at a subsequent stage in the customer relationship cycle. Service contracts generally have terms of up to five years and customers pay ongoing subscription fees. Pursuant to these contracts, the

Company provides scheduled performance checks, onsite trainings, priority repair scheduling and response and monitoring of the equipment performance history. The Company also offers spare parts at discounted sales prices to customers that have entered into service contracts.

The Company strives to improve its offering of services by focusing on increasing the extent to which the Company's existing customers use its services, developing additional value-added services for customers, expanding its services offering to include services for the AgHort and Mist Elimination business areas and by hiring additional FTEs to increase the scale and capacity of the Company to provide services. Based on Group management's estimated customer penetration levels, the Group management believes that there is a significant opportunity to further expand and improve its service offering to existing customers, which the Company has aimed to accomplish through increasing its services FTEs, developing new service offerings, engaging in market activities and by focusing on selling service contracts at the time of the product sale. In addition, the Company aims to expand its offering of services by developing and offering additional services. For example, the Company has started to improve its offering of connectivity-based services, which can facilitate monitoring and diagnostics of equipment performance and increase the efficiency of services. Furthermore, while the Company has historically primarily provided services in relation to its Air Treatment and Data Centers business areas, the Company is developing services related to its AgHort and Mist Elimination business areas, which could increase customer penetration and further diversify the Company's offering of services.

## Connectivity and IoT

The IoT is physical devices that are able or empowered to collect, exchange, send and receive data via the Internet. Munters is working to connect its products and solutions (e.g., dehumidifiers, cooling units, controllers, and others) in new ways in order to deliver internal operational benefits and improve the Company's overall offering to its customers, and is focused on developing an IoT solution that is robust, flexible and secure. Today, a number of products include sensors that the Company can use with its IoT solutions.

Within the AgHort business area, Munters offers connectivity through certain of its controllers, which include a complimentary set of web-based tools and a mobile application. In addition to the existing offering, the Company is currently building a connectivity solution for its Air Treatment and Data Centers product portfolios, with a long-term goal to unify the infrastructure across the entire Munters offering.

The Company designs its IoT solutions with an aim to improve operational efficiencies, as service teams will be able to use remote tools and access real-time data from the Company's products and solutions, which will help to provide better customer service and reduce service costs. In the future, as the Company's IoT solution evolves and data is collected and logged from the Company's network of products and solutions, the Company will be able to analyse usage data across the Munters' network of product installations, which could help to further improve the Company's product development and application expertise. In addition, connected devices and data analysis could facilitate enhanced customer features, such as notifications and suggestive corrective actions, as well as data-driven preventative maintenance programmes to reduce product and system downtime. For many customers, these capabilities may transform Munters' product offering into a "Climate as a Service" service-based solution.

## Research and development

The Company's research and development ("**R&D**") operations vary by business area, with each business area operating and managing its own R&D processes and seeking to apply and improve upon the Company's core technologies within its respective business area. This structure allows the R&D operations of each business area to work together with the sales teams, engineers and customers' production engineers to develop products that address specific customer needs within each business area. The Company's research and development costs represented 2.4 percent and 2.3 percent of the Company's net sales for the years ended 31 December 2015 and 2016, respectively. In addition, the Company capitalises development costs in accordance with *IAS 38 – Intangible Assets*, which, for the years ended 31 December 2015 and 2016, amounted to SEK 16 million and SEK 13 million, respectively.

### Air Treatment

As of 31 December 2016, Munters employed 58 FTEs within the R&D operations of the Air Treatment business area. These FTEs are located in the Company's facilities in Kista, Sweden; Beijing, China; Massachusetts, Texas, Florida and Virginia, United States; and Monterrey, Mexico. These facilities focus on different aspects of the business area's R&D operations and objectives. For example, FTEs in Beijing are focused on engineering and product development efforts that are specific to the Chinese market. Similarly, FTEs in Monterrey include chemists and chemical engineers that are focused on direct evaporative cooling pads and other related products that are produced in the nearby manufacturing facility.

The Company uses the Munters Product Development Model (the "**MPDM**"), which provides for five phases of product development (product study, product concept development, design and verification, pre-production and project closure) and helps to organise product development operations. The MPDM provides a common platform for structure, activities, reporting and decision making related to product development. The Company collaborates with certain of its customers on product development initiatives, which allows the Company to expose its customers to new products and technologies. The Company also collaborates with various institutes and universities in the United States, United Kingdom and China. The Company has won several awards related to its R&D efforts within the Air Treatment business area, including the Intel Preferred Quality Supplier Award for 2012 and 2013 and the American Society of Heating, Refrigerating and Air-Conditioning Engineers Innovation Award for 2015. The current focus of the R&D operations of the Air Treatment business area is on moisture removal efficiency, proliferation and developing software for the business area.

## Data Centers

As of 31 December 2016, Munters employed eight FTE global R&D staff within the R&D operations of the Data Centers business area. These FTEs are located in Dison, Belgium, and Texas, United States. The business area's R&D operations are shared with the Air Treatment business area, with a joint focus on indirect evaporative cooling equipment, direct evaporative cooling media as well as indirect air side economisers. The business area's R&D operations have resulted in the Company being awarded Data Centers Dynamic's Design Concept Award for the Company's involvement in developing a modular data center concept that incorporated the Company's patented indirect evaporative cooling system, and the Creative Environments Award for the Company's energy efficient Oasis System.

The current focus of the R&D operations of the Data Centers business area is on providing a standardised stackable solution for sale primarily in Asia (known as the DCiE), as well as finding alternative cooling solutions for data centers that use less energy and or consume less water than standard data center cooling solutions.

## AgHort

As of 31 December 2016, Munters employed 54 FTEs within the R&D operations of the AgHort business area. The business area has key R&D sites located in Chiusavecchia, Italy; Horstmar, Germany; Petach Tikva, Israel; and Michigan, United States. These key R&D sites focus on mechanical engineering and design for the products of the AgHort business area, with certain sites also focusing on electrical engineering and software development. These sites provide an array of R&D capabilities that vary by geography and R&D focus. For example, the German site provides weather simulation testing and ventilation test chambers, the United States site provides cooling test chambers and ventilation test chambers, the Italian site provides heating test chambers and ventilation test chambers and the Israeli site provides software engineering and software development capabilities related to AgHort controllers and networking products.

Munters uses the MPDM in its R&D sites in Italy and the United States. In addition, Munters uses project management tools to monitor its ongoing projects. The AgHort R&D operations also collaborate with universities in Italy, Denmark and the United States. For example, the Company has entered into a joint research project with Politecnico Torino in Italy, which is focused on energy savings.

The current focus of the R&D operations of the AgHort business area is on a new fan platform to accommodate market demand for products with diverse application and use in a variety of working conditions, increased efficiency, minimum maintenance and biosecurity, as well as new cooling media and IoT implementation in the Company's fans and controllers.

## Mist Elimination

As of 31 December 2016, Munters employed six FTE global R&D engineers within the R&D operations of the Mist Elimination business area. These FTEs are located in Aachen, Germany, and at the Company's facilities in Florida, United States. The Company's facility in Aachen, Germany, provides product testing capabilities for the products of the Mist Elimination business area.

The business area's R&D operations use the MPDM and hold global and local product board meetings throughout the year. The Mist Elimination R&D operations also collaborate with universities and other companies in development co-operation projects.

The current focus of the R&D operations of the Mist Elimination business area is on progressing the Company's mist elimination technologies related to flue gas desulphurisation scrubbers for the Chinese and Indian markets, particle removal, air intake solutions for wind turbines, gas turbines and solutions for chemicals and petrochemical industries.

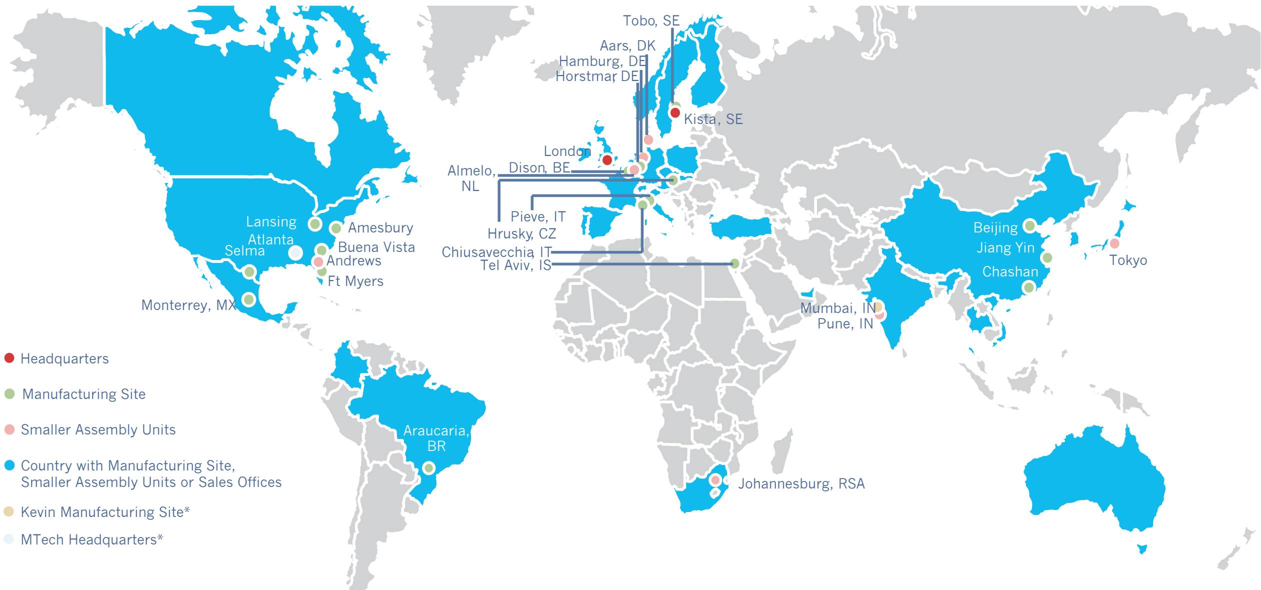
The business area's R&D operations have resulted in five new patent applications since January 2015.

## Global operations

The Company's global operations unit in Kista, Sweden, is responsible for managing the manufacturing and assembly facilities of the Company, including the logistical and production-related aspects of the Company's business, such as engineering, supply chain management, quality control and purchasing.

### Manufacturing sites and assembly units

The Company operates a total of 18 manufacturing sites and seven assembly units located in 16 countries worldwide. The map below sets out the Company's manufacturing and assembly footprint:




Source: Company Information
*Kevin and MTech were acquired during 2017.

The Company strives to optimise its global network of manufacturing sites and assembly units and has closed, divested or moved nine facilities since 2013. Of these nine facilities, two facilities were sold as divestments, three were closed as a result of the transfer of volumes to other facilities and two were closed to consolidate the Company's manufacturing facilities in Sweden and China. In addition, from 2013 to 2016, the Company added seven facilities due to the general expansion of its operations, four of which were added through acquisitions.

The current manufacturing footprint is designed to balance customer proximity requirements, in order to facilitate customisation, service and reduce lead times with global cost benefits, such as reduction in logistic costs. Generally, the Company's facilities in the United States and Europe specialise in products within one of the Company's business areas, while facilities in other parts of the world are multi-purpose and manufacture and assemble products across a variety of business areas. This helps to mitigate the Company's exposure to changes in local, regional or global trade policies.

While the Company outsources a small percentage of production of certain products to third parties in Europe, the vast majority of the Company's products are manufactured and assembled in-house. As a result, certain products are produced more or less completely by the Company, with sourced components including cooling and heating coils, metal parts for custom air handling units, electrical motors for fans and compressors. For other products, the manufacturing and assembly process is limited to assembly and testing.

### Production system and continuous improvement

The Company's manufacturing process is customer oriented and focused on delivering quality products to customer specifications in a timely manner. The global operations unit monitors the information gathered by the Munters Production System (the "**MPS**"), which the Company uses to monitor, organise, manage and document the production of products across its network of manufacturing sites and assembly units, as well as product lead times, customer feedback, warranty data, process yields, supplier performance, inventory turns and other indicators.

The Company developed and began to roll-out the MPS in 2011. Since its roll-out in 2011, the MPS has been fully implemented at six facilities and the preparation and training phase of MPS implementation has been completed at 12 facilities. The Company strives to identify and spread best practices across its network of manufacturing sites and assembly units, and constantly monitors and analyses its production, distribution and after-sales processes and uses the information gathered by the MPS to analyse and identify areas of improvement with respect to the manufacture and production of its products.

### Supply and sourcing of raw materials and components

The Company sources a wide range of materials, components and finished products on a global basis. In 2016, the Company used approximately 2,050 suppliers to support its manufacturing and assembly operations. The Company has a global sourcing organisation with regional execution responsible for the procurement of raw materials and components for its facilities. The global sourcing organisation is based in Kista, Sweden, and reports directly to the President of global operations. The Company's supplier footprint is spread across the Company's geographic regions, with the majority of suppliers in the Americas, a significant percentage of suppliers in EMEA and a small percentage in Asia.

The Company has a global supply chain network and selects key suppliers on the basis of quality, competence, costs, shipping performance and long-term continuity. For the year ended 31 December 2016, costs for materials amounted to SEK 2,511 million and the 10 largest suppliers accounted for 16 percent of the Company's total spending on supplies. The Company is not dependent on any supplier, and has several key suppliers for components. The Company monitors its suppliers continuously to minimise the risk of becoming heavily dependent on any one supplier. In addition, the Company strives to reduce its number of suppliers in order to further optimise its supply chain, and has reduced its number of suppliers (excluding new suppliers to the Company resulting from acquisitions) by 20 percent and 5 percent in the years ended 31 December 2015 and 2016, respectively.

### Distribution

Munters generally focuses on locating its manufacturing facilities and assembly units close to its customers, which can help to reduce the complexity of the Company's distribution network and operations and the delivery times and transportation costs related to the sale of products and solutions. As a result, the Company has a local or regional manufacturing and/or assembly presence in the geographic regions in which it operates. The Company's distribution and logistics strategy and network varies by product. For example, the Company generally manufactures smaller products with relatively low distribution and logistics costs (e.g., controllers, which are manufactured in Israel and distributed globally) in one location rather than in multiple regional locations. Similarly, the Company has centralised certain of its manufacturing operations related to the production of components, with regional manufacturing facilities that produce components and other parts that are then distributed globally, with final assembly done on a local basis due to local knowledge and modification requirements. For example, the Company produces blocks and rotors in the United States and Sweden, components for fan kits in Italy and sheet metal in China and Mexico.

Munters also has operational warehouses in certain of its manufacturing facilities and assembly units, which provide for product and inventory storage and manage delivery to customers and/or distributors. The Company uses external logistics suppliers for ocean, truck and air transport, which allows the Company to customise its transportation arrangements based on production location and customer needs.

## Intellectual property rights

The Company holds a large number of trademarks, domain names and patents, which are important to protect core technology, product development and in order to develop and maintain the Company's competitive position. Group management believes that its patents and other intellectual property rights are important to the success of the business, and the Company is focused on managing, maintaining and protecting its intellectual property rights. The Company's maintains an intellectual property rights policy in EMEA, which was adopted in 2011, and an intellectual property rights policy in the United States, which was adopted in 2012. In addition, the Company maintains a single intellectual property rights policy for its Air Treatment business. The Company's policies generally provide for the administration of intellectual property rights at the Company's headquarters in Kista, Sweden, the use of external parties to support activities and efforts related to the Company's intellectual property and procedures to monitor competitors for any patent infringements. For 2017, the Company is working to develop a global intellectual property rights policy for the Group.

The Company's trademark portfolio consists of approximately 200 trademark registrations and/or applications worldwide. The Company primarily markets and sells its products under the Munters brand, and also markets and sells products under a variety of product brands, including, among others, its Oasis, DryCool, PowerPurge and Euroemme brands. The Company holds approximately 200 domain name registrations consisting of the core brands, including munters.com. These trademarks and domain names are registered in various combinations of word and logo marks with the relevant registration authorities in Sweden in the other principal jurisdictions in which the Company operates.

The Company's patent and design portfolio contains approximately 212 patents and approximately 50 pending patent applications, including 85 patents and 23 pending patent applications relating to desiccant rotor technology. The Company's patents have expiration dates between 2017 and 2035. The Company has three key patents related to its DOAS products that expire in 2021, 2022 and 2024, respectively. The Company has a key patent related to its fans used in certain of the products offered by the AgHort business area that expires in 2031. In addition, the Company has several key patents related to its mist eliminators for flue gas desulphurisation that expire in 2027 and 2028; however, the Company is currently in the process of developing new mist eliminator technology for flue gas desulphurisation and has submitted three patent applications. The Company maintains and files patent applications in Sweden and in the principal jurisdictions in which the Company operates, including the European Union, United States, Germany, Italy and China, and uses external patent attorneys in several countries to assist in maintaining and registering patents. The Company has a patent pending on its evaporative polymer exchanger technology in Europe and, as a result, may have limited or reduced intellectual property rights or protection regarding this intellectual property. For risks associated with the Company's intellectual property, see "*Risk factors—Risks related to the operations and the industry—Munters is exposed to risks relating to intellectual property rights*".

## Information technology (IT)

The Company's IT infrastructure and platforms are standardised and centrally managed, with specific application use and management divided between the Company's IT group and business organisation. For example, applications developed and managed by the IT group are developed and supported by the IT group and relate to processes and functionality across the Company's business areas, such as human resource management, procurement, finance and business development. Applications developed and managed by the business organisation typically support business-specific processes within a particular business area, such as research and development and engineering, sales and marketing, production and services. The Company utilises the Genesys software platform to transform inputs such as flows, temperature and humidity into outputs that include proposals and quotes and links to CRM and ERP systems. Genesys provides the Company with a consistent product offering, increased sales force efficiency and margin management, among other benefits. The Company has regional IT groups in Asia, the Americas and EMEA that support the Company's internal IT organisation and report to the Company's central IT group in Sweden.

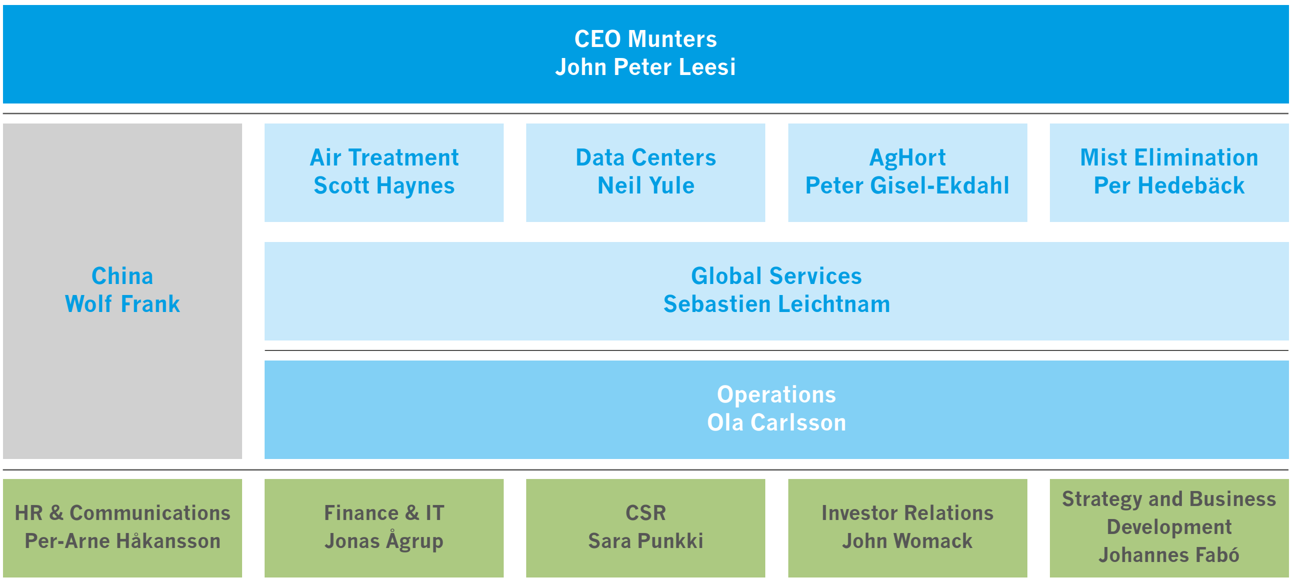
The Company's IT systems support all facets of its operations, including research and development and engineering, enterprise resource planning, financial reporting, customer relationship management and business intelligence. Research and development and engineering IT systems are used in the Company's factories and for product development, including designing, planning and collaborating on product designs. Enterprise resource planning IT systems primarily address Company accounting and support the Company's production process. Financial reporting IT systems are used to consolidate financial reports across all regions. Customer relationship management IT systems, including sales and customer service systems, manage and organise the Company's customer interactions across the customer lifecycle. Business intelligence IT systems collect business data and provide data analytics and other business-related information to support the Company's operations. While the majority of these systems are operated, supported, maintained and developed internally, the Company seeks to increase the extent to which it outsources aspects of its IT infrastructure, such as data center and server management. The Company licenses software and IT services from a number of third-party providers. These IT services are operated, supported, maintained and developed by external partners, such as Salesforce, Glovia, Divid and IFS.

The Company strives to integrate all of its IT systems and applications to enable the sharing of data between systems and locations. Systems and applications can vary slightly by geographical regions, with different applications used in Asia and EMEA than in the Americas. There are a number of ongoing integration efforts to address legacy systems, geographical differences and develop a more efficient integration platform. In addition, the Company acquires external IT systems from acquired entities, which typically operate on their own local IT systems and platforms. The Company's IT group strives to migrate these IT systems to the standardised IT infrastructure used by the Company, and is currently in the process of migrating the IT systems of HB Group and Reventa that were acquired in 2015.

## Organisational structure and employees

### Organisational structure

The Company has headquarters in Kista, Sweden, and Brentford, United Kingdom, and operates globally through 18 major manufacturing sites and seven assembly units, with more than 3,500 FTEs as of 31 March 2017. The chart below illustrates the Company's organisational structure and management team:



## Employees

The Company's employees are located in a variety of countries around the world, with approximately 38 percent, 45 percent and 15 percent located in EMEA, the Americas and Asia, respectively, as of 31 March 2017. The following table sets forth the number of the Company's FTEs by function as of the dates indicated:

| | As of 31 March | | As of 31 December | |
|---|---|---|---|---|
| **Function** | **2017** | **2016** | **2015** | **2014** |
| Administration | 274 | 257 | 251 | 258 |
| Direct labour | 1,567 | 1,587 | 1,183 | 1,175 |
| Research and development | 145 | 110 | 116 | 107 |
| Project management | 171 | 103 | 94 | 81 |
| Sales and marketing | 615 | 590 | 575 | 548 |
| Manufacturing overhead | 453 | 436 | 440 | 363 |
| Service engineers | 282 | 267 | 262 | 223 |
| **Total** | **3,506** | **3,349** | **2,919** | **2,753** |

The Company's sales and marketing operations are largely conducted by each business area. The following table sets forth the number of the Company's sales marketing FTEs by business area as of the dates indicated:

| | As of 31 March | | As of 31 December | |
|---|---|---|---|---|
| **Function** | **2017** | **2016** | **2015** | **2014** |
| Air Treatment | 444 | 427 | 407 | 346 |
| Data Centers | 22 | 19 | 11 | 19 |
| AgHort | 116 | 110 | 122 | 92 |
| Mist Elimination | 33 | 34 | 34 | 28 |
| **Total** | **615** | **590** | **575** | **548**[1)] |

1) Includes 63 FTEs related to operations of the heater business, which was closed down in the year ended 31 December 2014.

During the periods presented herein, the Company's number of employees has been impacted by acquisitions. In 2015, the acquisitions of HB Group and Reventa increased the Company's number of employees by an aggregate of 230 employees. In 2017, the acquisitions of MTech Systems and Kevin Enterprises increased the Company's number of employees by 11 employees and 158 employees, respectively.

Due to the seasonality of demand for the Company's products and peak workloads, which vary by business area, location and season, the Company uses temporary workers in addition to its permanent workforce. These temporary workers are primarily hired in the Company's manufacturing sites and assembly units. The number of temporary workers ranges from approximately 200 workers in January and February to approximately 400 workers at the peak in September through December.

A number of the Company's employees are members of unions. The Company's management regularly meet with union leadership to keep the unions updated on recent developments in business operations. The Company has not experienced any work stoppages or been involved in union disputes during the periods presented herein. Group management believes that it has positive relations with its employees and the unions.

## Real Property

The Company leases its headquarter offices, which are located at Färögatan 33, SE-164 51 Kista, Sweden, and at The Gatekeeper's House, 1–18 The Old Pumping Station, Pump Alley, Brentford, TW8 0AP, United Kingdom, as well as its offices, major manufacturing sites and assembly units. The following table sets forth certain information with respect to the facilities that the Company currently operates and believes are of importance to its operations:

| Location | Primary function | Primary business area and geography | Owned / Leased | Approximate Area ($m^2$) |
|---|---|---|---|---|
| Kista, Sweden | Headquarters | - | Leased | 1,440 |
| Brentford, United Kingdom | Headquarters | - | Leased | 165 |
| Atlanta, Georgia (USA) | MTech Systems Headquarters | AgHort | Leased | 940 |
| Tobo, Sweden | Manufacturing | Air Treatment Europe, Africa and Asia | Owned | 11,533 |
| Dison, Belgium | Manufacturing | Data Centers Europe, Africa and Asia | Leased | 9,720 |
| Horstmar, Germany | Manufacturing; warehouse | AgHort Europe and Asia | Leased | 16,950 |
| Chiusaveccia, Italy | Manufacturing | AgHort globally | Owned | 8,280 |
| Pieve, Italy | Manufacturing | AgHort Europe and Africa | Owned | 6,580 |
| Hrusky, Czech Republic | Manufacturing | Air Treatment | Owned/Joint Venture | 6,470 |
| Tel Aviv, Israel | Manufacturing | AgHort globally | Leased | 2,020 |
| Amesbury, Massachusetts (USA) | Manufacturing | Air Treatment U.S. | Owned | 12,077 |
| Buena Vista, Virginia (USA) | Manufacturing | Data Centers U.S. | Leased | 22,900 |
| Selma, Texas (USA) | Manufacturing | Air Treatment U.S., Mexico, Australia and Japan | Owned | 11,149 |
| Lansing, Michigan (USA) | Manufacturing | AgHort Americas | Leased | 10,200 |
| Fort Myers, Florida (USA) | Manufacturing | Air Treatment, Mist elimination | Owned | 11,691 |
| Monterrey, Mexico | Manufacturing | Air Treatment, AgHort Americas | Leased | 9,918 |
| Araucaria, Brazil | Manufacturing | Air Treatment, AgHort, Mist Elimination South America | Leased | 6,896 |
| Beijing, China | Manufacturing | Air Treatment China, Mist Elimination China | Owned | 7,000 |
| Chashan, China | Manufacturing | AgHort globally, AgHort China | Leased | 7,586 |
| Jiangyin, China | Manufacturing | Air Treatment China, AgHort China | Owned | 5,500 |
| Hamburg, Germany | Assembly unit | Air Treatment Germany | Leased | 1,600 |
| Aars, Denmark | Assembly unit | AgHort Europe | Leased | 5,072 |
| Almelo, Netherlands | Assembly unit | Air Treatment | Owned | 2,900 |
| Johannesburg, South Africa | Assembly unit | AgHort Africa, Mist Elimination | Leased | 2,400 |
| Andrews, North Carolina (USA) | Assembly unit | Air Treatment US | Leased | 4,650 |
| Mumbai, India | Manufacturing | Mist Elimination India | Owned | 11,128 |
| Pune, India | Assembly unit | Air Treatment, AgHort | Leased | 2,300 |
| Tokyo, Japan | Assembly unit | Air Treatment Japan | Leased | 900 |

## Property, plant and equipment

As of 31 December 2016, Munters' property, plant and equipment amounted to SEK 530 million. The assets generally consist of plant and machinery, equipment, tools, fixtures and fittings, as well as buildings and land. Munters' expense for operating leases on assets, such as leased premises, machinery, and major computer and office equipment, totalled SEK 91 million during the year ended 31 December 2016. For information on pledged assets, please refer to "*Historical financial information—Financial information as of and for the years ended 31 December 2016, 2015 and 2014—Note 24 (Pledged assets and contingent liabilities)*".

## Legal proceedings and investigations

In the ordinary course of its business, the Company is party to various claims and legal proceedings. Other than as set out below, the Company is not currently and has not been within the past twelve months from the date hereof a party to any governmental, legal, administrative, arbitration or dispute proceedings that have had or are reasonably expected to have, either individually or in the aggregate, a material adverse effect on the Company's financial condition or profitability. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and the Company can make no assurances in this regard.

One of the Company's subsidiaries, Munters Corporation, is currently named as a co-respondent and one of many defendants in eight asbestos-related cases regarding the presence and adverse health effects of asbestos in certain facilities in the United States. During the period from 2000 to 2016, seven similar claims against Munters Corporation have been dismissed through summary judgments and one claim was resolved through a settlement that had an immaterial impact on the Group's financial condition and results of operations. Group management believes that the remaining claims are unfounded and Munters Corporation strongly disputes these claims. Munters Corporation maintains insurance coverage related to the cost of defending such claims and currently believes that this insurance coverage is sufficient to cover its costs.

Munters Corporation is subject to a claim filed by Nationwide Agribusiness Insurance Company (which has acceded to a claim by one of Munters Corporation's customers) in November 2016, pursuant to which it claims that the customer's egg barn suffered property damage on 31 January 2014 from a fire claimed to have been caused by Munters Corporation's fans and/or actuators. According to Nationwide Agribusiness Insurance Company, the total monetary loss resulting from the fire was approximately USD 9.8 million. The general discovery process in the matter has commenced. Group management believes that the claim is unfounded and Munters Corporation will strongly dispute this claim. If Munters Corporation incurs costs in relation to the claim, it has insurance coverage available in excess of the total amount of the claim.

Munters Corporation is and has been a party to a series of proceedings with the New Jersey Department of Environmental Protection (the "**NJDEP**") and the current owners of a property in New Jersey regarding the use of such property by Des Champs Laboratories, Inc. ("**DCL**"), an entity that Munters Corporation acquired in 2007 and later merged into Munters Corporation. From 1982 to 1996, DCL operated a facility on the property under a lease agreement with the former owners of DCL, pursuant to which DCL agreed to indemnify and hold harmless the former owners from any liability relating to the property. DCL ceased operations at this facility in 1996, at which time DCL complied with the requirements of the Industrial Site Recovery Act ("**ISRA**") and the NJDEP issued a No Further Action Letter. In 2008, the NJDEP conducted an investigation of various properties in the area, including the former DCL facility, due to contamination of nearby municipal supply wells, and issued a letter revoking the No Further Action Letter, thus requiring DCL and the former owners to conduct, among other things, corrective ISRA filings, and conduct investigative and remedial activities at the former DCL facility in accordance with ISRA. As a result of these actions, Munters Corporation and DCL determined that the facility should qualify for an exemption from ISRA. To comply with the letter from the NJDEP, and to apply for the exemption from ISRA, DCL submitted an ISRA Deminimis Quantity Exemption ("**DQE**") Affidavit in 2009, which was denied by the NJDEP. From 2009, this dispute has been subject to review by the NJDEP, the New Jersey Office of Administrative Law and the New Jersey Superior Court, Appellate Division (the "**Appellate Division**"). On 10 April 2017, the Appellate Division decided that Munters Corporation was entitled to apply for a DQE, but that Munters Corporation bears the burden of proof with respect to whether or not all requirements for a DQE were fulfilled when DCL ceased its operations at the facility. The case has been remanded back to the New Jersey Office of Administrative Law for it to decide the case again based on the Appellate Division's findings. While potential environmental liability is difficult to estimate, Group management believes that it has a strong position and does not expect remediation costs for the relevant property, if any, to be significant. However, if Munters Corporation and the former owner lose the case, Munters Corporation and the former owner would be responsible for such remediation costs (and potentially for remediation costs relating to nearby properties), may be potentially subject to regulatory fines and may be required to reimburse the NJDEP for costs related to the case and their investigation.

One of the Company's subsidiaries, Munters Pty Ltd., is involved in a breach of contract dispute in Australia regarding services provided to the John Hunter Hospital (the "**Hospital**") in 2008. In January 2008, Munters Pty Ltd.'s discontinued Moisture Control Services business area entered into a contract with the Hospital, pursuant to which Munters Pty Ltd. was retained to dry and otherwise remediate records that had been affected by a water leak. The Hospital claims that Munters Pty Ltd. breached the terms of its contract and was negligent because it failed to properly treat the water-affected records, which resulted in, among other things, the growth of mould. The total amount of the claim is AUD 11.3 million, plus interest. Group management believes that the claim is unfounded and Munters Pty Ltd. will strongly dispute the claim. The Company's insurance coverage, including excess under the Group insurance policy, is limited to AUD 3.4 million in connection with the claim.

See "*Risk factors—Risks related to the operations and the industry—Adverse resolution of litigation and other legal proceedings could adversely affect Munters*", "*—Munters is exposed to environmental risks and liabilities due to non-compliance with applicable environmental laws*" and "*—The Group may be exposed to complaints, product recalls, warranty claims and product liability claims*".

## Insurance

The Company holds insurance policies covering general liability, products liability, property and commercial crime. In addition, the Company holds an insurance policy covering liability for its directors and officers. The insurance policies have been taken out group-wide by Munters AB as policyholder and provide coverage for all subsidiaries. Due to local requirements, some entities are also required to obtain local insurance.

The Company's insurance policies have certain coverage limits that vary depending on the type of liability involved and the policies are subject to customary limitations imposed by the relevant insurance companies. The Company's insurance policies are designed to protect the Company from material losses associated with, for example, failures involving the Company's manufacturing facilities, including losses resulting from any associated business interruption. The Company believes that its insurance coverage conforms to market practice for similar entities. There can be no assurance, however, that the Company will not incur losses or suffer claims beyond the limits or outside of the relevant coverage of its insurance policies.

## Regulatory and environmental

The Company is subject to a number of EU, national, regional, state and local laws and regulations on a wide range of environmental, occupational health and safety, nuisance, zoning, land use and other regulatory matters.

For example, the Company is subject to harmonised EU requirements on chemical usage and handling in the REACH-regulation and the RoHS 2; on producer responsibility for waste in the WEEE and the Packaging and Packaging Waste directive; and on energy efficiency in the EED.

The Company's operations require it to maintain certain environmental permits for the production of its products. Compliance matters are handled centrally through the adoption of guidelines and establishment of standards and principles and locally by each respective entity responsible for implementation, follow up and handling of day-to-day matters. See also "*Risk factors—Risks related to the operations and the industry—Munters is exposed to environmental risks and liabilities due to non-compliance with applicable environmental laws*".

The Company considers the health and safety of employees to be one of its most significant responsibilities in connection with operations. The Company strives to create a healthy and safe working environment at each of its facilities, including its manufacturing sites and assembly units, through the implementation of certain safety measures. Group management believes that it is in compliance in all material respects with all environmental and safety laws and regulations applicable to the business. Moreover, while the Company strives to reduce injury rates by implementing high safety standards at the locations where the Company conducts operations, accidents may occur in the future. See also "*Risk factors—Risks related to the operations and the industry—Munters may incur liabilities or suffer negative financial impacts relating to occupational, health and safety matters*".

The Company has policies and procedures in place throughout its network of manufacturing sites and assembly units. For example, the Company's manufacturing facilities operate in accordance with the guidelines set out in the Company's written Environmental, Health & Safety Programme, which establishes procedures, programmes and risk-aspect lists. In addition, the Company trains and communicates its procedures and policies to its employees, and has dedicated teams of employees that oversee compliance with applicable rules and regulations. The Company has designated individuals in each of its manufacturing sites with the responsibility of supervising and implementing policies and controls aimed at maintaining the Company's compliance with environmental, health and safety regulations.

For product compliance, the Company has processes and procedures in place to assess, audit and manage supplied products. In 2014, the Company introduced a Code of Conduct for Suppliers, which sets out the expectation that all suppliers and partners follow all applicable local, national, and international laws, and regulations in the regions they operate. The Company has an ongoing programme to implement a supplier evaluation programme, and requires selected suppliers to complete self-assessment questionnaires in which they confirm compliance with key legislation such as REACH, RoHS 2, WEEE and the Packaging and Packaging Waste directive.

# Capitalisation, indebtedness and other financial information

## Capitalisation and indebtedness

The tables below set forth Munters' capitalisation and net indebtedness as of 31 March 2017:

- on an actual basis reflecting the carrying amounts on Munters' consolidated balance sheet; and
- on an adjusted basis to reflect:
  - (i) conclusion of a New Credit Facilities and the use of credit in the amount of approximately SEK 3,052 million under the New Credit Facilities to repay existing debt (the refinancing);
  - (ii) the share capital increase of approximately SEK 4.9 million through the issuance of 164,926,726 new Shares to the Selling Shareholders against set-off of shareholder loans to the Company, which total SEK 2,689 million (as resolved by the Extraordinary General Meeting held on 7 May 2017);
  - (iii) the share capital increase of SEK 0.1 million through the issuance of 1,872,728 New Shares for the purposes of the Offering (as resolved by the Extraordinary General Meeting held on 7 May 2017); and
  - (iv) the use of the estimated net proceeds of approximately SEK 33 million (i.e. after deduction of certain transaction costs related to the review of strategic ownership alternatives and the Offering of SEK 70 million payable by the Company) to reduce the Company's indebtedness related to acquisitions completed in 2017.

For information on the Company's share capital and the number of outstanding shares as well as changes in conjunction with the Offering (including the above-mentioned New Share issue and Set-Off Issue to the Selling Shareholders), see "*Shares and share capital*". See "*Operating and financial review—Indebtedness*" for information on the refinancing. The information presented below should be read in conjunction with "*Operating and financial review*" and Munters' consolidated financial statements and the notes related thereto included in "*Historical financial information*".

### Capitalisation

| | As of 31 March 2017 | | |
|---|---|---|---|
| **MSEK** | **Actual** | **Adjustments** | **As adjusted** |
| | | *(unaudited)* | |
| **Total current debt** | **2,540** | ***165*** | **2,705** |
| Guaranteed * | 436 | *(436)*[3] | 0 |
| Secured * | – | – | – |
| Unguaranteed/unsecured | 2,104 | *601*[4] | 2,705 |
| **Total non-current debt** | **6,116** | ***(2,935)*** | **3,181** |
| Guaranteed * | 2,480 | *(2,480)* | 0 |
| Secured * | – | – | – |
| Unguaranteed/unsecured | 3,636 | *(455)*[5] | 3,181 |
| **Shareholders' equity** | **704**[1] | **2,722** | **3,426** |
| Share capital | 0[2] | *5*[6] | 5 |
| Legal reserves | (41) | – | (41) |
| Other reserves | 745 | *2,717*[6] | 3,462 |

* Primarily pledges in shares of subsidiaries and floating charges.
1) Excluding non-controlling interests of SEK 10 million.
2) SEK 0.1 million.
3) Part of the refinancing under (i) above.
4) Part of the refinancing under (i) above in combination with use of net proceeds pursuant to (iv) above.
5) Part of the refinancing under (i) above in combination with set-off of shareholder loan pursuant to (ii) above
6) New share issues under (ii) and (iii) above.

## Net indebtedness

| MSEK | As of 31 March 2017 Actual | *Adjustments* | As adjusted |
|---|---|---|---|
| | | *(unaudited)* | |
| (A) Cash | 360 | *(136)*[1] | 224 |
| (B) Cash equivalents | 36 | – | 36 |
| (C) Trading securities | – | – | – |
| **(D) Liquidity (A)+(B)+(C)** | **396** | ***(136)*** | **260** |
| (E) Current financial receivables | – | – | – |
| (F) Current bank debt | 659 | *165*[1] | 824 |
| (G) Current portion of non-current debt | 1 | – | 1 |
| (H) Other current financial debt | 0 | – | – |
| **(I) Current financial debt (F)+(G)+(H)** | **660** | ***165*** | **825** |
| **(J) Net current financial indebtedness (I)-(E)-(D)** | **264** | ***301*** | **565** |
| (K) Non-current bank debt | 2,495 | *(246)*[1] | 2,249 |
| (L) Bonds issued | – | – | – |
| (M) Other non-current loans | 2,689 | *(2,689)*[2] | 0 |
| **(N) Non-current financial indebtedness (K)+(L)+(M)** | **5,184** | ***(2,935)*** | **2,249** |
| **(O) Net financial indebtedness (J)+(N)** | **5,448** | ***(2,634)*** | **2,814** |

1) Part of the refinancing under (i) above.
2) Set-off of shareholder loan pursuant to (ii) above.

**The information on the Munter's capitalisation and indebtedness on an adjusted basis constitute forward-looking statements which is inteneded to describe a hypothetical situation and is only provided for illustrative purposes. These forward-looking statements are not guarantees of future financial performance or development, and the actual outcome could differ materially from what is expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under ''*Important information—Forward-looking statements*'' and ''*Risk factors*''.**

Group management has no reason to believe that there has been any material change to the Company's actual capitalisation since 31 March 2017 other than as set out above. For information about recent developments, see "*Operating and financial review—Recent developments and current trends*".

## Contingent liabilities

As of 31 March 2017, Munters' contingent liabilities amounted to SEK 131 million, primarily comprising operational guarantees, such as advance payment guarantees and performance guarantees. Please also refer to "*Historical financial information—Financial information as of and for the years ended 31 December 2016, 2015 and 2014—Note 24 (Pledged assets and contingent liabilities)*".

# Selected historical financial information

*The selected consolidated historical financial information set forth below as of and for the years ended 31 December 2016, 2015 and 2014 has been derived from the Company's audited consolidated financial statements, which were audited by Ernst & Young AB, as set forth in its audit report included elsewhere herein. The selected consolidated historical financial information set forth below as of and for the three months ended 31 March 2017 and 2016 has been derived from the Company's unaudited interim consolidated financial statements as of and for the three months ended 31 March 2017, which were reviewed by Ernst & Young AB, as set forth in its review report included elsewhere herein, with comparable figures for the three months ended 31 March 2016. The Company's audited and unaudited interim consolidated financial statements as of and for the periods set forth below have each been prepared in accordance with IFRS, as adopted by the European Union. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, subject only to normal and recurring adjustments that are necessary for a fair statement of the results for the interim periods presented.*

*The Company presents below certain key operating metrics that are not defined under IFRS (alternative performance measures). These non-IFRS measures are used by Group management to monitor the underlying performance of the Company's business and operations, and it believes that these metrics are important and helpful in understanding the Company's performance from period to period and to facilitate comparison with its peers. Since not all companies compute these or other non-IFRS metrics in the same way, the manner in which the Company has chosen to compute the non-IFRS metrics presented herein may not be compatible with similarly defined terms used by other companies. Therefore, the non-IFRS metrics should not be considered in isolation of, or viewed as substitutes for, the financial information prepared in accordance with IFRS. Certain of the key operating metrics set forth below are based on information derived from the Company's regularly maintained records and accounting and operating systems. See "Presentation of financial and other information—Non-IFRS key operating metrics" for definitions and reasons for use of non-IFRS measures set out in the tables below.*

*The following information should be read in conjunction with "Operating and financial review" and the Company's consolidated financial statements, including the notes thereto, included in "Historical financial information".*

## Selected consolidated statement of comprehensive income of the Company

| | For the three months ended 31 March | | For the year ended 31 December | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| | *(unaudited)* | | *(audited)* | | |
| Net sales | 1,519 | 1,220 | 6,040 | 5,399 | 4,216 |
| Cost of goods sold | (1,001) | (791) | (3,931) | (3,580) | (2,925) |
| **Gross profit** | **518** | **429** | **2,109** | **1,819** | **1,291** |
| Other operating income | 0 | 0 | 31 | 2 | 6 |
| Selling expenses | (246) | (214) | (913) | (838) | (836) |
| Administrative costs | (158) | (106) | (512) | (465) | (407) |
| Research and development costs | (38) | (35) | (138) | (127) | (132) |
| Other operating expenses | (1) | 0 | 0 | (7) | (26) |
| **Earnings before interest and tax (EBIT)** | **75** | **74** | **577** | **384** | **(104)** |
| Financial income | 3 | 3 | 12 | 3 | 3 |
| Financial expenses | (110) | (95) | (436) | (374) | (412) |
| **Profit/Loss after financial items** | **(32)** | **(19)** | **153** | **13** | **(513)** |
| Tax | (9) | (10) | (69) | (31) | 78 |
| **Income for the period** | **(41)** | **(29)** | **85** | **(18)** | **(435)** |

## Selected consolidated statement of financial position of the Company

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| **ASSETS** | *(unaudited)* | | *(audited)* | | |
| **NON-CURRENT ASSETS** | | | | | |
| Goodwill | 4,359 | 3,900 | 4,227 | 3,944 | 3,536 |
| Patents, licenses, brands and similar rights | 1,669 | 1,554 | 1,550 | 1,614 | 1,629 |
| Buildings and land | 148 | 151 | 156 | 154 | 122 |
| Plant and machinery | 165 | 140 | 172 | 140 | 127 |
| Equipment, tools, fixtures and fittings | 148 | 94 | 133 | 92 | 71 |
| Other non-current assets | 354 | 311 | 335 | 274 | 266 |
| **Total non-current assets** | **6,843** | **6,149** | **6,574** | **6,218** | **5,751** |
| **CURRENT ASSETS** | | | | | |
| Raw materials and consumables | 343 | 261 | 321 | 230 | 192 |
| Products in process | 159 | 112 | 123 | 74 | 77 |
| Finished products and goods for resale | 254 | 190 | 208 | 176 | 143 |
| Accounts receivable | 1,070 | 697 | 1,094 | 790 | 700 |
| Other receivables | 131 | 93 | 103 | 92 | 72 |
| Cash and cash equivalents | 396 | 309 | 432 | 346 | 273 |
| Other current assets | 173 | 107 | 135 | 82 | 60 |
| **Total current assets** | **2,526** | **1,768** | **2,417** | **1,790** | **1,517** |
| **TOTAL ASSETS** | **9,370** | **7,918** | **8,991** | **8,008** | **7,268** |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Shareholders' equity | 704 | 450 | 756 | 487 | 523 |
| Non-controlling interest | 10 | 8 | 11 | 8 | 2 |
| **Total equity** | **714** | **458** | **767** | **495** | **525** |
| **NON-CURRENT LIABILITIES** | | | | | |
| Shareholder loan | 2,689 | 2,488 | 2,688 | 2,488 | 2,304 |
| Interest-bearing liabilities | 2,495 | 2,289 | 2,544 | 2,351 | 2,091 |
| Other non-current liabilities | 399 | 324 | 224 | 299 | 194 |
| Deferred tax liabilities | 533 | 510 | 525 | 527 | 565 |
| **Total non-current liabilities** | **6,116** | **5,611** | **5,981** | **5,665** | **5,154** |
| **CURRENT LIABILITIES** | | | | | |
| Interest-bearing liabilities | 660 | 393 | 429 | 441 | 162 |
| Advances from customers | 247 | 231 | 315 | 193 | 118 |
| Accounts payable | 567 | 389 | 530 | 361 | 329 |
| Accrued expenses and deferred income | 630 | 466 | 565 | 466 | 428 |
| Other current liabilities | 436 | 369 | 404 | 387 | 552 |
| **Total current liabilities** | **2,540** | **1,848** | **2,243** | **1,848** | **1,589** |
| **TOTAL EQUITY AND LIABILITIES** | **9,370** | **7,918** | **8,991** | **8,008** | **7,268** |

## Selected consolidated cash flow statement data of the Company

| MSEK | For the three months ended 31 March 2017 | 2016 | For the year ended 31 December 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | *(unaudited)* | | *(audited)* | | |
| Cash flow from operating activities | (20) | 53 | 277 | 314 | 38 |
| Cash flow from investing activities | (242) | (37) | (186) | (626) | (90) |
| Cash flow from financing activities | 222 | (54) | (19) | 385 | 1 |
| **Cash flow for the period** | **(40)** | **(37)** | **72** | **73** | **(51)** |
| **Cash and cash equivalents at end of period** | **396** | **309** | **432** | **346** | **273** |

## Selected non-IFRS key operating metrics of the Company

| | As of and for the three months ended 31 March | | As of and for the year ended 31 December | | |
|---|---|---|---|---|---|
| **MSEK unless otherwise stated** | **2017** | **2016** | **2016** | **2015** | **2014** |
| **Consolidated non-IFRS metrics (alternative performance measures)** | | | *(unaudited)* | | |
| EBIT[1)] | 75 | 74 | 577 | 384 | (104) |
| EBIT Margin[2)] | 4.9% | 6.0% | 9.6% | 7.1% | (2.5)% |
| Adjusted EBIT[3)] | 95 | 74 | 594 | 373 | 61 |
| Adjusted EBIT Margin[4)] | 6.3% | 6.1% | 9.8% | 6.9% | 1.5% |
| EBITA[5)] | 127 | 119 | 764 | 555 | 156 |
| EBITA Margin[6)] | 8.4% | 9.8% | 12.6% | 10.3% | 3.7% |
| Adjusted EBITA[7)] | 147 | 119 | 781 | 544 | 321 |
| Adjusted EBITA Margin[8)] | 9.7% | 9.8% | 12.9% | 10.1% | 7.6% |
| Adjusted EBITDA[7)] | 167 | 137 | 855 | 607 | 383 |
| Adjusted EBITDA Margin[9)] | 11.0% | 11.2% | 14.2% | 11.2% | 9.1% |
| Adjusted Net Working Capital[10)] | 438 | 227 | 386 | 276 | 258 |
| Adjusted Operating Cash Flow[11)] | 111 | 100 | 672 | 494 | 279 |
| Cash Conversion[12)] | 66.5% | 73.0% | 78.5% | 81.4% | 72.8% |
| Capital Employed[13)] | 1,990 | 1,590 | 1,952 | 1,658 | 1,442 |
| External Net Debt[14)] | 2,946 | 2,544 | 2,724 | 2,618 | 2,148 |
| Net Debt[15)] | 5,635 | 5,032 | 5,412 | 5,106 | 4,452 |
| External Net Debt to Adjusted EBITDA Ratio[16)] | 3.3 | – | 3.2 | 4.3 | 5.6 |
| Return on Capital Employed[17)] | 31.2% | – | 32.9% | 24.1% | 4.4% |
| Return on Equity[18)] | 10.0% | – | 13.6% | (3.5)% | (123.9)% |
| Order Intake[19)] | 1,654 | 1,617 | 6,373 | 5,420 | 4,323 |
| Order Backlog[20)] | 1,998 | 1,713 | 1,741 | 1,348 | 1,242 |
| Organic Net Sales Growth Excluding FX[21)] | 217 | – | 425 | 508 | – |
| Organic Net Sales Growth[22)] | 278 | – | 452 | 1,046 | – |
| Core Net Working Capital Ratio[23)] | 16.3% | – | 15.1% | 13.5% | 15.9% |
| Capital Expenditures Ratio[24)] | 3.1% | 2.9% | 2.7% | 1.7% | 1.9% |
| Total capital expenditures[25)] | 56 | 37 | 184 | 113 | 104 |
| **Business area non-IFRS metrics (alternative performance measures)** | | | | | |
| *Air Treatment* | | | *(unaudited)* | | |
| EBITA[5)] | 97 | 62 | 448 | 444 | 318 |
| EBITA Margin[6)] | 12.2% | 9.2% | 13.6% | 13.2% | 12.1% |
| Adjusted EBITA[7)] | 90 | 62 | 448 | 444 | 333 |
| Adjusted EBITA Margin[8)] | 11.4% | 9.2% | 13.6% | 13.2% | 12.6% |
| Adjusted EBITDA[7)] | 99 | 69 | 482 | 474 | 359 |
| Adjusted EBITDA Margin[9)] | 12.4% | 10.3% | 14.6% | 14.1% | 13.6% |
| Order Intake[19)] | 950 | 775 | 3,385 | 3,222 | 2,704 |
| Order Backlog[20)] | 1 097 | 939 | 978 | 841 | 915 |

| MSEK unless otherwise stated | As of and for the three months ended 31 March 2017 | 2016 | As of and for the year ended 31 December 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| *Data Centers* | | | | | |
| EBITA[5] | 32 | 7 | 56 | (23) | (29) |
| EBITA Margin[6] | 12.5% | 8.0% | 8.1% | (7.9)% | (13.4)% |
| Adjusted EBITA[7] | 32 | 7 | 56 | (23) | (29) |
| Adjusted EBITA Margin[8] | 12.8% | 8.0% | 8.1% | (7.9)% | (13.4)% |
| Adjusted EBITDA[7] | 35 | 9 | 62 | (19) | (26) |
| Adjusted EBITDA Margin[9] | 13.6% | 9.6% | 9.1% | (6.5)% | (12.0)% |
| Order Intake[19] | 165 | 320 | 919 | 387 | 224 |
| Order Backlog[20] | 321 | 328 | 392 | 112 | 33 |
| *AgHort* | | | | | |
| EBITA[5] | 28 | 46 | 288 | 171 | 104 |
| EBITA Margin[6] | 7.0% | 12.9% | 16.9% | 12.5% | 10.4% |
| Adjusted EBITA[7] | 28 | 46 | 258 | 171 | 106 |
| Adjusted EBITA Margin[8] | 7.0% | 12.9% | 15.1% | 12.5% | 10.6% |
| Adjusted EBITDA[7] | 35 | 52 | 282 | 187 | 120 |
| Adjusted EBITDA Margin[9] | 8.6% | 14.4% | 16.5% | 13.7% | 11.9% |
| Order Intake[19] | 469 | 427 | 1,704 | 1,438 | 1,019 |
| Order Backlog[20] | 454 | 316 | 249 | 260 | 164 |
| *Mist Elimination* | | | | | |
| EBITA[5] | 6 | 18 | 69 | 71 | (16) |
| EBITA Margin[6] | 6.7% | 16.4% | 15.9% | 16.5% | (5.1)% |
| Adjusted EBITA[7] | 6 | 18 | 69 | 73 | 24 |
| Adjusted EBITA Margin[8] | 6.9% | 16.4% | 15.9% | 17.1% | 7.5% |
| Adjusted EBITDA[7] | 7 | 19 | 73 | 77 | 27 |
| Adjusted EBITDA Margin[9] | 8.0% | 17.2% | 16.8% | 17.9% | 8.4% |
| Order Intake[19] | 101 | 103 | 416 | 433 | 326 |
| Order Backlog[20] | 126 | 130 | 121 | 135 | 131 |

1) Earnings before interest and tax.
2) EBIT as a percentage of net sales. EBIT Margin is a non-IFRS measure and is not a substitute for any IFRS measures.
3) Adjusted EBIT is EBIT adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property. Adjusted EBIT is a non-IFRS measure and is not a substitute for any IFRS measures. The reconciliation of Adjusted EBIT to income for the period for each period is as follows.

| MSEK unless otherwise stated | For the three months ended 31 March 2017 | 2016 | For the year ended 31 December 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Income for the period** | **(41)** | **(29)** | **85** | **(18)** | **(435)** |
| Tax | 9 | 10 | 69 | 31 | (78) |
| Financial expenses | 110 | 95 | 436 | 374 | 412 |
| Financial income | (3) | (3) | (12) | (3) | (3) |
| **EBIT** | **75** | **74** | **577** | **384** | **(104)** |
| *Adjustments:* | | | | | |
| Transaction costs (a) | 27 | – | 53 | – | – |
| Release of provisions (b) | – | – | (7) | (13) | – |
| Restructuring costs (c) | – | – | – | 3 | 47 |
| Divestment costs (d) | – | – | – | – | 92 |
| Severance costs (e) | – | – | – | – | 26 |
| Earn-out settlement (f) | – | – | (30) | – | – |
| Gains from sale of property (f) | (7) | – | – | – | – |
| **Adjusted EBIT** | **95** | **74** | **594** | **373** | **61** |

a) Transaction costs related to the review of strategic ownership alternatives of the Company and the Offering.
b) Release of unused provisions. The Company made provisions in connection with the divestment of its household and light commercial cooler business in 2015. To reflect the business as currently operated by the Company, these unused provisions have been released for purposes of Adjusted EBIT.
c) Costs related to the restructuring of the Company's production footprint in EMEA. For the year ended 31 December 2015, restructuring costs include SEK 3 million related to the restructuring and relocation of the Company's Mist Elimination operations in Aachen, Germany. For the year ended 31 December 2014, restructuring

costs include SEK 41 million related to the restructuring and relocation of the Company's Mist Elimination operations in Aachen, Germany and SEK 6 million related to the restructuring of the Company's Air Treatment facility in Dison, Belgium.

d) Costs related to Company's divestment and closure of non-core operations and businesses. Divestment costs include SEK 89 million related to the closure of the Company's SCC heaters business and SEK 3 million related to the divestment of the Company's household and light commercial cooler business in 2015.

e) Costs related to the Company's headcount reduction initiative, pursuant to which the Company reduced personnel and other roles, primarily in within the Air Treatment business area and global operations group in EMEA.

f) Amounts related to the positive income effect of the early settlement of the earn-out associated with the acquisition of Reventa.

g) Gains from the sale of property by the Air Treatment business area.

4) Adjusted EBIT as a percentage of net sales. Adjusted EBIT Margin is a non-IFRS measure and is not a substitute for any IFRS measures.

5) Earnings before interest, tax and amortisation. EBITA is a non-IFRS measure and is not a substitute for any IFRS measures.

6) EBITA as a percentage of net sales. EBITA Margin is a non-IFRS measure and is not a substitute for any IFRS measures.

7) Adjusted EBITA and Adjusted EBITDA are EBITA and earnings before interest, tax, depreciation and amortisation ("**EBITDA**") respectively, as adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property. Adjusted EBITA and Adjusted EBITDA are non-IFRS measures and are not a substitute for any IFRS measures. The reconciliation of Adjusted EBITA and Adjusted EBITDA to income for the period for each period is as follows:

| | For the three months ended 31 March 2017 | | | | | |
|---|---|---|---|---|---|---|
| **MSEK** | **Group** | **Air Treatment** | **Data Centers** | **AgHort** | **Mist Elimination** | **Other and eliminations** |
| **Income for the period** | **(41)** | **93** | **31** | **24** | **6** | **(196)** |
| Tax | 9 | 0 | – | (2) | – | 11 |
| Financial expenses | 110 | 0 | – | 3 | – | 106 |
| Financial income | (3) | 0 | – | 0 | – | (3) |
| **EBIT** | **75** | **94** | **32** | **25** | **6** | **(82)** |
| Amortisation | 53 | 3 | (1) | 3 | 0 | 47 |
| **EBITA** | **127** | **97** | **32** | **28** | **6** | **(35)** |
| *Adjustments:* | | | | | | |
| Transaction costs [(a)] | 27 | – | – | – | – | 27 |
| Gains from sale of property [(b)] | (7) | (7) | – | – | – | – |
| **Adjusted EBITA** | **147** | **90** | **32** | **28** | **6** | **(10)** |
| Depreciation | 20 | 8 | 2 | 6 | 1 | 2 |
| **Adjusted EBITDA** | **167** | **99** | **30** | **35** | **7** | **(8)** |

a) Transaction costs related to the review of strategic ownership alternatives of the Company and the Offering.

b) Gains from the sale of property by the Air Treatment business area.

| | For the three months ended 31 March 2016 | | | | | |
|---|---|---|---|---|---|---|
| **MSEK** | **Group** | **Air Treatment** | **Data Centers** | **AgHort** | **Mist Elimination** | **Other and eliminations** |
| **Income for the period** | **(29)** | **58** | **7** | **40** | **18** | **(151)** |
| Tax | 10 | 1 | – | – | – | 10 |
| Financial expenses | 95 | 0 | – | 3 | – | 92 |
| Financial income | (3) | 0 | – | 0 | – | (3) |
| **EBIT** | **74** | **59** | **7** | **43** | **18** | **(53)** |
| Amortisation | 46 | 3 | – | 3 | – | 41 |
| **EBITA** | **119** | **62** | **7** | **46** | **18** | **(13)** |
| **Adjusted EBITA** | **119** | **62** | **7** | **46** | **18** | **(13)** |
| Depreciation | 17 | 7 | 1 | 6 | 1 | 2 |
| **Adjusted EBITDA** | **136** | **69** | **9** | **52** | **19** | **(11)** |

| | For the year ended 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| **MSEK** | **Group** | **Air Treatment** | **Data Centers** | **AgHort** | **Mist Elimination** | **Other and eliminations** |
| Income for the period | 85 | 383 | 54 | 264 | 68 | (684) |
| Tax | 69 | 3 | – | – | – | 66 |
| Financial expenses | 436 | 1 | – | 12 | – | 425 |
| Financial income | (12) | 0 | – | 0 | – | (11) |
| Other appropriations and Group contribution | – | 53 | – | – | 0 | (53) |
| **EBIT** | **577** | **437** | **54** | **276** | **69** | **(258)** |
| Amortisation | 187 | 11 | 1 | 12 | 1 | 161 |
| **EBITA** | **764** | **448** | **56** | **288** | **69** | **(98)** |
| *Adjustments:* | | | | | | |
| Transaction costs[(a)] | 53 | – | – | – | – | 53 |
| Release of provisions[(b)] | (7) | – | – | – | – | (7) |
| Earn-out settlement[(c)] | (30) | – | – | (30) | – | – |
| **Adjusted EBITA** | **781** | **448** | **56** | **258** | **69** | **(51)** |
| Depreciation | 75 | 33 | 7 | 24 | 4 | 7 |
| **Adjusted EBITDA** | **855** | **482** | **62** | **282** | **73** | **(43)** |

a) Transaction costs related to the review of strategic ownership alternatives of the Company and the Offering.

b) Release of unused provisions. The Company made provisions in connection with the divestment of its household and light commercial cooler business in 2015. To reflect the business as currently operated by the Company, these unused provisions have been released for purposes of Adjusted EBITA and Adjusted EBITDA.

c) Amounts related to the positive income effect of the early settlement of the earn-out associated with the acquisition of Reventa.

| | For the year ended 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| **MSEK** | **Group** | **Air Treatment** | **Data Centers** | **AgHort** | **Mist Elimination** | **Other and eliminations** |
| **Income for the period** | **(18)** | **402** | **(23)** | **163** | **51** | **(611)** |
| Tax | 31 | 4 | – | – | – | 27 |
| Financial expenses | 374 | 0 | – | 3 | – | 371 |
| Financial income | (3) | – | – | 0 | – | (3) |
| Other appropriations and Group contribution | – | 27 | – | – | 19 | (46) |
| **EBIT** | **384** | **433** | **(23)** | **167** | **70** | **(262)** |
| Amortisation | 171 | 11 | – | 4 | 1 | 155 |
| **EBITA** | **555** | **444** | **(23)** | **171** | **71** | **(107)** |
| *Adjustments:* | | | | | | |
| Release of provisions[(a)] | (13) | – | – | – | – | (13) |
| Restructuring costs[(b)] | 3 | – | – | – | 3 | – |
| **Adjusted EBITA** | **544** | **444** | **(23)** | **171** | **73** | **(121)** |
| Depreciation | 63 | 29 | 4 | 17 | 3 | 9 |
| **Adjusted EBITDA** | **607** | **474** | **(19)** | **187** | **77** | **(112)** |

a) Release of unused provisions. The Company made provisions in connection with the divestment of its household and light commercial cooler business in 2015. To reflect the business as currently operated by the Company, these unused provisions have been released for purposes of Adjusted EBITA and Adjusted EBITDA.

b) Costs related to the restructuring of the Company's production footprint in EMEA. Restructuring costs include SEK 3 million related to the restructuring and relocation of the Company's Mist Elimination operations in Aachen, Germany.

| | For the year ended 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| **MSEK** | **Group** | **Air Treatment** | **Data Centers** | **AgHort** | **Mist Elimination** | **Other and eliminations** |
| **Income for the period** | **(435)** | **285** | **(29)** | **104** | **37** | **(831)** |
| Tax | (78) | 3 | – | – | – | (81) |
| Financial expenses | 412 | 0 | – | 0 | – | 413 |
| Financial income | (3) | 0 | – | 0 | – | (3) |
| Other appropriations and Group contribution | – | 15 | – | – | (54) | 39 |
| **EBIT** | **(104)** | **302** | **(29)** | **103** | **(17)** | **(463)** |
| Amortisation | 260 | 16 | – | 1 | 1 | 243 |
| **EBITA** | **156** | **318** | **(29)** | **104** | **(16)** | **(220)** |
| *Adjustments:* | | | | | | |
| Restructuring costs[(a)] | 47 | 6 | – | – | 41 | – |
| Divestment costs[(b)] | 92 | – | – | – | – | 92 |
| Severance costs[(c)] | 26 | 9 | – | 2 | – | 17 |
| **Adjusted EBITA** | **321** | **333** | **(29)** | **106** | **24** | **(113)** |
| Depreciation | 64 | 26 | 3 | 13 | 3 | 19 |
| *Adjustments:* | | | | | | |
| SCC depreciation[(d)] | (1) | – | – | – | – | (1) |
| **Adjusted EBITDA** | **383** | **359** | **(26)** | **120** | **27** | **(96)** |

a) Costs related to the restructuring of the Company's production footprint in EMEA. Restructuring costs include SEK 41 million related to the restructuring and relocation of the Company's Mist Elimination operations in Aachen, Germany and SEK 6 million related to the restructuring of the Company's Air Treatment facility in Dison, Belgium.

b) Costs related to Company's divestment and closure of non-core operations and businesses. Divestment costs include SEK 89 million related to the closure of the Company's SCC heaters business and SEK 3 million related to the divestment of the Company's household and light commercial cooler business in 2015.

c) Costs related to the Company's headcount reduction initiative, pursuant to which the Company reduced personnel and other roles, primarily in within the Air Treatment business area and global operations group in EMEA.

d) SCC depreciation related to the Company's closed SCC heaters business.

8) Adjusted EBITA as a percentage of net sales. Adjusted EBITA Margin is a non-IFRS measure and is not a substitute for any IFRS measures.

9) Adjusted EBITDA as a percentage of net sales. Adjusted EBITDA is a non-IFRS measures and is not a substitute for any IFRS measures.

10) The sum of total current assets (less derivative instruments, current tax assets and cash and cash equivalents) less total current liabilities (less interest-bearing liabilities, derivative instruments, current tax liabilities, provisions for pensions and similar commitments and other provisions), as adjusted for acquisition-related earn-outs and liabilities. The reconciliation of Adjusted Net Working Capital for each period is as follows:

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| **MSEK unless otherwise stated** | **2017** | **2016** | **2016** | **2015** | **2014** |
| Total current assets | 2,526 | 1,768 | 2,417 | 1,790 | 1,517 |
| Derivative instruments | (6) | (4) | (2) | (5) | (1) |
| Current tax assets | (40) | (13) | (32) | (8) | (5) |
| Cash and cash equivalents | (396) | (309) | (432) | (346) | (273) |
| **Total current liabilities** | **(2,540)** | **(1,848)** | **(2,243)** | **(1,848)** | **(1,589)** |
| Interest-bearing liabilities | 660 | 393 | 429 | 441 | 162 |
| Derivative instruments | 3 | 5 | 4 | 4 | 3 |
| Current tax liabilities | 50 | 33 | 53 | 38 | 17 |
| Provisions for pensions and similar commitments | 5 | 4 | 5 | 5 | 8 |
| Other provisions | 112 | 95 | 110 | 102 | 110 |
| **Net working capital** | **374** | **124** | **309** | **173** | **(51)** |
| *Adjustments:* | | | | | |
| Earn-outs and liabilities[(a)] | 64 | 103 | 77 | 103 | 310 |
| **Adjusted Net Working Capital** | **438** | **227** | **386** | **276** | **258** |

a) Earn-outs and liabilities related to acquisitions. For the year ended 31 December 2014, adjustments relate to the acquisitions of MKE Munters Keruilai Air Treatment and Rotem. For the year ended 31 December 2015, adjustments relate to the acquisitions of Reventa and MKE Munters Keruilai Air Treatment and include a SEK 2 million present value adjustment related to HB Group and Reventa. For the three months ended 31 March 2016 and the year ended 31 December 2016, adjustments relate to the acquisitions of HB Group and MKE Munters Keruilai Air Treatment and include a SEK 2 million present value adjustment related to HB Group. For the three months ended 31 March 2016, adjustments relate to the acquisitions of HB Group, Reventa and MKE Munters Keruilai Air Treatment and include a SEK 1 million present value adjustment related to HB Group and Reventa. For the three months ended 31 March 2017, adjustments relate to the acquisitions of HB Group and MKE Munters Keruilai Air Treatment and include a SEK 1 million present value adjustment related to HB Group.

11) Adjusted EBITDA less total capital expenditures, see "*Operating and Financial Review—Liquidity and capital resources*".
12) Adjusted Operating Cash Flow as a percentage of Adjusted EBITDA.
13) The sum of net assets (total assets less total non-current liabilities and total current liabilities) and Net Debt less goodwill. As of 31 December 2013, net assets were SEK 179 million, Net Debt was SEK 4,304 million and goodwill was SEK 3,172 million.
14) Net Debt excluding the Shareholder Loan.
15) The sum of Shareholder Loan, non-current interest-bearing liabilities, current interest-bearing liabilities, non-current provisions for pensions and similar commitments (less long-term other employee benefits), current provisions for pensions and similar commitments (less short-term other employee benefits) and financial accrued interest expenses excluding Shareholder Loan, less cash and cash equivalents. The reconciliation of Net Debt and External Net Debt for the period for each period is as follows:

| | As of 31 March | | As of 31 December | | |
|---|---|---|---|---|---|
| **MSEK unless otherwise stated** | **2017** | **2016** | **2016** | **2015** | **2014** |
| Shareholder Loan | 2,689 | 2,488 | 2,688 | 2,488 | 2,304 |
| Non-current interest-bearing liabilities | 2,495 | 2,289 | 2,544 | 2,351 | 2,091 |
| Current interest-bearing liabilities | 660 | 393 | 429 | 441 | 162 |
| Non-current provisions for pensions and similar commitments | 190 | 201 | 179 | 170 | 166 |
| Long-term other employee benefits | (12) | (34) | (2) | (4) | (5) |
| Current provisions for pensions and similar commitments | 5 | 4 | 5 | 4 | 8 |
| Short-term other employee benefits | (2) | (2) | (1) | – | (2) |
| Financial accrued interest expenses excluding Shareholder Loan | 5 | 1 | 2 | 2 | 1 |
| Cash and cash equivalents | (396) | (309) | (432) | (346) | (273) |
| **Net Debt** | **5,635** | **5,032** | **5,412** | **5,106** | **4,452** |
| Shareholder Loan | (2,689) | (2,488) | (2,688) | (2,488) | (2,304) |
| **External Net Debt** | **2,946** | **2,544** | **2,724** | **2,618** | **2,148** |

16) External Net Debt divided by Adjusted EBITDA. For the three months ended 31 March 2017, External Net Debt to Adjusted EBITDA Ratio is calculated based on annualised Adjusted EBITDA.
17) Adjusted EBIT as a percentage of average Capital Employed for the period. Average calculated as the average of the opening balance and the closing balance for the period. For the three months ended 31 March 2017, Return on Capital Employed is calculated based on annualised Adjusted EBIT.
18) Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period. For the three months ended 31 March 2017, Return on Equity is calculated based on annualised income for the period. As of 31 December 2013, shareholder equity was SEK 177 million.
19) Received and confirmed sales orders during the period.
20) Received and confirmed sales orders not yet delivered and accounted for as net sales.
21) Organic Net Sales Growth excluding the impact of fluctuations in currency exchange rates during the period. The impact of fluctuations in currency exchange rates represents the translation of net sales in local currencies to the Group's functional currency and is calculated as the difference in the average currency exchange rates of the respective periods multiplied by the net sales generated in local currencies during the comparative (prior) period.
22) The change in net sales compared to the previous period, excluding the structural effects of acquisitions and divestments, but including the impact of fluctuations in currency exchange rates during the period. The structural effects of acquisitions represent contributions to net sales from acquired businesses, which are classified as structural effects of acquisitions for the 12-month period from the date of the respective acquisition. Thereafter, such contributions to net sales are included in organic net sales for purposes of calculating this measure. Structural effects of divestments represent contributions to net sales in the comparative (prior) period from divested businesses, which are classified as structural effects of divestments for the 12-month period from the date of the respective divestment.
23) The sum of inventory (raw materials and consumables, products in process, finished products and goods for resale and work on contract) and accounts receivable, less accounts payable and advances from customers, as a percentage of net sales. For the three months ended 31 March 2017, Core Net Working Capital Ratio is calculated based on annualised net sales.
24) Tangible capital expenditures as a percentage of net sales. See "*Operating and Financial Review—Liquidity and capital resources*".
25) The sum of tangible and intangible investments. See "*Operating and Financial Review—Liquidity and capital resources*".

# Operating and financial review

## Overview

Munters is a leading global provider of energy efficient and mission critical precision climate control solutions for commercial and industrial applications. The Company leverages its application expertise and advanced technologies to offer its business-to-business customers engineered solutions that are designed to deliver each customer's "perfect climate". The Company provides advanced climate control solutions that are customised and developed to meet exacting specifications and requirements. These customised climate control solutions are used by customers in mission critical applications within targeted end markets, where precision of control over climate and other air quality parameters has a direct impact on the success and operations of the customers' businesses.

The Company operates in four business areas:

- **Air Treatment** – provides customised dehumidification, cooling and air control solutions for the food, pharmaceuticals, electronics, industrials, utilities, supermarkets and other commercial end markets. According to the Commissioned Market Study, the business area has a leading market position in end markets that represented 66 percent of the business area's net sales for the year ended 31 December 2016. The Air Treatment solutions are designed to improve production efficiency, product quality and energy efficiency. In many cases, these solutions include customised equipment that is integrated directly into customer production processes.
- **Data Centers** – provides precision climate control systems to medium and large scale data centers. According to the Commissioned Market Study, the business area is a leader in the direct and indirect evaporative market sub-segments of the air economiser market within the broader data center cooling market, and has a leading market position in the air economiser market, which represented 95 percent of the business area's net sales for the year ended 31 December 2016. These systems are designed to improve the energy efficiency, performance and reliability of data centers.
- **AgHort** – provides a full suite of climate control solutions for the poultry (layer and broiler), greenhouse, dairy and swine end markets. According to the Commissioned Market Study, the business area has a leading market position in end markets that represented 64 percent of the business area's net sales for the year ended 31 December 2016. AgHort products are designed to improve productivity, animal welfare and energy efficiency.
- **Mist Elimination** – provides mist eliminators that separate liquids from gas flows for the power, process and marine end markets. According to the Commissioned Market Study, the business area has a leading market position in end markets that represented 73 percent of the business area's net sales for the year ended 31 December 2016. Mist Elimination products are designed to assist customers in complying with regulations and improving processes and operating efficiency.

The Company also offers a variety of services to customers, primarily within the Air Treatment and Data Centers business areas. These services range from installation and repairs to supervision and performance optimisation, and help to ensure that the Company's solutions are properly maintained and optimised for customer use. The Company's service offering focuses on the specialised needs and applications of its customers, and has become one of the key components of the Company's operations and strategy.

### Segment reporting and business areas

The Company operates in four business areas, which are equivalent to the Company's reporting segments under IFRS: Air Treatment, Data Centers, AgHort and Mist Elimination. The Company generally monitors the operations of each business area based on net sales and Adjusted EBITA. The table below sets forth the net sales, Adjusted EBITA and Adjusted EBITA Margin of the Company's business areas for the periods indicated.

| MSEK unless otherwise stated | For the tree months ended 31 March 2017 | 2016 | For the year ended 31 December 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Net sales** | *(unaudited)* | | *(audited)* | | |
| Air Treatment | 793 | 671 | 3,294 | 3,365 | 2,639 |
| Data Centers | 253 | 90 | 685 | 294 | 220 |
| AgHort | 404 | 360 | 1,705 | 1,363 | 1,002 |
| Mist Elimination | 93 | 108 | 437 | 428 | 320 |
| Other and eliminations | (24) | (9) | (81) | (50) | 35 |
| **Total** | **1,519** | **1,220** | **6,040** | **5,399** | **4,216** |
| **Adjusted EBITA[1)]** | *(unaudited)* | | *(unaudited)* | | |
| Air Treatment | 90 | 62 | 448 | 444 | 333 |
| Data Centers | 32 | 7 | 56 | (23) | (29) |
| AgHort | 28 | 46 | 258 | 171 | 106 |
| Mist Elimination | 6 | 18 | 69 | 73 | 24 |
| Other and eliminations | (10) | (13) | (50) | (121) | (113) |
| **Total** | **147** | **119** | **781** | **544** | **321** |
| **Adjusted EBITA Margin[2)]** | *(unaudited)* | | *(unaudited)* | | |
| Air Treatment | 11.4% | 9.2% | 13.6% | 13.2% | 12.6% |
| Data Centers | 12.8% | 8.0% | 8.1% | (7.8) | (13.4)% |
| AgHort | 7.0% | 12.9% | 15.1% | 12.5% | 10.6% |
| Mist Elimination | 6.9% | 16.4% | 15.9% | 17.1% | 7.5% |
| Other and eliminations | n.m. | n.m. | n.m. | n.m. | n.m. |
| **Total** | **9.7%** | **9.8%** | **12.9%** | **10.1%** | **7.6%** |

1) EBITA as adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property. Adjusted EBITA is a non-IFRS measure and is not a substitute for any IFRS measures. For a reconciliation of Adjusted EBITA to income for the periods, see "*Historical financial information–Selected non-IFRS key operating metrics of the Company*". Adjusted EBITA and Adjusted EBITDA have not been adjusted for:
   a. Transaction costs related to acquisitions during the periods, which amounted to SEK 8 million (AgHort: SEK 6 million; Mist Elimination: SEK 1 million; Data Centers: SEK 0 million) for the three months ended 31 March 2017; SEK 2 million (Other: SEK 2 million) for the three months ended 31 March 2016; SEK 10 million (AgHort: SEK 4 million; Mist Elimination: SEK 6 million) for the year ended 31 December 2016; and SEK 12 million (Air Treatment: SEK 4 million; AgHort: SEK 6 million; Mist Elimination: SEK 2 million) for the year ended 31 December 2015. There were no transaction costs related to acquisitions for the year ended 31 December 2014; or
   b. Amortisation of the surplus value of intangible assets during the periods, which amounted to SEK 48 million for the three months ended 31 March 2017, SEK 42 million for the three months ended 31 March 2016, SEK 169 million for the year ended 31 December 2016, SEK 152 million for the year ended 31 December 2015 and SEK 159 million for the year ended 31 December 2014. The surplus value of intangible assets primarily relate to the acquisition of the Company by Nordic Capital in 2010.
2) Adjusted EBITA as a percentage of net sales. Adjusted EBITA Margin is a non-IFRS measure and is not a substitute for any IFRS measures.

The Company and its business areas generate a small amount of internal sales within the Group, and there are also a small amount of eliminations in each period. Over the medium term, Group management expects that internal sales will continue to represent just below 1 percent of net sales and that eliminations and overhead costs will represent between 1 percent and 1.5 percent of net sales. See "*Important information—Forward-looking statements*".

For additional information and an analysis of net sales and Adjusted EBITA by business area, see "*—Results of operations—Consolidated income statement for the three months ended 31 March 2017 compared to the three months ended 31 March 2016*", "*—Consolidated income statement for the year ended 31 December 2016 compared to the year ended 31 December 2015*" and "*—Consolidated income statement for the year ended 31 December 2015 compared to the year ended 31 December 2014*".

## Key factors affecting the results of operations

### Strategic initiatives and Company transformation

Following the acquisition of the Company by Nordic Capital in 2010 and the review of the Company's business strategy in 2014, the Company launched and accelerated several strategic initiatives to strengthen its competitive position and increase its operational efficiency and competitiveness. These initiatives include the following:

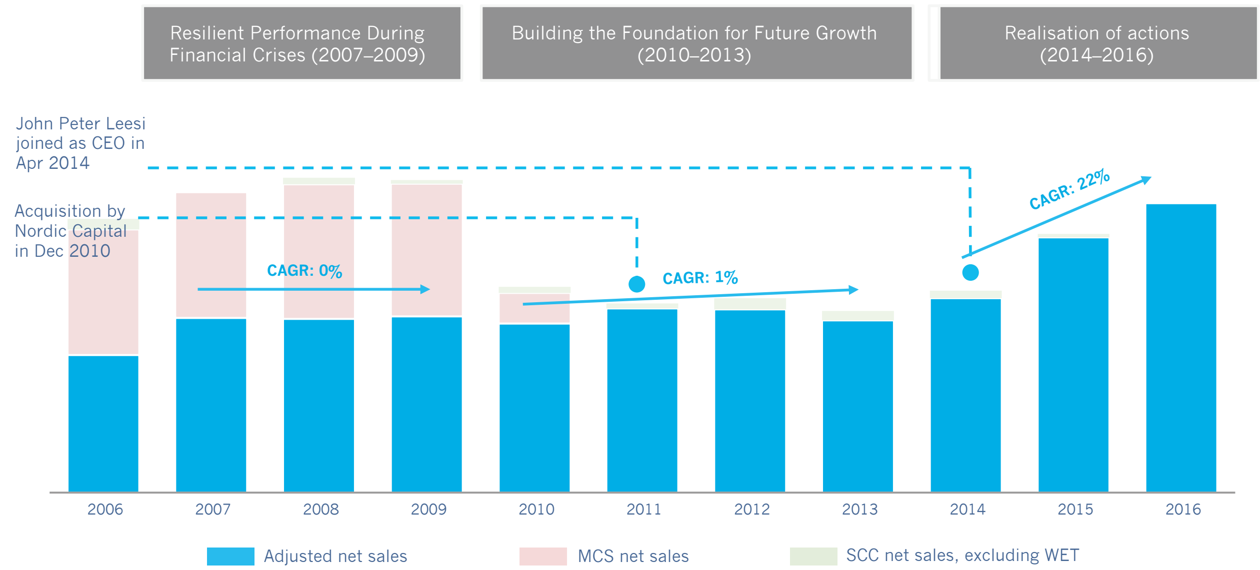
- **New strategy and vision** – The Company introduced a joint vision and strategy ("**Your Perfect Climate**"), and established a new organisational structure based around customer applications. This structure increased the Company's focus on its customers, coordinated sales efforts and after-market sales.

- **Transformed portfolio** – The Company focused on reshaping its business portfolio to fit its strategic and operational objectives. Since 1 January 2014, the Company has completed four acquisitions and one divestment, has discontinued certain non-core operations and businesses within its previous SCC business area and continues to divest and discontinue non-core and low profit operations. See "*—Other factors affecting net sales—Impact of acquisitions and divestments on net sales and profitability*".
- **Targeted growth efforts** – The Company implemented focused strategic growth initiatives to target end markets where precision climate control is mission critical to its customers' operations and offer customers within these end markets a broad range of products and solutions suited to their specific needs. In addition, the Company pursued expansion in emerging markets, such as China, India and Brazil. The Company also focused on expanding its offering of services and further penetrating its customer base, and has hired a significant number of service technician FTEs. See "*—Demand for the Company's products, solutions and services*" and "*—Pricing mechanics, product mix and services offering—Services offering*".
- **Operational improvements** – The Company implemented several operational improvement programmes and initiatives, which have helped to create a leaner and more efficient operating platform, improved the Company's Adjusted EBITA Margin and gross margin and contributed to strong Adjusted Operating Cash Flow. For example, the Company has launched a number of key operational improvement initiatives since 2011, including its Savings Ahead programme and the Munters Production System ("**MPS**"), and further focused on optimising its global sourcing efforts and manufacturing footprint through targeted initiatives. See "*—Operating costs and efficiency*".
- **Focus on sales force and research and development** – The Company launched its Xpand and sales initiative programme globally across all business areas from June 2013 to December 2015, which has improved the education and training of its sales personnel and increased the size and skill of the Company's sales force, and focused on developing products through internal and customer-driven research and design efforts, including the redesign of products to lower production costs.

For additional information on the Company's transformation, see "*Business description—History of Munters*" and "*—Investment highlights*".

The strategic growth initiatives and transformation built upon and enhanced the Company's core operations and have had a positive impact on the Company's results of operations. For example, over the past ten years, net sales, as adjusted for certain divestments, increased at a CAGR of 7.7 percent from the year ended 31 December 2006 to the year ended 31 December 2016, with resilient performance during the financial crisis from 2007 to 2009 and from 2010 to 2013 when (i) several changes to the Group management and organisation were made, (ii) changes to the production process were made and (iii) the Company developed its new strategy and vision. Following the implementation of the Company's new strategy in 2014, the Company has realised an increase in net sales, which increased at a CAGR of 19.7 percent (22.0 percent on an adjusted basis) from the year ended 31 December 2014 to the year ended 31 December 2016. For additional information, see "*—Demand for the Company's products, solutions and services*".

The chart below sets forth the Company's adjusted net sales development from the year ended 31 December 2006 to the year ended 31 December 2016. For additional information and details regarding the net sales growth of the Company during the periods under review, including the impact of organic growth, currency fluctuations and the positive impact of the Company's various acquisitions, see "*—Other factors affecting net sales*".




1) Net sales as adjusted to reflect the impact of the divestment of Moisture Control Services ("**MCS**") by Munters AB in 2010 and the restructured operations of the Spot Climate Control ("**SCC**") business area in 2015. The reconciliation of adjusted net sales to net sales for each period is as follows:

| | For the year ended 31 December | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **MSEK** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Net sales** | 5,217 | 6,262 | 6,570 | 6,524 | 4,295 | 3,950 | 4,058 | 3,791 | 4,216 | 5,399 | 6,040 |
| *Adjustments:* | | | | | | | | | | | |
| MCS [a] | (2,618) | (2,624) | (2,807) | (2,765) | (638) | – | – | – | – | – | – |
| SCC [b] | (425) | (239) | (390) | (321) | (387) | (426) | (503) | (403) | (406) | (71) | – |
| WET [b] | 204 | 248 | 255 | 242 | 259 | 321 | 271 | 207 | 247 | – | – |
| **Adjusted net sales** | **2,873** | **3,646** | **3,628** | **3,680** | **3,528** | **3,844** | **3,825** | **3,595** | **4,056** | **5,327** | **6,040** |

a) The divestment of Moisture Control Services ("**MCS**") by Munters AB in 2010. The MCS business area generated net sales in the years ended 31 December 2006 to 2010, which are set out in Munters AB's audited consolidated financial statements for the years ended 31 December 2006 to 2010. For purposes of the chart above, net sales for the years ended 31 December 2006 to 2010 have been adjusted to exclude the net sales generated by the MCS business area for such periods to reflect the Company's net sales development excluding the impact of the divested MCS business area.

b) Restructured operations of the SCC business area in 2015. In 2015, the household and light commercial cooler business was divested and the WET Components business within the SCC business area was transferred to the Air Treatment business area, with the complete business area being dissolved on 1 January 2016 (the heaters business was discontinued in 2014). The restructured operations of the SCC business area generated net sales in the years ended 31 December 2006 to 2015, which are set out in the Company's internal accounts for the years ended 31 December 2006 to 2015. For purposes of the chart above, net sales for the years ended 31 December 2006 to 2015 have been adjusted to exclude the net sales generated by the restructured operations of the SCC business area for such periods to reflect the Company's net sales development excluding the impact of the restructured operations.

The net sales for the years ended 31 December 2006 to 2010 have been extracted from the audited consolidated financial statements of Munters AB for the years ended 31 December 2006 to 2010, and the net sales for the years ended 31 December 2011 to 2016 have been extracted from the audited consolidated financial statements of the Company for the years ended 31 December 2011 to 2016, which, in each case have been prepared in accordance with IFRS, as adopted by the European Union. The adjusted net sales data is based on the reported foreign exchange rates for each period and has not been adjusted for any other acquisition or structural changes. The adjusted net sales data for the years ended 31 December 2006 to 2015 is not included in the audit reports or otherwise reviewed by the Company's auditors. The adjusted net sales data for the years ended 31 December 2006 to 2015 are non-IFRS measures and are not a substitute for any IFRS measure. The adjusted net sales data for the years ended 31 December 2006 to 2016 have been prepared for illustrative purposes only and may not necessarily be representative of the Company's results for such periods or any future period and should not be considered to provide an indication of any combined or separated financial position or results of operations of the Company.

Due in part to the transformation and the Company's strategic growth initiatives and operational improvement programmes and initiatives, the Company's Adjusted EBITA increased from SEK 321 million for the year ended 31 December 2014 to SEK 781 million for the year ended 31 December 2016, representing a CAGR of 55.9 percent for the period, with Adjusted EBITA Margin increasing from 7.6 percent for the year ended 31 December 2014 to 12.9 percent for the year ended 31 December 2016. The Company's gross margin improved from 30.6 percent for the year ended 31 December 2014 to 34.9 percent for the year ended 31 December 2016. The transformation and the resulting development of the Company's net sales and Adjusted EBITA have contributed to strong Adjusted Operating Cash Flow and the Company's Cash Conversion for the years ended 31 December 2014, 2015 and 2016 was 72.8 percent, 81.4 percent and 78.5 percent, respectively.

## Demand for the Company's products, solutions and services

Demand for the Company's products and solutions is dependent upon the type of customer application and extent to which customers seek to expand or improve their facilities. As a result, demand is driven by the development of the customers' markets, which is, in turn, impacted by general macroeconomic trends, employment levels, trade and regulatory developments, population growth, consumer demographics and preferences, technological shifts, IoT and data traffic, and product replacement cycles. The Company seeks to drive demand and net sales through strategic growth initiatives, including targeted sales campaigns and efforts to drive demand from customers in the Company's end markets and in emerging markets, such as China, India and Brazil. Based on the locations of the registered headquarters of the Company's customers, the United States, China and Germany represented the Company's largest countries by net sales and represented 35.6 percent, 10.9 percent and 7.5 percent, respectively, of the Company's net sales for the year ended 31 December 2016.

During the periods under review, the Company has experienced an increase in demand and net sales due to its targeted sales efforts and strategic initiatives to drive demand from customers in end markets, general economic conditions and the development of its end markets. The total addressable market of the Company has increased from SEK 28.1 billion in 2015 to SEK 31.8 billion in 2016, and is expected to grow to SEK 47.9 billion in 2020, representing a CAGR of 11 percent (7 percent excluding the Data Centers Market; 9 percent based on end markets weighted by the Company's net sales for the year ended 31 December 2016), according to the Commissioned Market Study. For additional information on the development and drivers of the Company's end markets, see "*Market & industry overview*".

### Air Treatment

The Air Treatment business area has driven demand by focusing on the food processing, pharmaceuticals, lithium-ion batteries and supermarkets and other commercial/DOAS end markets. During the periods under review, the Air Treatment business area has targeted customers that are manufacturers seeking to expand or improve their production capabilities and product and process quality, particularly in Company's food, pharmaceuticals and lithium-ion battery end markets. In addition, the Company has engaged in sales efforts to drive demand for its services and after-market products from existing customer base. These efforts, supported by the development of the Company's end markets, helped to increase the business area's net sales from SEK 2,639 million for the year ended 31 December 2014 to SEK 3,294 million for the year ended 31 December 2016, representing a CAGR of 11.7 percent for the period.

For example, the Company has focused on developing solutions for manufacturers of lithium-ion batteries, particularly in China, due in part to the development of battery technology and the subsequent increase in the use of lithium-ion batteries in consumer electronics, automobiles and residential and commercial energy-storage solutions. The Company has experienced an increase in demand from these types of customers, which has had a positive impact on the business area's net sales during the periods under review, particularly for the year ended 31 December 2015.

In addition, the business area has increased its focus on the food, supermarket and other commercial/DOAS end markets, which have also been supported by underlying end market growth and has had a positive impact on the Company's results of operations during the periods under review. For example, the Company acquired HB Group in July 2015, which strengthened the business area's presence in the food end market and its product offering through specialised hygienic products. In addition, net sales generated by the business area increased in the year ended 31 December 2015 due in part to a significant increase in demand from, and sales to, one of the Company's key supermarket customers in the United States. For the year ended 31 December 2016, net sales generated by the business area decreased slightly due to a decrease in demand from this customer and a decrease in sales due to the Company's decision to phase out non-core products and sales in the year ended 31 December 2015.

### Data Centers

The Data Centers business area has driven demand by focusing on co-location and digital customers and the continued development of energy efficient solutions. During the periods under review, the Data Centers business area has focused on offering products within the growing air economiser market within the broader data center cooling market and driving the adoption of air economisers in data centers and the demand for its services.

These efforts have been supported by the positive growth and development of the end market due to recent shifts in technology, including the development of the IoT and increase in content streaming services, which have increased overall data usage, data traffic and the extent to which data is stored in the cloud on third-party data center servers. In addition, technological developments involving data center servers and computing hardware have impacted the temperature thresholds at which these servers and hardware can operate, which has specifically driven demand for the business area's products, as these products are generally most suitable and cost competitive where data centers have maximum temperature limits above 22°C. Furthermore, where data center conditions have maximum temperature limits above 30°C, demand for the Company's technologically-advanced indirect non-evaporative air economiser products is reduced and is generally driven by customer requirements and location, as local air quality, humidity and other environmental factors may preclude the use of more basic direct non-evaporative air economiser products. The business area offers direct non-evaporative air economiser products, but is primarily focused on offering its competitive and technically advanced indirect non-evaporative air economiser products. As a result, during the periods under review, the business area has experienced a significant increase in demand for its products these products, but has also lost orders for projects and facilities that require climate conditions outside the temperature range, applications and environments in which the Company's products are most suitable and competitive.

The Company's efforts, together with the technological developments and positive growth of the end market, have increased demand for the Company's products in the Americas, EMEA and Asia and helped to increase the business area's net sales from SEK 220 million for the year ended 31 December 2014 to SEK 685 million for the year ended 31 December 2016, representing a CAGR of 76.5 percent for the period. The growth of the business area's net sales has been significantly impacted by growth of the Data Centers Market, which, according to the Commissioned Market Study, is expected grow at a higher rate over the near term before slowing to a lower growth rate over the medium term. As a result, in line with the anticipated development of the Data Centers Market, Group management expects the business area's net sales growth to be front loaded over the coming years, with near-term net sales growth in line with the average growth of the business area over the last two years. Because individual orders in this business area are, in certain instances, relatively large, the short term sales trend of the business area will be significantly affected by the status and timing of individual customer projects. See "*Important information—Forward-looking statements*".

### AgHort

The AgHort business area has driven demand by focusing on the poultry (broiler and layer) and swine end markets, which represent the largest end markets within the AgHort Market, and by continuing to develop the Company's connectivity solutions and other new products. In addition, the business area focused on the dairy and greenhouse end markets.

Demand for the products of the AgHort business area is impacted by a number of drivers that are specific to the AgHort Market. These drivers, which include regional sales trends and developments, consumer preferences and fluctuations in the prices of meat, eggs and feed, affect the investment capacity of farm operators and other market participants. For example, fluctuations in meat/egg-to-feed price ratios directly impact the profits generated by market participants and thus the level of investment activity and demand in the AgHort Market. As a result of these specific market drivers, the results of the AgHort business area generally do not fluctuate in line with the results of the other business areas and do not always track the cyclical development of certain geographic markets or macroeconomic trends. The Company uses market indicators, such as meat/egg-to-feed price ratios, to forecast developments and anticipated future demand within the AgHort Market, and has previously adjusted its organisation during periods of anticipated reduced customer demand. Based on the Company's experience in the AgHort Market, Group management believes that demand within the AgHort Market generally contracts every four years, and Group management expects that the AgHort Market will experience reduced investment and demand in 2017, particularly within the poultry end markets. However, Group management currently believes that the impact of any decrease in such investment and demand on the Company's results of operations will be less significant than in the past due to the increased diversity of the business area's products and the broad range of geographic regions in which these products are sold. Due to the downturn in the poultry end markets, order intake for the business area was compressed in the second half of 2016, but improved towards the end of 2016 and has continued to grow in the three months ended 31 March 2017, with market indicators forecasting a less significant decrease in investment and demand than in prior market contractions. Group management estimates that the downturn within the poultry end markets will result in a mid-single digit percentage decline in organic sales for the business area. As a result of the expected reduced investment and demand in 2017, Group management believes that the business area's near-term net sales growth could be at the bottom of the Group's targeted medium-term range when including the impact of the acquisition of MTech Systems. As a result, Group management believes that near-term Adjusted EBITA Margin could be below the Group's medium-term target, but above the level achieved by the business area in the year ended 31 December 2015 due to an increase in the business area's scale and ability to leverage its cost base, as well as due to the consolidation of MTech Systems. See "*Important information—Forward-looking statements*".

During the periods under review, the Company's efforts have been supported by the introduction of new products, the acquisition of Reventa and by general growth of the poultry and swine end markets due to increased investment activity in the farming industry as a result of consumer preferences (e.g., cage free eggs) and end market environments providing for beneficial meat/egg-to-feed price ratios. Demand has also been positively impacted by the increasing technical sophistication of farms and farming techniques. This was further supported by strong regional demand in the Americas and Asia (particularly China and Korea). Together, these factors have helped to increase the business area's net sales from SEK 1,002 million for the year ended 31 December 2014 to SEK 1,705 million for the year ended 31 December 2016, representing a CAGR of 30.5 percent for the period.

### Mist Elimination

Demand for the products of the Mist Elimination business area is primarily driven by the power end market. During the periods under review, the Mist Elimination business area has targeted power customers, particularly coal-fired power plants in China and the United States, seeking to replace, update or retrofit their scrubber systems. These scrubber systems clean flue gases, and the Company's products primarily focus on reducing sulphur oxides. For example, the business area engaged in target marketing efforts to customers within the power end market in China in response to local regulatory changes, and targeted customers in the United States during the local maintenance cycles. Group management estimates that 45 to 50 percent of the net sales generated from the power end market for the year ended 31 December 2016 were to customers in Asia (vast majority of such customers located in China), with the remaining percentage generated in developed markets in the Americas (vast majority in United States) and EMEA. In addition, the business area also focused on the growing process and marine end markets.

These efforts have been supported by the positive growth and development of the power end market due primarily to regulatory changes regarding emissions standards and air quality in China, which became effective in 2014. These new regulations, which have regional enforcement deadlines that phase in from 2017 to 2020, significantly increased demand for the Company's flue gas desulphurisation products in the year ended 31 December 2015, as the Company engaged in targeted marketing efforts and power customers invested to prepare for compliance with these new regulations. This increase in demand had a significant positive impact on the Company's net sales for the year ended 31 December 2015. In 2016, demand from these power customers stabilised, which resulted in lower net sales growth for the year ended 31 December 2016.

During the periods under review, the Company's efforts, supported by regulatory changes, local maintenance cycles and the development of its end markets, helped to increase the business area's net sales from SEK 320 million for the year ended 31 December 2014 to SEK 437 million for the year ended 31 December 2016, representing a CAGR of 16.9 percent for the period. Group management believes that the business area's near-term sales could be impacted by an anticipated decrease in demand for retrofit and upgrade projects from power utilities in the Americas, with demand for these projects expected by Group management to increase in the future together with the marine end market in the United States and continued growth of the power end markets in China and India. See "*Important information—Forward-looking statements*".

In order to forecast and estimate sales development, the Company maintains continuous discussions with some of its customers. The Company engages in ongoing discussions with certain of its customers to help to forecast and determine sales developments, and also generally tracks a number of key economic metrics in order to determine the anticipated development of its end markets and customer demand, including United States non-farm payroll and unemployment data, the architecture billing index and global and local manufacturing purchasing managers' indices ("**PMI**") in its primary geographic regions.

The Company monitors trends in demand by tracking the most recently available order intake and order backlog information, in each case both by group and business area. Order intake is defined as sales orders that have been received and confirmed during the respective reporting period. Order backlog is defined as sales orders that have been received and confirmed but that have not yet been delivered or accounted for under net sales. Received and confirmed sales orders may not convert to net sales in any period. See "*Risk factors—Munters is dependent on retaining existing and attracting new customers as well as the efficiency of Munters' sales channels and distributors*".

The table below sets forth the order intake and order backlog of the Company and its business area for the periods indicated.

| | **As of and for the three months ended 31 March** | | **As of and for the year ended 31 December** | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| | *(unaudited)* | | | *(unaudited)* | |
| Order backlog | 1,998 | 1,713 | 1,741 | 1,348 | 1,242 |
| *Of which:* | | | | | |
| Air Treatment[1)] | 1,097 | 939 | 978 | 841 | 915 |
| Data Centers | 321 | 328 | 392 | 112 | 33 |
| AgHort | 454 | 316 | 249 | 260 | 164 |
| Mist Elimination | 126 | 130 | 121 | 135 | 131 |
| Order intake | 1,654 | 1,617 | 6,373 | 5,420 | 4,323 |
| *Of which:* | | | | | |
| Air Treatment | 950 | 775 | 3,385 | 3,222 | 2,704 |
| Data Centers | 165 | 320 | 919 | 387 | 224 |
| AgHort | 469 | 427 | 1,704 | 1,438 | 1,019 |
| Mist Elimination | 101 | 103 | 416 | 433 | 326 |
| Other and eliminations | (31) | (8) | (51) | (60) | 50 |

1) 2014 includes order backlog of restructured SCC business area.

The order intake and order backlog metrics are reviewed on a monthly basis and provide management with helpful insight into the short-term performance of the business, customer demand and market development. The lead time on insight derived from the order intake metrics varies by business area. For the Air Treatment business area, the lead time is typically three to six months, Data Centers lead time is typically four to 12 months, AgHort lead time is typically one to four months and Mist Elimination lead time is typically one to 12 months.

The Company's order intake increased by SEK 37 million, or 2 percent, from SEK 1,617 million for the three months ended 31 March 2016 to SEK 1,654 million for the three months ended 31 March 2017. Organic order intake growth was SEK 18 million, of which SEK 66 million was due to the positive impact of currency movements. The structural effect of the acquisition of MTech Systems increased order intake by SEK 19 million. Order intake for the Air Treatment business area increased by SEK 175 million, or 23 percent, of which SEK 28 million was due to the positive impact of currency movements, due to an increase in demand and order growth from the lithium-ion batteries end market in China, the industrial end markets in the United States and Asia and the supermarkets end market, which experienced lower order intake in the first nine months of the year ended 31 December 2016. Order intake for the Data Centers business area decreased by SEK 156 million, or 49 percent (including a currency translation gain of SEK 9 million), due to the impact of a record order (SEK 240 million) in Europe received during the three months ended 31 March 2016, offset in part by a medium sized order in the United States received during the three months ended 31 March 2017. Order intake for the AgHort business area was impacted by generally reduced levels of investment and demand in the AgHort Market, and increased by SEK 42 million, or 10 percent, of which SEK 25 million was due to the positive impact of currency movements and SEK 19 million was due to the structural effect of the acquisition of MTech Systems. The reduced levels of investment and demand primarily impacted demand in the United States, with EMEA and Asia, including China, experiencing order growth. Order intake for the Mist Elimination business area decreased by SEK 2 million, or 2 percent (including a currency translation gain of SEK 3 million), due to anticipated lower volumes to the power end market in the United States as compared to strong order intake for the three months ended 31 March 2016 and a decrease in orders in EMEA, offset by an increase in demand and order growth in the power end market in China.

The Company's order intake and order backlog have increased during the periods under review largely due to the Company's focus on its end markets, the underlying development of these end markets and the regions in which the Group operates, including China, and general demand for critical climate control solutions. For example, the Company's order intake growth in China exceeded 50 percent for the three months ended 31 March 2017 as compared to the three months ended 31 March 2016. In addition, the Company's order backlog has increased due in part to the increase in demand for the products of the Data Centers business area, which typically have larger order values. The order backlog of the Data Centers business area has increased and was SEK 33 million, SEK 112 million and SEK 392 million as of 31 December 2014, 2015 and 2016, respectively.

## Pricing mechanics, product mix and services offering

The Company's pricing and product mix impacts its results of operations and affects the Company's net sales and profitability.

### *Pricing mechanics*

The Company's pricing depends on the type and size of the customer, range of products provided, cost inputs and customisation necessary to address customer specifications. The Company takes into account a variety of metrics, including project duration/timing, product prices, cost inputs (e.g., fluctuations in the cost of materials, development costs, engineering support, etc.) and other factors, such as rebates or discounts, to evaluate the pricing impact on the performance of the respective business area and manage its profitability. The Company strives to leverage its market position based on its customised offering, local market knowledge and capabilities, reputation and production flexibility when setting and adjusting its pricing.

The Company reviews and strategically adjusts its product prices in each of its business areas, which has had a positive impact on the Company's net sales and profitability during the periods under review. The Air Treatment, AgHort and Mist Elimination business areas typically review their product prices throughout the year and adjust prices to adapt to profitability targets and cost inputs. For example, the Air Treatment and AgHort business areas are more sensitive to changes in cost inputs and thus strive to pass increases in such costs on to customers through price adjustments, while the Mist Elimination business area is generally less sensitive to fluctuations in cost inputs. See "—*Operating costs and efficiency*". The Air Treatment and Mist Elimination business areas also adjust certain prices to reflect the level of customisation required for each customer order, whereas the AgHort business area generally bases product prices on an internal price list maintained by the Company. As the products of the Data Centers business area are typically customised and utilised in large scale projects pursuant to framework and other long-term agreements, certain of which include contracted price adjustments for increases in cost inputs, the business area reviews product prices with each new project, taking into account the scale and level of customisation required, and when new products are developed.

For the year ended 31 December 2015, the Company increased prices on certain of its products, including Mist Elimination products, due to general demand and market conditions, which helped to increase profitability for the year. For the year ended 31 December 2016, the prices of the Company's Mist Elimination products have been adjusted and returned to more typical price levels following an increase in sales of higher priced and rush/urgent orders in the year ended 31 December 2015. For the year ended 31 December 2016 and the three months ended 31 March 2017, the Company increased prices on certain of its products, including Data Centers products, due to general market conditions and in response to fluctuations in the cost of materials, including metals, which had a positive impact on profitability and margins during these periods.

### *Product mix*

The Company's product mix is largely impacted by the sales and marketing activities of each business area and demand for the Company's products, solutions and services. The Company offers a range of different products within each business area, and each business area's products are characterised by a variety of product properties that have a significant influence on pricing and associated design, manufacture and sales costs. As part of the Company's strategic focus and business strategy, the Company continues to focus its offering on products with Munters' advanced technologies and customised solutions. This focus has had a positive impact on the Company's net sales and margins during the periods under review, as products based on Munters' core technologies and built to order product combinations and solutions generally have higher prices and/or generate higher gross margins and Adjusted EBITA Margins than certain more commoditised or standardised individual products. However, certain of these customised products and solutions may be more difficult or expensive to design and manufacture, which can have an adverse impact on the Company's expenses and margins. As product characteristics vary across and within each of the Company's business areas, the extent to which each business area contributes to the Company's net sales and profitability largely depends on the product mix of each business area for the respective period.

#### Air Treatment

The products of the Air Treatment business area are diverse and range from customised solutions to components and replacement pads. As a result, the product mix includes products across a variety of price points and the business area typically generates margins that are in line with the Company's consolidated gross margin and Adjusted EBITA Margin. During the periods under review, the product mix within the Air Treatment business area has shifted to include a higher percentage of higher margin products, including higher margin after-market products, which had a positive impact and improved the business area's Adjusted EBITA Margin. The business area's Adjusted EBITA Margin increased from 12.6 percent for the year ended 31 December 2014 to 13.6 percent for the year ended 31 December 2016. Group management believes that the business area's margins will be impacted by the business area's investments in its services operations, research and development, components business and improvements in production facilities in Mexico and the United States in 2017 with the levels of such investments expected to decline gradually in 2018. See "*Important information—Forward-looking statements*".

#### Data Centers

The products of the Data Centers business area are generally larger, more complex and expensive to design and manufacture and have higher product prices than the products of the other business areas. In addition, these products are typically sold pursuant to large contracts with specific pricing for each contract. As a result, during the periods under review, the business area has generated margins that are lower than the Company's consolidated gross margin and Adjusted EBITA Margin. This lower gross margin is offset in part by lower selling expenses and administrative costs due to the lower sales volumes and larger orders related to the data center products. During the periods under review, the business area has increased its Adjusted EBITA Margin due to an increase in sales volumes, with Adjusted EBITA Margin negatively impacted in the years ended 31 December 2014 and 2015 due to warranty costs related to interrupted production and quality issues in the United States, which were resolved in the year ended 31 December 2016. As a result, the business area's Adjusted EBITA Margin increased from negative 13.4 percent for the year ended 31 December 2014 to 8.1 percent for the year ended 31 December 2016. As the business area continues to develop, Group management believes that the business area's near-term Adjusted EBITA Margin could be in between the level achieved by the business area and by the Group in the year ended 31 December 2016, as Group management expects the business area to continue to improve but have lower margins than the other business areas over the medium term. The development is expected to be supported by improved production capacity utilisation and an increase in production efficiency, as well as the impact of low production activity at the Company's manufacturing facility in Dison, Belgium, in the first half of 2016. See "*Important information—Forward-looking statements*".

#### AgHort

The products of the AgHort business area are diverse and range from controller networks and connectivity solutions to individual products and replacement pads. As a result, the product mix includes products across a variety of price points and the business area typically generates gross margin in line with or slightly below the Company's consolidated gross margin. Due to the business area's ability to leverage its cost base, the business area typically generates Adjusted EBITA Margin above the Company's consolidated Adjusted EBITA Margin. During the periods under review, the business area has increased its Adjusted EBITA Margin through an increase in sales volumes combined with the ability to leverage its cost base, and the positive impact of changes in the business area's pricing and product mix. The business area's Adjusted EBITA Margin increased from 10.6 percent for the year ended 31 December 2014 to 15.1 percent for the year ended 31 December 2016.

**Mist Elimination**

The products of the Mist Elimination business area generally consist of specialised solutions and products that are customised for local applications. As a result, the business area generates margins that are higher than the Company's consolidated gross margin and Adjusted EBITA Margin. During the periods under review, the business area has increased its Adjusted EBITA Margin through an increase in sales volumes, the positive impact of changes in the business area's pricing and product mix and outsourcing of certain production processes to third parties. The business area's Adjusted EBITA Margin increased from 7.5 percent for the year ended 31 December 2014 to 15.9 percent for the year ended 31 December 2016.

During the periods under review, the Company's product mix has been impacted by the different growth rates of the Company's business areas. For example, the Data Centers business area grew significantly during the periods under review, which impacted the product mix and had a positive impact on the Company's consolidated net sales and Adjusted EBITA, but an adverse impact on the Company's consolidated Adjusted EBITA Margin. In addition, the growth of the Mist Elimination business area increased the percentage of high margin products sold during the periods, which had a positive impact on both the Company's consolidated Adjusted EBITA and Adjusted EBITA Margin.

### *Services offering*

The Company's offering of services primarily relates to the Air Treatment business area, but the Company also offers services within the Data Centers business area. The Company has focused on expanding its offering of services during the periods under review, and has hired a significant number of service technician FTEs, which has had a positive impact on the net sales generated by the Air Treatment business area and a small positive impact on the net sales generated by the Data Centers business area. The number of FTEs within the Company's services operations has increased from 226 FTEs as of 31 December 2014 to 308 FTEs as of 31 December 2016. Based on internal management accounts, the net sales generated by the Company's services operations have increased by 55 percent during the periods under review, from SEK 418 million for the year ended 31 December 2014 to SEK 649 million for the year ended 31 December 2016, and the services operations generated 10.7 percent of the Company's net sales in the year ended 31 December 2016, primarily within the Air Treatment business area. For the three months ended 31 March 2017, the services operations generated net sales of SEK 151 million. The Company's services operations generate an Adjusted EBITA Margin that is higher than the Company's consolidated Adjusted EBITA Margin, and the expansion of the services offering has had a positive impact on the profitability and margins generated by the Air Treatment and Data Centers business areas during the periods under review, and has helped to offset lower margins generated by certain of the products offered by these business areas.

### *Other factors affecting net sales*

The Company's net sales are affected by structural changes to the Company's business and operations, including acquisitions and divestments, and by exchange rate fluctuations. The tables below set forth the net sales growth of the Company and its business areas by type of growth for the periods indicated.

| | For the three months ended 31 March 2017 | | | |
|---|---|---|---|---|
| **MSEK** | **Organic Net Sales Growth Excluding FX**[1)] | **Structural effects of acquisitions and divestments**[2)] | **Impact of change in foreign exchange rates**[3)] | **Total net sales growth** |
| | | (unaudited) | | |
| Air Treatment | 95 | – | 27 | 122 |
| Data Centers | 156 | – | 7 | 163 |
| AgHort | – | 21 | 22 | 43 |
| Mist Elimination | (17) | – | 4 | (15) |
| Other | (17) | – | 1 | (15) |
| **Company** | **217** | **21** | **61** | **299** |

1) Organic Net Sales Growth excluding the impact of fluctuations in currency exchange rates during the period.
2) The structural effects of acquisitions represent contributions to net sales from acquired businesses, which are classified as structural effects of acquisitions for the 12-month period from the date of the respective acquisition. Thereafter, such contributions to net sales are included in organic net sales for purposes of calculating this measure. Structural effects of divestments represent contributions to net sales in the comparative (prior) period from divested businesses, which are classified as structural effects of divestments for the 12-month period from the date of the respective divestment.
3) Represents the translation of net sales in local currencies to the Group's functional currency and is calculated as the difference in the average currency exchange rates of the respective periods multiplied by the net sales generated in local currencies during the comparative (prior) period.

| MSEK | For the year ended 31 December 2016 Organic Net Sales Growth Excluding FX[1] | Structural effects of acquisitions and divestments[2] | Impact of change in foreign exchange rates[3] | Total net sales growth |
|---|---|---|---|---|
| | | *(unaudited)* | | |
| Air Treatment | (177) | 82 | 25 | (70) |
| Data Centers | 388 | – | 3 | 391 |
| AgHort | 159 | 179 | 4 | 342 |
| Mist Elimination | 11 | – | (2) | 9 |
| Other | 44 | (71) | (3) | (31) |
| **Company** | **425** | **190** | **27** | **641** |

1) Organic Net Sales Growth excluding the impact of fluctuations in currency exchange rates during the period.
2) The structural effects of acquisitions represent contributions to net sales from acquired businesses, which are classified as structural effects of acquisitions for the 12-month period from the date of the respective acquisition. Thereafter, such contributions to net sales are included in organic net sales for purposes of calculating this measure. Structural effects of divestments represent contributions to net sales in the comparative (prior) period from divested businesses, which are classified as structural effects of divestments for the 12-month period from the date of the respective divestment.
3) Represents the translation of net sales in local currencies to the Group's functional currency and is calculated as the difference in the average currency exchange rates of the respective periods multiplied by the net sales generated in local currencies during the comparative (prior) period.

| MSEK | For the year ended 31 December 2015 Organic Net Sales Growth Excluding FX[1] | Structural effects of acquisitions and divestments[2] | Impact of change in foreign exchange rates[3] | Total net sales growth |
|---|---|---|---|---|
| | | *(unaudited)* | | |
| Air Treatment | 309 | 79 | 338 | 726 |
| Data Centers | 41 | – | 33 | 74 |
| AgHort | 183 | 58 | 119 | 361 |
| Mist Elimination | 63 | – | 44 | 107 |
| Other | (88) | – | 4 | (84) |
| **Company** | **508** | **137** | **538** | **1,183** |

1) Organic Net Sales Growth excluding the impact of fluctuations in currency exchange rates during the period.
2) The structural effects of acquisitions represent contributions to net sales from acquired businesses, which are classified as structural effects of acquisitions for the 12-month period from the date of the respective acquisition. Thereafter, such contributions to net sales are included in organic net sales for purposes of calculating this measure. Structural effects of divestments represent contributions to net sales in the comparative (prior) period from divested businesses, which are classified as structural effects of divestments for the 12-month period from the date of the respective divestment.
3) Represents the translation of net sales in local currencies to the Group's functional currency and is calculated as the difference in the average currency exchange rates of the respective periods multiplied by the net sales generated in local currencies during the comparative (prior) period.

### *Impact of acquisitions and divestments on net sales and profitability*

The Company's results of operations have been impacted by acquisitions and divestments during the periods under review, and the Company has completed four acquisitions and one divestment since 1 January 2014.

The Company closed its heater business (part of the former SCC business area) and divested its household and light commercial cooler business, which represented loss making and non-core businesses, in the year ended 31 December 2015. In connection with the closure of the heater business, the Company incurred expenses of SEK 89 million in the year ended 31 December 2014. In connection with the divestment of the household and light commercial cooler business, the Company incurred divestment costs of SEK 3 million in the year ended 31 December 2014. Together, these divestments costs had an adverse impact of SEK 92 million on the Company's profitability for the year ended 31 December 2014.

In the year ended 31 December 2015, the Company acquired HB Group, which strengthened the Air Treatment business area's presence in the food end market and its product offering through specialised hygienic products, and Reventa, which strengthened the AgHort business area's presence in Europe and its product offering through cold-climate ventilation products primarily for the swine end market. In connection with the acquisition of Reventa, the Company recorded a positive income effect of SEK 30 million in the year ended 31 December 2016 related to the early settlement of the earn-out, which had a positive impact on the Company's profitability in the period. In addition, as noted above, the Company divested its household and light commercial cooler business in the year ended 31 December 2015, which represented non-core and loss making businesses. The Company made provisions in connection with the divestment of this business, which have impacted the Company's profitability during the periods under review. In the years ended 31 December 2015 and 2016, the unused provisions related to the divestment of this business amounted to SEK 13 million and SEK 7 million, respectively.

In the three months ended 31 March 2017, the Company acquired MTech Systems in the United States, which expanded and improved the Company's connectivity-based offering and application expertise. In connection with this acquisition, the fair value of identified intangible assets was SEK 160 million, of which SEK 19 million related to accrued income, SEK 29 million related to customer relationships, SEK 122 million related to technology, SEK 19 million related to brands and SEK 29 million related to deferred tax liabilities. As of the date of the acquisition, the fair value of acquired accounts receivable was SEK 51 million, with a nominal value of SEK 51 million. In April 2017, the Company acquired Kevin Enterprises in India, which strengthened the Company's market presence in India and significantly expanded its product offering for process industry customers. MTech Systems has been included in the Company's financial reporting since February 2017 and Kevin Enterprises has been included in the Company's financial reporting since April 2017. As a result, the results of operations of the Company for the three months ended 31 March 2017 do not reflect the impact of the acquisition of MTech Systems in full and do not reflect the impact of the acquisition of Kevin Enterprises. Based on MTech Systems' unaudited internal management accounts for the twelve months ended 31 December 2016, which have been prepared in accordance with US GAAP, MTech Systems generated net sales of SEK 136.0 million (SEK 111.4 million from its United States entity and SEK 24.6 million from its Brazilian entity) for the year ended 31 December 2016. Based on Kevin Enterprises unaudited internal management accounts for the twelve months ended 31 December 2016, which have been prepared in accordance with Indian GAAP, Kevin Enterprises generated net sales of SEK 54.8 million for the year ended 31 December 2016. See "*Presentation of financial and other information*".

## *Impact of changes in foreign exchange rates on net sales and profitability*

Changes in foreign exchange rates between SEK (the Company's reporting currency and the currency in which its capital base is denominated) and the local currencies of the various countries in which the Company and its subsidiaries operate affect the Company's results of operations. The Company records net sales through sales in a variety of currencies, including USD, EUR, CNY and GBP. For the years ended 31 December 2015 and 2016 the Company generated 47.5 percent and 43.4 percent, respectively, of its net sales in USD, 25.2 percent and 28.4 percent, respectively, of its net sales in EUR, 6.9 percent and 8.4 percent, respectively, of its net sales in CNY and 3.1 percent and 4.1 percent, respectively, of its net sales in GBP. The remaining percentage of net sales was generated in a variety of currencies, including SGD, JPY, AUD, BRL and SEK.

Fluctuations in the value of the various currencies in which the Company operates, and the USD and EUR in particular, against the SEK have had a mixed effect on the Company's results of operations in the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017. In the year ended 31 December 2015, the SEK depreciated against the Company's primary operating currencies, including the USD and EUR, which increased net sales by SEK 538 million. Similarly, in the year ended 31 December 2016, the SEK continued to depreciate against certain currencies, including the USD, which increased net sales by SEK 27 million. This increase was offset in part by the depreciation of the GBP against the SEK during the period, as the GBP depreciated significantly following the EU referendum in the United Kingdom. In the three months ended 31 March 2017, the SEK depreciated against the Company's primary operating currencies, including the USD and EUR, which increased net sales by the SEK 61 million.

The Company's results of operations are subject both to transaction risk and translation risk. The Company's results of operations are influenced by currency translation because the results of operating units are ultimately consolidated in SEK. As a result, exchange rate fluctuations may impact the reporting of the financial results of a subsidiary even though no change in its results of operations has occurred. The Company's balance sheet translation exposure to foreign currencies is hedged by seeking to match borrowings to the Company's net assets in foreign currencies. For example, as of 31 December 2016, the Company had designated external debt of USD 288 million (SEK 2,555 million) relating to its USD financing arrangements as a hedge against the translation effects of net assets reported in USD. For further information, see "*Risk factors—Munters is exposed to currency risks*".

While the Company strives to balance the extent to which different currencies contribute to its net sales and expenses, the Company's results of operations are still influenced by currency transaction risk. For example, while the Company's operating subsidiaries typically quote business in the same currency as the associated costs, there are instances where the transaction impact is not fully offset and certain of the Company's products are sold in currencies that are different from the associated costs. In the years ended 31 December 2015 and 2016, the Company's sales in Europe and Israel increased due in part to demand from customers in China and the United States, respectively. The Company generally seeks to mitigate this transaction risk by balancing the extent to which net sales and costs are denominated in different currencies, with the residual exposure hedged using forward currency contracts.

A sensitivity analysis has been conducted, which indicates how certain exchange rate fluctuations would have impacted the Company's EBIT. If the currencies to which the Company had exposure as of 31 December 2016 would have strengthened/weakened by 10 percent on average against the SEK, everything else being equal, the Company's consolidated EBIT would have increased/decreased by SEK 120.5 million. This sensitivity analysis does not exclude or account for the Company's hedging activities and may provide an incomplete picture of the Company's foreign exchange rate exposure. For additional information on the Company's currency risk, the currency balance of net sales and costs during the periods under review and the full exchange rate sensitivity analysis, see "*Quantitative and qualitative disclosures about financial risk—Currency risk*".

## Operating costs and efficiency

The Company's results of operations and profitability are impacted the extent to which the Company can manage its operating efficiency and control its key operating costs, which include cost of goods sold, selling expenses and administrative costs. The Company's costs are also impacted by the Company's general research and development activities and innovation initiatives. For the year ended 31 December 2016, cost of goods sold, selling expenses, administrative costs and research and development costs represented 71.6 percent, 16.6 percent, 9.3 percent and 2.5 percent of the Company's total costs, with variable, semi-fixed and fixed costs estimated to represent approximately 64 percent, 9 percent and 27 percent of the Company's total costs for the same period.

In general, the Company's operating costs, and cost of goods sold in particular, are impacted by the development of net sales, and increase during periods of high demand and production expansion and decrease during periods of low or slow demand and market downturns. The Company seeks to leverage its manufacturing footprint, experience and scale to enhance its operating leverage and increase profitability, and can effectively manage costs due to the Company's high variable cost base. In addition, the Company manages these costs through continuous improvement and operational excellence initiatives and has launched a number of key operational improvement initiatives since 2011, including its Savings Ahead programme and MPS, and further focused on optimising its global sourcing efforts and manufacturing footprint through targeted initiatives:

- **Savings Ahead** – The Company's Savings Ahead programme was launched in 2014 and focused on increasing the efficiency of the Company's operations by reducing costs related to non-sales personnel and excess overhead roles and by consolidating certain roles and operations. For example, the Company reduced its number of non-sales FTEs within the Air Treatment business area and other support functions by consolidating roles across the Group. In connection with the reduction of FTEs in EMEA, the Company incurred expenses of SEK 26 million in the year ended 31 December 2014 related to severance costs, which had an adverse impact on the Company's profitability for the period. The Savings Ahead programme was completed in 2015 and generated gross savings of approximately SEK 100 million, and had a positive impact on the Company's selling expenses, administrative costs and profitability for the years ended 31 December 2014 and 2015.
- **Munters Production System** – The Company designed its Munters Production System ("**MPS**") to enhance the performance and productivity at its manufacturing facilities by eliminating waste, focusing on standardisation and quality and improving its production processes and product engineering. The MPS was implemented in a number manufacturing facilities in 2012 and, following the success of the MPS, has been rolled out across the majority of the Company's manufacturing footprint. The MPS tracks 11 key performance indicators on a monthly basis, including overtime savings, scrap reduction rates, non-productive labour reduction rates, overhead employee cost reductions and other savings categories, such as space utilisation, utility savings and packaging reductions. The MPS provides the Group management with detailed information regarding each facility's production efficiency and enables the Company to track the impact of initiatives and identify and apply best practices across the Company's manufacturing footprint. For example, during the periods under review, the Company has realised cost savings as a result of multiple initiatives, including changes to factory layouts and production processes, improvements in labour efficiency, elimination of identified bottlenecks and scrap reduction.
- **Sourcing** – The Company's sourcing initiative was launched in 2011 and focuses on managing the Company's costs of materials to reduce costs. For example, the Company's global sourcing group monitors and tracks factory performance and savings related to materials and cost out projects. Pursuant to the Company's sourcing initiative, the Company strives to increase its level of sourcing in countries with low labour costs and the Company has actively consolidated its supplier base in order to help to use scale advantage and improve its purchasing efficiency. The Company reduced its number of suppliers (excluding new suppliers to the Company resulting from acquisitions) by 20 percent and 5 percent in the years ended 31 December 2015 and 2016, respectively. In addition, the Company's product management, sales and R&D teams meet regularly to ensure consistent goals and improve collaboration, which has resulted in a number of product modifications and design initiatives to optimise the use of materials and reduce the Company's costs of materials. During the periods

under review, the Company has realised cost savings as a result of the sourcing initiative, including due to changes of materials used in products, savings from design improvements and an increase of sourcing from low cost countries.

- **Manufacturing footprint optimisation** – The Company continuously evaluates and seeks to optimise its manufacturing footprint in order to streamline its operations and improve local knowledge and expertise and delivery times. The Company has moved, closed or divested eight facilities since 1 January 2014, which has had a positive impact on the Company's production and factory costs. For example, the Company restructured the manufacturing footprint of its Mist Elimination business area by significantly downsizing a site in Germany and has outsourced and relocated certain production activities from higher cost factories to other lower cost facilities and suppliers in low cost countries. For the year ended 31 December 2016, less than half of the Company's production was conducted in lower cost facilities/countries. In addition, the Company has consolidated factories in order to increase its capacity utilisation and reduce costs. In connection with the restructuring of the production footprint in EMEA, the Company incurred expenses of SEK 41 million and SEK 3 million in the years ended 31 December 2014 and 2015, respectively, related to the relocation of the Company's Mist Elimination operations in Aachen, Germany, and SEK 6 million in the year ended 31 December 2014 related to the restructuring of the Company's Air Treatment facility in Dison, Belgium, which, in each case, had an adverse impact on the Company's profitability for the respective period.

The Company tracks the impact of the MPS and sourcing initiative (including cost out projects) by factory using predetermined key performance indicators. Based on these key performance indicators, Group management estimates that the MPS and sourcing initiative generated aggregate gross savings of approximately SEK 150 million for the period from the year ended 31 December 2014 to the year ended 31 December 2016.

**The aggregate gross savings estimate of the MPS and sourcing initiative included in this section is based on key performance indicators that do not reflect all factors affecting the costs of the Company's factories and, therefore, the aggregate gross savings estimate does not directly correlate to the costs and other financial information reported in the Company's consolidated financial statements as of and for the years ended 31 December 2014, 2015 and 2016, which have been prepared in accordance with IFRS, as adopted by the European Union. As a result, it is not possible to quantify the impact that the MPS and sourcing initiative would have had on the Company's income statement for these periods. In addition, the gross savings of the Savings Ahead programme and the aggregate gross savings estimate of the MPS and sourcing initiative do not include the costs related to the implementation of such initiatives and these associated costs have not been formally tracked. Accordingly, the gross savings of the Savings Ahead programme and the aggregate gross savings estimate of the MPS and sourcing initiative are only indicative and have been provided for illustration purposes only. The gross savings of the Savings Ahead programme and the aggregate gross savings estimate of the MPS and sourcing initiative should not be considered to provide an indication of, or be viewed as a forecast, projection or estimate of, the Company's results of operations for any historical or future period. Investors are urged not to place undue reliance on the gross savings of the Savings Ahead programme and the aggregate gross savings estimate of the MPS and sourcing initiative set forth above.**

The Company uses its order intake and order backlog data to manage its operating costs, as these metrics provide Group management with helpful insight into its short-term production requirements. For example, as order intake data can provide helpful information regarding the Company's net sales over the next one month to one year, the Company can leverage this insight to adjust its workforce and materials purchases, reduce its administrative costs and investments and can manage its production capacity utilisation, which can help to increase operating efficiency and manage the Company's costs and profitability. Due to the nature of the AgHort Market, the Company uses market indicators to increase its production of products and investments within the AgHort business area in response to anticipated market demand.

### *Cost of goods sold*

The most significant components of the Company's cost of goods sold include materials costs (including both raw materials and component parts), which represented 64.4 percent and 63.9 percent of the Company's cost of goods sold for the year ended 31 December 2015 and 2016, respectively, and 61.2 percent of the Company's cost of goods sold for the three months ended 31 March 2017. In addition, cost of goods sold include production and factory costs and direct and indirect labour, which together represented 33.9 percent and 33.8 percent of the Company's cost of goods sold for the year ended 31 December 2015 and 2016, respectively, and 39.1 percent of the Company's cost of goods sold for the three months ended 31 March 2017. The Company's cost of goods sold also includes amounts related to depreciation, amortisation and impairment losses on non-current assets, which represented 1.3 percent and 1.5 percent of the Company's cost of goods sold for the year ended 31 December 2015 and 2016, respectively, and 1.6 percent of the Company's cost of goods sold for the three months ended 31 March 2017.

The Company's materials costs are driven by the volume, market-pricing, type and quality of the raw materials and components purchased by the Company. The Company's key raw materials include copper, steel, aluminium, paper and oil, the price of which depend, to a certain degree, on macroeconomic trends, inflationary pressures, market-pricing, factors impacting the global supply and demand of the relevant materials and the availability of sources and suppliers to provide the required quantity and quality of materials to meet the Company's production needs. For the year ended 31 December 2016, copper, galvanised steel, stainless steel, paper, oil, steel HRC, aluminium and polystyrene/polypropene represented 18 percent, 15 percent, 8 percent, 8 percent, 8 percent, 6 percent, 3 percent and 1 percent of the Company's materials costs. In addition, the components purchased by the Company include a varying degree of raw material content and are thus subject to price changes based on fluctuations in the cost of the underlying raw materials. The Company manages the impact of changes in its materials costs on its profitability through periodic price adjustments to its product prices, and certain customer contracts include contractual clauses that provide for price increases in the event of significant increases in the materials costs, which can help to mitigate the impact of increases in materials costs. In addition, for metals forecasts indicate increasing prices, the Company seeks to hedge its raw materials costs by negotiating longer term (6 to 12 month) fixed price contracts with suppliers.

During the periods under review, the Company's materials costs have increased in line with the Company's net sales and increase in sales volumes, and have been positively impacted by the Company's MPS, sourcing initiative and factory optimisation. The Company benefitted from reduced market prices for certain key materials, such as metals, in the years ended 31 December 2014 and 2015, which had a positive impact on the Company's materials costs and profitability. In the second half of the year ended 31 December 2016 and in the three months ended 31 March 2017, market prices for certain key materials, including copper and steel, have increased and the Company has adjusted prices on certain of its products. These price increases have helped to hedge against changes in materials costs, although the impact of price increases is often subject to a time lag effect as a result of the time that it takes to adjust prices in response to materials costs fluctuations.

The Company's production and factory costs and its employee costs have increased during the periods under review due to the general expansion of the Company's business, and have been positively impacted by the Company's Savings Ahead programme, the MPS and factory optimisation. The Company's number of FTEs has increased from approximately 2,750 as of 31 December 2014 to approximately 3,500 as of 31 March 2017.

### *Selling expenses*

The Company's selling expenses are driven by the sales and marketing activities of the Company, and generally increase during periods of high demand and when the Company launches significant sales and marketing campaigns and initiatives. The most significant components of selling expenses include personnel and other administration costs, which represented 99.1 percent of the Company's selling expenses for the year ended 31 December 2016. In addition, selling expenses include amounts related to depreciation, amortisation and impairment losses on non-current assets, which represented 0.9 percent of the Company's selling expenses for the year ended 31 December 2016.

During the periods under review, the Company's selling expenses have increased in line with the general growth of the Company's business, the Company's Xpand programme, pursuant to which the Company has increased the level of investment in the education and training of its sales personnel, and the general expansion of the Company's sales force. For example, the Company has hired more than 130 service technicians and sales employees since 1 January 2014. The Company manages its selling expenses through performance evaluation programmes and by monitoring the sales and marketing operations across all levels of the Company.

### *Administrative costs*

The Company's administrative costs relate to personnel and other administration costs, which represented 97.1 percent of the Company's administrative costs for the year ended 31 December 2016. The Company's administrative costs also include amounts related to depreciation, amortisation and impairment losses on non-current assets, which represented 2.9 percent of the Company's administrative costs for the year ended 31 December 2016. The Company's administrative costs have increased during the periods under review due to the general growth of the Company's business, and have also been impacted by performance-related payments to the Company's FTEs, which increased from the year ended 31 December 2014 to the year ended 31 December 2016.

### *Research and development costs*

The Company's research and development costs relate to personnel costs related to research, product development, laboratories, construction of prototypes and technological activities, as well as IT costs that are directly related to research and development, which together represented 91.3 percent of the Company's research and development costs for the year ended 31 December 2016. In addition, research and development costs include amounts related to depreciation, amortisation and impairment losses on non-current assets, which represented 8.7 percent of the Company's research and development costs for the year ended 31 December 2016.

Research and development costs are driven by the Company's research and development efforts and are significantly impacted by the extent to which development costs are capitalised in accordance with IAS 38 – Intangible Assets. For the years ended 31 December 2014, 2015 and 2016, the Company's capitalised development costs amounted to SEK 15 million, SEK 16 million and SEK 13 million, respectively, and the Company's expensed research and development costs amounted to SEK 132 million, SEK 127 million and SEK 138 million, respectively. Group management estimates that research and development costs as a percentage of net sales will remain stable over the medium term. See "*Important information—Forward-looking statements*".

## Seasonality

### *Net sales and Adjusted EBITA*

The Company's net sales and Adjusted EBITA have historically increased over the course of each year, with seasonality in the Company's consolidated results driven by fluctuations in demand throughout the year within certain of the Company's targeted end markets. The table below sets forth the percentage of the Company's net sales, Adjusted EBITA and Adjusted EBITDA generated in the respective financial periods. See "*Presentation of financial and other information—Financial information—Quarterly and long-term financial information*".

| | For the year ended 31 December | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | 2015 | | | | 2014 | | | |
| % | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | (unaudited) | | | | (unaudited) | | | | (unaudited) | | | |
| Net sales | 20 | 24 | 26 | 30 | 21 | 24 | 26 | 29 | 20 | 24 | 26 | 31 |
| Adjusted EBITA[1)] | 15 | 25 | 25 | 35 | 11 | 29 | 35 | 26 | 3 | 22 | 32 | 43 |
| Adjusted EBITDA[1)] | 16 | 25 | 25 | 34 | 12 | 28 | 34 | 26 | 6 | 22 | 32 | 41 |

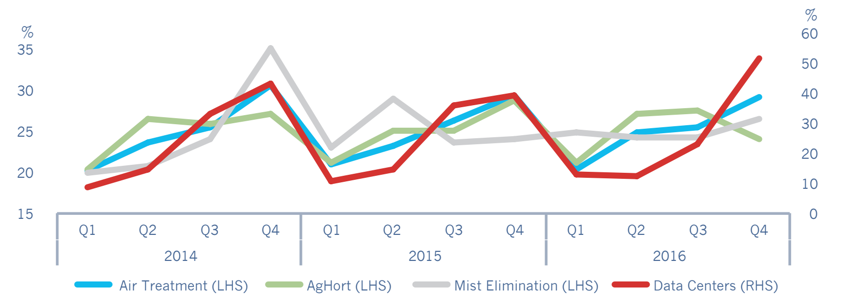
1) Adjusted EBITA and Adjusted EBITDA are EBITA and EBITDA respectively, as adjusted for costs related to the Offering, release of provisions, restructuring costs, divestment costs, severance costs, earn-out settlement and gains from the sale of property. Adjusted EBITA and Adjusted EBITDA, are non-IFRS measures and are not a substitute for any IFRS measures. The reconciliation of Adjusted EBITA and Adjusted EBITDA to income for the period for each period is as follows:

| | For the year ended 31 December | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | 2015 | | | | 2014 | | | |
| MSEK | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **Income for the period** | **(29)** | **11** | **(2)** | **(105)** | **(63)** | **5** | **9** | **31** | **(98)** | **(114)** | **(113)** | **(109)** |
| Tax | 10 | 28 | 22 | 8 | (7) | 23 | 39 | (23) | (13) | 0 | (21) | (44) |
| Financial expenses | 95 | 112 | 111 | 118 | 90 | 87 | 97 | 100 | 87 | 146 | 93 | 86 |
| Financial income | (3) | (2) | (4) | (3) | 0 | (1) | (1) | (1) | 0 | (1) | 0 | (2) |
| **EBIT** | **74** | **150** | **127** | **228** | **19** | **114** | **144** | **107** | **(25)** | **31** | **(41)** | **(69)** |
| Amortisation | 46 | 45 | 47 | 49 | 40 | 40 | 42 | 49 | 34 | 35 | 37 | 154[h] |
| **EBITA** | **119** | **194** | **174** | **277** | **60** | **154** | **186** | **156** | **9** | **66** | **(4)** | **85** |
| *Adjustments* | | | | | | | | | | | | |
| Transaction costs[a] | – | – | 26 | 27 | – | – | – | – | – | – | – | – |
| Release of provisions[b] | – | – | (7) | – | 0 | 1 | 2 | (17) | – | – | – | – |
| Restructuring costs[c] | – | – | – | – | 0 | 0 | 1 | 1 | – | 3 | 4 | 40 |
| Divestment costs[d] | – | – | – | – | – | – | – | – | – | – | 90 | 2 |
| Severance costs[e] | – | – | – | – | – | – | – | – | – | – | 14 | 12 |
| Earn-out settlement[f] | – | – | – | (30) | – | – | – | – | – | – | – | – |
| **Adjusted EBITA** | **119** | **194** | **193** | **274** | **60** | **156** | **188** | **140** | **9** | **69** | **104** | **139** |
| Depreciation | 17 | 17 | 21 | 20 | 15 | 15 | 15 | 18 | 13 | 13 | 17 | 20 |
| *Adjustments* | | | | | | | | | | | | |
| SCC depreciation[g] | – | – | – | – | – | – | – | – | – | – | – | (1) |
| **Adjusted EBITDA** | **136** | **211** | **213** | **294** | **74** | **171** | **203** | **158** | **22** | **83** | **121** | **158** |

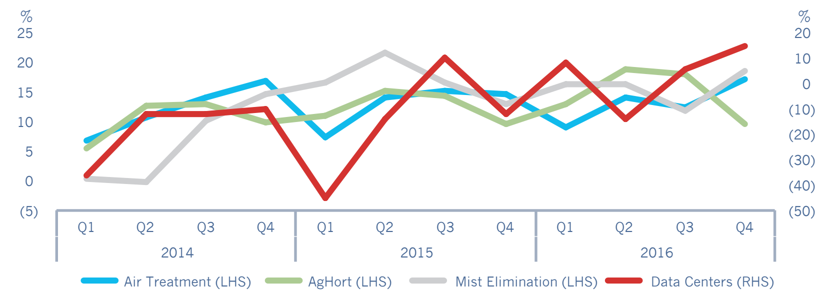
a) Transaction costs related to the review of strategic ownership alternatives of the Company and the Offering.
b) Release of unused provisions. The Company made provisions in connection with the divestment of its household and light commercial cooler business in 2015. To reflect the business as currently operated by the Company, these unused provisions have been released for purposes of Adjusted EBIT.
c) Costs related to the restructuring of the Company's production footprint in EMEA.
d) Costs related to Company's divestment and closure of non-core operations and businesses. Divestment costs include costs related to the closure of the Company's SCC heaters business and costs related to the divestment of the Company's household and light commercial cooler business in 2015.
e) Costs related to the Company's headcount reduction initiative, pursuant to which the Company reduced personnel and other roles, primarily in within the Air Treatment business area and global operations group in EMEA.
f) Amounts related to the positive income effect of the early settlement of the earn-out associated with the acquisition of Reventa.
g) SCC depreciation related to the Company's closed SCC heaters business.
h) Includes impairment losses.

The tables below set forth the percentage of each business area's net sales generated in, and Adjusted EBITA Margin for, the financial periods indicated.

**Net Sales per Quarter as % of FY**




**Adjusted EBITA Margin per Quarter**




On a consolidated basis, the Company's net sales and Adjusted EBITA generally increased over the course of the years ended 31 December 2014, 2015 and 2016, with the first quarter representing the weakest results and the fourth quarter typically representing the strongest results. In the first quarter of the year ended 31 December 2017 and the third and fourth quarters of the year ended 31 December 2016, the Company's Adjusted EBITA was impacted in particular by transaction costs related to the review of strategic ownership alternatives and the Offering. The results of operations of the Company's business areas are impacted by a number of seasonal trends and other factors:

- **Air Treatment** – The Air Treatment business area typically generates the majority of net sales and Adjusted EBITA in the second half of the year, with the first quarter representing the weakest results for the business area. This trend is due primarily to customers' investment trends, with the majority of customers utilising their capital expenditure budgets in the second half of the year, and to the internal sales operations of the Air Treatment business area, where sales and marketing activities are generally increased in the second half of the year pursuant to internal goals and in response to customers' utilising their investment budgets for the year.
- **Data Centers** – The results of the Data Centers business area are generally not seasonal, with net sales generated relatively evenly throughout the year. However, as customer orders within this business area tend to be larger than the other business areas, the results of the Data Centers business area can fluctuate significantly in periods in which the Company enters into, or generates net sales from, large scale new customer contracts or receives large orders. Furthermore, for larger projects, customers typically pre-pay part of the total project price in advance of completion, with additional payments linked to the completion of acceptance tests. Group management estimates that prepayments on larger projects generates approximately 10 to 20 percent of the business area's net sales. The impact of these customer advances and additional payments can impact the results of the Data Centers business area.
- **AgHort** – The AgHort business area typically generates the majority of net sales and Adjusted EBITA in the second and third quarters of the year, as winter weather in the fourth and first quarters can have a negative impact on construction activity and sales in EMEA and the Americas.
- **Mist Elimination** – The results of the Mist Elimination business area are primarily influenced by the maintenance seasonality and schedule maintenance cycles of the coal-fired power industry, which can vary by geographic region (e.g., March/April in the Americas). In addition, net sales and customer demand can fluctuate significantly in periods in which new regulations applicable to air quality and climate and environmental control are passed or become effective. This seasonality is mitigated in part by the diversity of the Company's customer base and geographic footprint.

## *Adjusted Net Working Capital and Adjusted Operating Cash Flow*

The Company's Adjusted Net Working Capital has remained relatively stable with no clear seasonal patterns, while Adjusted Operating Cash Flow has fluctuated in line with the development of net sales and Adjusted EBITA. The table below sets forth the quarterly Adjusted Net Working Capital and Adjusted Operating Cash Flow of the Company for the periods indicated.

| MSEK unless otherwise noted | As of 31 December 2016 Q1 | Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2014 Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | *(unaudited)* | | | | | | |
| Adjusted Net Working Capital[1)] | 227 | 241 | 209 | 386 | 278 | 224 | 120 | 276 | 223 | 203 | 178 | 258 |
| Adjusted Operating Cash Flow[2)] | 99 | 171 | 169 | 231 | 55 | 141 | 175 | 122 | 3 | 56 | 96 | 124 |
| Cash Conversion[3)] | 73% | 81% | 79% | 79% | 74% | 82% | 86% | 77% | 13% | 68% | 80% | 79% |

1) The sum of total current assets (less derivative instruments, current tax assets and cash and cash equivalents) less total current liabilities (less interest-bearing liabilities, derivative instruments, current tax liabilities, provisions for pensions and similar commitments and other provisions), as adjusted for acquisition-related earn-outs and liabilities. Adjusted Net Working Capital is a non-IFRS measure and is not a substitute for any IFRS measures. The reconciliation of Adjusted Net Working Capital for each period is as follows:

| | As of and for the year ended 31 December | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | 2015 | | | | 2014 | | | |
| **MSEK** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| **Total current assets** | **1,768** | **1,920** | **2,152** | **2,417** | **1,695** | **1,667** | **1,916** | **1,790** | **1,335** | **1,458** | **1,515** | **1,517** |
| Derivative instruments | (4) | (6) | (4) | (2) | (3) | (4) | (1) | (5) | – | (1) | (3) | (1) |
| Current tax assets | (13) | (20) | (26) | (32) | (5) | (9) | (16) | (8) | (10) | (8) | (18) | (5) |
| Cash and cash equivalents | (309) | (265) | (248) | (432) | (264) | (258) | (366) | (346) | (182) | (237) | (217) | (273) |
| **Total current liabilities** | **(1,848)** | **(1,990)** | **(2,257)** | **(2,243)** | **(1,841)** | **(1,727)** | **(1,960)** | **(1,848)** | **(1,255)** | **(1,297)** | **(1,438)** | **(1,589)** |
| Interest-bearing liabilities | 393 | 361 | 305 | 429 | 240 | 375 | 331 | 441 | 247 | 208 | 216 | 162 |
| Derivative instruments | 5 | 6 | 5 | 4 | 1 | 2 | 1 | 4 | 2 | 3 | 3 | 3 |
| Current tax liabilities | 33 | 39 | 44 | 53 | 12 | 19 | 52 | 38 | 17 | 4 | 16 | 17 |
| Provisions for pensions and similar commitments | 4 | 4 | 4 | 5 | 8 | 8 | 7 | 5 | 6 | 9 | 9 | 8 |
| Other provisions | 95 | 93 | 97 | 110 | 101 | 98 | 102 | 102 | 63 | 64 | 94 | 110 |
| **Net working capital** | **124** | **142** | **72** | **309** | **(56)** | **172** | **66** | **173** | **223** | **203** | **178** | **(51)** |
| *Adjustments:* | | | | | | | | | | | | |
| Earn-outs and liabilities[a)] | 103 | 99 | 137 | 77 | 333 | 53 | 53 | 103 | – | – | – | 310 |
| **Adjusted Net Working Capital** | **227** | **241** | **209** | **386** | **278** | **224** | **120** | **276** | **223** | **203** | **178** | **258** |

a) Earn-outs and liabilities related to the acquisitions of Rotem, Reventa, HB Group and MKE Munters Keruilai Air Treatment.

2) Adjusted EBITDA less total capital expenditures. Adjusted Operating Cash Flow is a non-IFRS measure and is not a substitute for any IFRS measures. The table below sets forth the Company's total capital expenditures for each period:

| | For the year ended 31 December | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | 2015 | | | | 2014 | | | |
| **MSEK** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| Total capital expenditures | 37 | 40 | 44 | 63 | 19 | 30 | 28 | 36 | 19 | 27 | 25 | 34 |

3) Adjusted Operating Cash Flow as a percentage of Adjusted EBITDA. Cash Conversion is a non-IFRS measure and is not a substitute for any IFRS measures.

Generally, Adjusted Net Working Capital has represented between 5 percent and 7 percent of the Company's net sales, with an increase in Adjusted Net Working Capital in the fourth quarter of the year ended 31 December 2016 due to an increase in accounts receivables related to certain orders of the Data Centers business area, which were shipped in the fourth quarter of the year ended 31 December 2016 with payments due in 2017. In the fourth quarter of the year ended 31 December 2016, Adjusted Net Working Capital also increased due to an increase in sales in China. For additional information, see "*—Liquidity and capital resources—Cash flow from operating activities*".

The seasonality of the Company's Adjusted Operating Cash Flow is driven by the seasonality of the Company's and its respective business area's sales, which, on a consolidated basis, are generally strongest and peak during the summer months and are weakest during the winter period, during which time inventories increase.

## Capital efficiency

The Company's financial condition and cash flows are impacted by the Company's capital efficiency. The Company strives to operate a capital efficient model, with Adjusted Operating Cash Flow of SEK 523 million for the year ended 31 December 2016, representing Cash Conversion of 78.5 percent for the period. Additionally, the Company had a Return on Capital Employed of 32.9 percent for the year ended 31 December 2016, representing an increase as compared to the Company's Return on Capital Employed of 24.1 percent for the year ended 31 December 2015, which was driven by an increase in profitability and generally low levels of capital employment.

The Company also has low Adjusted Net Working Capital, which has increased from SEK 258 million as of 31 December 2014 to SEK 386 million as of 31 December 2016. The Company's Adjusted Net Working Capital as of 31 December 2016 represented 6.4 percent of the Company's net sales for the year ended 31 December 2016 and increased due to the timing of certain orders within the Data Centers business area, which shipped in the fourth quarter with payments due in 2017. This low Adjusted Net Working Capital is primarily due to the Company's inventory management efforts and the customised and made-to-order nature of the majority of the Company's products and solutions, which help to create stabile and lower inventory levels. For additional information, see "*Liquidity and capital resources—Cash flow from operating activities*". For the years ended 31 December 2014, 2015 and 2016, the Company's Core Net Working Capital Ratio was 15.9 percent, 13.5 percent and 15.1 percent, respectively, with the Core Net Working Capital Ratio for the year ended 31 December 2016 impacted by an increase in orders and customer activity within the Data Centers business area in the fourth quarter of 2016. Over the medium term, Group management believes that the Group can achieve a Core Net Working Capital Ratio in line with historical levels and between 12 percent and 13 percent. See "*Important information—Forward-looking statements*".

The Company's capital expenditures include tangible expenditures, which relate to investments in property, plant and equipment, and intangible expenditures, which primarily relate to capitalised research and development expenses. The Company's tangible capital expenditures have generally increased with the growth of the business and have principally related to investments required to expand the Company's manufacturing and technical capabilities and facilities. During the periods under review, the Company's tangible capital expenditures have increased due to the Company's growth and its ongoing efforts to expand and improve its production footprint and equipment, and the Company's Capital Expenditures Ratio was 1.9 percent, 1.7 percent and 2.7 percent for the years ended 31 December 2014, 2015 and 2016, respectively, with tangible capital expenditures in the year ended 31 December 2016 impacted by significant investments to expand the Company's manufacturing capabilities and footprint, primarily in Europe and North America. Over the medium term, Group management aims to maintain a Capital Expenditures Ratio of approximately 1.5 percent and expects that depreciation could represent approximately 1.5 percent of net sales over the same period. See "*Important information—Forward-looking statements*". For additional information, see "*Liquidity and capital resources—Capital expenditures*".

## Restructuring in connection with the Offering and other factors

### *Refinancing*

Concurrently with the Offering, Munters expects to refinance it financing arrangements and replace its 2016 Revolving Credit Agreement and Credit Agreement with the New Credit Facilities. As a result, Munters expects that its financing arrangements after the Offering will consist of the 2017 Revolving Credit Agreement and the New Credit Facilities.

This refinancing is not expected to significantly impact the amount of the Company's External Net Debt. In connection with this refinancing, the Company will have to write-off capitalised costs due to the replacement of the 2016 Revolving Credit Agreement and Credit Agreement before the respective maturity dates. These write-offs will, together with the costs for prepayment of the loans, have a negative impact on the Company's results of operations of approximately SEK 60 million during the second quarter of 2017, but will not impact the Company's cash flow. The expected refinancing will require the Company to comply with financial covenants and will also impact the Company's interest and other related expenses. For more information, see "*Liquidity and capital resources—Contractual obligations and commitments*".

### *Shareholder Loan*

During the periods under review, the Company's results of operations have been significantly impacted by the costs related to the Shareholder Loan, which has a fixed interest rate of 8.0 percent per year. As of 31 December 2016, the Company's Net Debt, which includes the Shareholder Loan, was SEK 5,412 million, and its External Net Debt, which excludes the Shareholder Loan, was SEK 2,724 million. As of 31 March 2017, the Company's Net Debt was SEK 5,635 million, and its External Net Debt was SEK 2,946 million. The Shareholder Loan resulted in interest expenses of SEK 207 million, SEK 187 million and SEK 202 million for the years ended 31 December 2014, 2015 and 2016, respectively, and SEK 54 million for the three months ended 31 March 2017.

In connection with the Offering, Munters expects to convert amounts outstanding under its Shareholder Loan to equity through a directed Set-Off Issue of new Shares to the Selling Shareholders (see "*Shares and share capital—Other changes to the share capital structure in connection with the Offering*"), which will reduce the Company's interest expenses and have a positive impact on the Company's profitability. As of 31 March 2017, the outstanding amount of the Shareholder Loan was SEK 2,689 million and the accrued unpaid interest expenses amounted to SEK 86 million.

### *Tax and tax loss carry-forward*

The Company's effective tax rate generally results from a mix of corporate tax rates from its operations in different geographic regions, and was 45 percent for the year ended 31 December 2016. This tax rate was driven by the Company's regional footprint and the extent to which the Company generates earnings in higher-tax countries (e.g., the United States, Mexico, Italy and Japan), and was affected by non-deductible interest expenses of SEK 184 million for the year ended 31 December 2016.

The Company recognises certain deferred tax assets on tax loss carry-forwards in several of the countries in which it operates. As of 31 December 2016, the Company's tax loss carry-forwards amounted to SEK 900 million. As of

31 December 2016, the Company reported a deferred tax asset of SEK 100 million relating to a part of the Company's tax loss carry-forwards that amounted to SEK 372 million. These tax loss carry-forwards and deferred tax assets may be used to offset taxable income in subsequent years, which could have a positive impact on the Company's net income and cash flows in the periods in which such deferred tax assets are utilised. Going forward, the Group management expects to utilise these tax loss carry-forwards and deferred tax assets, and estimates that the Company's tax payable for the year ended 31 December 2017 will be approximately 25 percent after use of the tax loss carry-forwards (approximately 34 percent without the utilisation of tax loss carry-forwards). Group management expects that the Company's effective tax rate will decrease over the coming years, particularly if the anticipated refinancing in connection with the Offering eliminates the non-deductible interest expenses paid by the Company. If the Company fails to, or is not able to, utilise any of its tax loss carry-forwards, the Company would not be able to offset taxable income, which could increase the Company's effective tax rate in the respective period.

**Certain statements in this section, including in particular the statements regarding deferred tax assets, tax loss carry-forwards, tax payments, tax rates and estimates and assumptions described immediately above, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance and the Company's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under ''*Important information–Forward-looking statements*'' and ''*Risk factors*''. Investors are urged not to place undue reliance on any of the statements set forth above.**

## Recent developments and current trends

Demand for Munters' products and solutions is affected by the development of customer markets, which is, in turn, impacted by general macroeconomic trends, unemployment levels, trade and regulatory developments, population growth, consumer demographics and preferences, technological shifts, IoT and data traffic and product replacement cycles. Current market trends include energy efficiency (increased focus on reducing negative environmental impact, which drives demand for energy efficient technologies), quality and productivity (higher quality standards and increasing competition in the customer end markets underpin the need for solutions that drive higher efficiency and throughput, lower rejection rates and increased shelf lives), food safety and sustainability (focus on sustainability of food production increases demand for advanced climate control solutions that ensure optimal living conditions for farm animals and a hygienic environment for food processing), increased regulation (stricter environmental standards drive demand for solutions to remove pollutants from exhaust and flue gases, and more stringent regulations for production environments or indoor climate require full control over the production environment and energy-efficient climate control in industrial and commercial buildings) and digitalisation (additional Internet traffic and demands for higher bandwidth together with significantly increased use of cloud services and connected devices). For further information on the key trends and factors that affect Munters' results of operations, see "*—Key factors affecting the results of operations*".

### Significant changes since 31 March 2017

On 1 April 2017, the Company completed the acquisition of Kevin Enterprises. See "*Business Description–Kevin Enterprises*" and "*Legal considerations and supplementary information–Acquisition of the business of Kevin Enterprises Private Ltd*". In the ordinary course of business, Munters continuously negotiates customer contracts with a number of parties. Such negotiations relate both to larger and smaller potential orders, and are in different stages of the negotiation process. In April 2017, the Company announced that it had entered into three new contracts over the prior 12 months with leading retail chains in the United States, which include the implementation of DOAS systems of the Air Treatment business area. In addition, in May 2017, the Data Centers business area received an order for over 210 Oasis units from a major global data center operator for a multi-phase project in Europe. The underlying value of the order is estimated to be in the range of SEK 216–232 million, depending on the final selection of options and on-site services. Deliveries are expected to take place during the second half of 2017, with installation and commissioning being completed during 2018. The Company recently has reached an agreement on the key commercial terms with an existing customer to provide it with Data Center cooling units and expects to receive formal confirmation of such order, in the form of a purchase order, in the near future. Based on the current commercial understanding, the purchase order, if placed, would have an underlying value in the range of SEK 250–300 million. However, there can be no assurances that the purchase order will be received, either within the timeframe currently expected or at all.

Nasdaq Stockholm's Listing Committee has on 25 April 2017 decided to admit the Shares for listing on Nasdaq Stockholm subject to customary conditions, including that the distribution requirement for the Shares has been met.

# Explanation of income statement items

## Net sales

Net sales is defined as the sales value less discounts, refunds, rebates, commissions, value added tax and other taxes. Net sales generated from the sale of goods are recognised upon delivery, at which point the associated risks and rights are transferred to the customer. As a result, net sales are generally reported on delivery to the customer in accordance with terms of the sale. Net sales generated from rendering services and large projects are recognised when installation and inspection are complete or substantially complete, provided that there are only minor costs remaining related to the project and provisions have been made in respect of these final costs. In certain instances in which the total amount of net sales and costs can be measured reliably, net sales may be recognised in relation to the degree of completion at the end of the reporting period.

## Cost of goods sold

Cost of goods sold consists of direct costs of producing products, such as costs of materials, production and factory costs, personnel and other administration costs. It also includes costs related to warranty commitments.

## Other operating income

Other operating income consists mainly of gains on the sale of assets, outcomes of legal proceedings and other ancillary types of income that do not fall under, or occur pursuant to, the Company's ordinary business operations.

## Selling expenses

Selling expenses consist mainly of expenses relating to marketing activities, including personnel costs and costs associated with advertising, promotions, seminars, exhibitions and other events. Selling expenses also include certain commissions to sales agents and representatives, rent for premises relating to sales activities, costs related to credit and collection and sales-related IT costs.

## Administrative costs

Administrative costs include costs related to the administration of the Company's business that are not attributable to cost of goods sold or selling expenses, such as expenses related to the Company's IT, management, human resources, legal, finance and office administration departments. Administrative costs also include rent for premises relating to administrative activities, auditor, bank and consultant fees and insurance premiums.

## Research and development costs

Research and development costs relate to the research, development and engineering operations of the Company, and include personnel costs related to research, product development, laboratories, construction of prototypes and technological activities. Research and development costs also include IT costs directly related to research and development, such as CAD software, and costs related to patent applications and registrations.

Research and development costs related specifically to customer orders are reported as manufacturing costs under cost of goods sold.

## Other operating expenses

Other operating expenses consist mainly of losses on the sale of assets, payments made in respect of legal proceedings and other ancillary types of expenses that do not fall under, or occur pursuant to, the Company's ordinary business operations.

## Financial income

Financial income includes interest income received on bank balances and receivables, gains from the sale of financial assets and liabilities, such as shares of non-group companies, bonds and loans, and exchange rate gains attributable to financial assets and liabilities

## Financial expenses

Financial expenses include interest expenses incurred on loans and other liabilities, such as penalty interest expenses on accounts payable, losses from the sale of financial assets and liabilities, such as shares of non-group companies, bonds and loans, and exchange rate losses attributable to financial assets and liabilities.

## Tax

Tax expenses include current tax and deferred tax. Current tax primarily consists of corporate income tax relating to the reporting period and additional or recovered income taxes related to prior years. Deferred tax is reported based on timing differences, such as when there is a difference between the value of an asset or liability according to IFRS and its tax value. Deferred tax assets relating to loss carry-forwards are recognised to the extent that it is deemed likely that the losses will be used to offset taxable income during the subsequent five years.

## Results of operations

### Unaudited condensed consolidated statement of comprehensive income for the three months ended 31 March 2017 compared to the three months ended 31 March 2016

The table below sets forth the Company's unaudited condensed consolidated statement of comprehensive income and the period on period percentage of change for the three months ended 31 March 2017 and 2016.

| MSEK | For the three months ended 31 March 2017 | 2016 | Change in % |
|---|---|---|---|
| | (unaudited) | | |
| Net sales | 1,519 | 1,220 | 24.5 |
| Cost of goods sold | (1,001) | (791) | 26.5 |
| **Gross profit** | **518** | **429** | **20.7** |
| Other operating income | 0 | 0 | n.m. |
| Selling expenses | (246) | (214) | 15.0 |
| Administrative costs | (158) | (106) | 49.1 |
| Research and development costs | (38) | (35) | 8.6 |
| Other operating expenses | (1) | 0 | n.m. |
| **EBIT** | **75** | **74** | **1.4** |
| Financial income | 3 | 3 | n.m. |
| Financial expenses | (110) | (95) | 15.8 |
| **Profit/Loss after financial items** | **(32)** | **(19)** | **68.4** |
| Tax | (9) | (10) | (10.0) |
| **Income for the period** | **(41)** | **(29)** | **41.4** |

*Net sales*

The Company's net sales increased by SEK 299 million, or 24.5 percent, from SEK 1,220 million for the three months ended 31 March 2016 to SEK 1,519 million for the three months ended 31 March 2017. Organic Net Sales Growth Excluding FX was SEK 217 million, or 17.8 percent, due primarily to an increase in net sales generated by the Data Centers business area due to an increase in sales to Data Centers customers in the United States and Europe, and an increase in net sales generated by the Air Treatment business area due to an increase in demand from customers in the Americas. The increase was also due to a general increase in demand for the Company's climate control solutions in China. The increase was also due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which resulted in a translation gain of SEK 61 million, or 5.0 percent, and increased net sales in the three months ended 31 March 2017 compared to the three months ended 31 March 2016, as well as the positive impact of the acquisition of MTech Systems in February 2017, which increased net sales by SEK 21 million, or 1.7 percent, for the three months ended 31 March 2017. The increase was offset in part by a decrease in net sales generated by the Mist Elimination business area due to a decrease in sales related to the retrofit and upgrade projects of power utilities in the Americas in the three months ended 31 March 2017 following strong sales in the three months ended 31 March 2016.

The table below sets forth the Company's net sales by business area and the period on period percentage of change for the periods indicated.

| MSEK | For the three months ended 31 March 2017 | 2016 | Change in % |
|---|---|---|---|
| | (unaudited) | | |
| Air Treatment | 793 | 671 | 18.2 |
| Data Centers | 253 | 90 | 181.1 |
| AgHort | 404 | 360 | 12.2 |
| Mist Elimination | 93 | 108 | (13.9) |
| Other and eliminations | (24) | (9) | n.m. |
| **Net sales** | **1,519** | **1,220** | **24.5** |

**Air Treatment:** The net sales generated by the business area increased by SEK 122 million, or 18.2 percent, from SEK 671 million for the three months ended 31 March 2016 to SEK 793 million for the three months ended 31 March 2017. Organic Net Sales Growth Excluding FX was SEK 95 million, or 14.2 percent, due to an increase in demand from lithium-ion batteries, food, pharmaceutical and electronics customers in Europe and Asia, an increase in demand from the Company's supermarkets and other commercial customers in the Americas, an increase in sales to OEMs and the continued development of the Company's services offering. The increase was also due to the positive impact of currency movements in particular the depreciation of the SEK against the USD, which resulted in a translation gain of SEK 27 million, or 4.0 percent, and increased net sales in the three months ended 31 March 2017 compared to the three months ended 31 March 2016. The increase was offset in part by a decrease in sales to industrial customers, including chemical companies, in the Americas due to a decrease in demand from customers certain of the business area's end markets.

**Data Centers:** The net sales generated by the business area increased by SEK 163 million, or 181.1 percent, from SEK 90 million for the three months ended 31 March 2016 to SEK 253 million for the three months ended 31 March 2017. Organic Net Sales Growth Excluding FX was SEK 156 million, or 173.3 percent, due to price increases and an increase in sales resulting from an increase in demand for energy efficient cooling solutions for data centers, such as economisers and evaporative systems, with strong demand from digital customers in the Americas and EMEA and co-location customers in Europe. This increase was also due to two large new orders from digital customers and was offset in part by a decrease in net sales in Asia due to one customer's request for delayed shipment of its products. The increase was also due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which resulted in a translation gain of SEK 7 million, or 7.8 percent, and increased net sales in the three months ended 31 March 2017 compared to the three months ended 31 March 2016.

**AgHort:** The net sales generated by the business area increased by SEK 43 million, or 12.2 percent, from SEK 360 million for the three months ended 31 March 2016 to SEK 404 million for the three months ended 31 March 2017. There was no Organic Net Sales Growth Excluding FX due to fluctuations in demand in the regions in which the business area operates and generally reduced levels of investment and demand in the AgHort Market in EMEA and the Americas and, in particular, the poultry and swine end markets, in the three months ended 31 March 2017 as compared to the three months ended 31 March 2016. Sales increased in Asia due to strong demand from the swine end market, and increased slightly in the Americas due to increased demand for evaporative pads, offset in part by the adverse impact of the downturn in the AgHort Market. Sales decreased in EMEA due to the downturn in the AgHort Market. The increase was due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which resulted in a translation gain of SEK 22 million, or 6.1 percent, and increased net sales in the three months ended 31 March 2017 compared to the three months ended 31 March 2016, as well as the structural effect of the acquisition of MTech Systems in February 2017, which increased net sales by SEK 21 million, or 5.8 percent, for the three months ended 31 March 2017.

**Mist Elimination:** The net sales generated by the business area decreased by SEK 15 million, or 13.9 percent, from SEK 108 million for the three months ended 31 March 2016 to SEK 93 million for the three months ended 31 March 2017. Organic Net Sales Growth Excluding FX was negative SEK 17 million, or negative 15.7 percent, due to a decrease in sales related to the retrofit and upgrade projects of power utilities in the Americas in the three months ended 31 March 2017 following strong sales in the three months ended 31 March 2016, and a decrease in sales of replacement parts. This decrease was offset in part by an increase in sales to power utilities in Asia due to a continued increase in demand for the Company's flue gas desulphurisation products from power utilities as a result of the enforcement of regulatory requirements regarding air quality and emissions, which became effective in 2014, and a small increase in sales in EMEA. The decrease was also offset in part by the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which resulted in a translation gain of SEK 4 million, or 3.7 percent, and increased net sales in the three months ended 31 March 2017 compared to the three months ended 31 March 2016.

The Company also monitors its net sales by geographic region. The table below sets forth the Company's net sales by geography and the period on period percentage of change for the periods indicated.

| | For the three months ended 31 March | | Change in % |
|---|---|---|---|
| **MSEK** | **2017** | **2016** | |
| Americas | 656 | 534 | 22.8 |
| EMEA | 592 | 446 | 32.7 |
| Asia | 271 | 239 | 13.4 |
| **Net sales** | **1,519** | **1,220** | **24.5** |

## *Cost of goods sold*

The Company's cost of goods sold increased by SEK 210 million, or 26.5 percent, from SEK 791 million for the three months ended 31 March 2016 to SEK 1,001 million for the three months ended 31 March 2017. The increase in cost of goods sold was due in part to an increase in material costs and other production costs due to an increase in sales volumes and a general increase in the prices of raw materials, including key metals, in the three months ended 31 March 2017 as compared to the three months ended 31 March 2016, and an increase in sales volumes of data center products and solutions. The increase was offset in part by the positive impact of savings generated by the MPS and the Company's materials sourcing programme, which helped to manage costs related to certain materials. The increase was also offset in part by optimisation of the Company's manufacturing footprint and an increase in capacity utilisation of the Company's manufacturing facilities. Due in part to the increase in sales of data center products and solutions, cost of goods as a percentage of net sales increased slightly from 64.8 percent for the three months ended 31 March 2016, to 65.9 percent for the three months ended 31 March 2017.

### *Other operating income*

The Company's had no significant other operating income for the three months ended 31 March 2016 and 2017.

### *Selling expenses*

The Company's selling expenses increased slightly by SEK 32 million, or 15.0 percent, from SEK 106 million for the three months ended 31 March 2016 to SEK 158 million for the three months ended 31 March 2017. The increase in selling expenses was due primarily to an increase in personnel and other administration costs due to an increase in the number of sales and services FTEs. As a percentage of net sales, selling expenses decreased from 17.5 percent for the three months ended 31 March 2016 to 16.2 percent for the three months ended 31 March 2017.

### *Administrative costs*

The Company's administrative costs increased by SEK 52 million, or 49.1 percent, from SEK 106 million for the three months ended 31 March 2016 to SEK 158 million for the three months ended 31 March 2017. The increase in administrative costs was due primarily to a general increase in salaries and transaction costs related to the Offering. The Company's transaction costs related to the review of strategic ownership alternatives and the Offering amounted to SEK 27 million for the three months ended 31 March 2017. The Company's costs related to acquisitions increased from SEK 2 million for the three months ended 31 March 2016 to SEK 8 million for the three months ended 31 March 2017. As a percentage of net sales, administrative expenses increased from 8.7 percent for the three months ended 31 March 2016 to 10.4 percent for the three months ended 31 March 2017.

### *Research and development costs*

The Company's research and development costs increased by SEK 3 million, or 8.6 percent, from SEK 35 million the three months ended 31 March 2016 to SEK 38 million for the three months ended 31 March 2017. The increase in research and development costs was due primarily to an increase in research and development spending within the AgHort business area. As a percentage of net sales, research and development costs decreased slightly from 2.9 percent for the three months ended 31 March 2016 to 2.5 percent for the three months ended 31 March 2017.

### *Other operating expenses*

The Company's other operating expenses increased by SEK 1 million, to SEK 1 million for the three months ended 31 March 2017. This increase was due primarily to foreign exchange losses for the three months ended 31 March 2017.

### *EBIT*

The Company's EBIT increased by SEK 1 million, or 1.4 percent, from SEK 74 million for the three months ended 31 March 2016 to SEK 75 million for the three months ended 31 March 2017. This increase was due primarily to an increase in net sales and the positive impact of the Company's operational improvement initiatives, including savings generated from the MPS and the Company's materials sourcing programme, the continued optimisation of the Company's manufacturing footprint and an increase in capacity utilisation of the Company's manufacturing facilities. The increase was offset in part by an increase in the Company's costs, including its cost of goods sold due to an increase in material costs, transaction costs related to acquisitions and other production costs, due to the general expansion of operations during the period.

### *Financial income*

The Company's financial income was stable at SEK 3 million in each of the three month periods ended 31 March 2017 and 2016. The Company's financial income comprised interest received on cash deposits.

### *Financial expenses*

The Company's financial expenses increased by SEK 15 million, or 15.8 percent, from SEK 95 million for the three months ended 31 March 2016 to SEK 110 million for the three months ended 31 March 2017. This increase was due primarily to an increase in use of credit facilities, the negative impact of currency fluctuations and interest expenses related to the Shareholder Loan.

### *Tax*

The Company's tax expense decreased by SEK 1 million, or 10.0 percent, from SEK 10 million for the three months ended 31 March 2016 to SEK 9 million for the three months ended 31 March 2017. This decrease was due primarily to a decrease in taxable profit after financial items.

### *Income for the period*

As a result of the reasons discussed above, the Company's income for the period decreased by SEK 12 million, from a loss of SEK 29 million for the three months ended 31 March 2016 to a loss of SEK 41 million for the three months ended 31 March 2017.

### *Adjusted EBITA*

Adjusted EBITA is a non-IFRS measure and is not a substitute for any IFRS measure. Group management uses this measure for many purposes in managing and directing the Company. For a reconciliation of Adjusted EBITA to income for the period, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*".

The Company's Adjusted EBITA increased by SEK 28 million, or 23.5 percent, from SEK 119 million for the three months ended 31 March 2016 to SEK 147 million for the three months ended 31 March 2017. This increase was due primarily to the performance and mix of the Company's business areas, with strong growth in the Company's Data Centers and Air Treatment business areas and a decrease Adjusted EBITA generated by the AgHort and Mist Elimination business areas, as well as the positive impact of the Company's operational improvement initiatives. The increase was offset in part by an increase in the Company's cost of goods sold due to an increase in material costs and other production costs as a result of an increase in sales volumes and a general increase in the prices of raw materials, including key metals. The increase was also offset in part by transaction costs of SEK 8 million related to the acquisitions of MTech Systems, Kevin Enterprises and other potential acquisitions, and was impacted by amortisation of the surplus value of intangible assets, which primarily relate to the acquisition of the Company by Nordic Capital in 2010, of SEK 48 million during the period.

The table below sets forth the Company's Adjusted EBITA by business area and the period on period percentage of change for the periods indicated.

| | For the three months ended 31 March | | Change in % |
|---|---|---|---|
| **MSEK** | **2017** | **2016** | |
| | *(unaudited)* | | |
| Air Treatment | 90 | 62 | 45.2 |
| Data Centers | 32 | 7 | n.m. |
| AgHort | 28 | 46 | (39.1) |
| Mist Elimination | 6 | 18 | (66.7) |
| Other and eliminations | (10) | (13) | (23.1) |
| **Adjusted EBITA** | **147** | **119** | **23.5** |

**Air Treatment:** The Adjusted EBITA of the business area increased by SEK 28 million, or 45.2 percent, from SEK 62 million for the three months ended 31 March 2016 to SEK 90 million for the three months ended 31 March 2017. The increase was due primarily to an increase in sales volumes, price increases and the positive impact of the Company's operational improvement initiatives, particularly in EMEA, where the business area's overhead costs decreased for the three months ended 31 March 2017 as compared to the three months ended 31 March 2016. The increase was also due to the positive impact of an increase in sales generated by the Company's services operations. The increase was offset in part by production efficiency issues at one of the business area's facilities in the Americas.

**Data Centers:** The Adjusted EBITA of the business area increased by SEK 25 million, from SEK 7 million for the three months ended 31 March 2016 to SEK 32 million for the three months ended 31 March 2017. This increase was due in part to an increase in sales volumes, particularly in the Americas and EMEA, and increased capacity utilisation. The increase was also due to an increase in the capitalisation of certain research and development costs. The increase was offset in part by an increase in the prices of raw materials, including key metals used in the business area's products, in the three months ended 31 March 2017 as compared to the three months ended 31 March 2016.

**AgHort:** The Adjusted EBITA of the business area decreased by SEK 18 million, or 39.1 percent, from SEK 46 million for the three months ended 31 March 2016 to SEK 28 million for the three months ended 31 March 2017. This decrease was due to a decrease in demand in EMEA and the Americas as a result of reduced levels of investment and demand in the AgHort Market and, in particular, the poultry and swine end markets, in the three months ended 31 March 2017 as compared to the three months ended 31 March 2016, and an increase in the share of sales in Asia, where margins are generally lower than the other regions. The decrease was also due to transaction costs of SEK 6 million related to the acquisition of MTech Systems, costs related to the start-up of a new production line in Brazil and the recovery of previously written off receivables in the three months ended 31 March 2016, which did not recur in the three months ended 31 March 2017. Adjusted EBITA was also impacted by the business area's price increase schedule, as the planned phasing in of price increases over time reduced the extent to which implemented price increases impacted net sales and Adjusted EBITA for the three months ended 31 March 2017. These price increases are expected to impact net sales and Adjusted EBITA for the second quarter of the year ending 31 December 2017.

**Mist Elimination:** The Adjusted EBITA of the business area decreased by SEK 12 million, or 66.7 percent, from SEK 18 million for the three months ended 31 March 2016 to SEK 6 million for the three months ended 31 March 2017. This decrease was due to a decrease in sales to power utilities in the Americas in the three months ended 31 March 2017 following strong sales in the three months ended 31 March 2016 and customers' maintenance and upgrade schedules. The decrease was also due to the impact of transaction costs of SEK 1 million related to the acquisition of Kevin Enterprises.

## Consolidated statement of comprehensive income for the year ended 31 December 2016 compared to the year ended 31 December 2015

The table below sets forth the Company's consolidated statement of comprehensive income and the period on period percentage of change for the year ended 31 December 2016 and 2015.

| | For the year ended 31 December | | Change in % |
|---|---|---|---|
| **MSEK** | **2016** | **2015** | |
| | *(audited)* | | |
| Net sales | 6,040 | 5,399 | 11.9 |
| Cost of goods sold | (3,931) | (3,580) | 9.8 |
| **Gross profit** | **2,109** | **1,819** | **15.9** |
| Other operating income | 31 | 2 | n.m. |
| Selling expenses | (913) | (838) | 8.9 |
| Administrative costs | (512) | (465) | 10.1 |
| Research and development costs | (138) | (127) | 8.7 |
| Other operating expenses | 0 | (7) | n.m. |
| **EBIT** | **577** | **384** | **50.3** |
| Financial income | 12 | 3 | n.m. |
| Financial expenses | (436) | (374) | 16.6 |
| **Profit/Loss after financial items** | **153** | **13** | **n.m.** |
| Tax | (69) | (31) | 122.6 |
| **Income for the period** | **85** | **(18)** | **n.m.** |

### *Net sales*

The Company's net sales increased by SEK 641 million, or 11.9 percent, from SEK 5,399 million for the year ended 31 December 2015 to SEK 6,040 million for the year ended 31 December 2016. Organic Net Sales Growth Excluding FX was SEK 425 million, or 7.9 percent, due primarily to an increase in net sales in the Company's Data Centers and AgHort business areas due to an increase in sales to Data Centers customers in Europe and an increase in demand from the Company's AgHort customers in the Americas and Asia. The increase was also due to the structural effects of the acquisitions of HB Group and Reventa in 2015 and the divestment of MKE, which increased net sales by SEK 190 million for the year ended 31 December 2016. In addition, the increase was due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which resulted in a translation gain of SEK 27 million and increased net sales in the year ended 31 December 2016 compared to the year ended 31 December 2015.

The table below sets forth the Company's net sales by business area and the period on period percentage of change for the periods indicated.

| | For the year ended 31 December | | Change in % |
|---|---|---|---|
| **MSEK** | **2016** | **2015** | |
| | *(audited)* | | |
| AirTreatment | 3,294 | 3,365 | (2.1) |
| Data Centers | 685 | 294 | 133.0 |
| AgHort | 1,705 | 1,363 | 25.1 |
| Mist Elimination | 437 | 428 | 2.1 |
| Other and eliminations | (81) | (50) | n.m. |
| **Net sales** | **6,040** | **5,399** | **11.9** |

**Air Treatment:** The net sales generated by the business area decreased by SEK 71 million, or 2.1 percent, from SEK 3,365 million for the year ended 31 December 2015 to SEK 3,294 million for the year ended 31 December 2016. Organic Net Sales Growth Excluding FX was negative SEK 177 million, or negative 5.3 percent, due primarily to a decrease in demand for supermarket applications in the United States in the first nine months of the year following a significant increase in demand for such applications from one of the Company's key Air Treatment customers in the Americas in the year ended 31 December 2015. This decrease was also due to a decrease in sales to industrial customers in the Americas and EMEA as compared to the year ended 31 December 2015 and the Company's decision to phase out non-core products and sales related to the commercial real estate market, and was offset in part by an increase in sales to industrial customers in Asia, price increases and an increase in sales to OEMs and the continued development of the Company's services offering. The decrease was offset in part by the structural effects of the acquisition of HB Group, which increased net sales by SEK 82 million, or 2.4 percent, for the year ended 31 December 2016. The decrease was also offset in part by the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which increased net sales by SEK 25 million, or 0.7 percent, in the year ended 31 December 2016 compared to the year ended 31 December 2015.

**Data Centers:** The net sales generated by the business area increased by SEK 391 million, or 133.0 percent, from SEK 294 million for the year ended 31 December 2015 to SEK 685 million for the year ended 31 December 2016. Organic Net Sales Growth Excluding FX was SEK 388 million, or 132.0 percent, due in part to a price increases and an increase in sales resulting from an increase in demand for energy efficient cooling solutions for data centers, such as economisers and evaporative systems. Net sales also increased, primarily in Europe and the Americas, due to large new customer contracts with digital customers and new customer contracts with co-location customers, as well as in Asia due to the Company's continued expansion in the region. The increase was due in part to the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which increased net sales by SEK 3 million, or 1.0 percent, in the year ended 31 December 2016 compared to the year ended 31 December 2015.

**AgHort:** The net sales generated by the business area increased by SEK 342 million, or 25.1 percent, from SEK 1,363 million for the year ended 31 December 2015 to SEK 1,705 million for the year ended 31 December 2016. Organic Net Sales Growth Excluding FX was SEK 159 million, or 11.7 percent, due primarily to increased sales volumes in the United States, China and Israel, high investment capacity in the Company's end markets, product mix and two large customer contracts related to projects in Australia and China. Sales increased in both the United States and Israel due to an increase in customer demand in the United States, as sales of controllers and other products produced in Israel increased during the period. This increase in customer demand in the United States was due in part to large investments in cage-free egg production and the continued penetration of the Company's Munters Drive technology. Sales increased in China due to an increase in customer demand in the swine end market. The increase was also due to the structural effects of the acquisition of Reventa, which increased net sales by SEK 179 million, or 13.2 percent, for the year ended 31 December 2016, and the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which increased net sales by SEK 4 million, or 0.3 percent, in the year ended 31 December 2016 compared to the year ended 31 December 2015.

**Mist Elimination:** The net sales generated by the business area increased by SEK 9 million, or 2.1 percent, from SEK 428 million for the year ended 31 December 2015 to SEK 437 million for the year ended 31 December 2016. Organic Net Sales Growth Excluding FX was SEK 11 million, or 2.6 percent, due to an increase in sales volumes related to power utilities in the Americas and Asia. Sales increased in Asia, and in China in particular, due to a continued increase in demand from power utilities as a result of the enforcement of regulatory requirements regarding air quality and emissions, which became effective in 2014. Sales increased in the Americas due to an increase in demand from power utilities in the United States and a significant increase in sales of replacement products in the first half of the year during the typical maintenance period for power utilities in the United States. The increase was offset in part by a decrease in sales volumes in EMEA as a result of increased competition, weaker demand from power utilities in Europe and a return to more typical pricing levels in the year ended 31 December 2016 following an increase in sales of higher priced and rush/urgent orders in the year ended 31 December 2015. The increase was also offset in part by adverse currency movements, in particular the appreciation of the SEK against the CNY, which had a negative impact of SEK 2 million, or 0.5 percent, on net sales for the year ended 31 December 2016 compared to the year ended 31 December 2015.

The Company also monitors its net sales by geographic region. The table below sets forth the Company's net sales by geography and the period on period percentage of change for the periods indicated.

| | For the year ended 31 December | | Change in % |
|---|---|---|---|
| **MSEK** | **2016** | **2015** | |
| Americas | 2,500 | 2,613 | (4.3) |
| EMEA | 2,416 | 1,850 | 30.6 |
| Asia | 1,124 | 936 | 20.2 |
| **Net sales** | **6,040** | **5,399** | **11.9** |

## *Cost of goods sold*

The Company's cost of goods sold increased by SEK 351 million, or 9.8 percent, from SEK 3,580 million for the year ended 31 December 2015 to SEK 3,931 million for the year ended 31 December 2016. The increase in cost of goods sold was due in part to an increase in material costs and other production costs due to an increase in sales volumes. Cost of goods sold also increased due warranty costs primarily related to interrupted production at the Company's manufacturing facility in Virginia, United States, due to production expansion and quality issues related to the Data Centers business area. The increase was offset in part by the positive impact of savings generated from the MPS and the Company's materials sourcing programme, which helped to reduce costs related to certain materials. The increase was also offset in part by optimisation of the Company's manufacturing footprint and an increase in capacity utilisation of the Company's manufacturing facilities. In the year ended 31 December 2016, the Company moved or closed two manufacturing facilities and continued to transfer certain production operations to lower cost facilities. Due in part to these savings, cost of goods sold as a percentage of net sales decreased slightly from 66.3 percent for the year ended 31 December 2015 to 65.1 percent for the year ended 31 December 2016.

## *Other operating income*

The Company's other operating income increased by SEK 29 million, from SEK 2 million for the year ended 31 December 2015 to SEK 31 million for the year ended 31 December 2016. This increase was due primarily to the reversal of the earn-out liability related to the acquisition of Reventa in 2015.

### *Selling expenses*

The Company's selling expenses increased by SEK 75 million, or 8.9 percent, from SEK 838 million for the year ended 31 December 2015 to SEK 913 million for the year ended 31 December 2016. The increase in selling expenses was due primarily to an increase in personnel and other administration costs due to an increase in the number of sales and services FTEs, and was offset in part by a decrease in uncollected amounts related to customer orders. As a percentage of net sales, selling expenses decreased slightly from 15.5 percent for the year ended 31 December 2015 to 15.1 percent for the year ended 31 December 2016.

### *Administrative costs*

The Company's administrative costs increased by SEK 47 million, or 10.1 percent, from SEK 465 million for the year ended 31 December 2015 to SEK 512 million for the year ended 31 December 2016. The increase in administrative costs was due primarily to a general increase in salaries. The increase was offset in part by a decrease in costs related to the Company's acquisitions, which decreased from SEK 12 million for the year ended 31 December 2015 to SEK 10 million for the year ended 31 December 2016. As a percentage of net sales, administrative expenses decreased slightly from 8.6 percent for the year ended 31 December 2015 to 8.5 percent for the year ended 31 December 2016.

### *Research and development costs*

The Company's research and development costs increased by SEK 11 million, or 8.7 percent, from SEK 127 million for the year ended 31 December 2015 to SEK 138 million for the year ended 31 December 2016. The increase in research and development costs was due primarily to an increase in research and development spending within the Data Centers business area. The Company's capitalised development costs increased for the year ended 31 December 2016 as compared to for the year ended 31 December 2015 due to an increase in research and development spending within the Data Centers and AgHort business areas. As a percentage of net sales, research and development costs remained stable and were 2.4 percent and 2.3 percent for the years ended 31 December 2015 and 2016, respectively.

### *Other operating expenses*

The Company's other operating expenses decreased by SEK 7 million, from SEK 7 million for the year ended 31 December 2015, with no other operating expenses for the year ended 31 December 2016. This decrease was due to the realisation of foreign exchange gains for the year ended 31 December 2016 as compared to foreign exchange losses for the year ended 31 December 2015.

### *EBIT*

The Company's EBIT increased by SEK 193 million, from SEK 384 million for the year ended 31 December 2015 to SEK 577 million for the year ended 31 December 2016. This increase was due to an increase in net sales and the positive impact of the Company's operational improvement initiatives, including savings generated from MPS and the Company's materials sourcing programme, the continued optimisation of the Company's manufacturing footprint and an increase in capacity utilisation of the Company's manufacturing facilities. The increase was offset in part by an increase in the Company's costs, including its cost of goods sold due to an increase in material costs, transaction costs related to acquisitions and other production costs, due to the general expansion of operations during the period.

### *Financial income*

The Company's financial income increased by SEK 9 million, from SEK 3 million for the year ended 31 December 2015 to SEK 12 million for the year ended 31 December 2016. The Company's financial income composed of interest received on cash deposits.

### *Financial expenses*

The Company's financial expenses increased by SEK 62 million, or 16.6 percent, from SEK 374 million for the year ended 31 December 2015 to SEK 436 million for the year ended 31 December 2016. This increase was due primarily to an increase in use of credit facilities, the negative impact of currency fluctuations and interest expenses related to the Shareholder Loan.

### *Tax*

The Company's tax expense increased by SEK 38 million, or 122.6 percent, from SEK 31 million for the year ended 31 December 2015 to SEK 69 million for the year ended 31 December 2016. This increase was due primarily to taxable profit after financial items increasing by SEK 140 million.

### *Income for the period*

As a result of the reasons discussed above, the Company's income for the period increased by SEK 103 million, from a loss of SEK 18 million for the year ended 31 December 2015 to income of SEK 85 million for the year ended 31 December 2016.

### *Adjusted EBITA*

Adjusted EBITA is a non-IFRS measure and is not a substitute for any IFRS measure. Group management uses this measure for many purposes in managing and directing the Company. For a reconciliation of Adjusted EBITA to income for the period, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*".

The Company's Adjusted EBITA increased by SEK 237 million, or 43.4 percent, from SEK 544 million for the year ended 31 December 2015 to SEK 781 million for the year ended 31 December 2016. This increase was due to the performance and mix of the Company's business areas, with the strongest growth in the Company's Data Centers and AgHort business areas. The increase was also due to the positive impact of the Company's operational improvement initiatives. The increase was offset in part by transaction costs of SEK 10 million related to the acquisitions of MTech Systems, Kevin Enterprises and other potential acquisitions, and was impacted by amortisation of the surplus value of intangible assets, which primarily relate to the acquisition of the Company by Nordic Capital in 2010, of SEK 169 million during the period.

The table below sets forth the Company's Adjusted EBITA by business area and the period on period percentage of change for the periods indicated.

| | For the year ended 31 December | | Change in % |
|---|---|---|---|
| **MSEK** | **2016** | **2015** | |
| | *(unaudited)* | | |
| Air Treatment | 448 | 444 | 0.9 |
| Data Centers | 56 | (23) | n.m. |
| AgHort | 258 | 171 | 50.9 |
| Mist Elimination | 69 | 73 | (5.5) |
| Other and eliminations | (50) | (121) | 58.7 |
| **Adjusted EBITA** | **781** | **544** | **43.4** |

**Air Treatment:** The Adjusted EBITA of the business area increased by SEK 4 million, or 0.9 percent, from SEK 444 million for the year ended 31 December 2015 to SEK 448 million for the year ended 31 December 2016. This increase was due in part to a favourable product mix for the period, price increases, an increase in sales related to the higher margin services offering and the positive impact of the Company's operational improvement initiatives. The increase was offset in part by an increase in operating costs related to cost of goods sold, selling expenses and administrative costs.

**Data Centers:** The Adjusted EBITA of the business area increased by SEK 79 million, from negative SEK 23 million for the year ended 31 December 2015 to positive SEK 56 million for the year ended 31 December 2016. This increase was due in part to an increase in sales volumes, increased capacity utilisation and resolution of the production expansion and quality issues at the Company's manufacturing facility in Virginia, United States, in 2015, which increased operating and warranty costs for the year ended 31 December 2015 but did not have a similar impact for the year ended 31 December 2016. The increase was offset in part by a decrease in production activity at the Company's manufacturing facility in Dison, Belgium, in the first half of 2016.

**AgHort:** The Adjusted EBITA of the business area increased by SEK 87 million, or 50.9 percent, from SEK 171 million for the year ended 31 December 2015 to SEK 258 million for the year ended 31 December 2016. This increase was due in part to an increase in net sales and the positive impact of the Company's operational improvement initiatives. The increase was also due to positive development of the business area's product mix. The increase was offset in part by an increase in overhead costs related to investments in the business area and recruitment of several industry experts, and by transaction costs of SEK 4 million related to the acquisition of MTech Systems and other potential acquisitions.

**Mist Elimination:** The Adjusted EBITA of the business area decreased by SEK 4 million, or 5.5 percent, from SEK 73 million for the year ended 31 December 2015 to SEK 69 million for the year ended 31 December 2016. This decrease was due to an increase in costs related to the Company's efforts to increase its sales volumes, including the adjustment and stabilisation of product prices, and production capacity and to lower sales volumes in EMEA due to a decrease in exports to Asia and weaker demand in the region. The decrease was also due to transaction costs of SEK 6 million related to the acquisition of Kevin Enterprises and other potential acquisitions. The decrease was offset in part to an increase in sales volumes in the Americas and Asia, as well as margin improvements resulting from increases in product prices and the positive impact of the Company's operational improvement initiatives.

## Consolidated statement of comprehensive income for the year ended 31 December 2015 compared to the year ended 31 December 2014

The table below sets forth the Company's consolidated statement of comprehensive income and the period on period percentage of change for the year ended 31 December 2015 and 2014.

| MSEK | For the year ended 31 December 2015 | 2014 | Change in % |
|---|---|---|---|
| | | *(audited)* | |
| Net sales | 5,399 | 4,216 | 28.1 |
| Cost of goods sold | (3,580) | (2,925) | 22.4 |
| **Gross profit** | **1,819** | **1,291** | **40.9** |
| Other operating income | 2 | 6 | (66.7) |
| Selling expenses | (838) | (836) | 0.2 |
| Administrative costs | (465) | (407) | 14.3 |
| Research and development costs | (127) | (132) | (3.8) |
| Other operating expenses | (7) | (26) | (73.1) |
| **EBIT** | **384** | **(104)** | **n.m.** |
| Financial income | 3 | 3 | – |
| Financial expenses | (374) | (412) | (9.2) |
| **Profit/Loss after financial items** | **13** | **(513)** | **n.m.** |
| Tax | (31) | 78 | n.m. |
| **Income for the period** | **(18)** | **(435)** | **n.m.** |

## *Net sales*

The Company's net sales increased by SEK 1,183 million, or 28.1 percent, from SEK 4,216 million for the year ended 31 December 2014 to SEK 5,399 million for the year ended 31 December 2015. Organic Net Sales Growth Excluding FX was SEK 508 million, or 12.0 percent, due primarily to price increases and an increase in sales volumes due to strong growth in the AgHort and Mist Elimination business areas as a result of the positive development of the underlying end markets and customer demand. The increase was also due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD and EUR, which resulted in a translation gain of SEK 538 million and increased net sales in the year ended 31 December 2015 compared to the year ended 31 December 2014, and the structural effects of the acquisitions of HB Group in July 2015 and Reventa in November 2015, which increased net sales by SEK 137 million in the year ended 31 December 2015.

The table below sets forth the Company's net sales by business area and the period on period percentage of change for the periods indicated.

| MSEK | For the year ended 31 December 2015 | 2014 | Change in % |
|---|---|---|---|
| | | *(audited)* | |
| Air Treatment | 3,365 | 2,639 | 27.5 |
| Data Centers | 294 | 220 | 33.6 |
| AgHort | 1,363 | 1,002 | 36.0 |
| Mist Elimination | 428 | 320 | 33.5 |
| Other and eliminations[1] | (50) | 35 | n.m. |
| **Net sales** | **5,399** | **4,216** | **28.1** |

1) Includes the net sales of the parts of the HumiCool business that were not divested or moved to other business areas and thus were not accounted for as net sales of any business area.

**Air Treatment:** The net sales generated by the business area increased by SEK 726 million, or 27.5 percent, from SEK 2,639 million for the year ended 31 December 2014 to SEK 3,365 million for the year ended 31 December 2015. Organic Net Sales Growth Excluding FX was SEK 309 million, or 11.7 percent, due primarily to an increase in demand from industrial customers across the Americas, EMEA and Asia, as well as a significant increase in sales to one of the Company's key Air Treatment customers in the Americas. The continued development of the Company's services offering, as well as price increases to certain of the business area's products, also contributed positively to the net sales of the business area. The increase was also due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which increased net sales by SEK 338 million, or 12.8 percent, in the year ended 31 December 2015 compared to the year ended 31 December 2014, and the structural effect of the acquisition of HB Group in July 2015, which increased net sales by SEK 79 million, or 3.0 percent, for the year ended 31 December 2015.

**Data Centers:** The net sales generated by the business area increased by SEK 74 million, or 33.6 percent, from SEK 220 million for the year ended 31 December 2014 to SEK 294 million for the year ended 31 December 2015. Organic Net Sales Growth Excluding FX was SEK 41 million, or 18.6 percent, due primarily to an increase in sales in the Americas and Australia due to an increase in demand for energy efficient cooling solutions for data centers and new customer contracts for large scale data center projects in the United States and Australia, as well as price increases related to products sold in the Americas. This increase was offset in part by a slight decrease in sales in Europe and Asia due to a decrease in customer orders, and by interrupted production at the Company's manufacturing facility in Virginia, United States. The increase was also due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD and the depreciation of the EUR against the SEK, which increased net sales by SEK 33 million, or 15.0 percent, in the year ended 31 December 2015 compared to the year ended 31 December 2014.

**AgHort:** The net sales generated by the business area increased by SEK 361 million, or 36.0 percent, from SEK 1,002 million for the year ended 31 December 2014 to SEK 1,363 million for the year ended 31 December 2015. Organic Net Sales Growth Excluding FX was SEK 183 million, or 18.3 percent, due to an increase in sales volumes in the Americas and EMEA, which was driven in part by high investment capacity in the Company's end markets due to lower feed costs and higher meat and egg prices during the period. In the Americas, sales increased due in part to new product offerings for the poultry, swine and dairy end markets. In EMEA, sales increased due in part to an increase in demand in the Middle East. This increase was offset in part by weaker demand in certain countries, such as Russia, Turkey, Korea and Mexico. The increase was also due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which increased net sales by SEK 119 million, or 11.9 percent, in the year ended 31 December 2015 compared to the year ended 31 December 2014, and the structural effect of the acquisition of Reventa in November 2015, which increased net sales by SEK 58 million, or 5.8 percent, for the year ended 31 December 2015.

**Mist Elimination:** The net sales generated by the business area increased by SEK 107 million, or 33.4 percent, from SEK 320 million for the year ended 31 December 2014 to SEK 428 million for the year ended 31 December 2015. Organic Net Sales Growth Excluding FX was SEK 63 million, or 19.7 percent, due to price increases and an increase in sales in the Americas and Asia. Sales increased in Asia, and in China in particular, due to an increase in demand from power utilities as a result of regulatory requirements, which became effective in 2014, regarding air quality and emissions. Sales increased in the Americas due to an increase in demand from power utilities in the United States and an increase in sales to customers for marine and production process applications. This increase was offset in part by a decrease in sales in EMEA due to competition and a decrease in demand from power utilities in Europe. The increase was also due to the positive impact of currency movements, in particular the depreciation of the SEK against the USD, which increased net sales by SEK 44 million, or 13.8 percent, in the year ended 31 December 2015 compared to the year ended 31 December 2014.

The Company also monitors its net sales by geographic region. The table below sets forth the Company's net sales by geography and the period on period percentage of change for the periods indicated.

| | For the year ended 31 December | | Change in % |
|---|---|---|---|
| **MSEK** | **2015** | **2014** | |
| Americas | 2,613 | 1,805 | 44.7 |
| EMEA | 1,850 | 1,657 | 11.7 |
| Asia | 936 | 742 | 26.1 |
| Other[1)] | – | 11 | n.m. |
| **Net sales** | **5,399** | **4,216** | **28.1** |

1) Relates to sales of the former SCC businesses that were restructured and closed.

## *Cost of goods sold*

The Company's cost of goods sold increased by SEK 655 million, or 22.4 percent, from SEK 2,925 million for the year ended 31 December 2014 to SEK 3,580 million for the year ended 31 December 2015. This increase in cost of goods sold was due in part to the increase in sales volumes, which increased the Company's raw materials and components costs, as well as its manufacturing and production costs. The increase was also due to an increase in personnel and other administration costs, which increased as a result of the Company's geographic expansion and increased sales volumes. Cost of goods sold also increased due warranty costs primarily related to interrupted production at the Company's manufacturing facility in Virginia, United States, due to production expansion and quality issues related to the Data Centers business area and the Company's manufacturing facility in Monterrey, Mexico. The increase was offset in part by the positive impact of savings generated from the MPS and the Company's materials sourcing initiative. The increase was also offset in part by continued efforts to optimise the Company's manufacturing footprint and an increase in capacity utilisation of the Company's manufacturing facilities. In the year ended 31 December 2015, the Company moved or closed four manufacturing facilities and continued to transfer certain production operations to lower cost facilities. Due in part to these savings and initiatives, cost of goods sold as a percentage of net sales decreased from 69.4 percent for the year ended 31 December 2014 to 66.3 percent for the year ended 31 December 2015.

## *Other operating income*

The Company's other operating income decreased by SEK 4 million, or 66.7 percent, from SEK 6 million for the year ended 31 December 2014 to SEK 2 million for the year ended 31 December 2015.

## *Selling expenses*

The Company's selling expenses increased slightly by SEK 2 million, or 0.2 percent, from SEK 836 million for the year ended 31 December 2014 to SEK 838 million for the year ended 31 December 2015. The increase in selling expenses was due primarily to an increase in the Company's investment in its sales force as well as a general increase in salaries. The Company's selling expenses were positively impacted by the Savings Ahead programme, which was initiated in 2014. As a percentage of net sales, selling expenses decreased from 19.8 percent for the year ended 31 December 2014 to 15.5 percent for the year ended 31 December 2015.

### *Administrative costs*

The Company's administrative costs increased by SEK 58 million, or 14.3 percent, from SEK 407 million for the year ended 31 December 2014 to SEK 465 million for the year ended 31 December 2015. The increase in administrative costs was due primarily to a general increase in salaries and costs related to acquisitions. The Company did not incur costs related to acquisitions for the year ended 31 December 2014 and incurred costs related to acquisitions of SEK 12 million for the year ended 31 December 2015. The Company's administrative costs were positively impacted by the Savings Ahead programme, which contributed to the decrease in administrative expenses as a percentage of net sales from 9.7 percent for the year ended 31 December 2014 to 8.6 percent for the year ended 31 December 2015.

### *Research and development costs*

The Company's research and development costs decreased by SEK 5 million, or 3.8 percent, from SEK 132 million for the year ended 31 December 2014 to SEK 127 million for the year ended 31 December 2015. The decrease in research and development costs was due primarily to the Company's efforts to promote lean product development and increase the efficiency of its research and development operations. The decrease was offset in part by investments to review and improve product quality, as well as research and development costs incurred in relation to several new product launches, including the Munters Drive technology for fans within the AgHort business area. The Company's capitalised development costs increased for the year ended 31 December 2015 as compared to for the year ended 31 December 2014 due to an increase in research and development spending within the Air Treatment and AgHort business areas. As a percentage of net sales, research and development costs decreased from 3.1 percent for the year ended 31 December 2014 to 2.4 percent for the year ended 31 December 2015.

### *Other operating expenses*

The Company's other operating expenses decreased by SEK 19 million, or 73.1 percent, from SEK 26 million for the year ended 31 December 2014 to SEK 7 million for the year ended 31 December 2015. This decrease was due primarily to the losses incurred in relation to the sale of property in Italy in 2014, which losses were realised in the year ended 31 December 2014 and did not recur in the year ended 31 December 2015. The Company's other operating expenses were positively impacted currency fluctuations as compared to the prior period.

### *EBIT*

The Company's EBIT increased by SEK 488 million, from negative SEK 104 million for the year ended 31 December 2014 to SEK 384 million for the year ended 31 December 2015. This increase was due to an increase in net sales and the positive impact of the Company's operational improvement initiatives, including savings generated from the MPS, materials sourcing programme and continued optimisation of the manufacturing footprint. The increase was offset in part by an increase in the Company's costs, including its cost of goods sold due to an increase in warranty and other production-related costs, due to the general expansion of operations during the period and transaction costs related to business acquisitions.

### *Financial income*

The Company's financial income was stable at SEK 3 million in each of the years ended 31 December 2015 and 2014, respectively. The Company's financial income composed of interest received on cash deposits.

### *Financial expenses*

The Company's financial expenses decreased by SEK 38 million, or 9.2 percent, from SEK 412 million for the year ended 31 December 2014 to SEK 374 million for the year ended 31 December 2015. This decrease was due primarily to a decrease in financing fees following an increase in such fees in the year ended 31 December 2014 due to the Company's refinancing activities and a decrease in interest expenses related to the Shareholder Loan. The decrease was offset in part by an increase in interest expenses related to an increase in the Company's Net Debt and drawdowns under the Company's credit facilities.

### *Tax*

The Company's tax expense increased by SEK 109 million, from a tax gain of SEK 78 million for the year ended 31 December 2014 to a tax expense of SEK 31 million for the year ended 31 December 2015. This increase was due to an increase in profit for the period.

### *Income for the period*

As a result of the reasons discussed above, the Company's income for the period increased by SEK 417 million, from a loss of SEK 435 million for the year ended 31 December 2014 to a loss of SEK 18 million for the year ended 31 December 2015.

### *Adjusted EBITA*

Adjusted EBITA is a non-IFRS measure and is not a substitute for any IFRS measure. Group management uses this measure for many purposes in managing and directing the Company. For a reconciliation of Adjusted

EBITA to income for the period, see "*Historical financial information—Selected non-IFRS key operating metrics of the Company*".

The Company's Adjusted EBITA increased by SEK 223 million, or 69.4 percent, from SEK 321 million for the year ended 31 December 2014 to SEK 544 million for the year ended 31 December 2015. This increase was due to the performance and mix of the Company's business areas, with the strongest growth in the Company's Air Treatment, AgHort and Mist Elimination business areas. The increase was also due to the positive impact of the Company's operational improvement initiatives. The increase was offset in part by transaction costs of SEK 12 million related to the acquisitions of HB Group, Reventa and other potential acquisitions, and was impacted by amortisation of the surplus value of intangible assets, which primarily relate to the acquisition of the Company by Nordic Capital in 2010, of SEK 152 million during the period.

The table below sets forth the Company's Adjusted EBITA by business area and the period on period percentage of change for the periods indicated.

| | For the year ended 31 December | | Change in % |
|---|---|---|---|
| **MSEK** | **2015** | **2014** | |
| | *(unaudited)* | | |
| AirTreatment | 444 | 333 | 33.3 |
| Data Centers | (23) | (29) | 20.7 |
| AgHort | 171 | 106 | 61.3 |
| Mist Elimination | 73 | 24 | 204.2 |
| Other and eliminations | (121) | (113) | (7.1) |
| **Adjusted EBITA** | **544** | **321** | **69.4** |

**Air Treatment:** The Adjusted EBITA of the business area increased by SEK 111 million, or 33.3 percent, from SEK 333 million for the year ended 31 December 2014 to SEK 444 million for the year ended 31 December 2015. This increase was due in part to the positive development of the Company's product mix with the continued expansion of the Company's services offering and price increases to certain products, as well as the positive impact of the Company's operational improvement initiatives, including savings generated from MPS. The increase was offset in part by transaction costs of SEK 4 million related to acquisitions.

**Data Centers:** The Adjusted EBITA of the business area increased by SEK 6 million, or 20.7 percent, from negative SEK 29 million for the year ended 31 December 2014 to negative SEK 23 million for the year ended 31 December 2015. This increase was due in part to the positive impact of price increases related to products sold in the Americas and an increase in sales volume. The increase was offset in part by warranty costs related to interrupted production at the Company's manufacturing facility in Virginia, United States.

**AgHort:** The Adjusted EBITA of the business area increased by SEK 64 million, or 61.3 percent, from SEK 106 million for the year ended 31 December 2014 to SEK 171 million for the year ended 31 December 2015. This increase was due in part to an increase in net sales and the positive impact of the Company's operational improvement initiatives. The increase was offset in part by transaction costs of SEK 6 million related to acquisitions.

**Mist Elimination:** The Adjusted EBITA of the business area increased by SEK 49 million, or 204.2 percent, from SEK 24 million for the year ended 31 December 2014 to SEK 73 million for the year ended 31 December 2015. This increase was due in part to an increase in product prices, the positive impact of the Company's operational improvement initiatives, including the restructuring of the business area's manufacturing footprint and downsizing a site in Germany to outsource and relocate certain production activities to lower cost facilities and suppliers in low cost countries. The increase was also due to an increase in sales for use in coal-fired power utilities in China. The increase was offset in part by transaction costs of SEK 2 million related to acquisitions.

# Liquidity and capital resources

## Overview

The Company's principal sources of liquidity have been its cash flows from operating activities and its borrowings under its Existing Agreements and Shareholder Loan. Following the Offering, the Company expects to rely primarily on cash flows from operating activities and drawdowns on the facilities under its New Credit Agreements to provide funds required for operations.

## Capital expenditures

The Company's capital expenditures are comprised of tangible and intangible investments. Tangible capital expenditures relate to investments in property, plant and equipment. Intangible capital expenditures primarily relate to capitalised research and development expenses. The table below sets forth the Company's total capital expenditures for the periods indicated.

| | For the three months ended 31 March | | For the year ended 31 December | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| | *(unaudited)* | | *(audited)* | | |
| Tangible capital expenditures | 47 | 35 | 163 | 91 | 80 |
| Intangible capital expenditures | 9 | 2 | 20 | 22 | 24 |
| **Total capital expenditures** | **56** | **37** | **184** | **113** | **104** |

The Company's tangible capital expenditures have generally increased with the growth of the business and have principally related to investments required to expand the Company's manufacturing and technical capabilities and facilities, while the Company's intangible capital expenditures have remained stable and decreased slightly due to consistent levels of capitalisation regarding the Company's research and development expenses. During the periods under review, the Company's tangible capital expenditures have increased due to the Company's growth and its ongoing efforts to expand and improve its production footprint and equipment. For example, the Company invested significantly in expanding its manufacturing capabilities and footprint in the United States, Sweden, Mexico and Italy in the year ended 31 December 2016. The Company expects that its capital expenditures for the year ending 31 December 2017 will increase as compared to the capital expenditures for the year ended 31 December 2016, driven primarily by the Company's ongoing efforts to expand and improve its production footprint and equipment, with capital expenditures expected to decrease over the medium term as the Company fulfils its objectives related to the expansion of its production footprint. The Company has a number of committed investments that will, or have already, commenced in the year ending 31 December 2017, including investments in equipment for the production facilities of the Air Treatment, Data Centers and AgHort business areas in the United States, Mexico and Italy, and investments related to a new manufacturing facility for the Data Centers and AgHort business areas in China. The investments are intended to mainly be financed through Munters' cash flow from operating activities.

In the three months ended 31 March 2017, the Company invested in machinery and equipment for its production operations in the United States, Italy and Mexico. The investments in the United States were primarily driven by the Company's efforts to improve and expand the production and operations of its Air Treatment and Data Centers business areas. The investments in Italy were driven by the expansion efforts of the AgHort business area, while the investments in Mexico primarily related to the operations of the Air Treatment business area.

In the year ended 31 December 2016, the Company invested significantly in machinery and equipment for its production operations in the United States, Sweden, Mexico and Italy, and also invested in a new production facility in the United States. The investments in the United States were primarily driven by the Company's efforts to improve and expand the production and operations of its Air Treatment, Data Centers and AgHort business areas in the Americas. The investments in Mexico and Sweden were driven by the expansion efforts of the Air Treatment business area, while the investments in Italy related to expenses for equipment and building maintenance for the AgHort business area.

In the year ended 31 December 2015, the Company invested in machinery and equipment for its production operations in the United States, Brazil, Mexico and China, and also invested in new production facilities in Germany, Czech Republic and Israel. The investments in the United States were primarily driven by the Company's efforts to improve and expand the production and operations of its Air Treatment and Data Centers business areas in the Americas. The investments in Brazil primarily related to the Air Treatment and AgHort business areas, while investments in Mexico related to the Air Treatment business area and investments in China related to the AgHort business area.

In the year ended 31 December 2014, the Company invested in machinery for its production operations in Sweden, the United States, Brazil and China, and also invested in a new production facility in Brazil.

## Cash flows

The following table sets forth the Company's principal components of its consolidated cash flows for the periods indicated.

| | For the three months ended 31 March | | For the year ended 31 December | | |
|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2016** | **2015** | **2014** |
| | *(unaudited)* | | *(audited)* | | |
| Cash flow from operating activities | (20) | 53 | 277 | 314 | 38 |
| Cash flow from investing activities | (242) | (37) | (186) | (626) | (90) |
| Cash flow from financing activities | 222 | (54) | (19) | 385 | 1 |
| **Cash flow for the period** | **(40)** | **(37)** | **72** | **73** | **(51)** |
| **Cash and cash equivalents at end of period** | **396** | **309** | **432** | **346** | **273** |

### *Cash flow from operating activities*

The Company's cash flow generated from operating activities decreased by SEK 73 million from SEK 53 million in the three months ended 31 March 2016 to negative SEK 20 million in the three months ended 31 March 2017. This decrease was primarily due to negative development of the Company's working capital due primarily to an increase in inventories (including raw materials) due to a general increase in production and sales volumes, which required the Company to maintain higher inventories, as well as an increase in the average number of days that inventory remained outstanding in the three months ended 31 March 2017 as compared to the three months ended 31 March 2016. In addition, the Company's working capital was impacted by accounts receivable, which increased due to an increase in net sales and an increase in the average number of days that receivables remained outstanding in the three months ended 31 March 2017 as compared to the three months ended 31 March 2016. The increase in accounts receivable was also due to the timing of a number of large orders within the Data Centers business area, which were shipped in the three months ended 31 March 2017 with payments due after the period.

The Company's cash flow generated from operating activities decreased by SEK 37 million from SEK 314 million in the year ended 31 December 2015 to SEK 277 million in the year ended 31 December 2016. This decrease was due to negative development of the Company's working capital as a result of an increase in sales volumes at the end of the period. For example, there was an increase in accounts receivable, which resulted in a negative cash flow of SEK 249 million for the year ended 31 December 2016, due primarily to a number of large orders within the Data Centers business area, which were shipped in the fourth quarter of the year ended 31 December 2016 with payments due in 2017. The Company's working capital was also impacted by an increase in inventories, which had a negative effect on cash flow of SEK 132 million for the year ended 31 December 2016, due to a general increase in sales volumes, which required the Company to maintain higher inventories of raw materials and components, and an increase in sales volumes related to the larger more expensive products of the Data Centers business area. These effects were offset in part by accounts payable and the positive impact of favourable payment terms from certain customers of the Data Centers business area, where the Company generally requires advanced payments from customers related to the larger customised data center solutions.

The Company's cash flow generated from operating activities increased by SEK 276 million from SEK 38 million in the year ended 31 December 2014 to SEK 314 million in the year ended 31 December 2015. This increase was primarily due to an increase in cash generated from operations due to an increase in income for the period.

### *Cash flow from investing activities*

The Company's cash flow used by investing activities increased by SEK 205 million from SEK 37 million in the three months ended 31 March 2016 to SEK 242 million in the three months ended 31 March 2017. This increase was primarily due to the impact of the acquisition of MTech Systems in the three months ended 31 March 2017. The Company's investments in plants, machinery, equipment, tools, fixtures, fittings and other tangible assets increased to SEK 47 million in the three months ended 31 March 2017, from SEK 35 million in the three months ended 31 March 2016. Similarly, the Company's investments in intangible assets increased to SEK 9 million in the three months ended 31 March 2017, from SEK 2 million in the three months ended 31 March 2016.

The Company's cash flow used by investing activities decreased by SEK 440 million from SEK 626 million in the year ended 31 December 2015 to SEK 186 million in the year ended 31 December 2016. This decrease was primarily due to the impact of the acquisitions of HB Group and Reventa in the year ended 31 December 2015, which did not recur in the year ended 31 December 2016. In the year ended 31 December 2016, cash flow used by investing activities primarily related to the Company's investment of SEK 163 million in plants, machinery, equipment, tools, fixtures, fittings and other tangible assets, representing an increase compared to the Company's investment of SEK 90 million in plants, machinery, equipment, tools, fixtures, fittings and other tangible assets in the year ended 31 December 2015.

The Company's cash flow used by investing activities increased by SEK 536 million from SEK 90 million in the year ended 31 December 2014 to SEK 626 million in the year ended 31 December 2015. In the year ended 31 December 2015, the cash flow used by investing activities primarily related to the acquisitions of HB Group in July 2015 and Reventa in November 2015, as the Company invested SEK 513 million in business acquisitions, net of cash acquired, in the year ended 31 December 2015 and did not invest in business acquisitions in the year ended 31 December 2014. The Company's cash flow used by investing activities in the year ended 31 December 2014 was impacted by an increase in assets held for sale related to the sale of property in Italy in 2014.

### *Cash flow from financing activities*

The Company's cash flow generated from financing activities increased by SEK 276 million from negative SEK 54 million in the three months ended 31 March 2016 to positive SEK 222 million in the three months ended 31 March 2017. This increase was due to an increase in drawdowns of amounts available under the Company's credit facilities for the purpose of financing the acquisition of MTech Systems.

The Company's cash flow generated from financing activities decreased by SEK 404 million from positive SEK 385 million in the year ended 31 December 2015 to negative SEK 19 million in the year ended 31 December 2016. This negative cash flow was primarily due to the repayment of the loans and debt of the Company's subsidiaries, primarily in China, and was offset in part by drawdowns of amounts available under Company's credit facilities.

The Company's cash flow generated from financing activities increased by SEK 384 million from SEK 1 million in the year ended 31 December 2014 to SEK 385 million in the year ended 31 December 2015. This increase was primarily due to an increase in debt due to the acquisitions made in the year ended 31 December 2015 and earn-out settlements related to previous acquisitions that were made using borrowed funds. In addition, the amounts available under the Company's Term Loan Facility (as defined below) and credit facilities were increased during the year. The Company refinanced its loan structure in the year ended 31 December 2014, and replaced its long-term loans with the Term Loan Facility.

## Indebtedness

Concurrently with the Offering, Munters expects to refinance it financing arrangements and replace its 2016 Revolving Credit Agreement (as defined below) and Credit Agreement (as defined below) with the New Credit Facilities (as defined below). In addition, in connection with the Offering, Munters expects to convert amounts outstanding under its Shareholder Loan to equity through a directed Set-Off Issue of new common Shares to the Selling Shareholders. As a result, Munters expects that its financing arrangements after the Offering will consist of the 2017 Revolving Credit Agreement (as defined below) and the New Credit Facilities.

### *Existing Agreements*

#### Credit Agreement

Munters Corporation (for the purposes of this section, the "**Lead Borrower**"), Munters Group AB, Munters AB, and certain other subsidiaries of Munters Group AB entered into a credit facility agreement dated 5 May 2014 (the "**Credit Agreement**") with, among others, Deutsche Bank AG New York Branch as administrative agent, collateral agent and lender, Swedbank AB (publ) as lender and certain other lenders party thereto. The Credit Agreement initially consisted of (i) a term loan facility in an aggregate principal amount of USD 280.0 million (as increased, the "**Term Loan Facility**") and (ii) a multicurrency revolving credit facility in an aggregate principal amount of USD 45.0 million (as increased, the "**Revolving Credit Facility**" and, together with the Term Loan Facility, the "**Facilities**"). In 2015, the amount of the Term Loan Facility was increased by USD 15.0 million and in 2016, the amount of the Revolving Credit Facility was increased by USD 30.0 million. The Term Loan Facility will mature in 2021 and the Revolving Credit Facility will mature in 2021.

USD 25.0 million of the Revolving Credit Facility commitment is made available by Swedbank for the purpose of issuing guarantees, of which USD 13 million is allocated to a Chinese subsidiary of Munters Group AB. In China, working capital loans are permitted along with the issuance of guarantees.

Borrowings under the Revolving Credit Facility may be used for working capital requirements, for general corporate purposes (including for permitted acquisitions and investments permitted or not prohibited by the loan documents for the Credit Agreement) and for additional fees, or original issue discount costs.

The Lead Borrower is the lead borrower under each of the Facilities. Munters AB is also a borrower of the Revolving Credit Facility and certain other members of the Group may become borrower of the Revolving Credit Facility subject to certain customary conditions. The original guarantors under the Facilities are Munters Group AB, Munters AB, the Lead Borrower, Munters Holding AB, AB Carl Munters, Munters Europe AB, Pro Component Sweden AB and Proflute AB. Each borrower and guarantor provides first ranking security over substantially all of its material assets, subject to agreed security principles. If on the last day of a fiscal year, the guarantors represent less than 80 percent of the consolidated EBITDA of Munters Group AB and its restricted subsidiaries (subject to certain exceptions and exclusions), within a certain period of time after delivery of the annual financial statements for the relevant fiscal year, such other restricted subsidiaries of Munters Group AB (subject to the agreed security principles) are required to become additional guarantors until the 80 percent coverage requirement is satisfied.

Loans under the Term Loan Facility are repayable in quarterly instalments in an aggregate annual amount equal to 1.0 percent of the original principal amount of the Term Loan Facility. Upon maturity of the Term Loan Facility and the Revolving Credit Facility, any amounts still outstanding under the respective facilities will be immediately due and payable. Subject to certain conditions, the borrowers may voluntarily prepay their borrowings under the Facilities in a minimum amount of USD 1.0 million (or its equivalent) for term loans or revolving loans and USD 100,000 (or its equivalent) for borrowings on same day notice. Any prepayment notice may be conditioned on the occurrence or non-occurrence of any event specified therein. Amounts repaid under the Term Loan Facility may not be reborrowed. The borrowers may also voluntarily permanently cancel all or part of the available revolving commitments under the Revolving Credit Facility in a minimum amount of USD 2.0 million (or its equivalent) by giving three business days' prior notice to the administrative agent. In addition to voluntary prepayments, the Credit Agreement requires mandatory prepayment in certain circumstances including, and subject to certain criteria, from the proceeds of certain asset sales, the issuance or incurrence of debt and from excess cash flow.

The interest rate payable on a loan under each Facility for each interest period is the applicable base rate (calculated by reference to the currency of that loan) plus an applicable margin. Hence, the applicable rate for (i) a USD-denominated loan will be, at the option of the Lead Borrower, the rate by reference to the prime lending rate (with a 2 percent floor on the prime rate applicable to the initial term loans borrowed) (referred to as base rate loans) or the LIBOR rate (with a 1 percent floor on the rate applicable to the initial term loans borrower) (together with EURIBOR rate, referred to as eurocurrency rate loans) and (ii) a euro-denominated loan will be the EURIBOR rate. The margin applicable with respect to the loans under (i) the Term Loan Facility is 5.25 percent per year for eurocurrency rate loans and 4.25 percent per year for base rate loans and (ii) the Revolving Credit Facility, 5.25 percent per year for eurocurrency rate loans, and 4.25 percent per year for prime rate loans.

The borrowers are required to pay a commitment fee on the Revolving Credit Facility of 40 percent of the margin applicable to eurocurrency rate loans under the Revolving Credit Facility on the undrawn portion of the commitments under the Revolving Credit Facility, payable quarterly in arrears. The Borrowers are also required to pay certain fees to the administrative agent and the security agent in connection with the Facilities.

The Credit Agreement is governed by New York law and contains customary warranties, representations and customary operating and negative covenants (including limited restrictions on disposals, mergers, change of business, a negative pledge and a restriction on the incurrence of indebtedness by members of the Group who are not guarantors of the Facilities), in each case, subject to customary agreed exceptions, materiality tests, carve-outs and grace periods. The Credit Agreement also requires each borrower and guarantor to observe certain customary affirmative covenants including delivery of annual and semi-annual financial statements. The financial and operating performance of Munters Group AB is monitored by a financial covenant which requires Munters Group AB to ensure that the ratio of indebtedness to consolidated EBITDA (as defined in the Credit Agreement) does not exceed 4.00:1.00 for each quarter ending on and after 30 June 2017. The Credit Agreement also contains customary events of default (in each case, subject to customary agreed exceptions, materiality tests, carve-outs and grace periods) including but not limited to a change of control.

As of 31 March 2017, USD 287 million was outstanding under the Term Loan Facility and USD 62 million of commitments under the Revolving Credit Facility were drawn (including guarantees and the abovementioned ancillary facilities), with USD 13 million remaining undrawn under the Revolving Credit Facility.

### Additional Facility Agreements

Munters AB has entered into two additional unsecured revolving credit facilities with Swedbank AB (publ) as lender: (i) an unsecured revolving credit facility agreement dated 22 December 2016 (the "**2016 Revolving Credit Agreement**"), and (ii) an unsecured revolving credit facility agreement dated 9 March 2017 (the "**2017 Revolving Credit Agreement**" and, together with the 2016 Revolving Credit Agreement and the Credit Agreement, the "**Existing Agreements**").

#### *2016 Revolving Credit Agreement*

The 2016 Revolving Credit Agreement consists of a USD revolving credit facility in an aggregate principal amount of USD 25.0 million. The 2016 Revolving Credit Agreement will mature in December 2017. Borrowings under the 2016 Revolving Credit Agreement may be used for purposes of paying the purchase price for the acquisition of MTech Systems.

Munters AB is the borrower under the 2016 Revolving Credit Agreement. The guarantors under the 2016 Revolving Credit Agreement are Nordic Capital VII Limited (acting in its capacity as General Partner to Nordic Capital VII, Alpha L.P. and Nordic Capital VII, Beta L.P.), NC VII Limited and SP Co-Invest Limited.

Loans under the 2016 Revolving Credit Agreement are repayable upon the last day of their respective interest periods, which are either one or three months in duration. Upon maturity of the 2016 Revolving Credit Agreement, any amounts still outstanding will be immediately due and payable.

Subject to certain conditions, the borrower may voluntarily prepay its borrowings under the 2016 Revolving Credit Agreement in a minimum amount of USD 5.0 million for loans and integral multiples of USD 1.0 million. The borrowers may also voluntarily permanently cancel all or part of the available commitments under the 2016 Revolving Credit Agreement in a minimum amount of USD 5.0 million and integral multiples of USD 1.0 million by giving five business days' prior notice to the lender. In addition to voluntary prepayments, the 2016 Revolving Credit Agreement requires mandatory prepayment in certain circumstances including, and subject to certain criteria, if the 2016 Revolving Credit Agreement becomes unlawful in any applicable jurisdiction for the lender, if a change of control occurs resulting in the Principal Selling Shareholder, directly or indirectly, ceasing to own or control more than 50 percent of the shares and votes in Munters AB or ceasing to have the power to appoint and remove all, or the majority of, the members of the board of directors of Munters AB, or if borrowings under the Credit Agreement are prepaid in full and/or commitments under the Credit Agreements are cancelled in full.

The interest rate payable on a loan under the 2016 Revolving Credit Agreement for each interest period is the LIBOR rate (with a 0 percent floor on the rate applicable) plus a margin rate of 2.00 percent per year. The borrower is required to pay an arrangement fee of 0.50 percent on the amount of the aggregate principal amount of the 2016 Revolving Credit Agreement, as well as a commitment fee of 40 percent of the margin rate on the undrawn portion of the commitments under the 2016 Revolving Credit Agreement, payable quarterly in arrears.

The 2016 Revolving Credit Agreement is governed by Swedish law and contains customary restrictions, covenants and conditions. The 2016 Revolving Credit Agreement also contains customary events of default (subject to customary agreed exceptions, materiality tests, carve-outs and grace periods).

As of 31 March 2017, USD 25 million of commitments under the 2016 Revolving Credit Agreement were drawn, with no remaining undrawn amount.

#### *2017 Revolving Credit Agreement*

The 2017 Revolving Credit Agreement consists of a SEK revolving credit facility in an aggregate principal amount of SEK 130 million. The 2017 Revolving Credit Agreement will mature in December 2017. Borrowings under the 2017 Revolving Credit Agreement may be used for general corporate purposes.

Munters AB is the borrower under the 2017 Revolving Credit Agreement. The guarantors under the 2017 Revolving Credit Agreement are Nordic Capital VII Limited (acting in its capacity as General Partner to Nordic Capital VII, Alpha L.P. and Nordic Capital VII, Beta L.P.), NC VII Limited and SP Co-Invest Limited.

Loans under the 2017 Revolving Credit Agreement are repayable upon the last day of their respective interest periods, which are either one or three months in duration. Upon maturity of the 2017 Revolving Credit Agreement, any amounts still outstanding will be immediately due and payable.

Subject to certain conditions, the borrower may voluntarily prepay its borrowings under the 2017 Revolving Credit Agreement in a minimum amount of SEK 50 million for loans and integral multiples of SEK 10 million. The borrowers may also voluntarily permanently cancel all or part of the available commitments under the 2017 Revolving Credit Agreement in a minimum amount of SEK 50 million and integral multiples of SEK 10 million by giving five business days' prior notice to the lender. In addition to voluntary prepayments, the 2017 Revolving Credit Agreement requires mandatory prepayment in certain circumstances including, and subject to certain criteria, if the 2017 Revolving Credit Agreement becomes unlawful in any applicable jurisdiction for the lender, if a change of control occurs resulting in the Principal Selling Shareholder, directly or indirectly, ceasing to own or control more than 50 percent of the shares and votes in Munters AB or ceasing to have the power to appoint and remove all, or the majority of, the members of the board of directors of Munters AB, or if borrowings under the Credit Agreement are prepaid in full and/or commitments under the Credit Agreements are cancelled in full.

The interest rate payable on a loan under the 2017 Revolving Credit Agreement for each interest period is the STIBOR rate (with a 0 percent floor on the rate applicable) plus a margin rate of 2.00 percent per year. The borrower is required to pay an arrangement fee of 0.50 percent on the amount of the aggregate principal amount of the 2017 Revolving Credit Agreement, as well as a commitment fee of 40 percent of the margin rate on the undrawn portion of the commitments under the 2017 Revolving Credit Agreement, payable quarterly in arrears.

The 2017 Revolving Credit Agreement is governed by Swedish law and contains customary restrictions, covenants and conditions. The 2017 Revolving Credit Agreement also contains customary events of default (subject to customary agreed exceptions, materiality tests, carve-outs and grace periods).

As of 31 March 2017, no commitments under the 2017 Revolving Credit Agreement were drawn. In April 2017, SEK 130 million of commitments under the 2017 Revolving Credit Agreement were drawn, with no remaining undrawn amounts.

### *New Credit Agreements*

On 12 April 2017, the Company, Munters AB and Munters Corporation entered into a new credit facilities agreement (the "**New Credit Facilities**") with Danske Bank A/S, DNB Sweden AB, Nordea Bank AB (publ), Nykredit Bank A/S, Svenska Handelsbanken AB (publ) and Swedbank AB (publ) (the "**Lenders**"). The credit facilities consist of

(i) a term loan facility in an aggregate principal amount of USD 250 million and (ii) a multicurrency revolving credit facility in an aggregate principal amount of EUR 185 million. The total aggregate principal amount under the New Credit Facilities is SEK 4,025 million. The New Credit Facilities will mature in May 2022, five years from the settlement date of the Offering.

Borrowings under the term loan facility may be used first to refinance the Existing Agreements and to pay transaction costs related to the Offering, and second for general corporate purposes of the Group. Borrowings under the multicurrency revolving credit facility may be used first to refinance the Existing Agreements and to pay transaction costs related to the Offering, and second for working capital requirements and general corporate purposes of the Group (including for ancillary facilities, dividends, capital expenditures and acquisitions).

Munters Corporation is a borrower under each of the term loan facility and the multicurrency revolving credit facility. Munters AB is also a borrower under the multicurrency revolving credit facility, and certain other members of the Group may become borrowers under the multicurrency revolving credit facility, subject to certain customary conditions. The original guarantor and obligor under the facilities is Munters Group AB, and Munters Corporation, Munters AB and, to the extent that other members of the Group that become borrowers, such other members of the Group are also obligors under the facilities.

Borrowings under each of the term loan facility and the multicurrency revolving credit facility are repayable upon maturity of the facilities. Loans under the multicurrency revolving credit facility are repayable upon the last day of their respective interest periods, which can be selected by the borrower at the time of the borrowing or, in the event that no selection is made, will be three months in duration.

Subject to certain conditions, the borrowers may voluntarily prepay their borrowings under the facilities in a minimum amount of USD 1.0 million (or its equivalent) for term loans or revolving loans. Amounts repaid under the term loan facility may not be reborrowed. The borrowers may also voluntarily permanently cancel all or part of the available facilities in a minimum amount of USD 1.0 million (or its equivalent) by giving five business days' prior notice. In addition to voluntary prepayments, the New Credit Facilities provide for cancellation of the facilities and prepayment in certain circumstances including, and subject to certain criteria, if the New Credit Facilities become unlawful in any applicable jurisdiction for the Lenders, if a change of control occurs resulting in the any person or group of persons (other than the Principal Selling Shareholder) gaining control of the Company or if the Company, after the settlement of the Offering, ceases to be listed on Nasdaq Stockholm. The facilities will be automatically cancelled in the event that the Offering is not completed by 30 June 2017.

The interest rate payable on a loan under the New Credit Facilities, for each interest period, is the applicable IBOR rate (with a 0 percent floor on the rate applicable) plus an initial margin rate of (i) 2.10 percent per year on loans under the term loan facility and (ii) 1.90 percent per year on loans under the multicurrency revolving credit facility. The margin rate under each facility is subject to adjustment based on the ratio of total net debt of the Group, subject to certain adjustments, to EBITDA for the respective period). The Company is required to pay a commitment fee, arrangement fee, agency fee and ticking fee.

The New Credit Facilities is governed by Swedish law and contains customary warranties, representations and customary operating and negative covenants, in each case subject to customary agreed exceptions. The facilities are conditional and require, among other things, the Company to maintain a minimum ratio of total net debt of the Group, subject to certain adjustments, to EBITDA of 5.00 to 1.00 until 31 March 2019 and 4.50 to 1.00 thereafter. The New Credit Facilities are also conditional upon the completion of the Offering. In the event the Group fails to comply with its obligations under the New Credit Facilities, the Lenders shall be entitled to terminate the credit facilities and demand repayment of all outstanding indebtedness.

### *Shareholder Loan Agreement*

Munters Group AB is the borrower under a shareholder loan agreement dated 4 November 2010 (as amended and restated on 5 May 2014, the "**Shareholder Loan Agreement**") with Cidron Maximus Limited and FA International Investments S.C.A. as lenders.

The Shareholder Loan Agreement consists of a cash advance in an aggregate principal amount of SEK 2,480 million (the "**Shareholder Loan**"), and has a maturity date of 5 May 2022. The Shareholder Loan Agreement was entered into for the purpose of capitalising the acquiring entity in connection with the acquisition of Munters AB (publ) by Nordic Capital in December 2010.

Subject to certain conditions regarding subordination of the Shareholder Loan, any outstanding amount of the Shareholder Loan, together with any outstanding accrued and unpaid interest, is repayable upon the maturity date and can be prepaid, in full or in part, together with accrued interest, at any time. Furthermore, pursuant to the Shareholder Loan Agreement, the lenders may convert the Shareholder Loan, in whole or in part, together with any or all accrued and unpaid interest amounts, to equity by applying such amount towards shareholder's contribution and/or subscription for new shares of the borrower. In connection with the Offering, amounts outstanding under the Shareholder Loan will be converted to equity through a directed Set-Off Issue of new common Shares to the Selling Shareholders.

The interest rate payable on any outstanding amount of the Shareholder Loan is 8 percent per year, compounded annually (on the basis of a 365 day year), from the date of the cash advance until such date that the Shareholder Loan, together with outstanding accrued and unpaid interest, is repaid in full.

The Shareholder Loan Agreement is governed by Swedish law and contains customary restrictions, waivers and consents.

As of 31 March 2017, the outstanding amount of the Shareholder Loan was SEK 2,689 million and accrued unpaid interest expenses amounted to SEK 86 million.

## Contractual obligations

The table below sets out the maturity analysis of the Company's current and non-current bank loans and other borrowings as of 31 March 2017:

| | As of 31 March 2017 | | | | |
|---|---|---|---|---|---|
| **MSEK** | **Less than 1 year** | **1–2 years** | **2–5 years** | **More than 5 years** | **Total** |
| | | | *(unaudited)* | | |
| Term Loan Facility | – | – | 2,564 | – | 2,564 |
| Revolving Credit Facility (drawn amount) | 223 | – | 403 | – | 627 |
| Shareholder Loan | – | – | 2,689 | – | 2,689 |
| Bank loan local facilities | – | 8 | 3 | 12 | 23 |

## Pensions and post-retirement benefits

The Company operates several defined-contribution and defined-benefit pension plans and provides other non-current employee benefits. In defined-contribution plans, the Company pays a predetermined premium to a separate legal entity and does not have any legal or informal obligation to make additional payments if, when compensation to the employee is to be paid, the legal entity has insufficient assets. All other plans for post-employment benefits are defined-benefit plans, with the Company's largest defined benefit plans covering employees in Sweden, Italy and Belgium. Pension plans are primarily funded through premiums paid by the companies within the operating group. Independent actuaries compute the amount of the commitments of the various plans and reassess pension plan commitments every year.

For additional information and details regarding the Company's pension and post-employment benefit obligations, including the Company's provisions related to pensions and post-retirement benefits, see "*Historical financial information—Financial information as of and for the years ended 31 December 2016, 2015 and 2014—Note 21 (Provisions for pensions and similar commitments)*".

## Working capital statement

The Company believes that the working capital available to Munters is sufficient for Munters' present requirements during the twelve months following the date hereof. Working capital refers to a company's ability to access cash and cash equivalents to fulfil its payment obligations as they become due.

## Off balance sheet arrangements

The Company has certain off balance sheet commitments in connection with operating leases and off balance sheet arrangements related to pledged assets and contingent liabilities.

With respect to the Company's off balance sheet commitments in connection with operating leases, the Company may rent buildings, machinery and major computer and office equipment under operating leases. The following table sets forth the future aggregate minimum rents payable under non-cancellable operating leases as of 31 December 2016:

| **MSEK** | **As of 31 December 2016** |
|---|---|
| | *(unaudited)* |
| Within one year | 88 |
| Between one and five years | 224 |
| More than five years | 37 |
| **Total** | **350** |

With respect to the Company's off balance sheet arrangements related to pledged assets, the Company has pledged assets as collateral for the Company's credit facilities. As of 31 December 2016, the total book value of these pledged assets was SEK 3,408 million.

With respect to the Company's off balance sheet arrangements related to contingent liabilities, the Company has pension liabilities in Sweden and has extended operational guarantees, including advances and completion guarantees, from banks and insurance companies. As of 31 December 2016, the total amount of these contingent liabilities was SEK 115 million.

The Company is not party to any other off balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, changes in financial condition, income or expenses, results of operations, liquidity, capital expenditure or capital resources.

## Quantitative and qualitative disclosures about financial risk management

The Company is exposed to several financial risks, including currency risk, interest rate risk, credit risk and liquidity risk. The financial risks are controlled and managed based on the Company's financial policy, which has been adopted by the Board of Directors. This policy covers all of the entities within the operation group and is reviewed and updated on an annual basis. The purpose of the policy is to create a framework to govern the management of the various financial risks. Risk management and financing activities are handled centrally by the Chief Financial Officer and the Company's Treasury function, subject to oversight and monitoring by the Board of Directors and Chief Executive Officer. The overall objective of the policy is to reduce volatility attributable to financial factors in the income statement and balance sheet of the Company, protect financial assets and future cash flows, optimise the Company's financing and meet the respective covenants under its contractual obligations. The Company's Treasury function, which acts at the Company's internal bank, operates to identify, evaluate and hedge financial risks in close cooperation with the Company's various operational units.

### Currency risk management

The Company operates internationally and is exposed to foreign exchange risk arising from various currency risks, including through transactional exposure from transactions in foreign currencies and through translation exposure from translating income statements and balance sheets into SEK. See also "*Risk factors—Risks related to Munters' operations and industry—Munters is exposed to currency risks*".

#### *Transaction exposure*

The Company's internal sales in foreign currency primarily occur through the Company's sales companies, which are invoiced in the recipient's functional currency. As a result, transaction exposure and hedging operations are concentrated to a few companies in the operating group.

Under the Company's financial policy, the Company can hedge 90 to 100 percent of firm commitments and contracted orders. The Company's hedging activities primarily relate to natural hedges, whereby incoming and outgoing cash flows in foreign currencies are matched in order to minimise the net currency exposure. For example, Munters has entered into external loans denominated in USD in order to naturally hedge against an increase in net sales and inflows of cash in USD. In addition to natural hedges, the Company hedges its exposure by selling future currency contracts. The value of the Company's forward contracts as of 31 December 2016 was negative SEK 2 million. Munters does not apply hedge accounting for these financial instruments.

A significant proportion of the Company's income and expenses are generated in foreign currencies, and the geographic distribution of the Company's production plants results in significant matching of net sales and expenses. The tables below sets forth the percentage of net sales and percentage of total costs by currency for the periods indicated.

| | **For the year ended 31 December 2016** | |
|---|---|---|
| **%** | **Percentage of net sales** | **Percentage of total costs** |
| | *(unaudited)* | |
| USD | 43.4 | 39.0 |
| EUR | 28.4 | 29.3 |
| CNY | 8.4 | 7.0 |
| GBP | 4.1 | 4.3 |
| SGD | 3.1 | 0.5 |
| JPY | 2.3 | 2.3 |
| AUD | 1.9 | 1.6 |
| BRL | 1.6 | 1.7 |
| SEK | 1.3 | 7.1 |
| Other currencies | 5.4 | 7.2 |
| **Total** | **100.0** | **100.0** |

The table below sets forth the sensitivity of the Company's EBIT to variations in exchange rates for the periods indicated.

| | **For the year ended 31 December 2016** | |
|---|---|---|
| **SEK +10%** | **Calculated impact on EBIT (MSEK)** | **Calculated impact on EBIT (%)** |
| | *(unaudited)* | |
| USD | (65.5) | (11.3) |
| SGD | (19.6) | (3.4) |
| EUR | (18.0) | (3.1) |
| CNY | (16.5) | (2.9) |
| KRW | (3.9) | (0.7) |
| AUD | (3.6) | (0.6) |
| GBP | (1.7) | (0.3) |
| JPY | (1.6) | (0.3) |
| MXN | 7.4 | 1.3 |
| ILS | 8.5 | 1.5 |
| Other | (6.1) | (1.1) |
| **Total** | **(120.5)** | **(20.9)** |

#### *Translation exposure*

A large proportion of the Company's subsidiaries have income and net assets in a functional currency that is different from the Company's reporting currency. When these amounts are translated into SEK, translation differences arise that are recognised in other comprehensive income. Translation differences attributable to net investments in foreign currency are not hedged. However, pursuant to the Company's financial policy, the Company's exposure is monitored and calculated regularly in order to determine its impact on the Company's earnings and financial position. The effect of the translation of foreign subsidiaries' net assets into SEK on other comprehensive income totalled SEK 198 million for the year ended 31 December 2016. This effect primarily relates to subsidiaries with functional currencies that are USD or EUR.

## Interest rate risk management

The Company's interest rate risk relates to the risk that the value of its financial instruments and interest-bearing assets and liabilities will change due to changes in the market or contracted interest rates. See also "*Risk factors—Risks related to Munters' operations and industry—Munters is exposed to interest rate risks*".

The Company is exposed to interest rate risk related to its interest-bearing borrowings, which represent one of the Company's primary sources of financing. Interest-bearing borrowings consist primarily of the Shareholder Loan, which has a fixed interest rate, and the Existing Agreements, which have variable interest rates and are thus susceptible to changes in interest rates. In addition, a number of subsidiaries of the operating group have loans.

The Company does not have significant interest-bearing assets, however, the Company's cash balances at its banking institutions may generate interest. Net sales and cash flow from operating activities are largely independent of changes in market interest rates.

The Company has a centralised approach to managing its interest rate risk, and the Company's treasury function manages the majority of the Company's borrowings. The treasury function manages the Company's interest rate risk by aiming to balance borrowings with variable interest rates with borrowings with fixed interest rates, with the aim to reduce the volatility of the Company's interest expenses.

### *Interest exposure*

The average fixed interest term for the Group's external loans was approximately three months as of 31 December 2016. Based on the portion of Net Debt carrying interest that was not hedged as of 31 December 2016, a one percent increase in the interest rates applicable in all countries in which the Company has loans or investments would have had an impact on the Company's net financial income and expenses of SEK 23 million.

## Credit risk management

### *Credit exposure*

The Company's credit risk primarily relates to the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises principally from amounts receivable from customers and deposits of cash made with financial institutions. The Company actively works to manage this risk. For example, the Company generally encourages advanced payment, or partial advance payment in instances in which the value of an order is significant and delivery of the order extends over a long period of time.

In addition, the Company has adopted a special policy to manage accounts receivable, which requires each business area to have established and documented processes for handling unpaid receivables. These documented processes include specific time periods after which specific actions must be taken with respect to the relevant receivables, including legal action, and designate specific individuals to handle various stages of the handling process. This policy helps to ensure that specified follow up procedures are taken and that outstanding amounts are allocated to different groups of customers and business areas in order to create a streamlined and efficient approach to managing overdue accounts receivable. As of 31 December 2016, the Company's provisions for bad debts represented 4 percent of the Company's total receivables.

The Company's risk exposure is mitigated in part by the diversification of its customer base, which consists of companies in different industries and countries. For the year ended 31 December 2016, the Group's top five customers accounted for 13 percent of the Company's net sales and 12 percent of the Company's total outstanding accounts receivable. However, within the Data Centers business area, the top three data center customers accounted for more than half of the business area's net sales for the year ended 31 December 2016.

### *Counterparty exposure*

Pursuant to the Company's financial policy, the Company maintains a list of approved counterparties and monitors its level of exposure to each approved counterparty. The Company reviews prospective counterparties and will approve counterparties with high ethical values and that have a credit rating of at least A-/A2 according to Standard & Poor's/Moody's credit assessments. The Company may make exceptions to these requirements for local banks, provided that any such exceptions are approved in advance by the Company's Chief Financial Officer.

## Liquidity risk management

The Company's liquidity risk relates to the risk that the Company will not have sufficient liquidity to cover expected or unforeseen expenses. Group management continually monitors forecasts of the Company's cash flows and liquidity reserves to ensure that the Company has sufficient funds available for the Company's operating activities and operating expenses and to cover interest payments and loan repayments. The Company has entered into guaranteed long-term credit facilities and has diverse maturity dates on its debt instruments and sources of financing, which generally helps to manage the costs and risks of securing sources of financing. In addition, the Company's treasury operations work to ensure an effective cash management structure by centralising the liquidity to the parent company through cash pools and other forms of sweeping mechanisms.

Pursuant to the Company's financial policy, the Company maintains a long-term liquidity reserve in an amount equivalent to one month of disbursements (both direct and indirect). A short-term liquidity reserve is set at SEK 200 million, which represents two weeks of disbursements, and the long-term liquidity reserve shall amount to SEK 400 million.

Pursuant to the Company's financial policy, the liquidity reserve shall comprise of cash and cash equivalents and undrawn credit facilities. As of 31 December 2016, the Company had undrawn credit facilities of SEK 68 million. As of 31 December 2016, a new acquisition facility of USD 25 million was made available, which was undrawn at the end of the year. This facility was drawn in connection with the acquisition of MTech Systems.

Pursuant to the Company's financial policy, surplus cash shall primarily be used to repay external debt, and the Company's cash and cash equivalents shall be placed in bank accounts or high-liquidity interest-bearing instruments.

See also "*Risk factors—Risks related to Munters' operations and industry—Munters may not be able to obtain financing at favourable terms, or obtain financing at all, or perform payment obligations due to insufficient liquidity*".

## Changes in accounting policies

The Company's financial statements can be impacted by changes in accounting policies that may affect the comparability of results from period to period as well as the Company's balance sheet.

The International Accounting Standards Board (the "**IASB**") issued "*IFRS 16 – Leases*", which will become effective for accounting periods beginning on or after 1 January 2019, and the Company expects to comply with its requirements from that date. IFRS 16 requires that the current values of lease liabilities with respect to premises that are leased on terms of more than one year be recorded on the balance sheet, while under current accounting policies they are treated as operating leases. Munters has begun to analyse the effects IFRS 16 will have on the Company's financial statements. In brief, the initial analysis shows that Munters as an operational lessee will be affected by the implementation of IFRS 16. Monetary calculations of the effect of IFRS 16 and choice of transition approach have not yet been carried out. Based on the Company's preliminary review of its leases (primarily lease agreements in respect of premises), including notice periods and rental amounts, the Company's assessment is that IFRS 16 will require changes in internal systems and procedures. The Company currently believes that IFRS 16 will have an effect on its consolidated accounts and financial key performance indicators, primarily ratios based on gross assets and gross liabilities. As of 31 December 2016, the Company's total assets were SEK 8,991 million and total current and non-current liabilities were SEK 8,224 million.

In addition, the IASB issued "*IFRS 9 – Financial Instruments: Recognition and Measurement*", which will become effective for accounting periods beginning on or after 1 January 2018, and the Company expects to comply with its requirements form that date. IFRS 9 contains rules for the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. The Company is evaluating the impact of the standard and has not quantified the effects of IFRS 9.

The IASB issued "*IFRS 15 – Revenue from contracts with customers*", which will become effective for accounting periods beginning on or after 1 January 2018, and the Company expects to comply with its requirements form that date. IFRS 15 contains rules regarding revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Pursuant to IFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of, and obtain the benefits from, the good or service. IHRS 15 will replace IAS 18 "Revenue" and IAS 11 "Construction contracts" and the related interpretations. The Company is evaluating the impact of the standard and has not quantified the effects of IFRS 15. Based on a preliminary analysis of a number of contracts related to customers of the Air Treatment business area, the Company does not currently believe that the standard will have a significant effect on the Company's financial statements. This evaluation will continue throughout 2017.

## Critical accounting policies

See "*Historical financial information—Financial information as of and for the years ended 31 December 2016, 2015 and 2014—Note 1 (Accounting policies)*" and "*—Note 2 (Significant estimates and assessments)*" for a description of Munters' accounting policies and significant estimates and assessments in preparing the financial statements.

# Board of directors, group management and auditor

## Board of Directors

According to Munters' Articles of Association, the Board of Directors shall comprise of not less than three and not more than ten members elected by the shareholders at the General Meeting. In addition and by law, employee organisations are entitled to appoint employee representatives. The Board of Directors currently comprises eight members elected by the general meeting (elected by the 2017 Annual General Meeting for a term of office extending until the close of the 2018 Annual General Meeting) and two members (with two deputies) appointed by employee organisations. In addition, Kristian Sildeby was elected as a Board member by the Extraordinary General Meeting held on 7 May 2017, subject to FAM AB acquiring Shares in the Offering pursuant to its undertaking as a Cornerstone Investor (see "*Plan of distribution—Cornerstone Investor commitments*").

| Name | Function | Elected | Independent | Audit Committee | Compensation Committee | Shareholding after the Offering[1] |
|---|---|---|---|---|---|---|
| Christopher Curtis | Chairman | 2015 | Yes | | ● | 501,437 |
| Helen Fasth Gillstedt | Member | 2017 | Yes | ● | | – |
| Per Hallius | Member | 2013 | Yes[2] | | | 84,031 |
| Joakim Karlsson | Member | 2010 | No[3] | | | – |
| John Peter Leesi | Member, President and CEO | 2011 | No[4] | | | 1,823,829 |
| Andreas Näsvik | Member | 2011 | No[3] | ● | ● | – |
| Lena Olving | Member | 2017 | Yes | ● | | – |
| Kristian Sildeby[6] | Member | 2017 | No[3] | | | – |
| Joachim Zetterlund | Member | 2012 | Yes | | ● | 84,031 |
| Pia Nordqvist | Member* | 2010[4] | – | | | – |
| Robin Hedén | Member* | 2017 | – | | | – |
| Simon Henriksson | Deputy* | 2017 | – | | | – |
| Robert Wahlgren | Deputy* | 2010[5] | – | | | – |

* Employee representative.
1) Refers to own shareholdings and shareholdings of closely related persons as well as through a capital insurance scheme (Sw. *kapitalförsäkring*) after the Offering.
2) Per Hallius has a consultancy arrangement with Nordic Capital Limited and the Nordic Capital Funds, see "*—Other information concerning the Board of Directors and Group management*".
3) Not independent in relation to major shareholders.
4) Not independent in relation to the Company and Group management.
5) Also a director of Munters AB prior to the incorporation of the Company in 2010.
6) Kristian Sildeby was elected as a Board member at the Extraordinary General Meeting held on 7 May 2017, subject to FAM AB acquiring Shares in the Offering pursuant to its undertaking as a Cornerstone Investor (see "*Plan of distribution—Cornerstone Investor commitments*").

## Christopher Curtis

*Born 1957. Chairman of the Board since 2015. Member of the Compensation Committee.*
**Principal education and professional experience:** BA, LeMoyne College. Studies in History and Economics.
**Other current assignments/positions:** CEO of Wencor Group. Non-executive director of S&C Electric Company. Trustee of LeMoyne College.
**Previous assignments/positions (past five years):** CEO of Schneider Electric North America. Non-executive director of Aegion Corporation and Kimball Electronics.
**Holding after the Offering:** 501,437 Shares.
*Independent in relation to the Company and Group management as well as the Company's major shareholders.*

## Helen Fasth Gillstedt

*Born 1962. Board member since 2017. Chairman of the Audit Committee.*
**Principal education and professional experience:** M.Sc. in Finance & Control and International Business, Stockholm School of Economics. Studies in Sustainable Development, Stockholm Resilience Center at Stockholm University and KTH Royal Institute of Technology.
**Other current assignments/positions:** Board member of Handelsbanken Fonder AB, Samhall AB, Svefa Holding AB (publ), Humana AB, AcadeMedia AB and Lndrff International AB. CEO and Board member of Blong AB.
**Previous assignments/positions (past five years):** Board member of ACM 2001 AB, Swedesurvey AB, Intrum Justitia AB, AcadeMedia Group AB and Sjölunda Gård Ekogrossisten AB.
**Holding after the Offering:** –
*Independent in relation to the Company and Group management as well as the Company's major shareholders.*

## Per Hallius

*Born 1962. Board member since 2013.*
**Principal education and professional experience:** MBA, Harvard Business School. M.Sc. in Economics and Business Administration, Stockholm School of Economics. Independent advisor, board representative and investor. Almost 25 years in management consulting business, including positions as Senior Partner at the Boston Consulting Group and Partner at Bain & Company.
**Other current assignments/positions:** Chairman of the Board of Nefab Group AB and My Academy Sweden AB. Vice Chairman of the Board of Ruukki Construction Oy. Board member of PMH Affärsutveckling AB, Beowulf AB, ELH Individ & Grupputveckling i Danderyd AB and Quant AB. Industrial Advisor to the Nordic Capital Funds. Advisor to senior executives of large industrial multinationals.
**Previous assignments/positions (past five years):** Senior Partner and Managing Director of Boston Consulting Group. Chairman of the Board of United Minds Samhällsanalys AB and Bafen AB. Board member of Trevia AB.
**Holding after the Offering:** 84,031 Shares.
*Independent in relation to the Company and Group management as well as the Company's major shareholders. Per Hallius has a consultancy arrangement with Nordic Capital Limited and the Nordic Capital Funds, see "—Other information concerning the Board of Directors and Group management".*

## Joakim Karlsson

*Born 1971. Board member since 2010.*
**Principal education and professional experience:** M.Sc. in Economics, Stockholm School of Economics. Part of the advisory group of JP Morgan, 1997–1998. Attendance in the Swedish Army Language School. Employed at the Stockholm Institute of East European Studies, 1993–1994, and the Swedish Embassy in Moscow, 1991–1993.
**Other current assignments/positions:** Chairman of the Board of Nordic Capital AB and Partner of NC Advisory AB, advisor to the Nordic Capital Funds. Board member of Svartbäckssjöns Utveckling AB, Coach Nebez Academy AB, Qinghai Invest Svenska AB, Cidron Full Service Top Holding AB, TSH Holding AB and Luvata Oy. Deputy Board member of Motiv Stockholm AB.
**Previous assignments/positions (past five years):** Chairman of the Board of Nordic Fashion Topholding AB. Board member of Reynolds Holding AB. Deputy Board member of Ellos Holding AB.
**Holding after the Offering:** –
*Independent in relation to the Company and Group management, but not in relation to the Company's major shareholders.*

## John Peter Leesi

*Born 1961. President and CEO. Board member since 2011.*
See "*—Group management*".
*Independent in relation to the Company's major shareholders, but not in relation to the Company and Group management.*

## Andreas Näsvik

*Born 1975. Board member since 2011. Member of the Audit Committee and the Compensation Committee.*
**Principal education and professional experience:** M.Sc. in Economics and Business Administration, Stockholm School of Economics. Work with corporate finance, private equity, mezzanine investing and debt restructuring in Deutsche Bank, Goldman Sachs Investment Banking and Goldman Sachs Capital Partners.
**Other current assignments/positions:** Board member of SNV Holding AB, Avvir Invest Svenska AB, Lndrff International AB, Hinter Lake Holding AB and Lock TopCo AS. Partner of NC Advisory AB, advisor to the Nordic Capital Funds.
**Previous assignments/positions (past five years):** Board member of Lindorff AB.
**Holding after the Offering:** –

*Independent in relation to the Company and Group management, but not in relation to the Company's major shareholders.*

## Lena Olving

*Born 1956. Board member since 2017. Member of the Audit Committee.*

**Principal education and professional experience:** M.Sc. in Mechanical Engineering, Chalmers University of Technology. CEO and President of Mycronic AB (publ). Various management positions in Volvo Cars and Volvo Components. Former CEO of Samhall Högland AB.

**Other current assignments/positions:** Board member of Investment AB Latour (publ), Teknikföretagen and Kollegiet för svensk bolagsstyrning.

**Previous assignments/positions (past five years):** COO and deputy CEO in SAAB AB. Board member of SJ AB and Novozymes AS.

**Holding after the Offering:** –

*Independent in relation to the Company and Group management as well as the Company's major shareholders.*

## Kristian Sildeby[1)]

*Born 1976. Board member since 2017.*

**Principal education and professional experience:** M.Sc. in Economics and Business Administration, Stockholm School of Economics. Investment Manager and CFO in FAM AB.

**Other current assignments/positions:** Chairman of the Board of Blasieholmen 54 Restaurang AB. Board member of Höganäs AB, Nefab Holding AB, Power Wind Partners AB, Sol Voltaics AB, QuNano AB, Kivra AB, Elk Holding AB and Mathias Dahlgren Innovations AB.

**Previous assignments/positions (past five years):** Board member of Lindström & Göthberg Executive Development AB.

**Holding after the Offering:** –

Independent in relation to the Company and Group management, but not in relation to the Company's major shareholders.

## Joachim Zetterlund

*Born 1963. Board member since 2012. Chairman of the Compensation Committee.*

**Principal education and professional experience:** Executive Vice President Europe Corechange (IT Software), Managing Director Preferred Accounts Division Dell UK (IT Hardware and Services), Vice President Northern Europe Cambridge Technology Partners (IT and Management Consulting Services) och Business Area Manager Digital Medias Expressen (Media).

**Other current assignments/positions:** Chairman of the Board of One Agency AB. Board member of MHI Investments AB, JZ Business Development AB, Quant AB and Xpeedio Support Solutions AB.

**Previous assignments/positions (past five years):** Chairman of the Board of Office IT-Partner i Sverige AB and One Agency Holding AB. Board member of Basset AB and Tailormade Consulting Group Sweden AB. CEO and Board member of hubbr AB.

**Holding after the Offering:** 84,031 Shares.

*Independent in relation to the Company and Group management as well as the Company's major shareholders.*

## Pia Nordqvist

*Born 1973. Board member since 2010. Employee representative appointed by Unionen.*

**Position at Munters:** Senior Business Application Specialist, Munters AB.

**Other current assignments/positions:** –

**Previous assignments/positions (past five years):** –

**Holding after the Offering:** –

## Robin Hedén

*Born 1991. Board member since 2017. Employee representative appointed by IF Metall.*

**Position at Munters:** Factory worker.

**Other current assignments/positions:** –

**Previous assignments/positions (past five years):** –

**Holding after the Offering:** –

## Simon Henriksson

*Born 1984. Deputy member since 2017. Employee representative appointed by IF Metall.*

**Position at Munters:** Factory worker.

**Other current assignments/positions:** –

**Previous assignments/positions (past five years):** -

**Holding after the Offering:** –

## Robert Wahlgren

*Born 1969. Deputy member since 2010. Employee representative appointed by Unionen.*

**Position at Munters:** Customized Project Engineering Coordinator, Munters Europe AB.

**Other current assignments/positions:** –

**Previous assignments/positions (past five years):** -

**Holding after the Offering:** –

1) Kristian Sildeby was elected as a Board member at the Extraordinary General Meeting held on 7 May 2017, subject to FAM AB acquiring Shares in the Offering pursuant to its undertaking as a Cornerstone Investor (see "*Plan of distribution—Cornerstone Investor commitments*").

## Group management

| Name | Position | Member of Group management since | Employed within Munters since | Shareholding after the Offering[1)] | Holding of warrants after the Offering[2)] |
|---|---|---|---|---|---|
| John Peter Leesi | President and CEO | 2014 | 2014 | 1,823,829 | 2,500,000 |
| Jonas Ågrup | Group VP and CFO | 2011 | 2011 | 319,035 | 415,000 |
| Scott Haynes | Group VP Air Treatment | 2014 | 1994 | 332,157 | 240,000 |
| Neil Yule | Group VP Data Centers | 2016 | 2011 | 42,951 | 555,000 |
| Peter Gisel-Ekdahl | Group VP AgHort | 2011 | 2007 | 191,176 | 295,000 |
| Per Hedebäck | Group VP Mist Elimination | 2011 | 2011 | 206,755 | – |
| Sebastien Leichtnam | Group VP Global Services | 2016 | 2014 | 57,307 | – |
| Ola Carlsson | Group VP Global Operations | 2013 | 2013 | 227,404 | – |
| Wolf-Markus Frank | Group VP China | 2013 | 2013 | 60,173 | – |
| Per-Arne Håkansson | Group VP HR | 2011 | 2011 | 126,401 | 725,000 |
| Johannes Fabó | Group VP Strategy, Business Development and M&A | 2012 | 2011 | 79,333 | 450,000 |
| Sara Punkki | Group VP CSR | 2017 | 2012 | 31,026 | 42,000 |
| John Womack | Head of IR | 2017 | –[3)] | – | – |

1) Refers to own shareholdings and shareholdings of closely related persons as well as through a capital insurance scheme after the Offering.
2) Refers to own shareholdings and shareholdings of closely related persons as well as through a capital insurance scheme after the Offering
3) Engaged on a consultancy basis from 1 February 2017 up until at least 12 months following the first day of trading of the Shares on Nasdaq Stockholm.

### John Peter Leesi

*Born 1961. President and Chief Executive Officer since 2014.*
**Principal education and professional experience:** BA in Business and Finance, Stockholm University. Chairman of the Board of Munters 2012–2015. Former CFO of Sony Ericsson.
**Other current assignments/positions:** Chairman of the Board of Luvata Oy. Board member of International Wrought Copper Association.
**Previous assignments/positions (past five years):** Chairman of the Board of Luvata Heat Transfer Solutions I AB.
**Holding after the Offering:** 1,823,829 Shares and 2,500,000 warrants.

### Jonas Ågrup

*Born 1960. Group Vice President and Chief Financial Officer since 2011.*
**Principal education and professional experience:** BA in Business and Economics, Stockholm University. Various positions in ÅF, WM-data, Cardo and Atlas Copco.
**Other current assignments/positions:** Board member of Handelsbanken Kista.
**Previous assignments/positions (past five years):** –
**Holding after the Offering:** 319,035 Shares and 415,000 warrants.

### Scott Haynes

*Born 1963. Group Vice President Air Treatment since 2014.*
**Principal education and professional experience:** B.Sc. in Business Administration, Isenberg School of Management at the University of Massachusetts. Management Development Program, Boston University. Sales Management Training Program, General Electric. Leadership & International Management, Swedish Institute of Management AB/Duke University. Various management positions in DH Industrial, 1994–2004.
**Other current assignments/positions:** –
**Previous assignments/positions (past five years):** –
**Holding after the Offering:** 332,157 Shares and 240,000 warrants.

### Neil Yule

*Born 1960. Group Vice President Data Centers since 2016.*
**Principal education and professional experience:** MBA in Business Administration, Open Business School. Various management positions in Fläkt Woods Group. Managing Director of Waterloo Air Management plc, Hampton Mouldings Ltd and Salex Acoustic Materials Ltd.
**Other current assignments/positions:** –
**Previous assignments/positions (past five years):** –
**Holding after the Offering:** 42,951 Shares and 555,000 warrants.

## Peter Gisel-Ekdahl

*Born 1970. Group Vice President AgHort since 2011.*
**Principal education and professional experience:** M.Sc. in Chemical Engineering, KTH Royal Institute of Technology. M.Sc. in Business Administration, Copenhagen Business School. Various positions in Wedholms and Hackmans.
**Other current assignments/positions:** Board member of ABECE AB and Wedcooling AB.
**Previous assignments/positions (past five years):** Deputy Board member of Drivec AB.
**Holding after the Offering:** 191,176 Shares and 295,000 warrants.

## Per Hedebäck

*Born 1964. Group Vice President Mist Elimination since 2011.*
**Principal education and professional experience:** Executive MBA, Stockholm School of Economics. M.Sc. in Mechanical Engineering, KTH Royal Institute of Technology. B.Sc. in Industrial and Building Services Engineering, University of Karlstad. Various positions in Opcon, WSP and Swedish Foreign Affairs.
**Other current assignments/positions:** –
**Previous assignments/positions (past five years):** –
**Holding after the Offering:** 206,755 Shares.

## Sebastien Leichtnam

*Born 1971. Group Vice President Global Services since 2016.*
**Principal education and professional experience:** MBA, EDHEC Business School. Executive education, INSEAD. Technician certificate diploma degree, Lille Catholic University. Various management positions in Tetrapak AB, Cardo AB, Crawford France and Hafa Manutention.
**Other current assignments/positions:** –
**Previous assignments/positions (past five years):** –
**Holding after the Offering:** 57,307 Shares.

## Ola Carlsson

*Born 1965. Group Vice President Global Operations since 2013.*
**Principal education and professional experience:** M.Sc. in Mechanical Engineering, Linköping Institute of Technology. Various positions in Whirlpool.
**Other current assignments/positions:** Chairman of the Board of Hebova SRO and SAT Ltd. Board member of CTEK Holding AB.
**Previous assignments/positions (past five years):** Chairman of the Board of Electrolux Filter AB. Board member of Electrolux Lehel LFT. COO of Electrolux Small Appliances AB.
**Holding after the Offering:** 227,404 Shares.

## Wolf-Markus Frank

*Born 1968. Group Vice President China since 2013.*
**Principal education and professional experience:** MBA, Bradford University. MBA, University Paderborn. Various positions in Electrolux and jlu Group.
**Other current assignments/positions:** Board member of MFE and PRC. Managing Director of UBB-Frank GmbH.
**Previous assignments/positions (past five years):** Board member of Electrolux Spain.
**Holding after the Offering:** 60,173 Shares.

## Per-Arne Håkansson

*Born 1955. Group Vice President HR since 2011.*
**Principal education and professional experience:** BA in Political Science and Economics, University of Lund. BA in Psychology, University of Lund. Various positions in Maersk and Digital Equipment Corporation.
**Other current assignments/positions:** –
**Previous assignments/positions (past five years):** Board member of Quant AB and PAHIT Consulting AB.
**Holding after the Offering:** 126,401 Shares and 725,000 warrants.

## Johannes Fabó

*Born 1978. Group Vice President Strategy, Business Development and M&A since 2012.*
**Principal education and professional experience:** M.Sc. in Industrial Engineering and Management, Chalmers University of Technology. Consultant and Project Leader at Boston Consulting Group.
**Other current assignments/positions:** –
**Previous assignments/positions (past five years):** –
**Holding after the Offering:** 79,333 Shares and 450,000 warrants.

## Sara Punkki

*Born 1975. Group Vice President CSR since 2017.*
**Principal education and professional experience:** Master's degree in business law, Jönköping University. Various positions in Munters. Various positions in Deloitte, Ericsson and Swedbank.
**Other current assignments/positions:** –
**Previous assignments/positions (past five years):** –
**Holding after the Offering:** 31,026 Shares and 42,000 warrants.

## John Womack

*Born 1966. Head of Investor Relations since 2017.*
**Principal education and professional experience:** B.Sc. in Economics, Lund University. Diploma degree in Communication and Advertising, Stockholm University.
**Other current assignments/positions:** Board member of ArtGlass i Malmö AB, Womack Investor Relations AB and CarpetVista Group AB. Senior Advisor of Fogel & Partners.
**Previous assignments/positions (past five years):** Director of Investor Relations of Alimak Group AB (publ). Director of Information and Investor Relations of Clas Ohlson AB (publ).
**Holding after the Offering:** –

## Other information concerning the Board of Directors and Group management

All members of the Board of Directors and Group management can be reached through Munters Group AB, P.O. Box 1188, SE-164 26 Kista, Sweden.

There are no family ties between any of the members of the Board of Directors and/or Group management. However, CEO John Peter Leesi is married to the sister of CFO Jonas Ågrup. Remuneration and other terms of employment, including terms of separation, to the CFO (and other members of senior management) is decided by the Board of Directors, following preparation and proposal by the Compensation Committee. No Board member or senior executive has been convicted in any case involving fraudulence during the past five years. None of them have been involved in any bankruptcy, receiverships or liquidation during the past five years in the capacity of a member of administrative, management or supervisory bodies or a senior executive.

Except as described in the immediately following paragraphs, no incrimination and/or sanctions have been issued by statutory or regulatory authorities (including designated professional bodies) during the past five years against any of the members of the Board or Group management. Nor, during the past five years, has any member of the Board or Group management been disqualified by a court of law of any jurisdiction from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

In connection with the Swedish Tax Agency's review of the Swedish private equity business, Joakim Karlsson (being an employee of NC Advisory AB, advisor to the Nordic Capital Funds) has been subject to a tax review and thereafter received reassessment decisions for several income years. The Tax Agency's basic position is that part of the profit split in the funds (the so-called carried interest) is not a capital income but should be deemed as employment income for the individuals receiving carried interest (Joakim Karlsson being one of them). Alternatively, the Tax Agency has claimed that the payments from the fund should be taxed under the special rules for closely held companies (the so-called 3:12 rules) by which capital income, in certain circumstances, shall be taxed as employment income. The Tax Agency has also levied tax surcharges for some years. Joakim Karlsson has appealed all of the reassessment decisions and been granted a respite with paying part of the tax. The Administrative Court of Appeal has on 27 April, 2017, issued rulings for some of the years that are subject to litigation. Further to the Administrative Court of Appeal's rulings, carried interest should be taxed as employment income for Joakim Karlsson and tax surcharges are also payable for some years. The rulings have not yet become legally binding and may be appealed.

No member of the Board or Group management has any private interests which might conflict with their duties to Munters. However, as stated above, a number of the members of the Board and Group management have a financial interest in Munters through shareholdings.

A company wholly-owned by Per Hallius has a consulting agreement with Nordic Capital Limited and the Nordic Capital Funds pursuant to which Per Hallius may perform services as requested by the Nordic Capital Funds. Per Hallius's services under the consulting agreement relate to, for example, networking, deal sourcing and development of portfolio companies. Per Hallius is entitled to a fixed annual fee for services performed under the consulting agreement and an additional success fee for any successful investments where he has sourced the target company and/or played a key role and actively participated and assisted in the evaluation of the target company. The total remuneration under the consulting arrangement is estimated to be approximately 15 to 50 percent (depending on whether any success fee is payable) of his total compensation for consultancy services per year. The consulting arrangement is on a non-exclusive basis in relation to the Nordic Capital Funds and Per Hallius performs consultancy services for several other parties as well. During the term of the agreement, Per Hallius has undertaken to act in a loyal manner and not express any views that may have a negative impact on the Nordic Capital Funds or any of their subsidiaries or affiliates. The term of the agreement is until further notice. The agreement can be terminated by either party with three months' advance notice (subject to termination for material breaches where the agreement may be terminated with immediate effect). The agreement does not give Per Hallius a right to invest in any of the Nordic Capital Funds and Per Hallius has not invested in any of the Nordic Capital Funds.

Shareholding members of the Board of Directors and members of Group management, will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced, see "*Selling shareholders—Lock-up*".

## Auditor

Ernst & Young AB (P.O. Box 7850, SE-103 99 Stockholm, Sweden) is the Company's auditor and has been since 2010. Erik Sandström, authorised public accountant and a member of FAR (the professional institute for authorised public accountants in Sweden), is auditor-in-charge and has been since 2012.

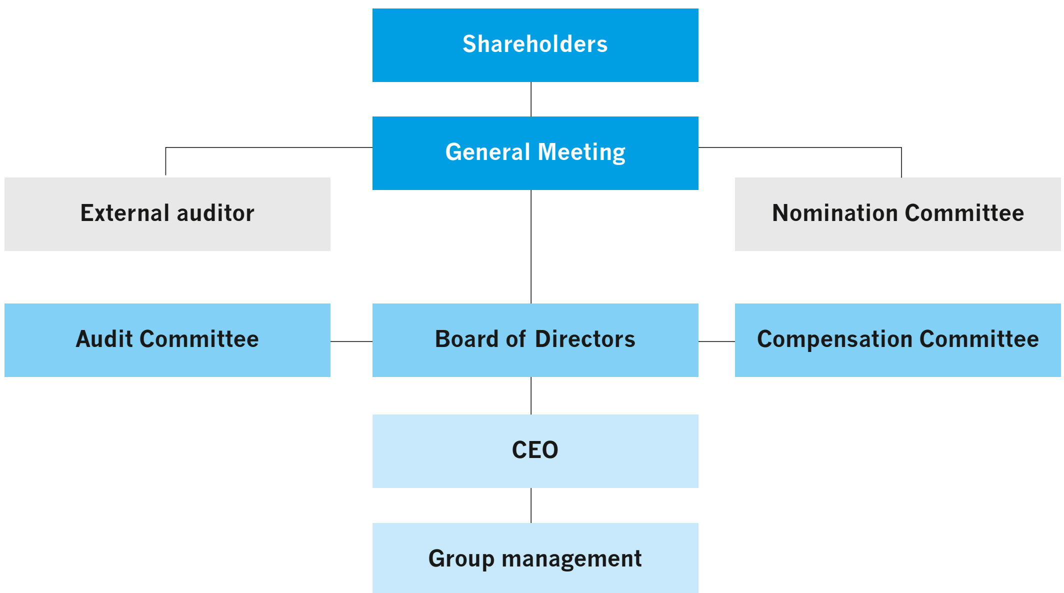
# Corporate governance

## Corporate governance within Munters

Prior to the listing of the Shares on Nasdaq Stockholm, the corporate governance of Munters has been based upon Swedish law and internal rules and guidelines. Once listed, the Company will also comply with Nasdaq Stockholm's Rule Book for Issuers and the Swedish Code of Corporate Governance (the "**Code**"). The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and is to be fully applied from the date of the listing. Companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in their particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation in their annual corporate governance report (the so-called "comply or explain" principle).

Munters expects to comply with all rules in the Code from the date of the listing of the Shares on Nasdaq Stockholm, with the exception of rules 9.7 and 9.8 of the Code. Munters will deviate from rule 9.7 of the Code with respect to the upcoming warrant programme described in "*Share capital and ownership structure—Share-based incentive programmes—Warrants*" in that the Participants pursuant to the terms of one of the two warrant series may exercise such warrants to subscribe for shares after a two-year period and hence after a shorter period of time than the minimum time of three years prescribed by the Code. The other warrant series entitles the Participants to exercise the warrants to subscribe for shares after a three-year period. The offering of warrants with terms of exercise after two and three years, respectively, is considered to be in line with Munters' long-term business plan, strategy and financial targets. Implementing two series of warrants in this way also puts Munters in a position more similar to other already listed companies which have rolling three-year programmes outstanding. Once listed on Nasdaq Stockholm, Munters intends to only implement three-year programmes. Munters will deviate from rule 9.8 of the Code in that the CEO's total entitlement of fixed salary during notice period and severance pay upon the Company's termination of his employment will amount to three years' fixed salary and hence exceed the two years' fixed salary prescribed by the Code. During the notice period (12 months) and the period when severance pay is paid to the CEO (24 months), he will be subject to a non-competition undertaking, which the Company considers to be in the interest of the Company and its shareholders and thus motivates the deviation from rule 9.8 of the Code. Deviations from the Code will be reported in the Company's annual corporate governance reports.

### Munters' corporate governance structure



## General Meeting of shareholders

Pursuant to the Companies Act, the General Meeting is the Company's supreme decision-making body and shareholders exercise their voting rights at such meetings. Annual General Meetings must be held within six months from the end of each financial year. In addition to the Annual General Meeting, Extraordinary General Meetings can be convened. Munters' Annual General Meetings are held in Stockholm, Sweden, every calendar year before the end of June.

Pursuant to the Articles of Association, notices convening General Meetings shall be issued through announcement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) as well as on the Company's website. Announcement to the effect that a notice convening a General Meeting has been issued shall be made in Svenska Dagbladet. Once Munters is listed, a press release in Swedish and English with the notice in its entirety will be issued ahead of each General Meeting.

### Right to attend General Meetings

All shareholders who are directly recorded in the share register maintained by Euroclear Sweden five weekdays (Saturdays included) prior to the General Meeting and who have notified the Company of their intention to participate in the General Meeting not later than the date and time indicated in the notice of the General Meeting, are entitled to attend the General Meeting and vote for the number of shares they hold. In addition to notifying the Company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares are temporarily registered in their own names in the register of shareholders maintained by Euroclear Sweden, in order to be entitled to participate in the General Meeting. Shareholders should inform their nominees well in advance of the record date.

Shareholders may attend General Meetings in person or by proxy and may be accompanied by a maximum of two assistants. It will normally be possible for shareholders to register for the General Meeting in several different ways, as indicated in the notice of the meeting.

### Shareholder initiatives

Shareholders who wish to have an issue brought before the General Meeting must submit a request in writing to the Board of Directors. The request must normally be received by the Board of Directors not later than seven weeks prior to the General Meeting.

## Nomination Committee

Under the Code, the Company shall have a Nomination Committee, the purpose of which is to make proposals in respect of the Chairman at General Meetings, Board member candidates (including the Chairman), fees and other remuneration of each Board member as well as remuneration for committee work and election of and remuneration to the external auditor. The Annual General Meeting on 28 March 2017 resolved to adopt the following Nomination Committee instruction, which shall apply until further notice:

The Nomination Committee in respect of the Annual General Meeting shall be composed of the representatives of the four largest shareholders in terms of voting rights listed in the shareholders' register maintained by Euroclear Sweden AB as of 31 August each year, and the Chairman of the Board of Directors, who will also convene the first meeting of the Nomination Committee. Should a shareholder abstain from its right to appoint a member or fail to appoint a member within the prescribed time, the right to appoint a member shall transfer to the subsequent largest shareholder by voting power that has not already appointed or has the right to appoint a member of the Nomination Committee. The member representing the largest shareholder in terms of voting rights shall be appointed Chairman of the Nomination Committee. If earlier than two months prior to the Annual General Meeting, one or more of the shareholders having appointed representatives to the Nomination Committee, are no longer among the four largest shareholders in terms of voting rights, representatives appointed by these shareholders shall resign and the shareholder or shareholders who then are among the four largest shareholders in terms of voting rights, may appoint their representatives. Should a member resign from the Nomination Committee before its work is completed and the Nomination Committee considers it necessary to replace him or her, such substitute member is to represent the same shareholder or, if the shareholder is no longer one of the largest shareholders in terms of voting rights, the largest shareholder in turn. Changes in the composition of the Nomination Committee shall be made public immediately.

The composition of the Nomination Committee for the Annual General Meeting shall normally be announced no later than six months before that meeting. Remuneration shall not to be paid to the members of the Nomination Committee. The Company is to pay any necessary expenses that the Nomination Committee may incur in its work. The term of office for the Nomination Committee ends when the composition of the following Nomination Committee has been announced. The Nomination Committee shall propose the following: Chairman at the General Meeting, Board of Directors, Chairman of the Board of Directors, auditor, remuneration to the Board of Directors divided between the Chairman and the other directors as well as remuneration for committee work, remuneration for the Company's auditor and any changes in the proposal for Nomination Committee for the Annual General Meeting (if any).

This instruction shall apply until further notice.

# Board of Directors

## Composition and independence

According to the Company's Articles of Association, Munters' Board of Directors shall consist of at least one and no more than ten members elected by the Annual General Meeting for a term of office until the end of the next Annual General Meeting. At the Annual General Meeting held on 28 March 2017, Christopher Curtis (Chairman), Helen Fasth Gillstedt, Per Hallius, Joakim Karlsson, John Peter Leesi (President and CEO), Andreas Näsvik and Joakim Zetterlund were re-elected as members of the Board, and Lena Olving was newly elected as member of the Board. In addition, Kristian Sildeby was elected as a Board member at the Extraordinary General Meeting held on 7 May 2017, subject to FAM AB acquiring Shares in the Offering pursuant to its undertaking as a Cornerstone Investor (see "*Plan of distribution—Cornerstone Investor commitments*"). Moreover, two employee representatives with two deputies have been appointed to the Board of Directors by employee organisations. Munters' CFO and other Company officers participate at meetings of the Board of Directors to provide presentations on specific issues.

In accordance with the Code, a majority of the members of the Board elected by the General Meeting are to be independent in relation to the Company and its management. This requirement does not apply to employee representatives. In order to determine whether a member of the Board is independent, an overall assessment must be made of all circumstances which might give reason to call into question the independence of the Board member in relation to the Company or its management, for example, if the Board member has recently been hired by the Company or an affiliate. At least two of the Board members who are independent in relation to the Company and its management must also be independent in relation to the Company's major shareholders. In order to assess such independence, consideration must be given to the scope of the Board member's direct or indirect relationship to major shareholders. In the Code, 'major shareholder' means a shareholder who, directly or indirectly, controls 10 percent or more of the Shares or voting rights in the Company.

The Board of Directors' assessment of the independence of the Board members in relation to the Company, its management and major shareholders is presented in "*Board of Directors, Group management and auditor—Board of Directors*". All Board members but one are independent in relation to the Company and its management. Six of them are also independent in relation to the Company's major shareholders. The Company thereby fulfils the Code's independence requirement.

## Responsibilities and work

The duties of the Board of Directors are primarily set forth in the Companies Act and the Code, the latter of which will be applicable to the Company after the listing of the Shares on Nasdaq Stockholm. In addition to this, the work of the Board is guided by formal rules of procedure that the Board adopts every year. The work plan governs the division of work and responsibility among the Board, its Chairman and the CEO and specifies financial reporting procedures for the CEO. The Board also adopts policies for the Board committees.

The Board of Directors' tasks include adopting strategies, business plans and targets, interim reports, year-end financial statements and setting policies and guidelines. The Board of Directors is also required to follow economic developments and ensure the quality of financial reporting and internal controls and evaluate operations on the basis of the objectives and guidelines set by the Board of Directors. Finally, the Board of Directors decides on major investments and changes in the organisation and activities of the Company. The Chairman of the Board of Directors shall, in close collaboration with the CEO, monitor the Company's performance and chair Board meetings. The Chairman is also responsible for ensuring that the Board of Directors evaluates its work each year and always receives the information necessary to perform its work effectively.

## Board Committees

The Board has two committees: the Audit Committee and the Compensation Committee. Reports to the Board of Directors on issues discussed at committee meetings are either in writing or given orally. The work of each committee is performed in accordance with written policies and a work plan stipulated by the Board of Directors. Minutes of committee meetings are provided to all Board members.

### *Audit Committee*

The overall task of the Audit Committee is to ensure fulfilment of the Board of Directors' supervisory duty in relation to internal control, audit, any internal auditing, risk management, accounting and financial reporting; to prepare matters regarding the procurement of audit and other services provided by the auditor; and to prepare certain accounting and auditing matters to be resolved by the Board. The Audit Committee must review procedures and routines for the aforementioned areas and monitor the Company's financial reporting process and the efficiency of the Company's internal control, any internal audit and the risk management systems, in respect of the financial reporting. The Audit Committee shall submit recommendations and proposals in order to ensure the integrity of the financial reporting and the compliance with generally accepted accounting principles, and continuously discuss the efficiency of the Company's accounting principles and financial control with the auditors and the management, and consider any recommendations on how to improve the internal control. In addition, the Audit Committee shall monitor the impartiality and independence of the auditor, evaluate the audit work and discuss with the auditor the coordination of the external and internal audit. The Audit Committee shall also assist the Company's Nomination Committee in preparing nominations for auditor and proposals in respect of audit fees by submitting recommendations to the Nomination Committee. The Audit Committee shall during the period between two consecutive Annual General Meetings hold at least five meetings, normally in conjunction with ordinary meetings of the Board of Directors. The Audit Committee has three members: Helen Fasth Gillstedt (Chairman), Andreas Näsvik and Lena Olving. The Audit Committee fulfils the requirement in respect of accounting or auditing competence as set forth in the Companies Act.

### *Compensation Committee*

The task of the Compensation Committee is to prepare issues relating to compensation and other employment terms for the CEO and Company's senior management. The Compensation Committee proposes guidelines for, among other things, the relationship between fixed and variable compensation and the relationship between performance and compensation, the principal conditions for bonuses and incentive schemes, conditions for non-monetary benefits, pensions, termination and severance pay. The Committee also makes proposals on individual compensation packages for the CEO and other executives in the Company's senior management. Furthermore, the Compensation Committee shall monitor and evaluate the outcome of variable compensation schemes and the Company's compliance with remuneration guidelines adopted by the General Meeting. The Compensation Committee has three members: Joachim Zetterlund (Chairman), Christopher Curtis and Andreas Näsvik.

## Internal control

The Board of Directors' responsibility for the internal control is governed primarily by the Companies Act, the Swedish Annual Reports Act (1995:1554) and the Code. Information regarding the most important aspects of Munters' system for internal control and risk management in connection with financial reporting must each year be included in Munters' corporate governance report.

Internal control and management is an integrated part of Munters' operations and is broadly defined as a process, put in place by Munters' Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives described in the following. The procedures for internal control, risk assessment, control activities, and monitoring with respect to the financial reporting have been designed to ensure reliable overall financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations as well as other requirements, which may apply to companies listed on Nasdaq Stockholm. This work involves the Board of Directors, Munters' management and other personnel. The procedures for internal control also aim at promoting Munters' development and profitability, securing the Company's assets and preventing and detecting any fraud or error.

The responsibility and liability of the Board of Directors for the internal control within Munters cannot be assigned to any other part.

Munters does not have an independent internal audit function, but has an internal audit team and appointed an Internal Audit Project Lead Manager.

### *Control environment*

Control environment factors include, amongst others, the integrity, ethical values and competence of the Group's employees, the management's way of operating and organising the business and assigning authority and responsibility, as well as the instructions provided by the Board of Directors.

The Board of Directors holds the ultimate responsibility for the internal control within the Munters Group, and is annually adopting a number of steering documents designed to provide support for the Board and the management in acting in a way that promotes proper and thorough internal control and risk management within the Group. Central steering documents include the Board's rules of procedures, instructions for committees, policy for policies aiming to define and create a framework for the policies and principles applicable within Munters, finance policy aiming at managing the financial exposure, risk management policy and internal control policy setting out the minimum internal control requirements in order to manage such risks and achieve good internal control. In addition, the Group's Finance Manual, for which the CFO is responsible, provides guidance for financial reporting, accounting principles, internal control and significant processes such as financial statement close process and impairment testing.

A number of procedures are in place to ensure that necessary actions are taken to address risks to the achievement of the Group's objectives. Control activities occur throughout the Munters organisation, at all levels and in all functions, and the responsibility for controlling compliance and monitoring the activities are allocated between different functions within the Munters Group. The CEO is responsible for ensuring that there are internal control guidelines in place, and that the internal control is monitored on a high level. The Group's CFO is delegated operational responsibility for the financial reporting, including sufficient internal control, whereas the respective Business Area Manager is responsible for applying the policies on internal control within his or her specific sector, and to set out how the work shall be performed. Each Business Area Manager ensures that there are an organisation and process in place for internal control, and monitors the work progress. A Group Internal Control

Coordinator is responsible for coordinating, monitoring and reporting the internal control activities throughout the Group as well as for initiating training and updates of steering documents related to internal control. Within each Business Area, a Local Internal Control Coordinator is appointed responsible for coordinating the internal control work in the Business Area, execute trainings and spread knowledge within the Business Area. The Local Internal Control Coordinators' responsibilities also include following up on identified weaknesses and be part of improvement projects with respect to internal control. The Audit Committee, which receives evaluation of the model, organisation and process for internal control reports the results to the Board of Directors.

### *Risks, risk assessment and control activities*

Risk is defined as the uncertainty of whether an event will occur and its effect on a unit's ability to achieve its business objectives in a given period of time (1–3 years). Risk management is an important part of the internal control. The Board of Directors is ultimately responsible for risk management in the Munters Group. It is Group management's responsibility to identify, evaluate and manage risks and to report to the Board of Directors.

The main risks facing the Group are divided into the following four categories: strategic risks, compliance and legal risks, operational risks and financial risks.

- Strategic risks include for example risks of the Group failing to achieve its business objectives, risks associated with developing and marketing products and services, economic risks affecting product/services sales and costs, as well as risks arising from changes in the technological environment which have impact on sales and production.
- Compliance and legal risks include risks for penalties and material financial loss as a result of the Group's non-compliance with laws and regulations.
- Operational risks include risks connected with internal resources, systems, processes and employees. For example, if production is being disrupted by machine failure, key employees are leaving the Group due to dissatisfaction or sales are being lost due to poor product quality.
- Financial risks include risks of financial loss due to the Group's exposure to, for example, currency risk, interest rate risk, credit risk and liquidity risk. For further information on the Company's handling of these risks, see "*Operating and Financial Review–Quantitative and qualitative disclosures about financial risk management*". Financial risks also include risks in relation to Munters' internal accounting and reporting processes.

Munters continuously evaluates the risks associated with its operations, both financial and operational, and controls and supervises factors that may affect Munters' operating profit or loss. The risk assessment is also a key aspect of the annual strategy process, where specific risks in relation to the Company's ability to achieve the strategic ambitions are evaluated. It is the responsibility of the Group Vice President CSR that the annual risk assessment is carried out in accordance with the Group's established policy on risk management. This risk assessment includes four steps: (i) risks are identified through interviews with members of the management team, (ii) any identified risk is assessed on a scale to determine its seriousness, (iii) mitigation plans are designed in order to reduce, eliminate or export any unwanted risk exposure and (iv) the results of the Group management's risk assessment are reported to the Audit Committee, which in turn reports to the Board of Directors quarterly. When required, incidents are reported ad-hoc.

The risk prioritisation referred to in (ii) above is based on evaluating two parameters, impact and likelihood in a scale of 1–5, where the product of the two parameters constitutes the total risk value. The total risk value is then included in a risk map which includes the risks for all of the four risk categories.

Where a risk has a total risk value of more than 12 (25 is the maximum value) it needs to be addressed in a mitigation plan. A responsible employee is appointed, who must present an action plan. Status of identified risks are reported to the Board of Directors via the Audit Committee at least once per year. Munters also works actively with insurance companies to try to minimise the effects of any realised risks.

Control activities include the policies and procedures designed to ensure that management's directives are carried out and that the necessary actions are taken to address the relevant risks. Control activities occur throughout Munters' organisation, at various levels and in various functions. These activities are preventive or detective in nature and include a range of manual and automated activities, such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. The internal control activities relating to financial reporting is based upon the following key components: (i) well-defined business processes, (ii) segregation of duties and appropriate delegation of authority, (iii) manual and automated controls and verifications and cross-checks, (iv) the documentation of financial processes and policies found in Munters finance manual, as well as the finance, internal control and risk management policy, (v) the processes in which persons on different levels in the organisation analyses the financial results before external reporting and (vi) the Audit Committee's assignment to monitor the financial reporting and the internal control.

In terms of internal audit, each year an internal audit plan is prepared for the forthcoming year. The plan is presented to and approved by the Audit Committee. After the internal audit process has been discussed in detail, including which areas to focus on, and meetings have been held with local managements to present the audit plan, local managements provide the internal audit team with supporting documentation. The internal audit team thereafter makes on-site visits to perform testing activities. The internal audit team presents its findings to, amongst others, the CFO and remediation plans are established to the extent necessary. Three to six months after the on-site visits, the internal audit team holds follow up meetings with local managements to assess whether findings have been resolved.

### *Information and communication*

The top management of Munters is responsible for informing the personnel of Munters that control responsibilities are to be taken seriously, and to ensure that the personnel is aware of and understands their own role in the internal control system. For this to function, there must be efficient means of internal communication. Munters' communication structure is aimed at ensuring that relevant information is communicated in the right way, to the right recipient and at the right time. To communicate relevant information, both upwards and downwards in the organisation and the external parties, is an integrated part of Munters' operational governance and an important part of effective internal control. The management is committed to ensure that the persons managing processes within Munters have sufficient knowledge of the significant risks and the control activities related thereto in the specific process. Furthermore, there is an established work practice to ensure that employees report defects and deviations discovered with regard to controls even if such have been corrected. The purpose is to obtain a comprehensive view of how the work is carried out and be able to take measures and make improvements in the processes. Munters has a communication policy in place, regulating both internal and external communication. The communication policy provides guidance on, among other things, disclosure of information to the public. It has been drafted with the aim of ensuring that Munters complies with the requirements to disseminate correct information to the market.

### *Monitoring, evaluation and reporting*

Monitoring is accomplished through ongoing monitoring activities and separate evaluations in the course of the operations. It includes regular management and supervisory activities and other actions personnel take in performing their duties. The scope and frequency of separate evaluations depends primarily on an assessment of risks in question and the effectiveness of ongoing monitoring procedures.

The Board of Directors has the final responsibility for all decisions regarding compliance within Munters. Internal control deficiencies are reported to a higher level within the Group, and serious matters are reported to the top management and the Board of Directors.

The Group management reports the activities for the monitoring of risks reported in a risk audit to the Audit Committee, which reports to the Board of Directors quarterly. The internal audit function annually reports to the Board of Directors the results and action plans from the audits executed during the year.

Each year, the Board of Directors reviews and approves policies regarding internal control. If required, such review and approval takes place more frequently.

## Compensation to the Board of Directors

Following a proposal from the Nomination Committee, fees to directors elected by the General Meeting are decided upon by the Annual General Meeting.

The table below shows the fees paid at Group level in 2016 to members of the Board of Directors elected by the shareholders at the General Meeting.

| TSEK | Function | Board fee | Fee Audit Committee | Fee Compensation Committee | Total |
|---|---|---|---|---|---|
| Christopher Curtis | Chairman | 954[3] | – | – | 954 |
| Helen Fasth Gillstedt[1] | Member | – | – | – | – |
| Per Hallius | Member | 250 | – | – | 250 |
| Joakim Karlsson | Member | 150 | – | – | 150 |
| John Peter Leesi | Member, President and CEO | – | – | – | – |
| Klas Nordin[2] | Member | 150 | – | – | 150 |
| Andreas Näsvik | Member | 150 | – | – | 150 |
| Lena Olving[1] | Member | – | – | – | – |
| Kristian Sildeby[1) 4] | Member | – | – | – | – |
| Joachim Zetterlund | Member | 250 | – | – | 250 |
| **Total** | | **1,904** | **–** | **–** | **1,904** |

1) Board members from 2017.
2) Board member until 28 March 2017.
3) USD 120,000.
4) Kristian Sildeby was elected as a Board member at the Extraordinary General Meeting held on 7 May 2017, subject to FAM AB acquiring Shares in the Offering pursuant to its undertaking as a Cornerstone Investor (see "*Plan of distribution—Cornerstone Investor commitments*").

The 2017 Annual General Meeting resolved that a fee of SEK 1,050,000 shall be paid to the Chairman of the Board and a fee of SEK 400,000 to each other Board member who is not employed by Munters for the period until the end of the 2018 Annual General Meeting. In addition, the General Meeting resolved that a fee of SEK 100,000 shall be paid to the Chairman of the Audit Committee, while a fee of SEK 50,000 shall be paid to the Chairman of the Compensation Committee.

## External audit

The external audit of the accounts of the Company and its subsidiaries as well as the management by the Board of Directors and management is conducted in accordance with generally accepted auditing standards in Sweden.

The external auditor attends the Board meeting at which the annual report and the consolidated accounts are to be discussed in order, inter alia, to comment on the financial statements and on the audit work, at which time the CEO or any other member of management shall not be present. In the period covered by the historical financial information, Ernst & Young AB has performed advisory services for the Group, in addition to its auditing work, consisting of audit-related, tax-related and other services. The auditor receives compensation for its auditing work in accordance with a resolution by the Annual General Meeting. For additional information, see "*Board of Directors, Group management and auditor—Auditor*".

## CEO and Group management

The CEO is subordinated to the Board of Directors and is responsible for the everyday management and operations of the Company. The division of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and instructions for the CEO. The CEO is also responsible for the preparation of reports and compiling information to the Board meetings and for presenting such material at the Board meetings.

According to the instructions for financial reporting, the CEO is responsible for the financial reporting in Munters and consequently must ensure that the Board of Directors receives adequate information for the Board of Directors to be able to evaluate the Company's and the Group's financial condition.

The CEO regularly keeps the Board of Directors informed of developments in Munters' operations, the development of sales, Munters' results and financial position, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and other members of Group management are presented in "*Board of Directors, Group management and auditor—Group management*". Within the Group management, the CEO, the CFO and the Head of Investor Relations are responsible for external market communication matters.

### Remuneration guidelines

The Annual General Meeting held on 28 March 2017 resolved to adopt the below guidelines for the remuneration of senior executives for the period until the 2018 Annual General Meeting.

The group of senior executives encompassed by the guidelines comprises the CEO and other members of Group executive management, as well as members of the Board of Directors of the Company, to the extent employment or consulting agreements are entered into. The guidelines are valid for remuneration under agreements entered into after the approval of the guidelines by the AGM, and for changes made to existing agreements thereafter.

The remuneration to the management may consist of fixed salary, variable salary, long-term incentive programmes, pension and other benefits. The total remuneration package should be based on market terms, be competitive and enable the Company to recruit and retain the managers the Company needs to meet its short-term and long-term targets.

#### *Fixed salary*

The fixed salary for the CEO and the other members of the senior management shall mirror the demands and responsibility that the position entails as well as individual performance. The fixed salary for the CEO and the other members of the senior management is to be reviewed on a yearly basis.

To the extent a member of the Board of Directors carries out work for the Company or for another Group company, in addition to the board work, consulting fees and/or other remuneration for such work may be payable.

#### *Variable salary*

Variable salary in cash is conditional upon the fulfilment of defined and measurable criteria and should be maximised to 140 percent of the annual fixed salary for the CEO and 70 percent for the other members of senior management. These criteria are determined for the promotion of the Company's and the Group's short-term and long-term targets, long-term development, value creation and financial growth and shall be designed not to encourage excessive risk taking. Terms and conditions for variable salary should be designed so that the Board of Directors, if exceptional economic circumstances prevail, has the option of limiting or refraining from payment of variable salary if such a measure is considered reasonable. In this context, fixed annual salary means cash salary earned during the year, excluding pension, supplements, benefits and similar.

### *Long-term incentive programmes*

The aim of having long-term incentive programmes is to create a long-term commitment to the Company, to attract and retain members of the senior management and key employees and to align the interests of the participants with the interests of the shareholders.

Long-term incentive programmes, if any, should constitute a complement to the fixed salary and the variable salary, with participants to be nominated based on, among other things, competence and performance.

### *Pension*

Pension benefits should be defined contribution. For senior executives outside Sweden, pension benefits may vary due to legislation or practice in the local market. Other benefits and compensation

Fixed salary during notice periods and severance payment, including payments for any non-compete restrictions, shall in aggregate not exceed an amount equivalent to the fixed salary for three years for the CEO and 18 months for the other members of senior management.

Other compensation may consist of other benefits that are customary and in line with market practice, such as healthcare insurance, which shall not constitute a material portion of the total remuneration.

Additional compensation may after decision by the Board of Directors be paid out in extraordinary circumstances, provided that such arrangement is made for management recruitment or retention purposes and is agreed only in individual cases. Such extraordinary arrangements may for example include a one-off cash payment, or a support package including relocation support or similar.

### *Deviation from the guidelines*

The Board of Directors may resolve to deviate from the guidelines if the Board of Directors, in an individual case, is of the opinion that there are special circumstances justifying that.

### *Miscellaneous*

For additional information on remuneration, see "*Historical financial information—Financial information as of and for the years ended 31 December 2016, 2015 and 2014—Note 28 (Remuneration to Board members and senior executives)*".

## Current terms of employment for the CEO and Group management

### *Remuneration*

Remuneration to the Group management comprises base salary, variable remuneration, pension and other benefits. The table below shows the salary and other remuneration to the CEO and other members of the Group management recognised as expenses in 2016.

| TSEK | Base salary | Variable remuneration | Other benefits[1)] | Pension expenses[2)] | Total |
|---|---|---|---|---|---|
| President and CEO | 6,188 | 8,258 | 312 | 2,475 | 17,234 |
| Other members of Group management* | 21,297 | 13,931 | 5,043 | 5,088 | 45,358 |
| **Total** | **27,485** | **22,189** | **5,355** | **7,563** | **62,592** |

*) 10 persons during 2016.
1) Consists primarily of company car, subsistence allowance and housing benefits.
2) The Group management's pension plans are defined contribution plans. There are consequently no amounts set aside or accrued to provide pension, retirement or similar benefits to the current Group management. Pension expenses include costs for disability pension insurance and survivor annuity.

For additional information, please refer to "*Historical financial information—Financial information as of and for the years ended 31 December 2016, 2015 and 2014—Note 28 (Remuneration to Board members and senior executives)*".

### *Notice of termination*

The notice period for the CEO and other members of the Group management is six months in the event of termination by the senior executive, without entitlement to severance pay. In the event of termination by Munters, the notice period is 12 months for the CEO and six months for other members of the Group management. In such event, severance pay corresponding to 24 months' salary is payable to the CEO, and severance pay corresponding to 12 months' salary is payable to other members of Group management.

# Selling shareholders

## Ownership structure

The table below sets forth Munters' ownership structure immediately before the Offering and directly after completion of the Offering. The table is based on the assumption that the measures described in "*Shares and Share Capital—Share Information—Other changes to the share capital structure in connection with the Offering*" and "*—Issue of New Shares in connection with the Offering*" and "*Shares and Share Capital— Transfers and reallocation of shares amongst existing shareholders*" have been carried out.

| | Prior to the Offering | | After the Offering (if the Over-allotment Option is not exercised) | | After the Offering (if the Over-allotment Option is exercised in full) | |
|---|---|---|---|---|---|---|
| **Shareholder** | **Number** | **%** | **Number** | **%** | **Number** | **%** |
| **Selling Shareholders** | | | | | | |
| Cidron Maximus S.à r.l.[1)] | 157,419,664 | 86.63 | 100,017,105 | 54.48 | 91,999,607 | 50.11 |
| FA International Investments S.C.A.[2)] | 15,613,290 | 8.59 | 3,903,322 | 2.13 | 3,108,126 | 1.69 |
| **Shareholding members of the Board of Directors and Group management as well as other employee shareholders** | | | | | | |
| *Board of Directors (elected by the Annual General Meeting)* | | | | | | |
| Christopher Curtis | 716,338 | 0.39 | 501,437 | 0.27 | 501,437 | 0.27 |
| Helen Fasth Gillstedt | – | – | – | – | – | – |
| Per Hallius | 84,031 | 0.05 | 84,031 | 0.05 | 84,031 | 0.05 |
| Joakim Karlsson | – | – | – | – | – | – |
| John Peter Leesi (se nedan) | – | – | – | – | – | – |
| Andreas Näsvik | – | – | – | – | – | – |
| Lena Olving | – | – | – | – | – | – |
| Kristian Sildeby | – | – | – | – | – | – |
| Joachim Zetterlund | 84,031 | 0.05 | 84,031 | 0.05 | 84,031 | 0.05 |
| *Group management* | | | | | | |
| John Peter Leesi | 2,279,786 | 1.25 | 1,823,829 | 0.99 | 1,823,829 | 0.99 |
| Jonas Ågrup | 425,380 | 0.23 | 319,035 | 0.17 | 319,035 | 0.17 |
| Scott Haynes | 495,938 | 0.27 | 332,157 | 0.18 | 332,157 | 0.18 |
| Neil Yule | 82,593 | 0.05 | 42,951 | 0.02 | 42,951 | 0.02 |
| Peter Gisel-Ekdahl | 299,447 | 0.16 | 191,176 | 0.10 | 191,176 | 0.10 |
| Per Hedebäck | 295,364 | 0.16 | 206,755 | 0.11 | 206,755 | 0.11 |
| Sebastien Leichtnam | 57,307 | 0.03 | 57,307 | 0.03 | 57,307 | 0.03 |
| Ola Carlsson | 303,206 | 0.17 | 227,404 | 0.12 | 227,404 | 0.12 |
| Wolf-Markus Frank | 85,961 | 0.05 | 60,173 | 0.03 | 60,173 | 0.03 |
| Per-Arne Håkansson | 180,750 | 0.10 | 126,401 | 0.07 | 126,401 | 0.07 |
| Johannes Fabó | 153,510 | 0.08 | 79,333 | 0.04 | 79,333 | 0.04 |
| Sara Punkki | 41,368 | 0.02 | 31,026 | 0.02 | 31,026 | 0.02 |
| John Womack | – | – | – | – | – | – |
| *Other employee shareholders*[3)] | 3,107,110 | 1.71 | 2,071,209 | 1.13 | 2,071,209 | 1.13 |
| **New shareholders**[4)] | **–** | **–** | **73,439,120** | **40.00** | **82,251,814** | **44.80** |
| **Total** | **181,725,074** | **100.00** | **183,597,802** | **100.00** | **183,597,802** | **100.00** |

1) Business address: 7 rue Lou Hemmer, L-1748 Luxembourg.
2) Business address: 3 rue Goethe, L-1637 Luxembourg.
3) Includes 60 employees and 3 former employees in Munters whereof no one holds more than 0.2 percent prior to the Offering.
4) Refers to persons, other than the Selling Shareholders and shareholding members of the Board of Directors, Group management and other employee shareholders, who receive Shares as a result of allotment in the Offering, including the Cornerstone Investors FAM AB (10.0 percent immediately after the completion of the Offering), Alecta pensionsförsäkring (5.0 percent), AMF Fonder AB (5.0 percent), Handelsbanken Fonder (3.0 percent) and Carve (Brummer) (3.0 percent) (see "*Plan of distribution—Cornerstone Investor commitments*").

Immediately after the completion of the Offering and assuming that the Over-allotment Option is exercised in full, the Principal Selling Shareholder will hold 50.1 percent of the Shares. Thus, the Principal Selling Shareholder is likely to continue to have a significant influence over the outcome of matters submitted to Munters' shareholders for approval. Such influence is, however, limited by the provisions of the Companies Act.

## Lock-up

The Selling Shareholders, shareholding members of the Board of Directors and members of the Group management will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading of Munters' Shares on Nasdaq Stockholm has commenced. The Cornerstone Investors will not be subject to a lock-up in respect of their allocations. For additional information, see "*Plan of distribution—Lock-up arrangements*".

## Margin loan facility agreement

The Principal Selling Shareholder is contemplating entering into a margin loan facility agreement with one or more lending banks, under which one or several margin loan facilities shall be made available to the Principal Selling Shareholder. It is anticipated that the margin loan facilities will be available to be drawn upon by the Principal Selling Shareholder following the date the Shares are listed on Nasdaq Stockholm and may be used for the general corporate purposes of the Principal Selling Shareholder including, without limitation, for any payment to any direct or indirect shareholder of the Principal Selling Shareholder or to settle, in whole or in part, any debt owned by the Principal Selling Shareholder.

For additional information, see "*Plan of distribution—Lock-up arrangements*".

# Shares and share capital

## Share information

As of the date of this Offering Memorandum, the Company's registered share capital is SEK 503,950.44 represented by 16,798,348 Shares, each with a quota value of SEK 0.03 per Share. The Shares are denominated in SEK. The Shares have been issued in accordance with Swedish law. The Shares have been fully paid and will in connection with the listing of the Shares on Nasdaq Stockholm be freely transferable. The rights of the shareholders may only be changed pursuant to the procedures set out in the Companies Act.

According to Munters' Articles of Association adopted at the Extraordinary General Meeting held on 7 May 2017, the share capital shall be not less than SEK 4,500,000 and not more than SEK 18,000,000, divided into no fewer than 150,000,000 and no more than 600,000,000 Shares.

## Other changes to the share capital structure in connection with the Offering

In connection with the listing of the Shares on Nasdaq Stockholm, all preference shares and all common shares of the Company will be converted into one class of common shares, such that Munters will only have one class of common shares outstanding following the Offering (the "**Share Conversion**"). Furthermore, a directed set-off issue of new common Shares will be made to the Selling Shareholders against set-off of shareholder loans to the Company (the "**Set-Off Issue**").

The Extraordinary General Meeting held on 7 May 2017 resolved on the following corporate actions to effect the Share Conversion and the Set-Off Issue.

1. A conversion of each outstanding preference share (preference shares of class A and class B) and each common share (common shares of class A and class B) into one new common share (common shares of class B).
2. A directed set-off issue of new common Shares. The right to subscribe for the new common Shares is, with deviation from shareholders' preferential rights, given to the Selling Shareholders against set-off of shareholder loans to the Company. It is estimated that the aggregate value of the shareholder loans and accrued interest thereon will amount to SEK 2,553 million and SEK 251 million, respectively, as of 19 May 2017. For practical purposes (see "*—Transfers and reallocation of shares amongst existing shareholders*") the subscription price is lower than the Offer Price. The Set-Off Issue comprises an issuance of up to 164,926,726 Shares.

The resolutions to effect the Share Conversion and the Set-Off Issue are expected to be registered with the Swedish Companies Registration Office on or around 19 May 2017.

## Issue of New Shares in connection with the Offering

At the Extraordinary General Meeting held on 7 May 2017, it was resolved to issue new Shares for the purpose of completing the Offering. The subscription price corresponds to the Offer Price. The right to subscribe for New Shares shall, with deviation from shareholders' preferential rights, be given to the general public in Sweden, institutional investors in Sweden and institutional investors in certain other jurisdictions. At full subscription, the number of Shares issued will amount to 1,872,728, which will lead to an increase in the number of Shares from 181,725,074 to 183,597,802 Shares, corresponding to an increase of 1.0 percent. Accordingly, for existing shareholders, a dilution of 1,872,728 New Shares will arise, corresponding to 1.0 percent of the total Shares after the Offering. The number of Shares outstanding following completion of the Offering will be 183,597,802. The New Share issue is expected to be registered with the Swedish Companies Registration Office on or about 23 May 2017.

## Transfers and reallocation of shares amongst existing shareholders

Assuming that the Over-allotment Option is exercised in full, the Selling Shareholders are offering in aggregate up to 80,379,086 existing Shares in the Offering. The number of Shares offered by the Selling Shareholders includes a sale of 2,453,865 existing Shares by and on behalf of other existing shareholders in the Company, including, among others, members of the Board of Directors and management of Munters, including the Chief Executive Officer, Chief Financial Officer and other members of Senior management (the "**Other Existing Shareholders**").

In general, the Other Existing Shareholders will have the opportunity to sell up to 30 percent of their respective holding in the Company prior to the Offering, including to cover any tax payable as a result of the Share Conversion and, for participants in the warrant programme described in "*—Share-based incentive programmes*", to pay for the warrants under the new incentive programme. Three Other Existing Shareholders who are no longer employed by Munters will sell their entire holding in the Company in the Offering. For administrative reasons, the Selling Shareholders will sell Shares on behalf of the Other Existing Shareholders in the Offering.

Upon completion of the Offering, the investments made by the Other Existing Shareholders, save for the three non-Munters employees who will sell their entire holdings, will together with warrants purchased by the participants under the share-related incentive programme described above correspond to at least approximately 70 percent (net of taxes payable and transaction costs) of the shareholding immediately prior to completion of the Offering. See "*Selling Shareholders—Ownership structure*" for information about shareholding prior to and upon the completion of the Offering.

Following settlement in the Offering, the Selling Shareholders will pay the Other Existing Shareholders in cash based on the sale of Shares by and on behalf of the Other Existing Shareholders in the Offering. Following settlement in the Offering, the Selling Shareholders will also transfer Shares to the Other Existing Shareholders to ensure that the ownership of the Other Existing Shareholders reflects the market capitalisation of the Company on the basis of the Offer Price and taking into account that the Share Conversion includes a conversion of all preference shares and common shares on a 1:1 basis (the "**Reallocation of Shares**"). The Reallocation of Shares will also take into account that the subscription price in the Set-Off Issue is lower than the Offer Price, which will result in a Reallocation of Shares from the Selling Shareholders to the Other Existing Shareholders. The subscription price in the Set-Off Issue has solely been determined for practical purposes in order to facilitate the Reallocation of Shares. The Reallocation of Shares will also take into account transaction costs. The Reallocation of Shares does not involve any share capital increase or share capital reduction or any other corporate action and will not affect the allotment of shares in the Offering.

## Certain rights attached to the shares

### General meetings and voting rights

Notice of General Meetings shall be published in the Swedish Official Gazette and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet. To be entitled to participate in a General Meeting, the shareholder must be registered in the share register five weekdays prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

Each Share carries one vote and shareholders are entitled to vote for the total number of shares held without limitation of the voting powers.

### Preferential rights to new shares, etc.

Should the Company decide to issue shares, warrants or convertibles (Sw. *konvertibler*) by way of a cash issue or a set-off issue (Sw. *kvittningsemission*), shareholders shall have preferential rights to subscribe in proportion to their existing shareholdings. There are, however, no provisions in the Company's Articles of Association that limit the Company's ability to decide to, in accordance with the rules set out in the Companies Act, issue new shares, warrants or convertibles with deviation from the shareholders' preferential rights.

### Rights to dividends and surplus in the event of liquidation

All Shares carry equal rights to dividends as well as to the Company's assets and potential surplus in the event of liquidation. For additional information on dividends, please refer to "*Dividends and dividend policy*".

## Share capital development

The table below summarises the historic development of the Company's share capital.

| | | Change in number of shares | | | | | Change in share capital, SEK | Total number of shares | | | | | Total share capital, SEK | Quota value, SEK |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year** | **Event** | **Class A** | **Class B** | **Pref A** | **Pref B** | **Total** | | **Class A** | **Class B** | **Pref A** | **Pref B** | **Total** | | |
| 2010 | Incorporation | – | – | – | – | – | – | 467,090 | 32,910 | 847,286 | 43,814 | 1,391,100 | 50,000 | 0.03594 |
| 2012 | New share issue | | | | 398,801 | 398,801 | 14,334.10 | 467,090 | 32,910 | 847,286 | 442,615 | 1,789,901 | 64,334.10 | 0.03594 |
| 2012 | New share issue | | 22,747 | | 148,166 | 170,913 | 6,143.13 | 467,090 | 55,657 | 847,286 | 590,781 | 1,960,814 | 70,477.23 | 0.03594 |
| 2012 | New share issue | | 6,734 | | 3,776 | 10,510 | 377.76 | 467,090 | 62,391 | 847,286 | 594,557 | 1,971,324 | 70,854.99 | 0.03594 |
| 2014 | New share issue | | | | 420,940 | 420,940 | 15,153.84 | 467,090 | 62,391 | 847,286 | 1,015,497 | 2,392,264 | 86,008.83 | 0.03595 |
| 2015 | New share issue | | 7,500 | | | 7,500 | 269.65 | 467,090 | 69,891 | 847,286 | 1,015,497 | 2,399,764 | 86,278.48 | 0.03595 |
| 2017 | Bonus issue | | | | | | 417,671.96 | 467,090 | 69,891 | 847,286 | 1,015,497 | 2,399,764 | 503,950.44 | 0.21 |
| 2017 | Share split | 2,802,540 | 419,346 | 5,083,716 | 6,092,982 | 14,398,584 | | 3,269,630 | 489,237 | 5,931,002 | 7,108,479 | 16,798,348 | 503,950.44 | 0.03 |
| 2017 | Share conversion | (3,269,630) | 16,309,111 | (5,931,002) | (7,108,479) | | | | 16,798,348 | | | 16,798,348 | 503,950.44 | 0.03 |
| 2017 | Set-off issue | | 164,926,726 | | | 164,926,726 | 4,947,801.78 | | 181,725,074 | | | 181,725,074 | 5,451,752.22 | 0.03 |
| 2017 | New share issue[1)] | | 1,872,728 | | | 1,872,728 | 56,181.84 | | 183,597,802 | | | 183,597,802 | 5,507,934.06 | 0.03 |

1) New share issue in connection with the Offering.

## Listing application

The Board of Directors has applied for the Shares to be admitted for trading on Nasdaq Stockholm. On 25 May 2017, Nasdaq Stockholm's listing committee resolved to admit the Shares for trading on Nasdaq Stockholm, subject to customary conditions, including that Nasdaq Stockholm's dispersion requirement in respect of the Shares is fulfilled. The trading symbol of the Shares on Nasdaq Stockholm will be MTRS.

## Share-based incentive programmes

### Warrants (Sw. *Teckningsoptioner*)

At the Extraordinary General Meeting on 7 May 2017, it was resolved to issue warrants as part of an incentive programme for certain members of the Group management (the "**Participants**"). In total, the incentive programme comprises 8 individuals and not more than 5,222,000 warrants. The number of warrants that each Participant may subscribe for is presented in "*Board of Directors, Group management and auditor—Group management*". The Participants may subscribe for warrants at a market value corresponding to in total not more than SEK 17.99 million. The maximum number of warrants that may be subscribed for by the Participants corresponds to approximately 2.77 percent of the Company's share capital following completion of the Offering and assuming full exercise of the warrants.

The warrants will be issued in two separate series. Each Participant subscribes for an equal number of warrants of both series. This number of warrants per Participant and series depends on the Participant's position within the Group and the number of Shares held by the Participant at the time of the commencement of the programme.

Series 2017/2019 comprises up to 2,611,000 warrants that may be exercised during the following subscription period; 19 May–19 November 2019, with the exception of the thirty-day period preceding (a) the day of the announcement of the Company's interim report for the second quarter of 2019, and (b) the day of the announcement of the Company's interim report for the third quarter of 2019.

Series 2017/2020 comprises up to 2,611,000 warrants that may be exercised during the following subscription period; 19 May–31 November 2020, with the exception of the thirty-day period preceding (a) the day of the announcement of the Company's interim report for the second quarter of 2020, and (b) the day of the announcement of the Company's interim report for the third quarter of 2020.

The exercise price for Series 2017/2019 corresponds to 121.22 percent of the Offer Price, but may not be lower than the quotient value of the share. Furthermore, if at the time of subscription, the last paid price for the Shares on the closing of the stock exchange on the trading day preceding the subscription of new Shares exceeds 157.74 percent of the determined exercise price, the exercise price shall be increased with an amount corresponding to an amount of the said price which exceeds 157.74 percent of the exercise price.

The exercise price for Series 2017/2020 corresponds to 130.91 percent of the Offer Price, but may not be lower than the quotient value of the share. Furthermore, if at the time of subscription, the last paid price for the Shares on the closing of the stock exchange on the trading day preceding the subscription of new Shares exceeds 189.29 percent of the determined exercise price, the exercise price shall be increased with an amount corresponding to an amount of the said price which exceeds 189.29 percent of the exercise price.

The terms of both warrant series include customary recalculation provisions, including for dividend payments made prior to the exercise of the warrants.

The Company has reserved the right to repurchase warrants for example if the Participant's employment with the Company is terminated. The Company's total costs for the programme during its term are not expected to exceed SEK 13.30 million (mainly relating to social security contributions for Participants in jurisdictions where participation in the incentive programme is taxed as earned income).

## Central securities depository

The Shares are book-entry registered in a securities register in accordance with the Swedish Central Securities Depository and Financial Instruments Accounts Act (1998:1479). The register is operated by Euroclear Sweden (Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden). The Shares are registered on person. No share certificates have been or will be issued for the Shares. The ISIN code of the Shares is SE0009806607.

# Articles of association

Adopted by the Extraordinary General Meeting on 7 May 2017. The General Meeting's resolution to adopt the Articles of Association is conditional on completion of the Offering, and the Articles of Association are expected to be registered on 19 May 2017.

**§ 1. Company name**

The name of the company is Munters Group AB. The company is a public company (publ).

**§ 2. Registered office**

The Board of Directors shall have its registered office in the municipality of Stockholm, Stockholm county.

**§ 3. Object of business**

The company shall directly or indirectly through ownership in other companies engage in industrial activity, mainly manufacture, sale and development of products and services for dehumidification, humidification, heat exchangers, air cooling and related activities therewith, as well as service and consultative activities and trade within these areas, and any other activities compatible therewith. Furthermore, the object of the company is to, directly or indirectly, own and develop movable and immovable property, and any other activities compatible therewith.

**§ 4. Share capital**

The company's share capital shall amount to not less than SEK 4,500,000 and not more than SEK 18,000,000.

**§ 5. Number of shares**

The number of shares shall be not less than 150,000,000 and not more than 600,000,000.

**§ 6. Board of directors**

The Board of Directors shall consist of not less than three (3) and not more than ten (10) directors.

**§ 7. Auditors**

The company shall have one (1) or two (2) auditors in charge with not more than two (2) deputy auditors. As auditor shall be elected an authorised public accountant or a registered public accounting firm. The appointment as auditor shall apply until the close of the Annual General Meeting that is held during the first, second, third or fourth financial year after the election of the auditor.

**§ 8. Notice**

Notice convening a General Meeting shall be published in the Swedish Official Gazette and on the company's website. It shall be advertised in Svenska Dagbladet that notice convening a General Meeting has been made.
Shareholders that wishes to participate in a General Meeting shall be recorded in a print-out or other representation of the entire share register as of the date falling five weekdays (Sw. *vardagar*) prior to the Meeting and notify the company of their intention to participate by the date specified in the notice convening the
Meeting. The last mentioned day must not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the Meeting.
At a General Meeting, shareholders may be accompanied by one or two assistants, however only if the shareholder has notified the company of the number of assistants in the manner stated in the previous paragraph.

**§ 9. Financial year**

The company's financial year shall be the calendar year.

**§ 10. Annual General Meeting**

The annual general meeting shall be held annually within six months after the end of the financial year.
The following matters shall be addressed at the annual general meeting:

1. Election of a chairman for the meeting;
2. Preparation and approval of the voting register;
3. Approval of the agenda for the meeting;
4. Determination as to whether the meeting has been duly convened;
5. Election of one or two persons to approve the minutes;
6. Presentation of the annual report and the auditor's report, and as applicable, the consolidated financial report and the auditor's report in respect thereof;
7. Resolutions in respect of:
   a) Approval of the profit and loss statement and the balance sheet and, as applicable, the consolidated profit and loss statement and consolidated balance sheet;
   b) allocation of the company's net income according to the adopted balance sheet; and
   c) discharge from liability of the members of the Board of Directors and the managing director.

8. Determination of the number of directors of the board and, if applicable, auditors and deputy auditors;
9. Determination of remuneration to be paid to the members of the Board of Directors and, if applicable, to the auditors;
10. Election of members of the board of directors and, as applicable, auditors and deputy auditors; and
11. Any other business that may come before annual general meeting in accordance with the Swedish Companies Act or the articles of association.

**§ 11. CSD Company**

The Company's shares shall be registered in a central securities depository register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

# Legal considerations and supplementary information

## General corporate and Group information

The legal name of the Company (and its commercial name) is Munters Group AB. Munters' Swedish corporate ID No. is 556819-2321 and the registered office of the Board of Directors is situated in Stockholm, Sweden. The Company was incorporated in Sweden on 14 September 2010 and registered with the Swedish Companies Registration Office on 17 September 2010. The Company has been conducting operations since then. The Company is a Swedish public limited liability company governed by the Companies Act.

Munters is the ultimate parent company of the Group, which comprises 48 legal entities in 25 countries. The table below shows the Group companies as of 31 March 2017. Munters' holdings in associated companies are not deemed to be of significant importance to the Group's financial position or earnings.

| Subsidiary | Country | Shares and voting rights, % |
|---|---|---|
| Munters Holding AB | Sweden | 100 |
| Munters AB | Sweden | 100 |
| AB Carl Munter AB | Sweden | 100 |
| Munters Europe AB | Sweden | 100 |
| Pro Component Sweden AB | Sweden | 100 |
| Proflute AB | Sweden | 100 |
| Munters Corporation | United States | 100 |
| MTech Systems USA, LLC | United States | 60 |
| MTech Systems International, LLC | United States | 60 |
| MTech Systems America Latina Ltda | Brazil | 60 |
| MTech Processing Holdings, LLC | United States | 60 |
| MTech Processing, LLC | United States | 60 |
| Munters Canada Inc | Canada | 100 |
| Munters de Mexico S de RL de CV | Mexico | 100 |
| Shelf Service Company No 1 S de RL de CV | Mexico | 100 |
| Munters Brasil Industria e Comércio Ltda | Brazil | 100 |
| Munters Beteiligungs GmbH | Germany | 100 |
| Munters Euroform GmbH | Germany | 100 |
| Munters GmbH | Germany | 100 |
| Munters Reventa GmbH | Germany | 100 |
| Munters Netherlands BV | Netherlands | 100 |
| HB Beheer BV | Netherlands | 100 |
| HB Koeltechniek BV | Netherlands | 100 |
| Munters Spain SAU | Spain | 100 |
| HB Krako sro | Czech Republic | 50 |
| Hebova sro | Czech Republic | 50 |
| Munters France SAS | France | 100 |
| Munters Italy SpA | Italy | 100 |
| Munters Ltd | United Kingdom | 100 |

| Subsidiary | Country | Shares and voting rights, % |
|---|---|---|
| Munters Management Service Ltd | United Kingdom | 100 |
| Munters Belgium SA | Belgium | 100 |
| HB Drying Belgium | Belgium | 80 |
| Munters Finland OY | Finland | 100 |
| Rotem Computerized Controllers (1994) Ltd | Israel | 100 |
| Munters A/S | Denmark | 100 |
| HB Air Treatment Denmark | Denmark | 50 |
| Munters (Pty) Ltd | South Africa | 100 |
| Munters-Form Endüstri Sistemleri Sanayi ve Ticaret A.Ş | Turkey | 80 |
| Munters India Humidity Control Private Ltd | India | 100 |
| Munters Air Treatment Equipment (Beijing) Co Ltd | China | 100 |
| Jiangyin SAT Air Treatment Equipment Co Ltd | China | 100 |
| Munters Korea Co., Ltd | South Korea | 100 |
| Munters (Thailand) Co., Ltd | Thailand | 100 |
| Munters KK | Japan | 100 |
| Munters Pte Ltd | Singapore | 100 |
| Munters Pty Ltd | Australia | 100 |
| Munters Australia Pty Ltd | Australia | 100 |

# Material agreements

Presented below is a summary of material agreements entered into by Munters during the past two years as well as other agreements entered into by Munters which contains rights or obligations of material importance for Munters (in both cases, excluding agreements entered into in the ordinary course of business).

## Acquisitions and divestments

### *Acquisition of MTech-Systems USA LLC*

Den 1 februari 2017 förvärvade Munters Corporation On 1 February 2017, Munters Corporation acquired 60 percent of the shares of MTech-Systems USA LLC. The remaining 40 percent of the equity interest in MTech Systems is held indirectly by senior executives of MTech Systems. Based on MTech Systems' unaudited internal management accounts for the twelve months ended 31 December 2016, which have been prepared in accordance with US GAAP, MTech Systems generated net sales of SEK 136.0 million (SEK 111.4 million from its United States entity and SEK 24.6 million from its Brazilian entity) for the year ended 31 December 2016. See "*Presentation of financial and other information*". The purchase price amounted to USD 24.96 million (SEK 222 million), corresponding to a debt-free enterprise value for 100 percent of MTech Systems of SEK 370 million. The acquisition was financed by way of utilisation of a new loan facility. Munters has a call option right to purchase and the senior executives have a put option right to sell the remaining 40 percent of the shares of MTech-Systems, starting in December 2020. The purchase consideration on exercising the option will be based on the financial result of the previous 12 months, however not less than a pre-determined amount based on the value of the shares of MTech-Systems at the time of the acquisition of the initial 60 percent of the shares of MTech Systems. The fair value of identified intangible assets was SEK 160 million, of which SEK 19 million related to accrued income, SEK 29 million related to customer relationships, SEK 122 million related to technology, SEK 19 million related to brands and SEK 29 million related to deferred tax liabilities. As of the date of the acquisition, the fair value of acquired accounts receivable was SEK 51 million, with a nominal value of SEK 51 million. MTech Systems and two of its subsidiaries, MTech-Systems International LLC and MTech-Systems America Latina Ltda, provide meat processors with customisable software solutions to optimise logistics, increase processing productivity, calculate product costs and farmer pay, and secure traceability and food quality. MTech Systems' applications are used in poultry and swine production in twenty countries on six continents. MTech Systems is now part of Munters' AgHort business area.

### *Acquisition of the business of Kevin Enterprises Private Ltd*

In December 2016, Munters India Humidity Control Private Ltd entered into an asset transfer agreement regarding the purchase of the business of the Indian company Kevin Enterprises Private Ltd. The acquisition was completed in April 2017. Kevin Enterprises is a company engaged in design, manufacturing, supply and installation of mass transfer and separation equipment and offers products for mass transfer and separation for process segment customers in the oil refining, petrochemical, chemical and fertiliser industries. The mass transfer equipment includes tower packing products, tower internals and tower trays. Kevin Enterprises is now part of Munters' Mist Elimination business area. Based on Kevin Enterprises' unaudited internal management accounts for the twelve months ended 31 December 2016, which have been prepared in accordance with Indian GAAP, Kevin Enterprises generated net sales of SEK 54.8 million for the year ended 31 December 2016. See "*Presentation of financial and other information*". The preliminary purchased consideration, after preliminary net working capital and debt adjustments, amounted to SEK 76 million. Subject to certain profit targets being met, possible additional compensation payments are payable to the seller, which are payable in three instalments following expiration of the 2017, 2018 and 2019 calendar years. The total maximum amount of these possible additional compensation payments is INR 94 million. The preliminary fair value of transferred net working capital and net fixed assets amounted to SEK 18 million and SEK 35 million, respectively, and the value of intangible assets, including goodwill, was estimated at approximately SEK 23 million. The Company is currently analysing further specification and allocation of value to specific intangible assets. At the time of the acquisition, Kevin Enterprises net debt was estimated to amount to SEK 0.2 million. The acquisition was financed by way of utilisation of a new loan facility.

### *Acquisition of the Reventa Group*

In November 2015, Munters Reventa GmbH acquired the Reventa Group in Germany. Following the acquisition, the Reventa Group is part of Munters' AgHort business area with systems for climate control for livestock and greenhouses (in particular swine and poultry), including research and development, manufacturing, marketing, sale, support and shipping with regard to products, solutions and services in this field worldwide. The initial purchase price amounted to EUR 24.48 million (SEK 227 million), with an additional earn-out of a maximum of EUR 4 million (SEK 37 million) paid to the seller in December 2016, subject to certain profit targets being met. The acquisition was financed by way of utilisation of an existing loan facility. In 2016, the earn-out in Reventa was released prematurely and the payment was EUR 1 million (approximately SEK 9 million). This amount was less than what had been recognised in the purchase price analysis and therefore meant a positive effect of SEK 30 million on the Group's consolidated statement of comprehensive income.

### *Acquisition of the HB Group*

In July 2015, Munters Netherlands BV acquired 100 percent of the shares of HB Beheer BV and its subsidiaries in the Netherlands, Belgium, Denmark and the Czech Republic (the "**HB Group**"). The subsidiary in the Czech Republic is held by 50 percent through a joint venture agreement. Munters is currently negotiating a purchase of the remaining 50 percent of the shares of the Czech subsidiary with the aim of entering into the share purchase agreement during the spring of 2017 and to obtain title to the shares no later than 31 August 2017. HB Group specialises in customised hygienic climate control systems for the food/dairy industries. The acquisition of HB Group, with production plants in the Netherlands and the Czech Republic, added product range and application knowledge in the Food segment of Munters' Air Treatment business area. The initial purchase price amounted to EUR 13.49 million (SEK 126 million), with a right to an earn-out up to a maximum amount of EUR 10 million (approximately SEK 95 million) for the seller. The earn-out is payable on 1 July 2017, subject to certain profit targets being met. The acquisition was financed by way of utilisation of an increase of an existing loan facility.

### *Acquisition and divestment of Munters Keruilai Air Treatment Equipment Co., Ltd.*

In 2011, Munters AB acquired 80 percent of the equity interest in Dongguan (later Munters) Keruilai Air Treatment Equipment Co., Ltd. ("**MKE**"), a limited liability company incorporated in China. The remaining 20 percent of the equity interest in MKE was held by Dongguan Ruirong Industry Investment Co., Ltd ("**Ruirong**"). The acquisition was financed by way of utilisation of a separate acquisition loan facility under a loan facility existing at the time of the acquisition. A joint venture contract between Munters AB and Ruirong regarding MKE included a put option for Ruirong to sell, and a call option for Munters AB to purchase, the remaining 20 percent equity interest held by Ruirong in MKE. In September 2014, Ruirong exercised its put option to sell the remaining 20 percent equity interest to Munters AB at a purchase price of CNY 120 million (SEK 164 million), with the purchase price being paid by Munters AB in instalments up until 1 June 2017. At the date of this Offering Memorandum, one instalment totalling CNY 10 million remains to be paid by Munters AB.

In August 2015, Munters AB entered into an equity transfer agreement with Symphony Limited, a public limited company in India, regarding the sale of 100 percent of the equity interest in MKE. The equity transfer was completed on 31 December 2015. Under the equity transfer agreement, Munters AB is bound by certain restrictive covenants up until 31 December 2017. In particular, Munters AB and all its subsidiaries are prohibited from carrying out or otherwise engaging in any business that involves the manufacture and sale of finished direct evaporative cooler products (defined as 'restrictive products' in the agreement), in competition with MKE in markets where MKE was selling such products as of 31 December 2015. Pads, spare parts and indirect evaporative cooler products are not deemed restricted products under the equity transfer agreement. MKE was part of Munters' previous HumiCool business area.

### Financing arrangements

For a description of Munters' financing arrangements, see "*Operating and Financial Review—Indebtedness*".

## Legal and arbitration proceedings

At any given time, Munters may be a party to litigation or subject to non-litigated claims. See "*Business description—Legal proceedings and investigations*".

## Related-party transactions

As of the date of this Offering Memorandum, 87.9 percent of the Shares were held, indirectly through the Principal Selling Shareholder, by Nordic Capital and 8.7 percent of the Shares were held by FA International Investments S.C.A., an affiliate of Five Arrows Principal Investments, Rothschild & Co's European corporate private equity business. The remaining 3.4 percent of the Shares were held by others.

The Company's related parties include other portfolio companies managed by the Nordic Capital Funds. The table below shows the Group's significant related-party transactions and other outstanding dealings with other portfolio companies of the Nordic Capital Funds (the only relevant such company being Luvata Oy). Sales and purchasing have occurred on market terms. There are also certain other transactions, amounting to minor amounts, with other companies in which the Nordic Capital Funds have interests. Subsidiaries are also related parties of the Company.

There have been neither sales nor purchases between the Company and its subsidiaries during the three months ended 31 March 2017 or the years ended 31 December 2016, 2015 and 2014. No related-party transactions which, as a single transaction or in their entirety, are material to the Group have occurred after 31 March 2017.

| | Luvata Oy | | | |
|---|---|---|---|---|
| **MSEK** | **Jan–Mar 2017** | **2016** | **2015** | **2014** |
| Sales | | 1 | 0 | 1 |
| Purchasing | | 35 | 52 | 8 |
| Receivables | | 0 | 0 | – |
| Liabilities | | 2 | 4 | 4 |

As of 31 March 2017, the outstanding amount under the Company's Shareholder Loan amounted to SEK 2,689 million (with accrued unpaid interest expenses of SEK 86 million). The Shareholder Loan was made in 2010 and has an interest rate of 8.0 percent per year. For the three months ended 31 March 2017, the Group incurred interest expenses related to the Shareholder Loan of SEK 54 million. For the years ended 31 December 2014, 2015 and 2016, the Group incurred interest expenses related to the Shareholder Loan of SEK 207 million, SEK 187 million and SEK 202 million, respectively. In November 2014, SEK 550 million of the loan was converted into equity through a set-off issue in order to ease the Group's financial situation. In connection with the Offering, amounts outstanding under the Shareholder Loan will be converted to equity through a directed Set-Off Issue of new common Shares to the Selling Shareholders. For practical purposes (see "—*Transfers and reallocation of shares amongst existing shareholders*") the subscription price for the new common Shares in the Set-Off Issue is lower than the Offer Price. The Set-Off Issue comprises an issuance of up to 164,926,726 Shares and will result in a share capital increase of approximately SEK 4.9 million.

Please also refer to "*Historical financial information—Financial information as of and for the years ended 31 December 2016, 2015 and 2014—Note 25 (Transactions with related parties)*". For information on remuneration to the members of the Board of Directors and Group management, see "*Corporate governance*".

## Placing agreement

For a description of the placing agreement that Munters, the Selling Shareholders and the Managers intend to enter into in relation to the Offering, see "*Plan of distribution*".

## Stabilisation

See "*Plan of distribution—Stabilisation*".

## Advisors, etc.

See "*Plan of distribution*".

## Cornerstone Investor commitments

See "*Plan of distribution—Cornerstone Investor commitments*".

## Costs related to the Offering and listing

The Selling Shareholders and the Company will pay a commission to the Managers based on the gross proceeds of the Shares sold in the Offering. In addition, the Selling Shareholders and the Company may choose to pay a discretionary fee to the Managers, a so-called incentive fee, also calculated against the gross proceeds of the Shares sold in the Offering. The total commission and incentive fee will not exceed 3.4 percent of the gross proceeds from the Offering.

The Company will pay certain costs related to the Offering. The transaction costs payable by the Company relate to the review of strategic ownership alternatives and the Offering, and are expected to amount to approximately

SEK 70 million in 2017, of which SEK 27 million has been recorded as an expense in operating profit in the three months ended 31 March 2017 and SEK 43 million is estimated to be recorded as an expense in operating profit in the three months ending 30 June 2017.

## Documents on display

The following documents (save for Annual Reports of subsidiaries) can be downloaded on Munters' website, www.munters.com. Copies of all documents can also be obtained at the head office of Munters (Färögatan 33 in Kista, Sweden) during the validity of this Offering Memorandum (regular office hours on business days).

- Munters' Articles of Association.
- Munters' financial reports for the years ended 31 December 2016, 2015 and 2014 (also included in "*Historical financial information*").
- Annual Reports of Munters' subsidiaries for the years ended 31 December 2016 and 2015.
- Munters' interim report for the three months ended 31 March 2017.

# The Swedish securities market

*The following is a description of the Swedish securities markets, including a brief summary of certain provisions of the laws and securities market regulations in Sweden in effect on the date of this Offering Memorandum. The summary is not intended to provide a comprehensive description of all such regulatory matters and should not be considered exhaustive. Moreover, the laws, rules, regulations and procedures summarised below may be amended or reinterpreted.*

## Nasdaq Stockholm

Nasdaq Stockholm is a regulated market in Sweden, operated by Nasdaq Stockholm AB, and the principal Swedish market on which shares, bonds, derivatives and other securities are traded. One list, the Nordic List, is used for trading shares on Nasdaq Stockholm and all transactions, except for interest-bearing financial instruments, are executed through INET. Companies on the Nordic List are divided into three segments: Large Cap, Mid Cap and Small Cap. Companies with a market capitalisation in excess of EUR 1 billion – such as the Company – are included in the Large Cap segment. Companies with a market capitalisation between EUR 150 million and EUR 1 billion are included in the Mid Cap segment, while companies with a market capitalisation below EUR 150 million are included in the Small Cap segment. The segments are normally revised at year-end and the segments are reset, effective on the first day of trading in January, based on average market capitalisation in November the year before. Companies with a market capitalisation of more than 50 percent of the minimum or maximum threshold of a segment will be transferred into a new segment with immediate effect. Companies with a market capitalisation of less than 50 percent of the minimum or maximum segment threshold will have a transitional period until the next forthcoming review (or at least 12 months), and thus be subject to one more review before transferring into a new segment. Furthermore, listed companies are divided into industry sectors in accordance with the global standard ICB (Industry Classification Benchmark). This classification is based on a company's main operations (i.e., the business area that generates the most revenue for the Company).

## Trading in Securities on Nasdaq Stockholm

Trading on Nasdaq Stockholm is conducted on behalf of customers by duly authorised Swedish and foreign banks and other securities brokers, as well as the Swedish Central Bank. While banks and brokers are permitted to act as principals in trading both on and off Nasdaq Stockholm, they generally engage in transactions as agents. Clearing and settlement of trades take place through an electronic account-based security system administered by Euroclear Sweden. See "—*Securities Registration*".

Trading through INET comprises all securities listed on Nasdaq Stockholm, except for interest-bearing financial instruments, such as bonds. Member firms of Nasdaq Stockholm are able to operate from remote locations via computer access. The brokers' representatives are able to trade shares via workstations that have been developed by Nasdaq Stockholm or via their own electronic data processing systems that are linked to INET. The round lot for all shares traded on Nasdaq Stockholm is one share. In INET, bids and offers are entered in the relevant order book and automatically matched to trades when price, volume and other order conditions are met. INET continuously broadcasts all trading information. The information is displayed in real time in the form of order books, market summaries, concluded trades, index information and different kinds of reports. A two-day settlement schedule (T+2) applies to share trading.

Nasdaq Stockholm's trading hours in respect of equities are 9:00 to 17:25 CET on business days. Before the trading hours, there is a pre-open session (08:00 to 09:00 CET) during which orders can be placed, but where no automatic order matching occurs. The trading hours start with a so-called opening call uncross where each share is assigned its opening price and then becomes subject to continuous trading. At 17:25 CET, continuous trading is halted followed by a pre-close session (17:25 to approximately 17:30 CET). During the pre-close session, orders can still be placed but no automatic order matching occurs. The pre-close session ends with a so-called closing call uncross. The price generated at the closing call uncross (or, in absence thereof, the last trading price) is the official closing price. The trading hours are followed by a post-trading session (17:30 to 18:00 CET) in which changes to, and cancellations of, orders, as well as off hours transactions, are permitted.

In addition to official trading on Nasdaq Stockholm through automatic order matching in INET, shares may also be traded off Nasdaq Stockholm, *i.e.*, outside INET, during, as well as after, the official trading hours (through "**manual trading**"). Manual trades during trading hours must normally be entered into at a price within the volume weighted average spread reported in INET at the time of the trade or, as regards manual trades during the closing call, at the time prior to the closing call auction. Outside the trading hours, manual trades must normally be effected at a price within the volume weighted average spread reported in INET at the close of trading hours. However, in the absence of a spread and in situations where there is a change in the market conditions during the closing call or after the close of trading hours, as the case may be, manual trades must take place at a price that takes into account the market situation at the time of the trade. Manual trades that qualify as large scale (EUR 50,000–500,000, depending on the average daily turnover in the relevant share) may be effected without regard to any spread. Trading on Nasdaq Stockholm tends to involve a higher percentage of retail clients while trading off Nasdaq Stockholm, whether directly or through intermediaries, often involves larger Swedish institutions, banks arbitraging between the Swedish market and foreign markets, and foreign buyers and sellers purchasing shares from, or selling shares to, Swedish institutions.

All manual trades must normally be reported in INET within three minutes from the time of the trade, although trades outside the official trading hours must be reported during the pre-trading session on the following exchange day and not later than 15 minutes prior to the opening of the trading hours.

## Securities Market Regulations

The Nordic List is regulated under European Union directives, primarily Directive 2004/39/EC on Markets in Financial Instruments ("**MiFID**"), which has been implemented through the Swedish Securities Market Act of 2007 (Sw. *lagen (2007:528) om värdepappersmarknaden*) (the "**Securities Market Act**"). Nasdaq Stockholm AB is authorised pursuant to the Securities Market Act to operate a regulated market under the supervision of the SFSA. The SFSA is a governmental agency responsible for, among other things, supervising and monitoring the Swedish securities market and market participants. The SFSA also issues regulations that supplement Swedish securities market laws. Furthermore, pursuant to the Securities Market Act, Nasdaq Stockholm AB is required to have rules of its own, governing the trading on Nasdaq Stockholm. The Rule Book for Issuers of Nasdaq Stockholm, based on European standards and European Union directives such as MiFID and Directive 2004/109/EC (the "**Transparency Directive**"), sets forth listing requirements and disclosure rules for companies listed on Nasdaq Stockholm. The objective of the regulatory system governing trading on and off Nasdaq Stockholm is to achieve transparency and equality of treatment among market participants. Nasdaq Stockholm records information as to the banks and brokers involved, the issuer, the number of shares, the price and the time of each transaction. Each bank or broker is required to maintain records indicating trades carried out as agent or as principal. All trading information reported in INET is publicly available. Nasdaq Stockholm also maintains a market supervision unit ("**Trading Surveillance**") that monitors trading on a "real time" basis, as described below.

The Penalties for Market Abuse on the Securities Market Act (Sw. *lagen (2016:1307) om straff för marknadsmissbruk på värdepappersmarknaden*) (the "**Market Abuse Act**") implements the provisions of Directive (2014/57/EU) on criminal sanctions for market abuse (the "**Market Abuse Directive**") which contains minimum requirements for criminal sanctions for insider dealing, unlawful disclosure of inside information and market manipulation, all of which are prohibited actions under the Market Abuse Regulation (EU) 596/2014 ("**MAR**"). Market manipulation include any actions (in connection with trading on the securities market or otherwise) intended to unduly affect the market price or other conditions of trade in financial instruments, or otherwise mislead buyers or sellers of such instruments (such as through spreading false or misleading information). Market manipulation may also constitute fraud under Swedish law. Furthermore, under the Swedish Act on Supplementary Provisions to EU's Market Abuse Regulation (Sw. *lag (2016:1306) med kompletterande bestämmelser till EU:s marknadsmissbruksförordning*), the SFSA may impose administrative sanctions in respect of the violations of MAR that are not subject to criminal sanctions under the Market Abuse Act. The SFSA and Trading Surveillance enforce compliance with the Market Abuse Act and other insider trading rules. Criminal offenses are enforced in court by the Swedish National Economic Crimes Bureau (Sw. *Ekobrottsmyndigheten*). Moreover, the SFSA may cause the operating license of a bank or broker to be revoked if the bank or broker has engaged in improper conduct, including market manipulation. Trading Surveillance monitors trading data for indications of unusual market activity and trading behaviour, and continuously examines information disseminated by listed companies, such as earnings reports, acquisition and other investment plans and changes in ownership structure on a daily basis. When Trading Surveillance becomes aware of non-public price sensitive information, it monitors trading in the shares concerned to ensure that if unusual trading activity develops indicating that persons may be trading on that information, the information is made public as soon as possible. See further "—*Transactions and Ownership Disclosure Requirement*".

## Securities Registration

The Shares are registered in the account-based electronic securities system operated by Euroclear Sweden, a central securities depository and clearing organisation authorised under the Swedish Financial Instruments Accounts Act (Sw. *lagen (1998:1479) om kontoföring av finansiella instrument*) and the Securities Markets Act. Among other things, Euroclear Sweden maintains the register of shareholders in Swedish companies listed on Nasdaq Stockholm. Shares administered by Euroclear Sweden are registered in book-entry form on securities accounts (VP accounts) and no share certificates are issued. Title to shares is ensured exclusively through registration with Euroclear Sweden. All transactions and other changes to accounts are entered in the system of Euroclear Sweden through banks or other securities institutions that have been approved as account operators by Euroclear Sweden.

Shares may be registered on VP accounts, and consequently entered in the register of shareholders, either in the name of the beneficial owner (owner registered shares) or in the name of a nominee authorised by Euroclear Sweden (nominee registered shares), in which case a note thereof is made in the securities system. The relationship between the nominee and the beneficial owner is governed by agreement. In order to exercise certain rights, such as participation at a general meeting, shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names. Nominees are also required to report the holdings of underlying beneficial owners to Euroclear Sweden on a regular basis. A public register of shareholders and a nominee list, both containing information on holders of more than 500 shares of the relevant company (or such lower number of shares that constitute all shares of the relevant company), is produced at the beginning of each quarter of the year and is available to the general public at both Euroclear Sweden and the issuer's registered office. There is also a separate register maintained by Euroclear Sweden for the recording of persons who have other interests in respect of shares, such as those of a pledgee.

The rights attaching to shares that are eligible for dividends, rights issues or bonus issues accrue to those holders whose names are recorded in the register of shareholders as of a particular record date, and the dividends are normally distributed to bank accounts as specified by the holders registered with Euroclear Sweden. The relevant record date must be specified in the resolution declaring a dividend or capital increase, or any similar matter in which shareholders have preferential rights. Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and other financial rights attaching to the shares, such as subscription rights in conjunction with rights offerings, as well as new shares subscribed through the exercise of subscription rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is applied for subscription rights and newly issued shares.

## Compensation Scheme for Investors

Investor compensation covers financial instruments such as shares, bonds and various types of derivatives, for instance warrants and futures. Investor compensation is payable only if an institution is declared bankrupt and it is impossible for the investor to recover its securities or cash. The investor compensation does not cover financial loss due to changes in value of shares and other securities. Investor compensation covers securities handled by securities companies, securities brokers and some other institutions on behalf of customers in the course of providing investment services (such as the purchase, sale and deposition of financial instruments). For the purposes of the scheme, securities means shares, bonds and various types of derivatives. The scheme also covers funds that an institution receives in conjunction with providing an investment service for which it is accountable. Investors may be compensated for lost assets up to a value of SEK 250,000 per institution.

Transactions and Ownership Disclosure Requirements

Under the Trading Act, which implements the Transparency Directive in part, a shareholder is required to notify both the company in which it holds shares and the SFSA, when its holding of shares, depository receipts, options to acquire already issued shares or financial instruments with similar economic effect to holding of shares or rights to acquire shares, irrespective of whether these instruments should be settled physically or in cash, reaches, exceeds or falls below 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 50 percent, 66 2/3 percent or 90 percent of the total number of votes and/or shares of a company. The notice is to be made in writing or electronically on the SFSA's website no later than three trading days following the day of the applicable transaction. The SFSA will announce the contents of the notification no later than 12:00 CET on the trading day following receipt of the notification. When calculating a shareholder's percentage of ownership, a company's treasury shares are to be included in the denominator, while warrants and convertibles are to be excluded. For the purposes of calculating a person's or entity's shareholding, not only the shares and financial instruments directly held by the shareholder are included, but also those held by certain related parties. The Trading Act contains a list of related parties whose shareholding must be aggregated for the purposes of the disclosure requirements. Related parties include, but are not limited to, subsidiaries, proxies and parties to shareholders' agreements.

Under the Regulation (EU) 236/2012 on short selling and certain aspects of credit default swaps, a person who has a net short position in a share is required to notify the SFSA when the position either reaches or falls below the following thresholds: 0.2 percent of the issued share capital of the company concerned and each 0.1 percent above that. There is also a requirement of public disclosure when the position reaches or falls below the following thresholds: 0.5 percent of the issued share capital of the company concerned and each 0.1 percent above that. The public disclosure is made by the SFSA via announcement on its website. Further, an investor who wishes to take an uncovered, or "naked", short position in a particular share will be required either: (i) to have borrowed sufficient shares to settle the short trade; (ii) to have entered into a binding agreement to borrow the shares; or (iii) to have an arrangement with a third party under which that third party has confirmed that the shares have been located and has taken measures *vis-à-vis* third parties necessary to have a reasonable expectation that settlement can be effected when it is due.

In addition, pursuant to MAR, a person discharging managerial responsibilities ("**PDMR**"), and persons closely associated with the PMDR, must report their transactions in financial instruments related to the issuer to the SFSA and to the issuer. The reporting must be made electronically using a specifically harmonised format in accordance with instructions on the SFSA's website. The transaction must be reported no later than three business days after it was made. The prohibitions and obligations set forth in MAR entered into force on 3 July 2016 and the final legislation regarding sanctions and the supervisory and investigatory powers of the SFSA entered into force on 1 February 2017 through inter alia the Swedish Act on Supplementary Provisions to EU's Market Abuse Regulation (Sw. *lag (2016:1306) med kompletterande bestämmelser till EU:s marknadsmissbruksförordning*). This legislation includes a possibility for the SFSA to impose administrative sanctions at significantly high amounts.

## Mandatory Bids and Squeeze-out Proceedings

Pursuant to the Swedish Act on Public Takeovers on the Securities Market (Sw. *lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*) (the "**Takeover Act**"), any Swedish or foreign legal entity or natural person who holds less than 30 percent of the total voting rights in a company listed on a regulated market in Sweden, must make a public offer for the acquisition of all the remaining shares issued by the target company (a mandatory bid) should such legal entity or natural person alone, or together with a related party, obtain 30 percent or more of the total voting rights in the company. This applies where the increased holding is the result of a purchase, subscription, conversion, or any other form of acquisition of shares of the target company (other than a public offer) or the result of the establishment of a certain close relationship. In this context, a related party can be an entity within the same corporate group as the buyer, a spouse, co-habitant or minor child, as well as any person or entity that cooperates with the buyer to obtain control over the company or with whom an agreement has been reached regarding the coordinated exercise of voting rights with the object of achieving a long-term controlling influence on the company's management.

The public offer must be made within four weeks after the acquisition that triggered the mandatory bid requirement unless the acquirer (or the related party) reduces its level of voting share ownership within such time to below 30 percent. The offer is normally also made to holders of other securities issued by the target company, if the price of such securities could be substantially affected as a result of a de-listing of the target company's shares, such as, for example, warrants and convertibles. Under the Takeover Act, offerors have a duty to undertake to comply with the takeover rules adopted by Nasdaq Stockholm (the "**Takeover Rules**"). By making this undertaking, the offeror agrees to comply not only with the Takeover Rules, but also to comply with statements and rulings by the Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) on points of interpretation of the Takeover Act as well as to be subject to any sanctions that may be imposed by Nasdaq Stockholm. Exemptions from the mandatory bid requirement may under certain circumstances, for example in conjunction with rights offerings and underwriting guarantees, be granted by the Swedish Securities Council. The Swedish Securities Council may also grant exemptions from the provisions of the Takeover Rules.

Under the Companies Act, a shareholder with shares representing more than 90 percent of all shares of a company has the right to redeem remaining shares of such company. In respect of companies with shares traded on a regulated market, such as Nasdaq Stockholm, the redemption value must correspond to the market value, unless special reasons (such as following a takeover bid) require otherwise. In addition, any minority shareholder that possesses shares that may, pursuant to the Companies Act, be redeemed by a majority shareholder is entitled to require such majority shareholder to redeem its shares.

# Taxation

*The following is a summary of certain tax consequences which may arise from the Offering and is intended as general information only as from the date on which the Shares are admitted to trading on Nasdaq Stockholm. The statements of Swedish tax laws and U.S. federal income tax laws set forth below, including the Convention Between the Government of Sweden and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Treaty**"), are based on the laws and regulations as of the date of this Offering Memorandum and are subject to any changes in Swedish or U.S. law, or in the Treaty, occurring after that date, which changes may have retroactive effect.*

## Certain tax considerations in Sweden

The following is a summary of certain tax consequences that may arise from the Offering for individuals or limited liability companies tax resident in Sweden, unless otherwise stated. The summary does not purport to be a comprehensive description of all tax consequences that may be relevant in relation to the Offer. For instance, the summary does not cover securities held by partnerships or held as current assets in business operations. Furthermore, the summary does not cover the specific rules on tax-exempt capital gains (including non-deductibility in the event of capital losses) and dividends in the corporate sector, which may be applicable when shareholders hold shares that are considered to be held for business purposes (Sw. *näringsbetingade andelar*). Nor does the summary cover the specific rules which may be applicable to holdings in companies which are, or previously were, closely-held companies, or to shares acquired based on a holding of so-called qualified shares of closely-held companies. Nor does the summary cover shares or other securities that are held in a so-called investment savings account (Sw. *investeringssparkonto*) and that are subject to special rules on notional taxation. Special tax rules apply to certain types of tax payers, *e.g.*, investment companies and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of shares should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

### Individuals

#### *Dividend taxation*

For individuals, dividends on listed shares are taxed as income from capital at a rate of 30 percent. A preliminary tax of 30 percent is generally withheld on dividends paid to individuals resident in Sweden. The preliminary tax is normally withheld by Euroclear Sweden or, regarding nominee-registered shares, by the Swedish nominee.

### Capital gains taxation

Upon the sale or other disposal of listed shares, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as income from capital at a tax rate of 30 percent. The capital gain or loss is calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis. The tax basis for all shares of the same class and type is calculated together in accordance with the average cost method or, alternatively, shareholders may choose to use 20 percent of the sales proceeds after deducting sales costs, as the tax basis at the sale of listed shares.

Capital losses on listed shares are fully deductible against taxable capital gains on listed and non-listed shares and on other listed equity-related securities realised during the same fiscal year, except for units in securities funds (Sw. *värdepappersfonder*) or special funds (Sw. *specialfonder*) that consist solely of Swedish receivables. 70 percent of capital losses on shares that cannot be offset in this way are deductible against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30 percent is allowed on the portion of such net loss that does not exceed SEK 100,000 and of 21 percent on any remaining loss. Such net loss cannot be carried forward to future fiscal years.

### Limited liability companies

#### *Dividend and capital gains taxation*

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a tax rate of 22 percent. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. Deductible capital losses on shares and other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances such capital losses may also be deducted against capital gains on shares and other equity-related securities in another company within the same group, provided that the requirements for exchanging group contributions (Sw. *koncernbidrag*) are met. A capital loss that cannot be utilised during a given year may be carried forward and offset against taxable capital gains on shares and other equity-related securities during subsequent fiscal years without any limitation in time.

### *Certain tax considerations for shareholders who are not tax resident in Sweden*

#### Dividend taxation

For shareholders not tax resident in Sweden who receive dividends from a Swedish limited liability company, Swedish withholding tax is normally imposed. The withholding tax rate is 30 percent. However, the tax rate is generally reduced for shareholders resident in other jurisdictions with which Sweden has a tax treaty. The majority of Sweden's tax treaties enable an at-source reduction of the Swedish withholding tax to the tax rate stipulated in the treaty at the time of payment of dividends, provided that necessary information is made available in relation to the person entitled to dividends. Under the Treaty the tax rate is reduced to 5 percent for companies owning shares representing at least 10 percent of the total voting rights of the company declaring the dividend, and to 15 percent in other cases. The tax rate for companies and pension funds may be further reduced to 0 percent if certain requirements set out in the Treaty are fulfilled. In Sweden, Euroclear Sweden, or in the case of nominee-registered shares, the nominee, normally carries out the deduction of withholding tax.

If a 30 percent withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or in case too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

### *Capital gains taxation*

Shareholders not tax resident in Sweden and whose shareholding is not attributable to a permanent establishment in Sweden are normally not liable for Swedish capital gains taxation on the disposal of shares. The shareholders may, however, be subject to taxation in their country of residence. Under a specific tax rule, individuals that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of shares if they have been resident or stayed permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The applicability of this rule may, however, be limited by tax treaties between Sweden and other countries. However, the period is not reduced under the Treaty.

## Certain U.S. federal income tax considerations

### U.S. Federal Income Taxation Considerations

The following summary describes the material U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of Offer Shares acquired pursuant to the Offering. This summary deals only with Offer Shares held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"). This summary also does not address the tax consequences that may be relevant to holders in special tax situations including, without limitation, dealers in securities, traders that elect to use a mark-to-market method of accounting, holders that own Offer Shares as part of a "straddle", "hedge", "conversion transaction" or other integrated investment, banks or other financial institutions, individual retirement accounts and other tax-deferred accounts, insurance companies, tax-exempt organisations, U.S. expatriates, holders whose functional currency is not the U.S. dollar, holders subject to the alternative minimum tax, holders that acquired Offer Shares in a compensatory transaction, holders that actually or constructively own 10.0 percent or more of the total voting power or value of the Shares.

This summary is based upon the Internal Revenue Code, applicable U.S. Treasury regulations, administrative pronouncements and judicial decisions, in each case as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). No ruling will be requested from the Internal Revenue Service (the "**IRS**") regarding the tax consequences of the Offering, and there can be no assurance that the IRS will agree with the discussion set out below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate and gift tax or the Medicare tax on net investment income).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Offer Shares that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation or other entity taxable as a corporation created or organised under the laws of the United States or any state thereof or therein or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (A) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Internal Revenue Code Section 7701(a)(30) or (B) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If an entity treated as a partnership for U.S. federal income tax purposes acquires Offer Shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partners of a partnership considering an investment in Offer Shares should consult their tax advisors regarding the U.S. federal income tax consequences of acquiring, owning and disposing of Offer Shares.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### *Dividends*

Subject to the discussion below under "—*Passive Foreign Investment Company*", the amount of dividends paid to a U.S. Holder with respect to Offer Shares generally will be included in the U.S. Holder's gross income as ordinary income from foreign sources to the extent paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in the Offer Shares and thereafter as capital gain. However, we do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. Dividends paid to a non-corporate U.S. Holder may be treated as "qualified dividend income" eligible for the lower capital gains tax rate with respect to non-corporate U.S. Holders who meet certain holding period and other requirements, if the Company is not a PFIC and eligible for the benefit of the Treaty. U.S. Holders should consult their own advisors regarding the availability of the reduced tax rate dividends in light of their particular circumstances. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other U.S. corporations.

The amount of any dividend paid in SEK that will be included in the gross income of a U.S. Holder will be the U.S. dollar value of the dividend payment based on the exchange rate in effect on the date such distribution is included in such holder's income, whether or not the payment is converted into U.S. dollars at that time.

Dividends paid by us generally will constitute "passive category income" or, in the case of certain holders, "general category income" for purposes of the foreign tax credit. Prospective purchasers should consult their tax advisors concerning the applicability of the foreign tax credit on the Offer Shares.

### *Disposition of Offer Shares*

Subject to the discussion below under "—*Passive Foreign Investment Company*", a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes on the sale or other taxable disposition of Offer Shares equal to the difference, if any, between the amount of cash received and the U.S. Holder's adjusted tax basis in the Offer Shares. In general, capital gains recognised by a non-corporate U.S. Holder, including an individual, are subject to a lower rate under current law if such U.S. Holder held the Offer Shares for more than one year. The deductibility of capital losses is subject to limitations. Any such gain or loss generally will be treated as U.S. source income or loss for purposes of the foreign tax credit.

If a U.S. Holder receives foreign currency in connection with a sale or other taxable disposition of the Offer Shares, the amount realised will be based on the U.S. dollar value of the foreign currency received with respect to such Offer Shares as determined on the spot rate of exchange on the date of taxable disposition. So long as the Offer Shares are treated as traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual-basis U.S. Holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to an accrual basis U.S. Holders must be applied consistently from year to year. The election may not be changed without the consent of the IRS. If a U.S. Holder is an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realised using the spot rate of exchange on the settlement date, it will recognise foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realised on the date of disposition and the U.S. dollar value of the currency received at the spot rate on the settlement date.

A U.S. Holder's initial tax basis in the Offer Shares generally will equal the cost of such Offer Shares. A U.S. Holder that purchases Offer Shares in a foreign currency generally must determine the U.S. dollar value of the cost of Offer Shares by translating the amount paid at the spot rate of exchange on the date the Offer Shares are acquired. If the Offer Shares are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, such holder will determine the U.S. dollar value of the cost of Offer Shares purchased with foreign currency by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

### *Passive Foreign Investment Company*

Based on the Company's historic and expected operations, composition of assets and market capitalisation (which will fluctuate from time to time), the Company does not expect to be classified as a PFIC for the current table year or for the foreseeable future. However, the determination of whether the Company is a PFIC is made annually. Therefore, it is possible that the Company could be classified as a PFIC in the future due to changes in the composition of its assets or income, as well as changes in the Company's market capitalisation. In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75.0 percent of its gross income is classified as "passive income" or (ii) 50.0 percent of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For these purposes, cash is considered a passive asset. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any corporation in which it holds a 25.0 percent or greater interest. Under the PFIC rules, if the Company were considered a PFIC at any time that a U.S. Holder holds the Offer Shares, the Company would continue to be treated as a PFIC with respect to such holder's investment unless (i) the Company ceases to be a PFIC and (ii) the U.S. Holder has made a "deemed sale" election under the PFIC rules.

If the Company is considered a PFIC for any taxable year that a U.S. Holder hold Offer Shares, any gain recognised by the U.S. Holder on a sale or other disposition of the Offer Shares would be allocated rateably over the U.S. Holder's holding period for the Offer Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. Holder on its Offer Shares exceeds 125.0 percent of the average of the annual distributions on the Offer Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the sale or other disposition of Offer Shares if the Company were a PFIC, described above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the Offer Shares. If the Company is treated as a PFIC with respect to a U.S. Holder for any taxable year, the U.S. Holder will be deemed to own shares of any of the Company's subsidiaries that are also PFICs. However, an election for mark-to-market treatment would likely not be available with respect to any such subsidiaries. A timely election to treat the Company as a qualified electing fund under the Internal Revenue Code would result in an alternative treatment. However, the Company does not intend to prepare or provide the information that would enable U.S. Holders to make a qualified electing fund election. If the Company is considered a PFIC, a U.S. Holder will also be subject to annual information reporting requirements. U.S. Holders should consult their own tax advisor about the potential application of the PFIC rules to an investment in the Offer Shares.

### *Information Reporting and Backup Withholding*

Dividend payments and proceeds paid from the sale or other taxable disposition of Offer Shares may be subject to information reporting to the IRS. In addition, a U.S. Holder (other than exempt holders who establish their exempt status if required) may be subject to backup withholding on cash payments received in connection with dividend payments and proceeds from the sale or other taxable disposition of Offer Shares made within the United States or through certain U.S.-related financial intermediaries.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number, makes other required certification and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Rather, any amount withheld under the backup withholding rules will be creditable or refundable against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

### *Foreign Financial Asset Reporting*

Certain U.S. Holders are required to report their holdings of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds certain threshold amounts. The Offer Shares are expected to constitute foreign financial assets subject to these requirements unless the shares are held in an account at certain financial institutions. U.S. Holders should consult their tax advisors regarding the application of these reporting requirements.

## Foreign Account Tax Compliance Act

Provisions under Sections 1471 through 1474 of the Internal Revenue Code and applicable U.S. Treasury regulations commonly referred to as "FATCA" generally impose 30 percent withholding on certain "withholdable payments" and, in the future, may impose such withholding on "foreign passthru payments" made by a "foreign financial institution" (each as defined in the Internal Revenue Code) that has entered into an agreement with the IRS to perform certain diligence and reporting obligations with respect to the foreign financial institution's U.S.-owned accounts. The United States has entered into an intergovernmental agreement, or IGA, with Sweden, which modifies the FATCA withholding regime described above. The Company believes that it is a foreign financial institution and, as such, is subject to the diligence, reporting and withholding obligations with respect to "financial accounts" it holds under FATCA, or the Sweden IGA. While equity interests in certain foreign financial institutions can constitute financial accounts, the Offer Shares should not be treated as "financial accounts" for purposes of the Sweden IGA, so long as they are "regularly traded on an established securities market" within the meaning of the Sweden IGA. If the Offer Shares are not regularly traded on an established securities market, the Company may, under certain circumstances, be required under the Sweden IGA to provide certain information with respect to holders of the Offer Shares to the relevant Swedish authorities, which in turn would be reported to the IRS. It is not yet clear how the Sweden IGA will address foreign passthru payments. Prospective investors should consult their tax advisors regarding the potential impact of FATCA, the Sweden IGA and any non-U.S. legislation implementing FATCA on the investment in Offer Shares.

# Plan of distribution

The Offering consists of: (i) an offering to the general public in Sweden; (ii) private placements to institutional investors in various jurisdictions, including a private placement in the United States to persons who are QIBs as defined in, and in reliance on, Rule 144A or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. All offers and sales outside the United States will be made in compliance with Regulation S under the U.S. Securities Act. The Company, the Selling Shareholders and the Managers intend to enter into an agreement regarding the placing of the Offer Shares on or about 18 May 2017 (the "**Placing Agreement**"). Subject to certain conditions set forth in the Placing Agreement, the Managers will agree, severally but not jointly, to procure purchasers for, or failing which, to purchase themselves, and the Company and the Selling Shareholders will severally agree to sell to the Managers the percentage of the Firm Shares, taking into account the commitments of each Manager as set forth in the table below, at the Offer Price:

| Managers | Percentage of Firm Shares | Number of Firm Shares |
|---|---|---|
| Carnegie | 30.75% | 22,582,530 |
| Goldman Sachs | 30.75% | 22,582,530 |
| Danske Bank | 11.00% | 8,078,303 |
| Jefferies | 11.00% | 8,078,303 |
| Nordea | 11.00% | 8,078,303 |
| Swedbank | 5.50% | 4,039,151 |
| **Total** | **100.00%** | **73,439,120** |

The Shares have been approved for listing on Nasdaq Stockholm, subject to notice of the requisite number of shareholders. Trading in the Shares is expected to commence on or about 19 May 2017, subject to the condition subsequent that, if closing of the Offering does not take place on the settlement date (*i.e.*, 23 May 2017) or at all, the Offering will be withdrawn, all orders to purchase Offer Shares will be disregarded, any allotments made will be deemed not to have been made, any purchase payments made will be returned without interest or other compensation, and transactions on Nasdaq Stockholm will be annulled. All dealings in the Offer Shares prior to settlement and delivery are at the sole risk of the parties concerned.

The offer period for the general public in Sweden may be extended and in such case, the extension would be publicly announced by the Company no later than 17 May 2017. The offer period for institutional investors may be shortened or extended and in such case, the change would be publicly announced by the Company no later than 18 May 2017.

The Managers expect to deliver the Firm Shares to investors' accounts on or about 23 May 2017. The Offer Shares will be accepted for delivery through the facilities of Euroclear Sweden against payment in immediately available funds.

The Managers will agree to restrictions on where and to whom they and any dealer purchasing from them may offer and sell Offer Shares as part of the distribution of the Offer Shares.

The Managers, through their respective selling agents, propose to sell Offer Shares in the United States to QIBs in reliance on Rule 144A or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Any offer or sale of Offer Shares in the United States in reliance on Rule 144A will solely be made by one or more broker-dealers who are registered as such under the U.S. Exchange Act. Nordea's activities in connection with the Offering are limited solely to outside the United States.

Until the expiration of 40 days after the commencement of the Offering, an offer or sale of Shares within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the U.S. Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

In the Placing Agreement, each of the Company and the Selling Shareholders named therein will make certain representations and warranties. The Company will also agree to indemnify the several Managers against certain liabilities, including liability under the U.S. Securities Act.

The Placing Agreement will provide that, upon the occurrence of certain events, such as the suspension of trading on Nasdaq Stockholm or a material adverse change in Munters' financial condition or business affairs or in the financial markets, and on certain other conditions, the Managers will have the right, collectively but not individually, to withdraw from the Offering before delivery of the Offer Shares. In this event, the Offering will be withdrawn, all orders to purchase Offer Shares will be disregarded, any allotments made will be deemed not to have been made, any purchase payments made will be returned without interest or other compensation and transactions on Nasdaq Stockholm will be annulled. All dealings in the Offer Shares prior to settlement and delivery are at the sole risk of the parties concerned.

## Over-allotment Option

The Selling Shareholders will grant the Joint Global Coordinators and Joint Bookrunners, on behalf of the Managers, an option, exercisable in whole or in part within 30 calendar days after the date on which the Shares commence trading on Nasdaq Stockholm (which is expected to occur on 19 May 2017) to purchase up to 8,812,694 Option Shares at the Offer Price, to cover potential over-allotments or short positions, if any, incurred in connection with the Offering. If the Joint Global Coordinators and Joint Bookrunners exercise this option, each Manager will be severally obligated, subject to certain conditions contained in the Placing Agreement, to procure purchasers for, or failing such procurement, to purchase a number of Option Shares proportionate to that Manager's initial percent of Firm Shares reflected in the table above, and the Selling Shareholders will be obligated to sell a number of Option Shares proportionate to the Option Shares over which they have each granted the Over-allotment Option, the maximum aggregate amount of which is set forth in the first sentence of this paragraph. In connection with additional sales in respect of the Over-allotment Option, Carnegie acting as settlement agent may effect borrowing arrangements with the Selling Shareholders prior to the exercise of the Over-allotment Option in order to have a sufficient number of Shares to deliver to all purchasers.

## Stabilisation

Goldman Sachs, as the Stabilising Manager, or its agents, may effect transactions that stabilise, maintain or otherwise affect the price of the Shares for up to 30 days from the first day of trading of the Shares on Nasdaq Stockholm which is expected to occur on 19 May 2017. As a result, the price of the Shares may be higher than the price that otherwise might exist in the open market. Any such stabilising shall be made in compliance with the rules of Nasdaq Stockholm and all other applicable laws, regulations and rules.

None of the Company, the Selling Shareholders or any of the Managers makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Shares. In addition, none of the Company, the Selling Shareholders or any of the Managers makes any representation that they will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## Relationships and Transactions with Directly Interested Parties

Carnegie and Goldman Sachs are Joint Global Coordinators in the Offering and provide financial advice and other services to the Company and the Principal Shareholder in connection with the Offering, for which they will receive customary remuneration. The total remuneration will be dependent on the success of the completed Offering. Danske Bank, Jefferies and Nordea are Joint Bookrunners in the Offering and Swedbank is Co-Lead Manager in the Offering. The total remuneration paid to the Managers will depend on the success of the Offering.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Managers and their respective affiliates have from time to time engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company or the Selling Shareholders or any of the Company's or the Selling Shareholders' respective related parties. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with potential investors' and the Company's interests. In particular, Swedbank and/or its respective affiliates are lenders under the Company's Existing Agreements, and the Company intends to repay borrowings under its Existing Agreement concurrently with the Offering. In addition, Danske Bank, Nordea and Swedbank and/or their respective affiliates are lenders under the New Credit Facilities, and Nordea Bank AB (publ) and Swedbank AB (publ) are lenders and/or brokers, alternatively, guarantors, of loans granted to the Company. In addition, one or several of the Managers or their affiliates may participate in a potential margin loan with the Principal Selling Shareholder.

In addition, in the ordinary course of business, the Managers and their respective affiliates may make or hold a broad array of investments including serving as counterparties to certain derivative and hedging arrangements and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Company. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Mannheimer Swartling Advokatbyrå is Munters' legal advisor as to Swedish law in connection with the Offering and the listing of the Shares on Nasdaq Stockholm. Latham & Watkins (London) LLP is Munters' legal advisor as to U.S. law in connection with the Offering and the listing of the Shares on Nasdaq Stockholm

Rothschild Nordic AB and Sundling Wärn Partners AB are the Principal Selling Shareholder's and Munters' financial advisors in connection with the Offering and the listing of the Shares on Nasdaq Stockholm.

## No Public Offering Outside Sweden

No action has been or will be taken in any jurisdiction other than Sweden that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to Munters or the Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Offering may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the Offer Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.

## Lock-up arrangements

The Company will agree with the Managers that it will not, except as set forth below, for a period of 180 days from the first day of trading of the Shares on Nasdaq Stockholm, without the prior written consent of the Joint Global Coordinators: (i) issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell or otherwise dispose of, directly or indirectly, any Shares or any securities of the Company that are substantially similar to the Shares, including securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities or do anything with the same economic effect as any of the foregoing ("**Securities**"); or (ii) submit to its shareholders any proposal for a capital increase or a proposal to effect any of the foregoing. The foregoing sentence does not apply to issues of Shares or Securities pursuant to employee incentive plans of the Company.

Each Selling Shareholder will agree with the Managers that it will not, except as set forth below, for a period of 180 days after the first day of trading of the Shares on Nasdaq Stockholm, without the prior written consent of the Joint Global Coordinators, offer, pledge, sell, contract to sell or pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, any Shares or Securities. The foregoing sentence shall not apply to: (i) the sale or transfer of the Offer Shares in the Offering; (ii) the transfer of Shares to certain members of the Board of Directors and employees of Munters as disclosed in this Offering Memorandum; (iii) the conversion or exchange of securities as disclosed in this Offering Memorandum; (iv) the acceptance of a tender offer made to all holders of Shares made in accordance with the Swedish Takeover Rules on terms that treat all holders alike, or the execution and delivery of an irrevocable commitment or undertaking to accept such tender offer; (v) the sale or disposal of Shares pursuant to any offer by the Company to purchase its own Shares that is made on identical terms to all holders of Shares; (vi) the transfer of shares to any affiliate of such Selling Shareholder, provided that as a condition of such transfer and receipt of Shares, each affiliate to which Shares are transferred undertakes to comply with the restrictions on the sale of Shares of such Selling Shareholder; (vii) a transfer of Shares where required by law or by any competent authority or by order of a court of competent jurisdiction; (viii) any security interests granted to margin loan lenders in respect of any margin loan facilities made available to the Principal Selling Shareholder; and (ix) any transfers of Shares to margin loan lenders, their nominees or affiliates or a third party pursuant to enforcement of any security entered into in accordance with (viii); provided that in the case of (viii) and (ix) above, the transferee agrees to be bound by the terms of the lock-up applicable to the Principal Selling Shareholder prior to such transfers.

The Principal Selling Shareholder is contemplating entering into a margin loan facility agreement with one or more lending banks, under which one or several margin loan facilities shall be made available to the Principal Selling Shareholder. In the event that the Principal Selling Shareholder decides to enter into the margin loan facilities, the Principal Selling Shareholder would be expected to provide security in favour of the margin loan lenders, which could represent a significant majority of the total number of Shares that the Principal Selling Shareholder will hold following the date on which the

Shares are listed on Nasdaq Stockholm. Typically, under such margin loan facility agreements, the Principal Selling Shareholder would continue to be able to vote Shares over which security has been granted unless and until a default occurs under a margin loan facility. In the event that an event of default occurs under a margin loan facility, the security agent under the margin loan facility agreement may enforce the security granted by the Principal Selling Shareholder over its Shares and sell those Shares. Any transferee of such Shares during the lock-up period applicable to the Principal Selling Shareholder would be required to be bound by the lock-up arrangements described above.

In addition, the current shareholding members of the Board of Directors and members of Group management, will agree with the Managers that they will not, for a period of 360 days after the first day of trading of the Shares on Nasdaq Stockholm, without the prior written consent of the Joint Global Coordinators, offer, pledge, sell, contract to sell or pledge, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or any Securities. The foregoing sentence shall not apply to: (i) the acceptance of a tender offer made to all holders of Shares made in accordance with the Swedish Takeover Rules on terms that treat all holders alike, or the execution and delivery of an irrevocable commitment or undertaking to accept such tender offer; (ii) the sale or other disposal of Securities pursuant to any offer by the Company to purchase its own Securities that is made on identical terms to all holders of Securities; (iii) the transfer of Securities by testate or intestate succession or for bona fide estate planning purposes; (iv) the transfer of Securities to an immediate family member, a trust, a partnership or limited liability company for the direct or indirect benefit of the shareholding member of the Board of Directors or member of Group management or the immediate family member of the shareholding member of the Board of Directors or member of Group management; (v) the transfer of Securities to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction; (vi) the transfer of Securities to any subsidiary or affiliate; (vii) a transfer of Securities where required by law or by any competent authority or by order of a court of competent jurisdiction; and (viii) the restricted transfer of Securities to a capital insurance scheme (Sw. *kapitalforsäkring*) subject to the restriction that the member of the Board of Directors and member of Group management may not instruct the insurance company to divest any Securities transferred to such scheme other than as provided for in (i) through (vi) above; provided that in the case of (iii)–(vi) above, the transferee agrees to be bound by terms of the lock-up prior to such transfer.

The Cornerstone Investors will not be subject to a lock-up in respect of their allocations.

## Cornerstone Investor commitments

The Cornerstone Investors have committed to, in aggregate, acquire 26.0 percent of the total number of outstanding Shares following the completion of the Offering. FAM AB, Alecta pensionsförsäkring, AMF Fonder AB, Handelsbanken Fonder and Carve (Brummer) have agreed to acquire, at the Offer Price, Offer Shares in the Offering corresponding to 10.0 percent, 5.0 percent, 5.0 percent, 3.0 percent and 3.0 percent, respectively, of the total number of outstanding Shares following the completion of the Offering, subject to, among other things: (i) the first day of trading in the Shares occurring no later than on 30 May 2017; (ii) such Cornerstone Investor being allocated in full the Offer Shares relating to its commitment; and (iii) the total equity value of the Company upon settlement of the Offering not exceeding SEK 10.1 billion. Based on the Offer Price, the implied total equity value of the Company following completion of the Offering is just less than SEK 10.1 billion. If such conditions are not satisfied, the Cornerstone Investors will not be required to acquire any Offer Shares.

The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments are to be made at the Offer Price. These undertakings are, however, not secured through a bank guarantee, blocked funds or pledge of collateral or any other similar arrangement.

At the Extraordinary General Meeting held at 7 May 2017, Kristian Sildeby, the Investment Manager and CFO of FAM AB, was elected as a member of the Board of Directors. Kristian Sildeby's appointment as a Board member is subject to FAM AB acquiring Shares in the Offering pursuant to its undertaking as a Cornerstone Investor.

The table below sets forth the commitments of the Cornerstone Investors directly after completion of the Offering.

| Cornerstone Investors | Commitment (%) of the total number of Shares | Number of Shares |
|---|---|---|
| FAM AB | 10.0% | 18,359,780 |
| Alecta pensionsförsäkring | 5.0% | 9,179,890 |
| AMF Fonder AB | 5.0% | 9,179,890 |
| Handelsbanken Fonder | 3.0% | 5,507,934 |
| Carve (Brummer) | 3.0% | 5,507,934 |
| **Total** | **26.0%** | **47,735,428** |

*Description of Cornerstone Investors*

**FAM AB**

FAM AB is a privately owned holding company, owned by the three largest Wallenberg foundations. FAM AB manages assets as an active owner with a long-term ownership horizon. FAM AB focuses its ownership on a few strategic holdings and a limited number of alternative investments.

**Alecta pensionsförsäkring**

Alecta pensionsförsäkring has been managing occupational pensions since 1917, aiming at maximizing the value of collectively agreed occupational pensions for both corporate clients and private customers. This is realised through healthy returns, committed customer service and low costs. Alecta pensionsförsäkring manages approximately SEK 790 billion on behalf of its owners, of whom approximately 2.3 million are private customers and 34,000 are corporate clients.

**AMF Fonder AB**

AMF Fonder AB is a fund company and a wholly owned subsidiary of AMF Pensionsförsäkring AB. The company manages twelve UCITS funds. AMF Fonder AB has approximately SEK 123 billion in assets managed (as of 31 March 2017) for approximately half a million customers. AMF Fonder AB's UCITS funds are available for pension savings as well as private investments.

**Handelsbanken Fonder AB**

Handelsbanken Fonder is a wholly owned subsidiary of Svenska Handelsbanken and is a significant fund manager in Scandinavia. Handelsbanken Fonder offers funds that are targeted towards private individuals as well as institutional clients.

**Carve (Brummer)**

Carve is a hedge fund that seeks opportunities for good risk-adjusted returns by investing in equities and corporate bonds. The investment management philosophy is based on a long-term mandate from the fund's investors. This gives Carve the opportunity to adopt less liquid investment strategies which are considered to be of particular interest.

## Selling Restrictions

### United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States unless the Offer Shares are registered under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. There will be no public offering of the Offer Shares in the United States.

The Offer Shares may only be resold: (i) in the United States only to QIBs in reliance on Rule 144A or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States in offshore transactions in compliance with Regulation S and in accordance with applicable law. Any offer or sale of Offer Shares in the United States in reliance on Rule 144A will solely be made by one or more broker-dealers who are registered as such under the U.S. Exchange Act. Nordea's activities in connection with the Offering are limited solely to outside the United States. Terms used above shall have the meanings given to them by Regulation S and Rule 144A.

### European Economic Area

The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA that has implemented the Prospectus Directive, excluding Sweden (each, a "**Relevant Member State**"). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholders or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

## United Kingdom

Any offer or sale of the Offer Shares may only be made to persons in the United Kingdom who are "**qualified investors**" or otherwise in circumstances that do not require publication by the Company of a prospectus pursuant to section 85(1) of the UK Financial Services and Markets Act 2000.

Any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with persons who: (i) are investment professionals falling within Article 19(5); or (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc."), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this Offering Memorandum and should not act or rely on it.

## Canada

The Offer Shares are not deposit liabilities of the Company and are not insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other governmental agency of Canada, the United States or any other jurisdiction.

The Company is not regulated as a financial institution in Canada.

The Offer Shares are not being offered and may not be sold to any purchaser in a province or territory of Canada other than the provinces of Alberta, British Columbia, Ontario and Quebec.

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offering.

## General

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the Offer Shares, or the possession or distribution of this Offering Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Memorandum comes are required by the Company, the Selling Shareholders and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense. None of Munters, the Selling Shareholders and the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer Shares, of any such restrictions.

# Transfer restrictions

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of this Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
2. the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;
3. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;
4. the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;
5. the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;
6. the purchaser acknowledges that the Company and the Selling Shareholders shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;
7. if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
8. the purchaser acknowledges that the Company and the Selling Shareholders, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
2. the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
3. the purchaser: (i) is a qualified institutional buyer (as defined in Rule 144A); (ii) is aware that the sale to it is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (iii) is acquiring such Offer Shares for its own account or for the account of a qualified institutional buyer;
4. the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;
5. if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only: (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) in compliance with Regulation S; or (iii) in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

6. the purchaser acknowledges that the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;
7. the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;
8. the purchaser acknowledges that the Company and the Selling Shareholders shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;
9. if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
10. the purchaser acknowledges that the Company and the Selling Shareholders, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each person in a Relevant Member State, other than persons receiving offers contemplated in the Swedish Prospectus in Sweden, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Managers, the Selling Shareholders and us that:

1. it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
2. in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the Offer Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

# Definitions

## Definitions

The following terms used in this Offering Memorandum have the meanings assigned to them below (unless the context requires otherwise):

| | |
|---|---|
| **Americas** | Includes nations in North, Central and South America. For purposes of the Company's net sales, Americas represents sales invoiced in Brazil, Canada, Mexico and the United States. |
| **Asia** | Includes nations in the Asia Pacific region. For purposes of the Company's net sales, Asia represents sales invoiced in Australia, China, India, Japan, Korea, Singapore and Thailand. |
| **Board of Directors** | Refers to the board of directors of Munters Group AB. |
| **Carnegie** | Refers to Carnegie Investment Bank AB (publ). |
| **Companies Act** | Refers to the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). |
| **Cornerstone Investors** | Refers to FAM AB, Alecta pensionsförsäkring, AMF Fonder AB, Handelsbanken Fonder and Carve (Brummer). |
| **Credit Agreement** | Refers to the credit facility agreement dated 5 May 2014 among, inter alia, the Company, Deutsche Bank AG New York Branch as administrative agent, collateral agent and lender, Swedbank AB (publ) as lender and certain other lenders party thereto. |
| **Danske Bank** | Refers to Danske Bank A/S, Danmark, Sverige Filial. |
| **EMEA** | Includes nations in Europe, the Middle East and Africa. For purposes of the Company's net sales, EMEA represents sales invoiced in Belgium, Czech Republic, Germany, Denmark, Spain, Finland, France, Israel, Italy, Netherlands, Sweden, Turkey, United Kingdom and South Africa. |
| **Existing Agreements** | Refers to the Credit Agreement, 2016 Revolving Credit Agreement and 2017 Revolving Credit Agreement. |
| **Facilities** | Refers to the Term Loan Facility and the Revolving Credit Facility under the Credit Agreement. |
| **Goldman Sachs** | Refers to Goldman Sachs International. |
| **Jefferies** | Refers to Jefferies International Limited. |
| **Kevin Enterprises** | Refers to Kevin Enterprises Private Ltd. |
| **Managers** | Refers to Carnegie Investment Bank AB (publ), Goldman Sachs International, Danske Bank A/S, Danmark, Sverige Filial, Jefferies International Limited, Nordea Bank AB (publ) and Swedbank AB (publ). |
| **MKE** | Refers to Munters Keruilai Air Treatment Equipment Co., Ltd. |
| **MTech Systems** | Refers to MTech-Systems USA LLC. |
| **New Credit Facilities** | Refers to the new credit facilities agreement, dated 12 April 2017, among the Company, Munters AB and Munters Corporation and Danske Bank A/S, DNB Sweden AB, Nordea Bank AB (publ), Nykredit Bank A/S, Svenska Handelsbanken AB (publ) and Swedbank AB (publ), as lenders. |
| **Nordea** | Refers to Nordea Bank AB (publ). |
| **Nordic Capital** | Refers to Nordic Capital Fund VII (Nordic Capital VII Limited, acting in its capacity as General Partner of Nordic Capital VII Alpha, L.P. and Nordic Capital VII Beta, L.P., together with associated co-investment vehicles) or Cidron Maximus S.à r.l., as the context requires. |
| **Nordic Capital Funds** | Refers to Nordic Capital Fund V, Nordic Capital Fund VI, Nordic Capital Fund VII and Nordic Capital Fund VIII. |
| **Offering Memorandum** | Refers to this Offering Memorandum. |
| **Offer Price** | Refers to the price at which the Offer Shares will be sold. |
| **Offer Shares** | Refers to the Shares offered in the Offering. |

| | |
|---|---|
| **Principal Selling Shareholder** | Refers to Cidron Maximus S.à r.l. |
| **Prospectus Directive** | Refers to Directive 2003/71/EC of the European Parliament and of the Council as amended by Directive 2010/73/EU. |
| **Prospectus Regulation** | Refers to Commission Regulation (EC) No. 809/2004. |
| **Rest of the World** | Includes nations not included in Americas, Asia or EMEA. |
| **Revolving Credit Facility** | Refers to the multicurrency revolving credit facility, in an aggregate principal amount of USD 75.0 million, under the Credit Agreement. |
| **SFSA** | Refers to the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*). |
| **Shares** | Refers to the existing shares of the Company. |
| **Securities Market Act** | Refers to the Swedish Securities Market Act (Sw. *lagen (2007:528) om värdepappersmarknaden*). |
| **Selling Shareholders** | Refer to Cidron Maximus S.à r.l. and FA International Investments S.C.A. |
| **SEK, EUR, USD, GBP and CNY** | Refers to Swedish kronor, Euro, U.S. dollars, Great British Pounds and Chinese Yuan. |
| **Set-Off Issue** | Refers to the directed set-off issue of new common Shares to the Selling Shareholders against set-off of amounts outstanding under the Shareholder Loan to the Company. |
| **Swedbank** | Refers to Swedbank AB (publ). |
| **Trading Act** | Refers to the Swedish Financial Instruments Trading Act (Sw. *lagen (1991:980) om handel med finansiella instrument*). |
| **Term Loan Facility** | Refers to the term loan facility, in an aggregate principal amount of USD 295.0 million (as increased), under the Credit Agreement. |
| **U.S. Exchange Act** | Refers to the U.S. Securities Exchange Act of 1934, as amended. |
| **U.S. Securities Act** | Refers to the U.S. Securities Act of 1933, as amended. |
| **2016 Revolving Credit Agreement** | Refers to the unsecured revolving credit facility agreement dated 22 December 2016, between Munters AB and Swedbank AB (publ) as lender. |
| **2017 Revolving Credit Agreement** | Refers to the unsecured revolving credit facility agreement dated 9 March 2017, between Munters AB and Swedbank AB (publ) as lender. |

# Historical financial information

## Financial information as of and for the three months ended 31 March 2017 and 2016



## Financial information as of and for the years ended 31 December 2016, 2015 and 2014

# Financial information as of and for the three months ended 31 March 2017 and 2016

## The Group's condensed Statement of comprehensive income

| | Q1 | | LTM | Full year |
|---|---|---|---|---|
| **SEK m** | **2017** | **2016** | **Apr-Mar** | **2016** |
| Net sales | 1,519 | 1,220 | 6,340 | 6,040 |
| Cost of goods sold | (1,001) | (791) | (4,143) | (3,931) |
| **Gross profit/loss** | **518** | **429** | **2,197** | **2,109** |
| Other operating income | 0 | 0 | 31 | 31 |
| Selling expenses | (246) | (214) | (945) | (913) |
| Administrative costs | (158) | (106) | (564) | (512) |
| Research and development costs | (38) | (35) | (141) | (138) |
| Other operating expenses | (1) | (0) | (1) | 0 |
| **Operating profit** | **75** | **74** | **578** | **577** |
| Financial income and expenses | (106) | (92) | (438) | (424) |
| **Profit/loss after financial items** | **(32)** | **(19)** | **140** | **153** |
| Tax | (9) | (10) | (68) | (69) |
| **Net income** | **(41)** | **(29)** | **73** | **85** |
| **Other comprehensive income** | | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | | |
| Exchange-rate differences on translation of foreign operations | (12) | (8) | 194 | 198 |
| | **(12)** | **(8)** | **194** | **198** |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods:* | | | | |
| Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax | – | – | (17) | (17) |
| Income tax effect on other comprehensive income not to be reclassified to profit or loss in subsequent periods | – | – | 4 | 4 |
| **Other comprehensive income, net after tax** | **(12)** | **(8)** | **181** | **185** |
| **Comprehensive income for the year** | **(53)** | **(37)** | **254** | **270** |
| **Income for the year** | | | | |
| Attributable to Parent Company shareholders | (41) | (29) | 73 | 85 |
| Attributable to non-controlling interests | 0 | 0 | 0 | 0 |
| | **(41)** | **(29)** | **73** | **85** |
| **Comprehensive income for the year** | | | | |
| Attributable to Parent Company shareholders | (53) | (37) | 254 | 270 |
| Attributable to non-controlling interests | 0 | 0 | 0 | 0 |
| **Earnings per share (before and after dilution), SEK** | **(181)** | **(149)** | | **(223)** |

## The Group's condensed Statement of financial position – Assets

| SEKm | Note | 31/03/2017 | 31/03/2016 | 31/12/2016 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **NON-CURRENT ASSETS** | | | | |
| Goodwill | 15 | 4,359 | 3,900 | 4,227 |
| Patents, licenses, brands, and similar rights | 14, 15 | 1,669 | 1,554 | 1,550 |
| Buildings and land | 13 | 148 | 151 | 156 |
| Plant and machinery | 13 | 165 | 140 | 172 |
| Equipment, tools, fixtures and fittings | 9, 13 | 148 | 94 | 133 |
| Construction in progress | 13 | 94 | 45 | 69 |
| Financial assets | | 26 | 55 | 24 |
| Deferred tax assets | 11 | 234 | 211 | 242 |
| **Total non-current assets** | | **6,843** | **6,149** | **6,574** |
| **CURRENT ASSETS** | | | | |
| Raw materials and consumables | | 343 | 261 | 321 |
| Products in process | | 159 | 112 | 123 |
| Finished products and goods for resale | | 254 | 190 | 208 |
| Work on contract | | 20 | 14 | 8 |
| Advances to suppliers | | 17 | 6 | 17 |
| Accounts receivable | 3 | 1,070 | 697 | 1,094 |
| Prepaid expenses and accrued income | 17 | 90 | 69 | 76 |
| Derivative instruments | 18 | 6 | 4 | 2 |
| Current tax assets | | 40 | 13 | 32 |
| Other receivables | | 131 | 93 | 103 |
| Cash and cash equivalents | | 396 | 309 | 432 |
| **Total current assets** | | **2,526** | **1,768** | **2,417** |
| **TOTAL ASSETS** | | **9,370** | **7,918** | **8,991** |

## The Group's condensed Statement of financial position – Equity and Liabilities

| SEK m | 31/03/2017 | 31/03/2016 | 31/12/2016 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Shareholders equity | 704 | 450 | 756 |
| Non-controlling interests | 10 | 8 | 11 |
| **Total equity** | **714** | **458** | **767** |
| **NON-CURRENT LIABILITIES** | | | |
| Shareholder loan | 2,689 | 2,488 | 2,688 |
| Interest-bearing liabilities | 2,495 | 2,289 | 2,544 |
| Provisions for pensions and similar commitments | 190 | 201 | 179 |
| Other provisions | 33 | 31 | 30 |
| Other liabilities | 176 | 92 | 15 |
| Deferred tax liabilities | 533 | 510 | 525 |
| **Total non-current liabilities** | **6,116** | **5,611** | **5,981** |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing liabilities | 660 | 393 | 429 |
| Advances from customers | 247 | 231 | 315 |
| Accounts payable | 567 | 389 | 530 |
| Accrued expenses and deferred income | 630 | 466 | 565 |
| Derivative instruments | 3 | 5 | 4 |
| Current tax liabilities | 50 | 33 | 53 |
| Other liabilities | 265 | 232 | 232 |
| Provisions for pensions and similar commitments | 5 | 4 | 5 |
| Other provisions | 112 | 95 | 110 |
| **Total current liabilities** | **2,540** | **1,848** | **2,243** |
| **TOTAL EQUITY AND LIABILITIES** | **9,370** | **7,918** | **8,991** |

## Condensed Statement of changes in equity

| SEK m | 31/03/2017 | 31/03/2016 | 31/12/2016 |
|---|---|---|---|
| **Opening balance** | **767** | **495** | **495** |
| Total comprehensive income for the period | (53) | (37) | 270 |
| Shareholders contribution | – | – | 3 |
| Change in non controlling interest | 0 | 0 | 0 |
| **Closing balance** | **714** | **458** | **767** |
| **Total shareholders´equity attributable to:** | | | |
| The parent company's shareholders | 704 | 450 | 756 |
| Holdings with non controlling interests | 10 | 8 | 11 |

## The Group’s condensed Cashflow statement

| | Q1 | | LTM | Full year |
|---|---|---|---|---|
| SEK m | 2017 | 2016 | Apr–Mar | 2016 |
| **OPERATING ACTIVITIES** | | | | |
| **Earnings before interest and tax (EBIT)** | **75** | **74** | **578** | **577** |
| **Reversal of non-cash items;** | | | | |
| Depreciation, amortization and impairments | 73 | 63 | 271 | 262 |
| Provisions | 16 | 3 | (14) | (27) |
| Other profit/loss items not affecting liquidity | (2) | 1 | (21) | (18) |
| **Cash flow before interest and tax** | **162** | **140** | **815** | **794** |
| Paid financial items | (43) | (41) | (208) | (206) |
| Taxes paid | (25) | (25) | (130) | (130) |
| **Cash flow from operating activites before changes in working capital** | **94** | **73** | **477** | **458** |
| **Cash flow from changes in working capital** | **(114)** | **(20)** | **(273)** | **(180)** |
| **Cash flow from operating activities** | **(20)** | **53** | **204** | **277** |
| **INVESTING ACTIVITIES** | | | | |
| Business acquisitions | (187) | – | (189) | (2) |
| Investment in tangible assets | (47) | (35) | (176) | (163) |
| Investment in intangible assets | (9) | (2) | (27) | (20) |
| **Cash flow from investing activities** | **(242)** | **(37)** | **(391)** | **(186)** |
| **FINANCING ACTIVITIES** | | | | |
| New share issue | – | – | 0 | 0 |
| Changes in loans | 222 | (54) | 256 | (19) |
| **Cash flow from financing activities** | **222** | **(54)** | **257** | **(19)** |
| **Cash flow for the period** | **(40)** | **(37)** | **69** | **72** |
| Cash and cash equivalents at period start | 432 | 346 | 309 | 346 |
| Exchange-rate differences in cash and cash equivalents | 5 | 2 | 17 | 14 |
| **Cash and cash equivalents at period end** | **396** | **309** | **396** | **432** |

## Notes

### Note 1 | ACCOUNTING POLICIES

The interim condensed consolidated financial statements of Munters Group AB (name change from Munters Topholding AB to Munters Group AB registered on April 24, 2017) (org nr. 556819-2321) and its subsidiaries (collectively, the Group) for the three months ended 31 March 2017 were authorized for issue in accordance with a resolution of the directors on 20 April, 2017. This report has been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting policies conform to International Financial Reporting Standards (IFRS), as well as with the EU approved interpretations of the relevant standards, the International Financial Reporting Interpretations Committee (IFRIC) and Chapter 9 of the Swedish Annual Accounts Act. The report has been drawn up using the same accounting policies and methods of calculation as those in the Annual Report (Note 1), except for a change in segments where, as of January 1, 2017, the Data Centers, previously part of the Air Treatment segment, is presented as s separate segment. The historical numbers have been recalculated to reflect this change. New or revised IFRS standards that came into force in 2017 did not have any material impact on the Group. IFRS also comprises International Accounting Standards (IAS) and interpretations of the standards, called IFRIC and SIC, respectively. Besides IFRS and the Annual Accounts Act, recommendation RFR1 of the Swedish Financial Reporting Board – Supplementary Accounting Rules for Groups – is also applied.

The consolidated accounts encompass the Parent Company and its subsidiaries. The financial statements for the Parent Company and its subsidiaries included in the consolidated accounts refer to the same period and have been prepared in accordance with the accounting policies that apply to the Group. All intra-Group transactions, revenues, costs, gains, or losses that arise in transactions between companies included in the consolidated accounts have been wholly eliminated.

*IFRS 15, Revenue from contracts with customers (effective from 2018).*

The Company is evaluating the impact of the standard and has not quantified the effects of IFRS 15. Based on a preliminary analysis of a number of contracts related to customers of the Air Treatment business area, the Company does not currently believe that the standard will have a significant effect on the Company's financial statements. This evaluation will continue throughout 2017.

*IFRS 16 Lease (effective from 2019).*

Munters has begun to analyze the effects IFRS 16 will have on the Company's financial statements. In brief, the initial analysis shows that Munters as an operational lessee will be affected by the implementation of IFRS 16. Monetary calculations of the effect of IFRS 16 and choice of transition approach have not yet been carried out. Based on the Company's preliminary review of its leases (primarily lease agreements in respect of premises), including notice periods and rental amounts, the Company currently believes that IFRS 16 will have an effect on its consolidated accounts and financial key performance indicators, primarily ratios based on gross assets and gross liabilities.

### Note 2 | RISKS AND UNCERTAINTIES

Munters is a company with geographically widespread operations and many small organisational entities. The Group depends to some extent on key customers and key personnel. Some of Munters' sales consist of components, products and facilities used in complex customer processes. Quality and contract obligations could result in claims for damages. Future alternative technologies could constitute a risk. Companies currently active in air treatment could become established in Munters' niches, which would mean increased competition. Demand for the Company's products is affected by the general economic trends. Financial risks mainly consist of currency, interest and financing risks. The continued development of the global economy (including interest rate and currency risk) is an uncertainty factor for profitability. A more detailed description of the Group's financial risks and how they are monitored and managed is disclosed in Note 3 in the Annual Report of 2016. Central guidelines govern the use of insurance, including coverage for general liability and product liability, property, business interruption, transportation, crimes against property, the liability of Board members and the CEO and employment practices liabilities. Several of insurance policies are managed Group-wide.

### Note 3 | ACQUISITIONS

The company will operate within the business area AgHort. The purchase price amounted to SEKm 222, corresponding to a debt-free enterprise value for 100% of the company of SEKm 370. Munters also has an option to acquire the remaining 40% of the shares that are held by senior executives of MTech Systems, which also have an option to sell, starting in December 2020. The purchase consideration on exercising the option will be based on the financial result for the 12 months prior to the date of exercising the option. As a consequence of the option Munters recognize non-controlling participations initially and allocate such part of income. The Group also recognizes a liability corresponding to the discounted expected redemption price for the options whereupon non-controlling participations attributable to the options are eliminated.

The difference between liabilities for the options and the non-controlling participations to which the options refer is recognized directly in equity and disclosed separately from other changes in equity.

The acquisition of MTech Systems was financed by raising bank loans. In 2016 MTech Systems had revenues amounting to approximately SEKm 140. Acquisition costs during 2016 - 2017 incurred amounts to SEKm 10.

Information about acquired net assets and goodwill follows (SEKm)

| | According to preliminary purchase price allocation |
|---|---|
| Cash purchase consideration paid | 222 |
| **Total purchase consideration** | **222** |
| Fair value of non-controlling interests | 162 |
| Fair value of acquired net assets | (244) |
| **Goodwill** | **140** |

| Acquired net assets at time of acquisition | Fair values according to preliminary purchase price allocation |
|---|---|
| *Assets* | |
| Property, plant and equipment | 13 |
| Customer relationships | 29 |
| Technology | 122 |
| Brands | 19 |
| Accounts receivable | 51 |
| Other current assets | 39 |
| Cash and cash equivalents | 35 |
| **Total assets** | **307** |

| Acquired net assets at time of acquisition | Fair values according to preliminary purchase price allocation |
|---|---|
| *Liabilities* | |
| Non-current interest-bearing liabilities | 0 |
| Current interest-bearing liabilities | 0 |
| Accounts payable | 1 |
| Accrued expenses and deferred income | 20 |
| Deferred tax liabilities | 29 |
| Other current liabilities | 12 |
| **Total liabilities** | **63** |
| **Net identifiable assets and liabilities** | **244** |
| Cash purchase consideration paid | 222 |
| Cash and cash equivalents in acquired company | (35) |
| **Change in the Group's cash and cash equivalents on acquisition** | **187** |

The fair value of acquired net assets was increased by SEKm 160. Of this amount SEK 29 million relates to customer relationships, SEKm 122 to technology, SEKm 19 to brands, SEKm 19 to accrued income, and SEKm 29 to deferred tax liabilities. The fair value of the acquired accounts receivable at the date of acquisition, SEKm 51 corresponds to the amount expected to be paid. Receivables have a nominal value of SEKm 51.The goodwill arising from the acquisition, SEKm 140, is primarily attributable to future synergies expected through combining MTech Systems expertise in advanced data analysis with data from Munters controllers, creating a complete overview of the supply chain for poultry and swine producers. Overall this will significantly expand Munters offering to our customers in business area AgHort.

## Note 4 | SEGMENT

### Group

| SEK m | Q1 2017 | Q1 2016 | LTM Apr–Mar | Full year 2016 |
|---|---|---|---|---|
| Order backlog | 1,998 | 1,713 | 1,998 | 1,741 |
| Order intake | 1,654 | 1,617 | 6,410 | 6,373 |
| Net sales | 1,519 | 1,220 | 6,340 | 6,040 |
| Operating profit (EBIT) | 75 | 74 | 578 | 577 |
| Financial income and expenses | (106) | (92) | (438) | (424) |
| Tax | (9) | (10) | (68) | (69) |
| Net income | (41) | (29) | 73 | 85 |
| Amortization (incl. surplus values) | 53 | 46 | 193 | 187 |
| IAC | 20 | - | 37 | 17 |
| Adjusted EBITA | 147 | 119 | 808 | 781 |
| Adjusted EBITA margin, % | 10 | 10 | 13 | 13 |

| Air Treatment | Q1 | | LTM | Full year |
|---|---|---|---|---|
| SEK m | 2017 | 2016 | Apr–Mar | 2016 |
| External order backlog | 1,097 | 939 | 1,097 | 978 |
| Order intake | 950 | 775 | 3,560 | 3,385 |
| External net sales | 787 | 670 | 3,405 | 3,288 |
| Transactions between segments | 6 | 1 | 11 | 6 |
| Operating profit (EBIT) | 94 | 59 | 472 | 437 |
| Amortization (incl. surplus values) | 3 | 3 | 12 | 11 |
| Adjusted EBITA | 90 | 62 | 477 | 448 |
| Adjusted EBITA margin, % | 11 | 9 | 14 | 14 |

| Data Centers | Q1 | | LTM | Full year |
|---|---|---|---|---|
| SEK m | 2017 | 2016 | Apr–Mar | 2016 |
| External order backlog | 321 | 328 | 321 | 392 |
| Order intake | 165 | 320 | 763 | 919 |
| External net sales | 249 | 90 | 814 | 655 |
| Transactions between segments | 4 | 0 | 34 | 30 |
| Operating profit (EBIT) | 32 | 7 | 79 | 54 |
| Amortization (incl. surplus values) | 1 | 0 | 2 | 1 |
| Adjusted EBITA | 32 | 7 | 81 | 56 |
| Adjusted EBITA margin, % | 13 | 8 | 10 | 8 |

| AgHort | Q1 | | LTM | Full year |
|---|---|---|---|---|
| SEK m | 2017 | 2016 | Apr–Mar | 2016 |
| External order backlog | 454 | 316 | 454 | 249 |
| Order intake | 469 | 427 | 1,746 | 1,704 |
| External net sales | 391 | 355 | 1,706 | 1,669 |
| Transactions between segments | 13 | 5 | 43 | 36 |
| Operating profit (EBIT) | 25 | 43 | 257 | 276 |
| Amortization (incl. surplus values) | 3 | 3 | 13 | 12 |
| Adjusted EBITA | 28 | 46 | 240 | 258 |
| Adjusted EBITA margin, % | 7 | 13 | 14 | 15 |

| Mist Elimination | Q1 | | LTM | Full year |
|---|---|---|---|---|
| SEK m | 2017 | 2016 | Apr–Mar | 2016 |
| External order backlog | 126 | 130 | 126 | 121 |
| Order intake | 101 | 103 | 414 | 416 |
| External net sales | 92 | 106 | 415 | 428 |
| Transactions between segments | 1 | 3 | 7 | 9 |
| Operating profit (EBIT) | 6 | 18 | 57 | 69 |
| Amortization (incl. surplus values) | 0 | 0 | 1 | 1 |
| Adjusted EBITA | 6 | 18 | 58 | 69 |
| Adjusted EBITA margin, % | 7 | 16 | 14 | 16 |

| Other and eliminations | Q1 | | LTM | Full year |
|---|---|---|---|---|
| SEK m | 2017 | 2016 | Apr–Mar | 2016 |
| External order backlog | | | | |
| Order intake | (31) | (8) | (73) | (50) |
| Transactions between segments | (24) | (9) | (95) | (80) |
| Operating profit (EBIT) | (82) | (53) | (288) | (258) |
| Amortization (incl. surplus values) | 46 | 40 | 167 | 161 |
| Adjusted EBITA | (10) | (13) | (47) | (51) |

## Note 5 | SEASONAL VARIATIONS

The seasonal profile of net sales differs by business area. In general Q1 is the slowest quarter as the number of projects typically is lower in the period.

Demand for Air Treatment products is seasonally stronger in the summer, due to higher construction activity in general and seasonal increase in humidity levels, which leads to strong invoicing in Q2 and Q3. Generally, Q3 and Q4 can be impacted by fiscal planning, with customers looking to utilize budgeted funds and take delivery before year end, which typically leads to a higher net sales level in Q4. The low point in order intake is typically November to February when project activity is lower and customers are in the process of planning for the next fiscal year.

Data Centers sales are driven by larger projects, where the seasonality is less transparent. Order intake and net sales are likely to fluctuate to a higher degree than in our other business areas from the quarter to the next due to lumpiness of larger projects.

Seasonality in Mist Elimination is mostly driven by seasonal fluctuations of activity in the coal-fired power industry. The pattern is typically similar to Air Treatment with relatively high net sales in Q4 and limited activity in early Q1.

AgHort's sales are relatively stable over the year. In general, customer project activity is lower during the winter in Europe and the US, which normally affects the business area's sales during Q1 negatively.

## Note 6 | FINANCIAL POSITION AND LIQUIDITY

Interest-bearing liabilities in Munters consist of loans from the shareholders and non-current and current bank loans. In total, the interest bearing items amounted to SEKm 5,844 (5,170) at the end of the quarter, of which SEKm 2,689 (2,488) relates to shareholder loans.

Munters main long-term debt facility is a US Dollar denominated senior secured term loan with a closing balance of SEKm 2,564 (2,363) at the end of the first quarter. The long-term senior debt facility is amortized quarterly according to the stipulated repayment schedule with maturity in 2021.

Furthermore, Munters has committed revolving credit facilities of SEKm 445 (171) secured under the principal credit agreement. The revolving credit facility is without mandatory repayment and the final maturity is 2020.

In addition, two bilateral short term credit facilities amounting to SEKm 353 have been made available during the quarter.

Available unutilized credit facilities as of March 31 amounted to SEKm 171 (269).

The company had cash and cash equivalents of SEKm 396 (309) as of March 31, 2017.

## Note 7 | EARNINGS PER SHARE

Net profit per ordinary share in the first quarter 2017 amounted to SEK -181 (-149). Income attributable to Parent Company's ordinary shareholders, after consideration to preferential shares' annual right to dividend, amounted to SEKm -97 (-80) for the first quarter. The average number of outstanding ordinary shares in the full year and the first quarter was 536,981. After the Offering, there will be 183,597,802 shares, and a maximum of 5,222,000 potentially dilutive share options, outstanding.

## Note 8 | FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's derivatives, recognized at fair value in the statement of financial position, are measured according to IFRS 13 and level 2 in the fair value hierarchy. The derivatives amount to SEKm 6 (4) in financial assets and to SEKm 3 (5) in financial liabilities.

The Group's contingent earn-outs and put/call acquisition options, recognized at fair value in the statement of financial position, are measured according to IFRS 13 and level 3 in the fair value hierarchy. The contingent consideration related to the acquisition of HB group in 2015 is valued based on the EBITDA during the period July 1, 2015 to July 1, 2017. The range, depending on what EBITDA level is achieved, is between zero up to a maximum of EURm 10. In the table below the changes in the contingent consideration liability during 2017 are explained. The largest change are related to the acquisition of MTech Systems, see further "Acqusitions" above.

| SEK m | 31/03/2017 | 31/03/2016 | 31/12/2016 |
|---|---|---|---|
| Contingent price considerations and put/call options | | | |
| Opening balance | 51 | 78 | 78 |
| Estimated liabilities at acquisition | 162 | – | – |
| Payments | – | – | (9) |
| Change recognized in other operating income | – | – | (30) |
| Discounting | 1 | 2 | 7 |
| Exchange-rate differences for the year | (1) | 0 | 5 |
| **Closing balance** | **213** | **80** | **51** |

Munters deems that the interest rate on interest-bearing liabilities is in line with market terms at March 31, 2017, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount.

## Note 9 | ITEMS AFFECTING COMPARABILITY

| | 2017 | | | | | 2016 |
|---|---|---|---|---|---|---|
| SEK m | Q1 | Q4 | Q3 | Q2 | Q1 | Full year |
| Other | | | | | | |
| Exit preparation costs | 27 | 27 | 26 | | | 53 |
| Divestment Cooler business | | | (7) | | | (7) |
| Business area Air Treatment | | | | | | |
| Property sale | (7) | | | | | |
| Business area AgHort | | | | | | |
| Final Earn out Reventa | | (30) | | | | (30) |
| **Total** | **20** | **(3)** | **20** | | | **17** |

The items affecting comparability (IAC) in Q1 mainly comprised of external costs in relation to Munters and owners' review of strategic alternatives which amounted to SEKm 27. A gain of SEKm 7 from a property sale has been adjusted for in Q1. In 2016, the largest IAC-item refers to external costs in relation to Munters and owners' review of strategic exit-alternatives, which amounted to SEKm 53. Munters also benefitted from two positive effects during the year that have been adjusted for. Firstly, the effect from the early settlement of the Reventa acquisition earn-out of SEKm 30 and, secondly, SEKm 7 related to a provision reversal for the Cooler divestment that took place in 2015.

## Note 10 | TRANSACTIONS WITH RELATED PARTIES

Munters Topholding AB has a loan from shareholders raised in 2010 which are subordinated to the other loans. At March 31, 2017, the loan amounted to SEKm 2,689 (2,488) plus accrued interest amounting to SEKm 86 and carries an 8.0 percent rate of interest. Interest accumulates and is scheduled to be repaid at the latest when the loan matures on May 5, 2022. For the first quarter 2017 the Group expensed interest on loans from shareholders amounting to SEKm -54 (-50). For further information of transactions between Munters and related parties, see the Annual Report 2016.

## Note 11 | EVENTS AFTER THE PERIOD END

On April 1, Munters completed the acquisition of Kevin Enterprises Private Limited, a privately owned company headquartered in Mumbai, India. The acquisition was structured as an asset deal, acquiring company being Munters India Humidity Control Private Limited, Munters India. The acquired business will as of April 2017 be reported as a separate reporting unit within Munters India, and will be consolidated into Business Area Mist Elimination. The preliminary purchased consideration, after preliminary net working capital and net debt adjustments, amounted to SEKm 76. Preliminary fair value of transferred net working capital and net fixed assets amounted to SEKm 18 and 35 respectively. Value of intangible assets, including goodwill, was estimated at approximately SEKm 23. Work will be carried out with respect to further specifying and allocating value to specific intangible assets. Net debt items were estimated at approximately SEKm 0.2. In 2016, Kevin Enterprises generated revenues of approximately SEKm 65. Acquisition costs incurred amounts to SEKm 5.

Information about acquired net assets and goodwill follows

| SEK m | According to preliminary purchase price allocation |
|---|---|
| Cash purchase consideration paid | 76 |
| Working capital | 18 |
| Fixed assets | 35 |
| Net Debt | 0 |
| **Intangible assets, including goodwill** | **23** |

The credit facility of SEKm 130, made available during the quarter, was fully utilized on April 3, 2017.

## Alternative performance measures

In this interim report, there are references to a number of performance measures. Some of the measures are defined in IFRS, others are alternative performance measures and are not disclosed in accordance with applicable financial reporting frameworks or other legislations. The performance measures are used by the Group to assist both investors and management in analyzing Munters' business. Below are the performance measures found in this interim report described, defined and the reason for use disclosed.

### Organic growth

The change in net sales compared to the previous period, excluding contributions to net sales from businesses that were acquired and/or divested during the current period and/or any comparison period. The measure is used by Munters to monitor net sales growth driven by changes in volume, currencies, price and sales between different periods.

### Order backlog

Received and confirmed sales orders not yet delivered and accounted for as net sales. Order Backlog is a useful measure to indicate the efficiency of the conversion of received and confirmed sales orders into net sales in future periods, and is used by Munters to monitor business performance and customer demand, and adjust operations.

### Order intake

Received and confirmed sales orders during the reporting period. The order intake is an indicator of future revenues and, consequently, an important KPI for the management of Munters' business.

### LTM

LTM (last twelve months) after any key indicator means that the KPI corresponds to an accumulation of previous twelve month reported numbers. The measure is used to highlight trends in different KPIs, which is valuable in order to gain a deeper understanding of the development of the business.

### Operating profit (EBIT)

Earnings before interest and tax. Munters believes that EBIT shows the profit generated by the operating activities.

### Adjusted EBITA

Operating profit, adjusted for amortizations and items affecting comparability. The measurement is a key component in order to evaluate the underlying business of Munters and is regularly monitored and analyzed by the Group.

### Items affecting comparability ("IAC")

Items affecting comparability relates to income statement items that have an impact on operating profit and are important for understanding the underlying development of operations.

### Adjusted EBITA margin

Adjusted EBITA as a percentage of net sales. Munters believes that Adjusted EBITA Margin is a useful measure for showing the Company's profit generated by the operating activities

### External Net debt

Net debt calculated as external interest bearing debt (excluding shareholder loans) and pension liabilities, deducted by cash and cash equivalents. This is a measure of the ability to repay the debt if it was all due.

### Cash and cash equivalents

Cash and bank balances plus investments in securities and the like with maturity periods not exceeding three months. This is a measure that highlights the short-term liquidity.

## Auditors’ Review report

Munters Group AB, corporate identity number 556819-2321

### Introduction

We have reviewed the condensed consolidated interim financial information on pages F-2---F-11 of Munters Group AB as at March 31, 2017 and for the three months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Stockholm, May 8, 2017

Ernst & Young AB

Erik Sandström
*Authorized Public Accountant*

## Financial information as of and for the years ended 31 December 2016, 2015 and 2014

### Statement of comprehensive income

| GROUP<br>Amounts in SEK M | Note | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Net sales | 6 | 6,040 | 5,399 | 4,216 |
| Cost of goods sold | | (3,931) | (3,580) | (2,925) |
| **Gross profit/loss** | | **2,109** | **1,819** | **1,291** |
| Other operating income | 7 | 31 | 2 | 6 |
| Selling expenses | | (913) | (838) | (836) |
| Administrative costs | | (512) | (465) | (407) |
| Research and development costs | | (138) | (127) | (132) |
| Other operating expenses | 7 | 0 | (7) | (26) |
| **Earnings before interest and tax (EBIT)** | 4, 8, 9 | **577** | **384** | **(104)** |
| Financial income | 10 | 12 | 3 | 3 |
| Financial expenses | 10 | (436) | (374) | (412) |
| **Profit/Loss after financial items** | | **153** | **13** | **(513)** |
| Tax | 11 | (69) | (31) | 78 |
| **Income for the year** | | **85** | **(18)** | **(435)** |
| **Other comprehensive income** | | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | | |
| Exchange-rate differences on translation of foreign operations | | 198 | (3) | 293 |
| | | **198** | **(3)** | **293** |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods:* | | | | |
| Actuarial gains and losses on defined-benefit pension obligations, incl. payroll tax | 21 | (17) | 0 | (22) |
| Income tax effect on other comprehensive income not to be reclassified to profit or loss in subsequent periods | 11 | 4 | 0 | 5 |
| | | **(13)** | **0** | **(17)** |
| **Other comprehensive income, net after tax** | | **185** | **(3)** | **276** |
| **Comprehensive income for the year** | | **270** | **(21)** | **(159)** |
| **Income for the year** | | | | |
| Attributable to Parent Company shareholders | | 85 | (18) | (435) |
| Attributable to non-controlling interests | | 0 | 0 | 0 |
| | | **85** | **(18)** | **(435)** |
| **Comprehensive income for the year** | | | | |
| Attributable to Parent Company shareholders | | 270 | (21) | (159) |
| Attributable to non-controlling interests | | 0 | 0 | 0 |
| | | **270** | **(21)** | **(159)** |
| **Earnings per share[1)]** | | | | |
| – basic, SEK | 12 | (222.67) | (386.48) | (1,152.50) |
| – diluted, SEK | 12 | (222.67) | (386.48) | (1,152.50) |

1) Earnings per share, basic and diluted, were calculated based on income for the year attributable to Parent Company shareholders.

## Statement of financial position

| GROUP<br>Amounts in SEK M at December 31 | Note | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **NON-CURRENT ASSETS** | | | | |
| Goodwill | 15 | 4,227 | 3,944 | 3,536 |
| Patents, licenses, brands, and similar rights | 14, 15 | 1,550 | 1,614 | 1,629 |
| Buildings and land | 13 | 156 | 154 | 122 |
| Plant and machinery | 13 | 172 | 140 | 127 |
| Equipment, tools, fixtures, and fittings | 9, 13 | 133 | 92 | 71 |
| Construction in progress | 13 | 69 | 31 | 20 |
| Financial assets (Other financial assets) | | 24 | 27 | 26 |
| Deferred tax assets | 11 | 242 | 216 | 220 |
| **Total non-current assets** | | **6,574** | **6,218** | **5,751** |
| | | | | |
| **CURRENT ASSETS** | | | | |
| Raw materials and consumables | | 321 | 230 | 192 |
| Products in process | | 123 | 74 | 77 |
| Finished products and goods for resale | | 208 | 176 | 143 |
| Work on contract | | 8 | 11 | 6 |
| Advances to suppliers | | 17 | 14 | 7 |
| Accounts receivable | 3 | 1,094 | 790 | 700 |
| Prepaid expenses and accrued income | 17 | 76 | 44 | 41 |
| Derivative instruments | 18 | 2 | 5 | 1 |
| Current tax assets | | 32 | 8 | 5 |
| Other receivables | | 103 | 92 | 72 |
| Cash and cash equivalents | | 432 | 346 | 273 |
| **Total current assets** | | **2,417** | **1,790** | **1,517** |
| **TOTAL ASSETS** | | **8,991** | **8,008** | **7,268** |

## Statement of financial position

| GROUP<br>Amounts in SEK M at December 31 | Note | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **EQUITY** | | | | |
| *Attributable to Parent Company shareholders* | 20 | | | |
| Share capital | | 0 | 0 | 0 |
| Other capital contributions | | 2,167 | 2,167 | 2,166 |
| Reserves (Translation reserves) | | 439 | 241 | 244 |
| Profit brought forward (Retained earnings) | | (1,850) | (1,921) | (1,887) |
| | | **756** | **487** | **523** |
| Non-controlling interests | 20 | 11 | 8 | 2 |
| **Total equity** | | **767** | **495** | **525** |
| **NON-CURRENT LIABILITIES** | | | | |
| Shareholder loan | 18 | 2,688 | 2,488 | 2,304 |
| Interest-bearing liabilities | 18 | 2,544 | 2,351 | 2,091 |
| Provisions for pensions and similar commitments | 21 | 179 | 170 | 163 |
| Other provisions | 22 | 30 | 26 | 16 |
| Other liabilities | | 15 | 103 | 15 |
| Deferred tax liabilities | 11 | 525 | 527 | 565 |
| **Total non-current liabilities** | | **5,981** | **5,665** | **5,154** |
| **CURRENT LIABILITIES** | | | | |
| Interest-bearing liabilities | 18 | 429 | 441 | 162 |
| Advances from customers | | 315 | 193 | 118 |
| Accounts payable | | 530 | 361 | 329 |
| Accrued expenses and deferred income | 23 | 565 | 466 | 428 |
| Derivative instruments | 18 | 4 | 4 | 3 |
| Current tax liabilities | | 53 | 38 | 17 |
| Other liabilities | | 232 | 238 | 414 |
| Provisions for pensions and similar commitments | 21 | 5 | 5 | 8 |
| Other provisions | 22 | 110 | 102 | 110 |
| **Total current liabilities** | | **2,243** | **1,848** | **1,589** |
| **TOTAL EQUITY AND LIABILITIES** | | **8,991** | **8,008** | **7,268** |

## Statement of changes in equity

| GROUP<br>Amounts in SEK M | Share capital | Other capital contributions | Translation reserves | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Attributable to Parent Company shareholders | | | | | | |
| **Opening balance, January 1, 2014** | **0** | **1,616** | **(49)** | **(1,390)** | **177** | **2** | **179** |
| **Changes in equity, 2014** | | | | | | | |
| Offset issue | 0[1)] | 550 | – | – | 550 | – | 550 |
| Call/put options related to non-controlling interests | – | – | – | (38) | (38) | – | (38) |
| Dividend to non-controlling interests | – | – | – | (7) | (7) | – | (7) |
| Income for the year | – | – | – | (435) | (435) | 0 | (435) |
| Other comprehensive income, net after tax | – | – | 293 | (17) | 276 | 0 | 276 |
| Comprehensive income for the year | – | – | 293 | (452) | (159) | 0 | (159) |
| **Closing balance, December 31, 2014** | **0**[2)] | **2,166** | **244** | **(1,887)** | **523** | **2** | **525** |
| | | | | | | | |
| **Opening balance, January 1, 2015** | **0** | **2,166** | **244** | **(1,887)** | **523** | **2** | **525** |
| **Changes in equity, 2015** | | | | | | | |
| Offset issue | 0[3)] | – | – | – | 0 | – | 0 |
| Shareholders' contribution | – | 1 | – | – | 1 | – | 1 |
| Call/put options related to non-controlling interests | – | – | – | (8) | (8) | – | (8) |
| Dividend to non-controlling interests | – | – | – | (8) | (8) | – | (8) |
| Acquisition of non-controlling interests | – | – | – | – | – | 6 | 6 |
| Income for the year | – | – | – | (18) | (18) | – | (18) |
| Other comprehensive income, net after tax | – | – | (3) | – | (3) | – | (3) |
| Comprehensive income for the year | – | – | (3) | (18) | (21) | – | (21) |
| **Closing balance, December 31, 2015** | **0**[4)] | **2,167** | **241** | **(1,921)** | **487** | **8** | **495** |
| | | | | | | | |
| **Opening balance, January 1, 2016** | **0** | **2,167** | **241** | **(1,921)** | **487** | **8** | **495** |
| **Changes in equity, 2016** | | | | | | | |
| Shareholders' contributions | – | – | – | – | – | 3 | 3 |
| Acquisition of non-controlling interests | – | – | – | – | – | 0 | 0 |
| Income for the year | – | – | – | 85 | 85 | – | 85 |
| Other comprehensive income, net after tax | – | – | 198 | (13) | 185 | – | 185 |
| Comprehensive income for the year | – | – | 198 | 71 | 270 | – | 270 |
| **Closing balance, December 31, 2016** | **0**[5)] | **2,167** | **439** | **(1,850)** | **756** | **11** | **767** |

1) Refers to new share capital, SEK 15,154.
2) Refers to closing balance share capital 2014, SEK 86,009.
3) Refers to new share capital 2015, SEK 269.
4) Refers to closing balance share capital 2015, SEK 86,278.
5) Refers to closing balance share capital 2016, SEK 86,278.

## Statement of cash flows

## GROUP

| Amounts in SEK M | Note | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **Earnings before interest and tax (EBIT)** | | 577 | 384 | (104) |
| Reversal of non-cash items; | | | | |
| Depreciation, amortization, and impairments | 8 | 262 | 233 | 324 |
| Reversal of write-down asset held for sale | | – | – | 18 |
| Provisions | | (27) | 32 | 34 |
| Other profit/loss items not affecting liquidity | | (18) | (86) | (3) |
| **Cash flow before interest and tax** | | **794** | **563** | **269** |
| Paid financial items | | (206) | (171) | (135) |
| Taxes paid | | (130) | (101) | (53) |
| **Cash flow from operating activites before changes in working capital** | | **458** | **291** | **81** |
| **Cash flow from changes in working capital** | | | | |
| Changes in inventory | | (132) | (18) | 23 |
| Changes in accounts receivable | | (249) | (64) | (61) |
| Changes in other receivables | | (20) | (11) | (6) |
| Changes in accounts payable | | 145 | 11 | (25) |
| Changes in other liabilities | | 76 | 105 | 26 |
| **Change in working capital** | | **(180)** | **23** | **(43)** |
| **Cash flow from operating activities** | | **277** | **314** | **38** |
| | | | | |
| **INVESTING ACTIVITIES** | | | | |
| Business acquisitions | 4 | (2) | (513) | – |
| Divestment in assets for sale | 18 | – | – | 14 |
| Investment in tangible assets | 5 | (163) | (91) | (80) |
| Investment in intangible assets | 13 | (20) | (22) | (24) |
| **Cash flow from investing activities** | **14** | **(186)** | **(626)** | **(90)** |
| | | | | |
| **FINANCING ACTIVITIES** | | | | |
| Loans raised | | 503 | 471 | 1,831 |
| Amortization of loans | | (522) | (79) | (1,823) |
| Dividend paid to non-controlling interests | | 0 | (8) | (7) |
| Shareholders' contributions | | 0 | 1 | – |
| **Cash flow from financing activities** | | **(19)** | **385** | **1** |
| | | | | |
| Cash flow for the year | | 72 | 73 | (51) |
| Cash and cash equivalents at 1 January | | 346 | 273 | 296 |
| Exchange-rate differences in cash and cash equivalents | | 14 | 0 | 28 |
| Cash and cash equivalents at 31 December | | 432 | 346 | 273 |

Interest received totalled 2 (4, 2). Interest paid totaled 137 (107, 137).

## Notes

### Note 1 | ACCOUNTING POLICIES

Munters Group AB is a Swedish public limited company registered with the Swedish Companies Registration Office; its corporate registration number is 556819-2321. The registered office of the Board of Directors is in the municipality of Stockholm, Sweden. The address to the headquarter is Munters Group AB, Box 1188, 164 26 Stockholm. The principal operations of the Group are described in Note 6. The shares of the subsidiary Munters AB were previously listed on Nasdaq Nordic Exchange Stockholm but were delisted on December 23, 2010, after Nordic Capital, indirectly via companies, acquired the majority of shares and votes. On May 17, 2011, the Arbitration tribunal announced a special arbitration award regarding advance access to the shares held by shareholders with non-controlling interests, and at that time Nordic Capital, indirectly via companies, owned 100 per cent of the shares in Munters AB.

In May 2011, an investment program was introduced regarding share ownership for senior executives and other key individuals at Munters.

In August 2011, Rothschild acquired, through a fund, around 9 per cent of the shares.

At December 31, 2016, the shares in Munters Group AB are, indirectly through the companies Cidron Maximus Limited and Cidron Maximus S.a.r.l, 87.9 (88.5, 88.5) per cent owned by Nordic Capital Fund VII. The remaining shares are 8.7 (8.7, 8.7) per cent owned by FA International Investments S.C.A., a fund managed by Rothschild, and 3.4 (2.8, 2.8) per cent by others.

Figures in this report may include rounding differences. In this report amounts for the comparative years 2015 and 2014 are shown in double parentheses.

### BASIS OF PREPARATION

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and according to the Annual Accounts Act. IFRS also comprises International Accounting Standards (IAS) and interpretations of the standards, called IFRIC and SIC, respectively. Besides IFRS and the Annual Accounts Act, recommendation RFR1 of the Swedish Financial Reporting Board – Supplementary Accounting Rules for Groups – is also applied.

The company has chosen to only comment on the standards, changes and interpretations that are expected to be relevant for the Group.

The consolidated accounts are based on historical acquisition costs, with the exception of financial derivatives and contingent purchase considerations.

#### New and changed accounting principles

None of the changes or interpretations of existing standards to be applied as of the fiscal year starting January 1, 2016 has any significant effect on the Group´s financial statements.

#### New and amended IFRS that are not yet implemented

A number of new and changed IFRS are not yet effective and no earlier application has been made in the preparation of these financial statements. The IFRS that might have an effect on the financial statements of the Group are described below. No effects on the Group's financial statements are expected by other accounting news approved by IASB at December 31, 2016 in addition to the IFRS described below.

*IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments is effective from January 1, 2018. The Standard comprises accounting of financial assets and liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. The Standard sets out the requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

One change compared to IAS 39 is that impairment of financial assets must be made by a loss allowance for expected credit losses at initial recognition of financial assets recognised at amortised cost and fair value through other comprehensive income, as well as for some additional assets and receivables. These financial assets include trade receivables, cash and cash equivalents and investments of excess liquidity in debt securities. The Group currently assesses the impact of the implementation of the Standard. Classification and measurement under IFRS 9 are not expected to impact values recognised in the financial statements. Impairment for expected credit losses entails some change that has not yet been quantified. Hedge accounting is not applied at present.

*IFRS 15 Revenue from contracts with customers*

IFRS 15 is effective from 2018.

IFRS 15 contains rules regarding revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Pursuant to IFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of, and obtain the benefits from, the good or service. IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations (SIC and IFRIC). The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is evaluating the impact of the standard and has not quantified the effects of IFRS 15. Based on a preliminary analysis of a number of contracts related to customers of the Air Treatment business area, the Company does not currently believe that the standard will have a significant effect on the Company's financial statements. This evaluation will continue throughout 2017.

*IFRS 16 Lease*

IFRS 16 is effective from 2019. IFRS 16 sets out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 eliminates the classification of leases as either operating leases or finance leases required by IAS 17 for lessees. Instead, a lessee is required to recognise (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. Lessors will continue to have two types of leases, finance and operating, and account for those two types of leases generally as they do today. The most significant effect of the new requirements will be an increase in lease assets and financial liabilities.

Munters has begun to analyze the effects IFRS 16 will have on the Company's financial statements. In brief, the initial analysis shows that Munters as an operational lessee will be affected by the implementation of IFRS 16. Monetary calculations of the effect of IFRS 16 and choice of transition approach have not yet been carried out. Based on the Company's preliminary review of its leases (primarily lease agreements in respect of premises), including notice periods and rental amounts, the Company's assessment is that IFRS 16 will require changes in internal systems and procedures. The Company currently believes that IFRS 16 will have an effect on its consolidated accounts and financial key performance indicators, primarily ratios based on gross assets and gross liabilities.

Changes in accounting rules or the application and interpretation thereof may entail uncertainty related to Munters' accounting, financial reporting and internal control and could also affect the Company's reported earnings, balance sheet and equity, which could have a material adverse effect on Munters' business, financial condition and results of operations.

**BASIS FOR CONSOLIDATION**

The consolidated accounts encompass the Parent Company and its subsidiaries. The financial statements for the Parent Company and its subsidiaries included in the consolidated accounts refer to the same period and have been prepared in accordance with the accounting policies that apply to the Group. All intra-Group transactions, revenues, costs, gains, or losses that arise in transactions between companies included in the consolidated accounts have been wholly eliminated.

**Subsidiaries**

"Subsidiary" refers to a company in which the Parent Company directly or indirectly owns more than half of the voting rights or otherwise has a controlling influence.

A subsidiary is included in the consolidated accounts as of the time of its acquisition, which is the date when the Parent Company acquires a controlling influence, and is included in the consolidated accounts until the date on which the controlling influence ceases.

Subsidiaries are recognized using the acquisition method, whereby identifiable assets and liabilities in the acquired company are recognized at the fair values determined by the purchaser at the time of acquisition.

**Non-controlling interests**

Non-controlling interests consists of the portion of income and net assets in subsidiaries not wholly owned that accrues to owners other than Parent Company shareholders. Income attributable to non-controlling interests is included in income recognized in the consolidated statement of comprehensive income, and the share of net assets is included in the equity recognized in the consolidated statement of financial position.

**Translation of the accounts of foreign subsidiaries**

Items in the balance sheets of subsidiaries are valued in the relevant functional currency, which is normally that country's local currency. The consolidated financial statements are presented in Swedish kronor, which is the Parent Company's functional currency as well as reporting currency.

The income statements and balance sheets for foreign subsidiaries are translated into Swedish kronor. The balance sheets are translated at the closing rates of exchange. The income statements are translated at the average exchange rate during the period. Exchange-rate differences arising upon translation do not affect income for the year but are recognized in other comprehensive income in the consolidated accounts.

Goodwill and any adjustments to fair value arising from acquisitions of a foreign subsidiary are treated as assets and liabilities in the foreign operation and are translated at the closing rate.

The net investments attributable to Munters' net investments in foreign currency are not currently hedged.

Translation differences relating to investments in foreign operations are recognized as a translation reserve in equity. When foreign operations are sold, the accumulated translation differences attributable to the divested foreign operations must be recognized as part of the consolidated gain or loss on the divestment.

The following main foreign exchange rates have been used in translating accounts.

| | | Average rate | | | Closing rate | | |
|---|---|---|---|---|---|---|---|
| **Currency** | **Country** | **2016** | **2015** | **2014** | **2016** | **2015** | **2014** |
| AUD | Australia | 6.37 | 6.34 | 6.19 | 6.57 | 6.09 | 6.37 |
| BRL | Brazil | 2.48 | 2.57 | 2.92 | 2.80 | 2.16 | 2.83 |
| CAD | Canada | 6.46 | 6.60 | 6.21 | 6.74 | 6.03 | 6.72 |
| CNY | China | 1.29 | 1.34 | 1.11 | 1.31 | 1.29 | 1.26 |
| DKK | Denmark | 1.27 | 1.25 | 1.22 | 1.29 | 1.22 | 1.28 |
| EUR | Euro zone | 9.47 | 9.36 | 9.10 | 9.57 | 9.14 | 9.52 |
| GBP | United Kingdom | 11.57 | 12.90 | 11.29 | 11.18 | 12.38 | 12.14 |
| JPY | Japan | 0.08 | 0.07 | 0.06 | 0.08 | 0.07 | 0.07 |
| NOK | Norway | 1.02 | 1.05 | 1.09 | 1.05 | 0.96 | 1.05 |
| KRW | South Korea | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| SGD | Singapore | 6.20 | 6.13 | 5.41 | 6.29 | 5.91 | 5.91 |
| THB | Thailand | 0.24 | 0.25 | 0.21 | 0.25 | 0.23 | 0.24 |
| TRY | Turkey | 2.83 | 3.11 | 3.13 | 2.58 | 2.87 | 3.37 |
| USD | USA | 8.56 | 8.44 | 6.86 | 9.10 | 8.35 | 7.81 |
| ZAR | South Africa | 0.59 | 0.66 | 0.63 | 0.67 | 0.54 | 0.67 |

**BUSINESS COMBINATIONS**

At the time of acquisition, the fair value of the identifiable assets and liabilities of the acquired operations is established. These fair values include participations in the assets and liabilities attributable to any remaining non-controlling interests in the acquired operations. Identifiable assets and liabilities include assets, liabilities, and provisions, as well as commitments and claims from external parties that are not recognized in the balance sheet of the acquired operations. Provisions are not made for outlays for projected restructuring measures that result from the acquisition. The difference between the consideration remitted for the acquisition and the acquired share in the fair value of net assets of the acquired operations is classified as goodwill and recognized in the statement of financial position. All outlays related to an acquisition are expensed in the period in which they arise.

The useful life of each intangible asset is established and then amortized over the established useful life. If the useful life is deemed indefinite, no amortization is recognized. An assessment that causes the useful life of an intangible asset to become indefinite takes all relevant circumstances into account and is based on the premise that there is no predictable maximum time limit for the net cash flow generated by the asset. The useful life of goodwill is generally assumed to be indefinite.

**Options regarding non-controlling participations**

During the period Munters has had call options and issued put options regarding non-controlling participations, as agreed in connection with business combinations. Munters is recognizing non-controlling participations initially and allocate such a part of income. The Group also recognize a liability corresponding to the discounted expected redemption price for the options whereupon non-controlling participations attributable to the options are eliminated. The difference between liabilities for the options and the non-controlling participations to which the options refer are recognized directly in equity and disclosed separately from other changes in equity. The dissolution of the discounting effect is therefore recognized directly against equity. See more information in Note 5 Business combinations.

### TRANSACTIONS IN FOREIGN CURRENCIES

A transaction denominated in a foreign currency is translated at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange and any resulting translation differences are charged to income. Accordingly, both realized and unrealized exchange-rate differences are recognized through income for the year. Exchange-rate differences concerning operating receivables and operating liabilities are recognized in EBIT, while exchange-rate differences attributable to financial assets and liabilities are recognized as financial income or financial expense.

### REVENUE RECOGNITION

Net sales are recognized at the sale value less discounts and value added tax and other taxes. Revenue from the sale of goods is recognized upon delivery, at which point essentially all risks and rights are transferred to the purchaser. As a result, sales are normally reported on delivery to the customer in accordance with the terms of sale.

Revenue from major project assignments is recognized in relation to the degree of completion at the end of the reporting period, provided the profit can be reliably calculated. Degree of completion is determined mainly on the basis of committed project costs in relation to estimated project costs upon completion. Any anticipated losses are expensed directly.

Interest income on receivables of long maturity is calculated using the effective interest method. Interest income includes the accrued amount of transaction costs and any discounts, premiums, and other differences between the original value of the receivable and the amount received when due.

### BORROWING EXPENSES

Borrowing expenses are recognized as costs in the period in which they arise, apart from borrowing expenses that are directly attributable to the purchase, design, or production of an asset that will necessarily take substantial time to complete and that is intended for use or sale. Borrowing expenses are capitalized in the respective asset when they are directly attributable.

### WARRANTY COMMITMENTS

Warranty costs are recognized in cost of goods sold. Provisions for warranty costs are calculated at a standard rate in an amount that corresponds to the average warranty costs in relation to sales in the most recent 24-month period, with an adjustment for known warranty claims exceeding the standard provision. Provisions for warranty commitments are related to the stated warranty period.

### INCOME TAXES

Income taxes in the consolidated financial statements consist of current and deferred income tax.

Tax is recognized in income for the year except when the under-lying transaction is recognized directly in equity or other comprehensive income, in which case the associated tax is also recognized in equity or other comprehensive income.

Current tax is tax to be paid or received with respect to the current year, or adjustments of current tax attributable to prior periods. Current income taxes are based on each company's taxable income for the period. This item includes adjustments for current income tax attributable to previous periods.

Deferred income tax is recognized using the balance sheet liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amount. The valuation is made based on the latest decided tax-rate. Temporary differences arise in conjunction with company acquisitions as the difference between the value of assets and liabilities and their value for tax purposes.

Deferred tax assets based on loss carry-forwards are recognized to the extent it is deemed likely that the carry-forwards can be used to offset future surpluses.

Deferred tax liabilities referring to temporary differences attributable to investments in subsidiaries and associated companies are not recognized, because the Parent Company can control the timing of the reversal of the temporary differences in all such cases, a capital gain or loss on a sale is not subject to taxation, and it is considered unlikely that a reversal will occur in the near future.

## TANGIBLE AND INTANGIBLE FIXED ASSETS

Non-current assets are recognized in the statement of financial position at acquisition cost less accumulated depreciation or amortization according to plan and any impairment losses. The assets of acquired companies are recognized at fair value on the date of acquisition less accumulated depreciation or amortization.

The acquisition cost of the asset is depreciated or amortized on a straight-line basis to the estimated residual value over the anticipated useful life of the asset. Anticipated useful lives are specified in Note 8. Each asset's remaining useful life is tested at the end of each accounting period and adjusted if necessary.

### Buildings, machinery, and equipment

Land is not subject to depreciation because it is considered to have an indefinite useful life. Normal maintenance and repair costs are expensed as they arise. More extensive renovation and upgrade costs are reported as an asset and depreciated over the remaining useful life of the asset.

### Leases

Leases are classified either as finance or operating leases. Leases in which Munters adopts essentially the same risks and benefits associated with a direct ownership of the asset are classified as finance leases. Recognition of finance leases entails recognizing a non-current asset as an asset item in the statement of financial position, at the lower of the fair value of the asset and the estimated present value of the underlying lease payments, and initially reporting a corresponding liability. The asset is depreciated according to plan over its useful life, while the lease payments are recognized as interest and repayment of the liability. For an operating lease, the lease payments are expensed during the lease period.

### Goodwill

Goodwill is the value by which the purchase price exceeds the fair value of the net assets acquired in conjunction with a business combination or an acquisition of assets and liabilities.

### Patents, licenses, and similar intellectual property rights

Direct external expenses for the development of software for internal administrative use are capitalized, provided future efficiency gains are likely and exceed the expenses committed. Activities during the feasibility study phase, and maintenance and training costs, are expensed on an ongoing basis.

### Research and development

The Group's outlays for research are expensed as they are incurred. Research outlays are recognized as an intangible asset in the statement of financial position, provided that it is technically feasible and also that the Group intends to complete the asset for use or sale. There should also be conditions to use and sell the asset and it should be possible to demonstrate the probability of future financial benefits. In addition, adequate resources are required to complete the development and to use or sell the asset. Outlays arising before the aforementioned criteria are met are expensed. Depreciation of capitalized development starts when the asset is complete and ready to use. Amortization occurs on a straight-line basis over the useful life, usually three to five years.

### Impairment testing

When there is an indication that a non-current asset's value has declined, the carrying amount of the asset is assessed. Goodwill and other intangible assets with an indefinite useful life are impairment-tested at least once a year, or more often if there are indications of impairment.

If an asset's carrying amount exceeds its estimated recoverable amount, the asset is impaired to its recoverable amount. The recoverable amount is the higher of net sale value and value in use. The recoverable amount is assessed individually for each cash-generating unit.

"Net sale value" refers to the most likely sale price in a normally functioning market, after the deduction of selling costs. "Value in use" refers to the present value of the estimated future cash flows that are expected to result from the use of the asset plus the estimated residual value at the end of the asset's useful life.

Value in use is generally measured using discounted cash flow models, which requires assumptions of such parameters as a discount rate, future cash flows, and the expenses necessary to generate the estimated cash flows.

Any impairment previously recognized is reversed if the recoverable amount is judged to exceed the carrying amount. The reversal amounts are limited such that a carrying amount must not exceed what it would have been if no impairment had been recognized in prior periods.

Goodwill is tested for impairment using the following method. The goodwill value established on the date of acquisition is distributed among cash-generating units, or groups of cash-generating units, that are expected to contribute advantages from synergistic effects resulting from the acquisition. Assets and liabilities already in the Group at the time of acquisition can also be assigned to these cash-generating units. Each cash-generating unit to which goodwill is allocated corresponds to the smallest identifiable group of assets, as part of continuous usage, generates cash inflows that are substantially independent of other assets or groups of assets. This is a unit of the Group that is not larger than a segment – that is, a business area according to the Group's segment reporting. Goodwill impairment is not reversed.

## INVENTORY

Inventory is valued at the lower of acquisition cost and net sales value (fair value). Required impairment is recognized for obsolescence based on each item's age and rate of turnover. Acquisition cost is determined using the first-in, first-out method. Otherwise, weighted average cost may be used if it results in a good approximation of the first-in, first-out method. For products manufactured in-house, the acquisition cost consists of direct manufacturing costs plus a reasonable share of indirect manufacturing costs. Interest expenses are not included in the value of inventory. Measurement has taken into account normal capacity utilization.

## WORK ON CONTRACT

Work on contract consists of committed expenses attributable to currently incomplete work.

## FINANCIAL INSTRUMENTS

Financial instruments are all forms of contract that give rise to a financial asset in one company and a financial liability or an equity instrument in another company.

Financial instruments are classified in the following categories: (a) financial assets and liabilities measured at fair value through income for the year, (b) loans receivable or accounts receivable, (c) financial instruments held to maturity, (d) financial assets available for sale, and (e) other financial liabilities. Classification depends on the purpose of acquiring the instrument. Management establishes the classification of an instrument for initial recognition and reassesses this classification at each reporting date. All financial instruments are recognized from the transaction date.

**Classification of financial assets and liabilities**

Munters has financial assets and liabilities within the following categories:

*Financial assets and liabilities measured at fair value through income for the year*

This category has two sub-groups: financial assets and liabilities held for trading, and assets and liabilities that are initially classified as measured at fair value through income for the year. A financial asset or liabilities is classed in this category if it was acquired primarily with the intention to sell or buy it soon or if this classification was determined by management. Derivative instruments are also classified as held for trading if they are not identified as hedges. Assets and liabilities in this category are classified as current assets or other liabilities if they are held for trading or expected to be realized within 12 months of the end of the reporting period. Munters has foreign exchange forwards and contingent purchase consideration classified in this category.

*Loans receivable and accounts receivable*

Loans receivable and accounts receivable are non-derivative financial assets with determined or determinable payments that are not quoted on an active market. Characteristic for these assets is that they arise when the Group provides money, goods, or services directly to a customer without the intention to trade the resulting receivable. They are included in current assets with the exception of items falling due more than 12 months after the end of the reporting period, which are classified as non-current assets. Munters has cash and cash equivalents, accounts receivable, accrued income, and certain other receivables in this category.

*Other financial liabilities*

Financial liabilities not held for trading belong to this class. Munters' borrowing, accounts payable, put/call options and certain accrued expenses are included in this category.

**Recognition and measurement of financial instruments**

*Financial assets and liabilities measured at fair value at year end in the statement of financial position* refer to derivatives and contingent purchase considerations. Derivatives are initially recognized at acquisition cost in the statement of financial position and thereafter at fair value at the end of subsequent reporting periods. Changes in value are recognized in net income, no hedging is applied.

Contingent purchase considerations are initially, and thereafter, recognized at fair value in the statement of financial position. Changes in value are recognized in net income as other operating income alternatively other operating expenses.

The net investments attributable to Munters' net investments in foreign currency are not currently hedged. Exchange rates on receivables that constitute an extended investment in the subsidiary are recognized through other comprehensive income in the same way as translation differences pertaining to investments in foreign subsidiaries.

*Loans receivable and accounts receivable* are measured initially at fair value. On subsequent occasions, the assets are measured at amortized cost using the effective-interest method and adjusted for any credit losses. A provision for credit losses is made when there are strong indications that the Group will not be able to receive the amounts specified in the original terms of the receivable.

*Other financial liabilities* are recognized at amortized cost using the effective-interest method. The acquisition cost corresponds to fair value upon acquisition. For borrowing, this corresponds to the amount received, less any transaction costs. Any gains or losses arising in conjunction with the disposal of financial instruments or the repurchase of loan obligations are recognized through income for the year. Munters has call options and has issued put options regarding non-controlling participations, these are recognized at fair value. For more information see Business combinations above.

**Offsetting of financial instruments**

Financial assets and liabilities may be offset against each other and recognized net in the consolidated accounts in cases where Munters has agreed with the counterparty that assets and liabilities will be netted. No offsetting has taken place in the statement of financial position.

**Cash and cash equivalents**

Cash and cash equivalents are defined as cash and bank balances plus investments in securities maturing in three months or less. Utilized overdraft facilities are recognized in short-term loans.

**ASSETS HELD FOR SALE**

Non-current assets (or disposal groups) are classified as being held for sale when their carrying amounts will chiefly be recovered through a sale and when the probability of such a sale is high. Measurement of such non-current assets (or disposal groups) is performed at the lower of the carrying amount and the fair value, less selling expenses.

**RECLASSIFICATIONS AND CHANGE OF ACCOUNTING POLICY**

In the cashflow statement of the parent company a reclassification from current receivables interest bearing and group contribution in 2015 to group contribution 2016 has been made since this item was not affecting the cashflow in 2015. This also affects the interest bearing receivables in the specification of net debt excluding shareholder loan. The reclassified amount is SEK 53 million.

In note 22 Other provisions a reclassification between current and non-current portion of provisions is made for 2015, SEK 102 million is the current portion and SEK 26 million is the non-current portion.

During 2016 a change in accounting policy regarding the company´s pension obligations secured by endowment insurances has been made. These are now classified and recognized as defined contribution pension plans. The changes results in an alteration of recognized pension provision and corresponding financial asset but no impact on result since the pension obligation and asset were recognized at the same value. The comparative years has been restated by SEK 27 million (2015) and SEK 3 million (2014).

## PROVISIONS

A provision is recognized when the Group has or may be considered to have an obligation as a result of events that have occurred and where it is probable that payments will be required to fulfill the obligation. An additional prerequisite is that it must be possible to reliably estimate the amount to be paid.

Provisions for restructuring measures are allocated when a detailed, formal plan for the measures is established and well-founded expectations have been created among those who will be affected by the measures.

### Restructuring measures

Restructuring costs include the requisite impairment of assets as well as estimated costs for dismissal of personnel. The cost estimate is based on detailed action plans that are expected to improve the Group's cost structure and productivity. To minimize uncertainty, historical outcomes from similar programs are normally used as the basis for the calculation. Provisions for restructuring measures are allocated when a detailed, formal plan for the measures is established and well-founded expectations have been created among those who will be affected by the measures.

## EMPLOYEE BENEFITS

### Pensions

Within the Group, there are several defined-contribution as well as defined-benefit pension plans and other non-current employee benefits, including some with pension plan assets. In defined-contribution plans, the company pays a predetermined premium to a separate legal entity and does not have any legal or informal obligation to make additional payments if, when compensation to the employee is to be paid, the legal entity has insufficient assets. All other plans for post-employment benefits are defined-benefit plans. Pension plans are mainly funded through premiums paid by the various Group companies. Independent actuaries compute the amount of the commitments of the various plans and reassess pension plan commitments every year.

For defined-benefit plans, pension expenses are calculated using the Projected Unit Credit Method, so that the cost is distributed over the employee's working life. These commitments are measured as the present value of the anticipated future payments calculated using a discount rate that corresponds to the interest on high--quality corporate bonds with a remaining term that approximately corresponds to that of the commitments. For Swedish plans, the discount rate equals the housing bond rate. For funded plans, the pension commitment is recognized net after deduction of the plan assets.

Expenses for the year for employment in the current year are recognized in administrative costs and the interest expense for the defined-benefit net liability is recognized in financial expenses in the statement of comprehensive income for the year.

When establishing the present value of the defined-benefit commitment, and the fair value of the minor plan assets that exist, there may be effects of revaluation, so-called actuarial gains and losses, either because the actual outcome deviates from previous assumptions, or because the assumptions are changed. The result of such revaluation is recognized in other comprehensive income in the period they arise.

Special employer's contribution in Sweden is calculated on the difference between the pension obligation adopted according to IAS 19 and according to the rules applied for the legal entities. Calculated future employer's contribution is recognized in the balance sheet as a part of the pension liability. The change in the provision is recognized to the extent that it pertains to the effects of revaluations, in other comprehensive income.

The Group's payments relating to defined-contribution plans are recognized as an expense during the period the employee performed the services to which the expense relates.

### Other non-current employee benefits

Other non-current employee benefits include benefits in conjunction with anniversaries or other benefits to long-term employees. Recognition of these benefits differs from defined-benefit plans whereby actuarial gains and losses are recognized in income for the year and all expenses pertaining to employment during previous periods are recognized immediately.

## CONTINGENT LIABILITIES

Contingent liabilities are reported when there are possible obligations relating to transpired events that will only become actual obligations given the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of Munters. A contingent liability may also be an obligation arising from transpired events but which is not reported as a liability or a provision because it is not probable that the obligation will be settled or because the amount of the obligation cannot be calculated with sufficient reliability.

## RELATED PARTY DISCLOSURES

The companies related to Munters are defined as the Parent Company, subsidiaries, and associated companies as well as other companies managed by Nordic Capital. "Related physical persons" are defined as Board members, senior executives, and close family members of such persons. Companies in which any of the mentioned physical persons have significant influence are also defined as companies related to Munters. Information on transactions that entail a transfer of resources, services, or obligations between related parties is disclosed, regardless of whether or not remuneration is paid. The disclosure contains information as to the character of the relationship and the effect of the relationship on the financial statements.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

If events arise that are significant but that should not be taken into account when the amounts in the statements of comprehensive income or financial position are adopted, then the character of the event and, if possible, an estimate of its financial impact will be disclosed in the Board of Directors' Report and notes. "Significant" implies that an omission to disclose the information could influence financial decisions made by users of the financial statements.

Significant events that confirm the situation that existed at the end of the reporting period and that occur after the reporting period but prior to the signing of the Annual Report result in adjustments in the amounts in the Annual Report.

## Note 2 | SIGNIFICANT ESTIMATES AND ASSESSMENTS

In preparing the financial statements, Company management and the Board of Directors must make assessments and assumptions that affect the final accounts and disclosures. These assessments are based on past experience and the various assumptions that management and the Board consider reasonable under the prevailing circumstances. The conclusions thus drawn form the basis for determinations concerning carrying amounts of assets and liabilities in cases where they cannot be readily determined using information from other sources. Actual outcomes may differ from these assessments, if other assumptions are made or other conditions applied.

The estimates and assessments that are considered to have the greatest impact on Munters Group AB's earnings and financial position are discussed below.

**Measurement of goodwill**

The Group tests for impairment of goodwill each year. This test requires an estimation of parameters that affect future cash flows and a determination of a discount rate. Then the recoverable amount of each individual cash-generating unit is established by calculating the value in use. Note 15 presents the significant assumptions made to test goodwill and describes the effects of reasonable and possible changes in the assumptions on which the calculations were based. At the end of 2016, the Group recognized goodwill to a value of SEK 4,227 million (3,944, 3,536).

**Acquired intangible assets and establishing useful lives**

When businesses are acquired, the intangible assets acquired are measured at fair value. In cases where there is an active market for the acquired assets, the fair value is determined based on prices in that market. Because active markets are often lacking for these assets, valuation models have been developed to estimate fair values. One example of a valuation model is discounted future cash flows. These assets are amortized based on established useful lives. When establishing useful lives, Company management makes assumptions and judgements regarding how long each asset will generate financial benefits for the Group. At the end of 2016, the Group recognized Technology, Customer relationships and Brands to a value of SEK 1,450 million (1,510, 1,545).

**Development expenses**

Determining whether or not an intangible asset that results from development should be recognized as an asset requires an assessment of the extent to which certain specific conditions are satisfied. With regard to capitalized development projects, management has assessed that it is confirmed that these are technically and financially feasible. At the end of 2016, the Group recognized intangible assets regarding product development to a value of SEK 54 million (48, 41).

**Deferred tax assets on loss carry-forwards**

The Group recognizes deferred tax assets on loss carry-forwards to the extent it is probable that it will be possible to deduct such losses from future profits. The actual outcome may deviate from the assessments made because of factors such as changes in the business climate or in tax regulations.

At the end of the 2016 reporting period, the Group's total tax loss carry forward was SEK 900 million (959, 1,106). In the consolidated balance sheet, a value for tax purposes of capitalized loss carry-forwards was recognized in the amount of SEK 100 million (85, 104), relating chiefly to Australia, Belgium, Netherlands, Turkey, Germany and Sweden.

**Contingent purchase consideration**

A contingent purchase consideration in connection with acquisitions is often dependent on future financial performance related to the acquired unit. Actual results may differ from these assumptions, which involve previously recognized contingent consideration changes. Contingent considerations related to the acquisition in 2015 of HB Group and Reventa are initially recognized in purchase price analysis. In 2016 the contingent purchase consideration in Reventa was released prematurely and the payment was SEK 9 million. This amount was less than what had been recognized in the purchase price analysis and therefore meant an effect of SEK 30 million on the Group's statement of comprehensive income.

**Legal disputes**

Provisions for legal disputes are estimates of the future cash flows that will be required to settle the obligations. The disputes primarily relate to contracted obligations attributable to contracts with customers and suppliers, though other types of disputes also arise in normal business operations. Management considers it improbable that any of the known disputes in which Munters is currently involved will have a significant negative effect on the Group's accounts. For more information see Note 24.

## Note 3 | FINANCIAL RISK MANAGEMENT

Through its operations in a global environment, Munters is exposed to several different financial risks, such as currency risk, interest rate risk, credit risk, and liquidity risk.

The financial risks are controlled and managed based on a financial policy adopted by the Board. The policy covers the entire Group and is updated annually. The purpose of the policy is to create a framework for managing the various financial risks.

Risk management and financing activities are handled centrally by the CFO and the Group Treasury function, under the control and monitoring of the Board of Directors and CEO. The overall objective is to limit the volatility attributable to financial factors in the income statement and balance sheet, protect financial assets and future cash flows, as well as optimize the Group's financing and meet covenants. The Treasury function, which acts as the Group's internal bank, identifies, evaluates, and hedges financial risks in close cooperation with the Group's operational units.

**Currency risk**
Due to Munters global presence, the Group is exposed to currency risks, both through transaction exposure in transactions in foreign currency and through translation exposure when translating income statements and balance sheets into SEK.

**Transaction exposure**
Group internal sales in foreign currency primarily occur through the Group's sales companies, which are invoiced in the recipient's functional currency. In so doing, transaction exposure and hedging operations are concentrated to a few companies in the Group.

The hedging of transaction exposure shall primarily occur through so-called natural hedges, whereby incoming and outgoing cash flows in foreign currencies are matched so as to minimize the net exposure. For example, Munters has decided to have their external loans in USD to get a natural hedge towards the large inflows of USD as presented in the table below. Otherwise, hedging shall chiefly occur through the forward selling of currency. The value of forward contracts at year-end was about SEK -2 million (2, -2), see Note 18. Munters does not apply hedge accounting for these financial instruments.

A significant proportion of Munters' income and expense is generated in foreign currencies, of which the most significant are presented in the table below. The geographic distribution of Munters' production plants results in significant matching of revenues and expenses in local currencies, which limits the currency exposure.

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| **Currency** | **Per centage of revenue, %** | **Per centage of costs, %** | **Per centage of revenue, %** | **Per centage of costs, %** | **Per centage of revenue, %** | **Per centage of costs, %** |
| USD | 43.4 | 39.0 | 47.5 | 42.5 | 41.9 | 36.7 |
| EUR | 28.4 | 29.3 | 25.2 | 25.7 | 26.9 | 27.9 |
| CNY | 8.4 | 7.0 | 6.9 | 6.9 | 6.1 | 7.6 |
| GBP | 4.1 | 4.3 | 3.1 | 3.4 | 4.0 | 3.4 |
| SGD | 3.1 | 0.5 | 1.3 | 0.6 | | |
| JPY | 2.3 | 2.3 | 2.2 | 2.1 | 2.6 | 2.2 |
| AUD | 1.9 | 1.6 | 2.0 | 1.7 | | |
| BRL | 1.6 | 1.7 | 2.1 | 1.9 | | |
| SEK | 1.3 | 7.1 | 3.5 | 8.6 | 4.9 | 10.9 |
| Other | 5.4 | 7.2 | 6.2 | 6.6 | 13.6 | 11.3 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

Munters' sensitivity to variations in exchange rates is presented in the table below. The analysis includes transaction exposure and is based on EBIT for 2016, 2015 and 2014. All other factors that can influence earnings are assumed unchanged in the calculation.

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| | **Estimated effect on earnings before interest and tax (EBIT)** | | **Estimated effect on earnings before interest and tax (EBIT)** | | **Estimated effect on earnings before interest and tax (EBIT)** | |
| **SEK +10% compared with** | **SEK M** | **%** | **SEK M** | **%** | **SEK M** | **%** |
| AUD | (3.6) | (1) | (3.4) | (0.5) | | |
| CNY | (16.5) | (3) | (4.5) | (0.7) | 5.7 | 2.5 |
| EUR | (18.0) | (3) | (13.1) | (2.0) | | |
| GBP | (1.7) | 0 | (0.2) | 0.0 | (3.9) | (1.7) |
| ILS | 8.5 | 1 | 6.6 | 1.0 | 5.4 | 2.4 |
| JPY | (1.6) | 0 | (2.2) | (0.3) | | |
| KRW | (3.9) | (1) | (4.1) | (0.6) | (4.0) | (1.8) |
| MXN | 7.4 | 1 | 6.1 | 0.9 | 4.1 | 1.8 |
| SGD | (19.6) | (3) | (4.7) | (0.7) | (3.4) | (1.5) |
| USD | (65.5) | (11) | (61.1) | (9.4) | (35.4) | (15.4) |
| **Total** | **(115)** | **(20)** | | | | |

**Translation exposure**
A large proportion of Munters' subsidiaries have net assets in a functional currency that is different from the Group's reporting currency. When these are translated into SEK, translation differences arise which are recognized in other comprehensive income. Translation differences attributable to net investments in foreign currency are not hedged. However, pursuant to the financial policy, this is monitored and calculated regularly in order to determine its impact on earnings and financial position.

The effect on other comprehensive income of the translation of foreign subsidiaries' net assets into SEK totaled SEK 198 million (-3, 293) for the year. This refers mainly to subsidiaries that have USD and EUR as functional currency.

**Interest rate risk**
Interest rate risk refers to the risk of the value of financial instruments and interest-bearing assets and liabilities changing due to changes in the interest rate level.

To ensure efficiency and sound risk control, the major part of borrowings are managed by the Group Treasury function.

Munters is exposed to interest risk through interest-bearing borrowings, which are one of the Group's sources of financing in addition to equity and cash flow from operating activities. Interest-bearing borrowings consist primarily of a shareholder loan, with a fixed interest rate, and a long-term bank loan, with a variable interest rate. In addition to these, banks have granted a few individual loans to subsidiaries.

The Group has no significant interest-bearing assets besides bank balances, so revenues and cash flow from operating activities are largely independent of changes in market interest rates.

The Group had at the end of 2014, 2015 and 2016 no outstanding interest rate derivatives.

**Interest exposure**

The average fixed interest term for the Group's external loans was 3,1 months (2,9, 3,1) at year-end 2016. If the interest rate increases with one per centage in all countries where Munters has loans or investments, the impact on net financial income and expense would be approximately SEK 23 million (10, 5), based on the portion of net debt carrying interest not hedged at year-end. This sensitivity analysis assumes that all other factors, such as exchange rates, remain unchanged.

**Credit risk**

Credit risk is the risk of Munters incurring losses due to a counterparty failing to pay.

**Credit exposure**

For Munters, the predominant portion of credit risk relates to accounts receivable. Munters works actively to limit this risk. An approved credit rating is required for a counterparty to be approved.

Advance payment is generally encouraged, and partial advance payment is required when the value of the order is a significant amount and delivery extends over a long period of time. Accounts receivable are also mainly spread among many customers, primarily companies in different industries and with wide geographical distribution, which limits concentration of the credit risk. The Group's five largest customers accounted for 13 per cent (12, 9) of total revenues, calculated on a full-year basis. At December 31, 2016, the five largest customers accounted for 12 per cent (8, 9) of total outstanding accounts receivable.

To ensure that the Group's accounts receivable are paid, the management of receivables is regulated in a special policy. According to this policy, each business unit must have established and documented processes for handling unpaid receivables. The documented processes include specifications of time limits for taking various actions, including legal action, as well as who is responsible at various stages of the process. Documentation of actions taken ensures that follow-up is possible. The measures are matched to amounts and to different groups of customers and business areas in a manner that will result in efficient handling of overdue accounts receivable.

| **Time analysis of accounts receivable, past due but not impaired** | **2016** | **2015** | **2014** |
|---|---|---|---|
| < 30 days | 177 | 174 | 163 |
| 30–90 days | 135 | 90 | 61 |
| 91–180 days | 39 | 28 | 24 |
| > 180 days | 1 | 0 | 2 |
| **Closing balance** | **352** | **292** | **250** |

Provisions for bad debts correspond to 4 per cent (6, 8) of total receivables and changed as follows.

| **Provision for bad debts** | **2016** | **2015** | **2014** |
|---|---|---|---|
| Amount at January 1 | 51 | 54 | 46 |
| Provision for anticipated losses | 27 | 18 | 16 |
| Realized losses | (8) | (12) | (3) |
| Reversals of unutilized amounts | (30) | (9) | (11) |
| Exchange-rate differences | 2 | 0 | 6 |
| **Closing balance** | **42** | **51** | **54** |

The credit quality of financial assets not past due or not impaired at the end of the reporting period is considered good.

The credit risk for financial assets besides accounts receivable, such as cash and cash equivalents, equals the carrying amounts.

**Counterparty exposure**

A list of approved counterparties and maximum exposure to each approved counterparty is established in the financial policy. Approved counterparties should be characterized by high ethical values and have a credit rating of at least A-/A2 according to Standard & Poor's/Moody's credit assessments. Exceptions may sometimes be made for local banks, but such cases must have the advance approval of the CFO.

**Liquidity risk**

Liquidity risk refers to the risk of Munters, at a given point in time, not having sufficient liquidity to cover expected or unforeseen expenses.

Management continually monitors forecasts of Group cash flows and liquidity reserves to ensure that the Group has sufficient funds to satisfy the needs of operating activities and to cover interest payments and loan repayments. Actions are taken if necessary.

According to the financial policy, the long-term liquidity reserve shall exceed an amount equivalent to one month of disbursements (both direct and indirect). A short-term liquidity reserve is set at the critical amount of SEK 200 million, which represents two weeks of disbursements. Long-term the liquidity reserve shall amount to SEK 400 million.

Group Treasury works actively to ensure an effective cash management structure by centralizing the liquidity to the parent company through cash pools and other form of sweeping mechanisms.

The liquidity reserve shall be secured in form of cash and cash equivalents and unutilized credit facilities. At the end of 2016, the Group had unutilized credit facilities of SEK 68 million (209, 216). At the end of December a new acquisition facility of USD 25 million was made available. The new facility was not utilized at the end of the year.

Cash surplus shall primarily be used to repay on external debt.

The Group's cash and cash equivalents shall be placed in bank accounts or high-liquidity interest-bearing instruments. Surplus liquidity in subsidiaries shall be placed with Group Treasury.

By securing accessibility to guaranteed long-term credit facilities and spreading maturities and sources of financing for borrowings, the Group will avoid expensive financing and refinancing difficulties.

For more information about the Group's borrowings, see Note 18.

**Capital structure**

Munters aims to have a capital structure that ensures a long-term approach in the operations, satisfies various investment requirements and safeguards the value of the Group. Munters endeavors to ensure that the Group's subsidiaries shall have an optimal capital structure relating to financing requirements and foreign exchange and tax regulations in each jurisdiction. Subsidiary financing shall mainly be done by internal loans or capital contributions.

Requirements in the Groups external loan agreement and commonly praxis following the type of business of the individual subsidiary and country shall be taken into account when deciding form of financing.

An analysis of the subsidiaries' capital structure is done on a yearly basis to secure that the different requirements are met.

## Note 4 | INFORMATION ON COSTS BY NATURE

| 2016 | Cost of goods sold | Sales costs | Administrative costs | Research and development costs | Other costs |
|---|---|---|---|---|---|
| Material costs | (2,511) | | | | |
| Other production costs | (744) | | | | |
| Personnel and other administration | (587) | (737) | (497) | (126) | |
| Cost of depreciation | (59) | (7) | (15) | (12) | |
| Amortization surplus values | | (169) | | | |
| Other costs | (32) | | | | 0 |
| **Total** | **(3,931)** | **(913)** | **(512)** | **(138)** | **0** |

| 2015 | Cost of goods sold | Sales costs | Administrative costs | Research and development costs | Other costs |
|---|---|---|---|---|---|
| Material costs | (2,307) | | | | |
| Other production costs | (670) | | | | |
| Personnel and other administration | (543) | (676) | (449) | (116) | |
| Cost of depreciation | (46) | (10) | (16) | (11) | |
| Amortization surplus values | | (152) | | | |
| Other costs | (14) | | | | (7) |
| **Total** | **(3,580)** | **(838)** | **(465)** | **(127)** | **(7)** |

| 2014 | Cost of goods sold | Sales costs | Administrative costs | Research and development costs | Other costs |
|---|---|---|---|---|---|
| Material costs | (1,785) | | | | |
| Other production costs | (592) | | | | |
| Personnel and other administration | (450) | (595) | (392) | (110) | |
| Cost of depreciation | (46) | (8) | (15) | (22) | |
| Amortization surplus values | | (159) | | | |
| Other costs | (53) | (74) | | | (26) |
| **Total** | **(2,925)** | **(836)** | **(407)** | **(132)** | **(26)** |

## Note 5 | BUSINESS COMBINATIONS

*Effects of acquisitions in 2016*
No acquisitions were made in 2016. For acquisitions made after the reporting period see Note 31.

*Effects of acquisitions in 2015*
**Hebova Holding B.V.**
On July 7, 2015, 100 per cent was acquired of the Dutch company Hebova Holding B.V. and its subsidiaries in the Netherlands, Belgium, Denmark and the Czech Republic. The HB Group is engaged in the business area AirT's Food segment and had sales of SEK 119 million in 2014. The company adds product range and application knowledge in the Food segment and also has production plants in the Netherlands and the Czech Republic.

The company was consolidated as of July 7, 2015, when controlling interest was established.

The acquired operations contributed sales of SEK 79 million, earnings before interest and tax (EBIT) of SEK 4 million, and comprehensive income of SEK 3 million for the period July 7–December 31, 2015.

Contingent purchase consideration shall be paid, if agreed profit during the period 1 July 2015 to 1 July 2017 are achieved, with between zero up to a maximum of EUR 10 million. In the purchase price analysis contingent consideration is estimated at EUR 5.5 million.

The acquisition analysis was completed during 2016 without any significant changes from the preliminary.

| Information about acquired net assets and goodwill follows | According to final acquisition analysis |
|---|---|
| Cash purchase consideration paid | 104 |
| Contingent purchase consideration | 51 |
| **Total purchase consideration** | **155** |
| Fair value of acquired net assets | (48) |
| Non-controlling interest | 6 |
| **Goodwill** | **113** |

| Acquired net assets at time of acquisition | Fair values according to final acq. analysis |
|---|---|
| Property, plant and equipment | 41 |
| Customer relationships | 7 |
| Technology | 18 |
| Brands | 12 |
| Inventory | 13 |
| Accounts receivable | 17 |
| Other current assets | 2 |
| Cash and cash equivalents | 3 |
| **Total assets** | **113** |
| Non-current interest-bearing liabilities | 19 |
| Current interest-bearing liabilities | 12 |
| Accounts payable | 8 |
| Accrued expenses and deferred income | 0 |
| Deferred tax liabilities | 12 |
| Other current liabilities | 10 |
| Other current provisions | 3 |
| **Total liabilities** | **66** |
| | |
| **Net identifiable assets and liabilities** | **48** |
| | |
| Cash purchase consideration paid | 104 |
| Cash and cash equivalents in acquired company | (3) |
| **Change in the Group's cash and cash equivalents on acquisition** | **101** |

The fair value of acquired net assets was increased by SEK 37 million. Of this amount SEK 12 million relates to Buildings, SEK 7 million customer relationships, SEK 18 million to technology, SEK 12 million to brands, and SEK 12 million to deferred tax liabilities. The fair value of the acquired accounts receivable at the date of acquisition, SEK 17 million corresponds to the amount expected to be paid. Receivables have a nominal value of SEK 17 million.

The goodwill arising from the acquisition, SEK 113 million, is chiefly attributable to future synergies expected through adding Hebova Group's product portfolio and Food application knowledge into AirTs Food segment and reaching more customers through each company's sales channels. In addition the HB Groups owns competitive production facilities in The Netherlands and the Czech Republic.

Acquisition-related outlays expensed in 2015 amounted to SEK 3 million and are included in administrative costs in the statement of comprehensive income.

**Reventa Group**
On November 19, 2015, 100 per cent was acquired of the German company Reventa Group. The Group is engaged in the business area AgHort with systems for climate control for animal husbandry, especially in the Swine and Poultry segment. The Company also has a strong market position in markets with colder climates.

The company was consolidated as of October 1, 2015, when controlling interest was established.

The acquired operations contributed sales of SEK 58 million, earnings before interest and tax (EBIT) of SEK 3 million, and comprehensive income of SEK 2 million for the period October 1-December 31, 2015.

Contingent purchase consideration shall be paid, if agreed profit for 2016 and 2017 are achieved, with EUR 2 million or a maximum of EUR 4 million. No contingent consideration will be paid if profit levels are not attained. In the purchase price analysis contingent consideration is estimated at EUR 4 million.

The acquisition analysis was completed during 2016 without any significant changes from the preliminary.

| Information about acquired net assets and goodwill follows | According to final acquisition analysis |
|---|---|
| Cash purchase consideration paid | 191 |
| Liability regarding purchase consideration not yet paid | 36 |
| Contingent purchase consideration | 37 |
| **Total purchase consideration** | **265** |
| Fair value of acquired net assets | (71) |
| Non-controlling interest | 0 |
| **Goodwill** | **194** |

| Acquired net assets at time of acquisition | Fair values according to final acq. analysis |
|---|---|
| Property, plant and equipment | 19 |
| Customer relationships | 21 |
| Technology | 21 |
| Brands | 11 |
| Inventory | 40 |
| Accounts receivable | 14 |
| Other current assets | 2 |
| Cash and cash equivalents | 9 |
| **Total assets** | **136** |
| | |
| Non-current interest-bearing liabilities | 0 |
| Current interest-bearing liabilities | 0 |
| Accounts payable | 19 |
| Accrued expenses and deferred income | 0 |
| Deferred tax liabilities | 16 |
| Other current liabilities | 16 |
| Other current provisions | 13 |
| **Total liabilities** | **65** |
| | |
| **Net identifiable assets and liabilities** | **71** |
| | |
| Cash purchase consideration paid | 191 |
| Cash and cash equivalents in acquired company | (9) |
| **Change in the Group's cash and cash equivalents on acquisition** | **182** |

The fair value of acquired net assets was increased by SEK 36 million. Of this amount SEK 21 million relates to customer relationships, SEK 21 million to technology, SEK 11 million to brands, and SEK 16 million to deferred tax liabilities. The fair value of the acquired accounts receivable at the date of acquisition, SEK 14 million corresponds to the amount expected to be paid. Receivables have a nominal value of SEK 14 million.

The goodwill arising from the acquisition, SEK 194 million, is chiefly attributable to future synergies expected through adding Reventa's market position in the husbandry of Swine and markets with colder climates of northern and eastern Europe. Overall, this extends Munters' market position in Europe.

Acquisition-related outlays expensed in 2015 amounted to SEK 6 million and are included in administrative costs in the statement of comprehensive income.

*Effects of divestments in 2015*

On December 31, 2015, 100 per cent was divested of the Chinese subsidiary Munters Keruilai Air Treatment Equipment (Guangdong) Co., Ltd. The company was a part of the former Business area HumiCool. The result for the company has been part of the Group's performance for the full year. The divested company had sales of SEK 73 million, earnings before interest and tax (EBIT) of SEK -24 million, and comprehensive income of SEK -23 million in 2015. The divestment resulted in a result of SEK -1 million and is presented on line financial expenses in the statement of comprehensive income.

| Information about divested net assets follows | Divested as per December 31 |
|---|---|
| Cash sale consideration received | 2 |
| **Total sale consideration** | **2** |
| Less value of divested net assets | (8) |
| Currency translation difference reclassified to other comprehensive income | 5 |
| **Divestment result** | **(1)** |

| Divested net assets | Divested net assets |
|---|---|
| Non-current assets | 15 |
| Inventory | 13 |
| Accounts receivable | 9 |
| Other current assets | 0 |
| Cash and cash equivalents | 4 |
| **Total assets** | **41** |
| | |
| Current interest-bearing liabilities | 0 |
| Accounts payable | 9 |
| Accrued expenses and deferred income | 15 |
| Other current liabilities | 9 |
| Other current provisions | 1 |
| **Total liabilities** | **33** |
| | |
| **Net identifiable assets and liabilities** | **8** |
| | |
| Cash sale consideration received | 2 |
| Cash and cash equivalents in divested company | (4) |
| **Change in the Group's cash and cash equivalents on divestment** | **(2)** |

*Effects of acquisitions in 2014*

No acquisitions were made in 2014.

*Options regarding non-controlling interests*

At December 31, 2014 Munters had call options and had issued put options regarding non-controlling participations, as agreed in connection with business combinations. Both the call and put options entitle Munters to acquire or, for holders with non-controlling interests, to sell remaining shares in 2015.

Based on understandings in shareholder agreements and terms of articles of association for the entities involved, Company management has assessed that Munters only has ownership interests currently in the shares already transferred to Munters. In light of the circumstances and the terms related to the options, Munters has chosen to recognize these based on IAS 27 and has made further choices that involve non-controlling participations attributable to the options being eliminated in the statement of financial position. In addition, a liability is recognized regarding the assessed future redemption price, which is dependent on certain specific circumstances. The difference between non-controlling participation and liability is recognized directly in equity. Munters has deemed that this recognition method for the options provides a fair presentation of the holdings. Other choices based on other assessments would have involved other effects on the consolidated accounts.

Those at the end of 2014 held call/put options was paid during 2015 and at the end of 2016, the Group recognized call/put options to a value of SEK 0 million (0, 310).

| Change in liabilites for put/ call options | 2016 | Group 2015 | 2014 |
|---|---|---|---|
| Opening balance | – | 310 | 278 |
| Change during the year | – | (310) | 0 |
| Exchange-rate differences for the year | – | – | 32 |
| **Closing balance** | **–** | **–** | **310** |

## Note 6 | OPERATING SEGMENTS

Munters is a global leader in energy-efficient solutions for air treatment based on its expertise in humidity- and climate- control technologies.

**Reportable operating segments**

The Group's reportable operating segments have been identified from a management perspective. Thus the segment information disclosed is based on internal reporting to the chief operating decision maker, which at Munters has been equated with Group management.

As of 2017 the Group's operations are managed and reported by four business areas as described below.

Air Treatment manufactures and markets products and holistic solutions for controlling humidity and improving the indoor climate. Customers' manufacturing processes and warehousing are becoming more efficient and product quality, shelf life, and hygiene are improving.

Data Centers manufactures and markets products and precision climate control systems to medium and large scale data centers.

AgHort manufactures and markets energy-efficient products and systems to create the right indoor climate for the animal husbandry and horticultural industries.

Mist Elimination manufactures and markets environmentally friendly solutions and products for mist elimination, such as for cleaning flue gas.

Business area consolidation is performed applying the same policies as for the Group as a whole. Transactions between business areas are conducted on market terms. Key control and reporting concepts are order intake, net sales, operating earnings, and operating working capital.

As of 2017 business area Data Centers has been separated from Air Treatment and is now a business area in their own right. The income statement for the years 2014-2016 has been re-stated while no restate of balance sheet items has been done and therefore balance sheet items and operating cash flow are shown according to the previous definition of business area Air Treatment.

During 2015 and 2014 the operations was also reported in business area HumiCool. During 2015 HumiCool was restructured and mainly transferred to Air Treatment (the WET-business which is still reported in AirT) at which a restate has been done. The reported sales under HumiCool in 2015 and 2014 are mainly attributable to the divested subsidiary in China, Munters Keruilai Air Treatment Equipment (Guangdong) Co., Ltd.

No individual customer outside the Group accounts for 10 per cent or more of Munters' sales.

| 2016 | Air Treatment | Data Centers | AgHort | Mist Elimination | Other and Eliminations[1] | Total |
|---|---|---|---|---|---|---|
| Sales from external customers | 3,288 | 655 | 1,669 | 428 | 0 | 6,040 |
| Transactions between business segments | 6 | 30 | 36 | 9 | (80) | 0 |
| **Net sales** | **3,294** | **685** | **1,705** | **437** | **(80)** | **6,040** |
| **Earnings before interest and tax (EBIT)** | **437** | **54** | **276** | **69** | **(258)** | **577** |
| *Change balance sheet items[2]* | | | | | | |
| Accounts receivable | (232) | | (18) | (6) | 7 | (249) |
| Inventories | (91) | | (38) | (2) | 0 | (132) |
| Accounts payable | 143 | | (4) | 0 | 6 | 145 |
| Advances from customers | 99 | | 4 | (1) | 2 | 104 |
| **Change in operating working capital** | **(82)** | | **(56)** | **(10)** | **15** | **(132)** |
| Internal reallocations | 11 | | 4 | 1 | (16) | 0 |
| Investment | (109) | | (59) | (3) | (12) | (184) |
| Add back of depreciation, amortization, and impairments | 53 | | 36 | 5 | 168 | 262 |
| **Operating cash flow** | **365** | | **200** | **62** | **(103)** | **523** |
| **Other disclosures** | | | | | | |
| Number of permanent employees at year end | 1,598 | 488 | 639 | 156 | 58 | 2,939 |

1) Pertains group internal eliminations and group items not allocated to any operating segment.
2) Marked figures show Air Treatment including Data Centers.

| 2015 | Air Treatment | Data Centers | AgHort | Mist Elimination | Other and Eliminations[1] | Total |
|---|---|---|---|---|---|---|
| Sales from external customers | 3,289 | 294 | 1,325 | 420 | 71 | 5,399 |
| Transactions between business segments | 76 | 0 | 38 | 8 | (121) | 0 |
| **Net sales** | **3,365** | **294** | **1,363** | **428** | **(50)** | **5,399** |
| **Earnings before interest and tax (EBIT)** | **433** | **(23)** | **167** | **70** | **(262)** | **384** |
| *Change balance sheet items*[2] | | | | | | |
| Accounts receivable | (149) | | (17) | 11 | 92 | (64) |
| Inventories | (26) | | (19) | (6) | 32 | (18) |
| Accounts payable | 23 | | 24 | 0 | (36) | 11 |
| Advances from customers | 53 | | 2 | (2) | (3) | 50 |
| **Change in operating working capital** | **(98)** | | **(10)** | **2** | **85** | **(21)** |
| Internal reallocations | 7 | | 2 | 1 | (10) | 0 |
| Investment | (73) | | (26) | (6) | (8) | (113) |
| Add back of depreciation, amortization, and impairments | 45 | | 21 | 4 | 164 | 233 |
| **Operating cash flow** | **291** | | **153** | **71** | **(32)** | **484** |
| **Other disclosures** | | | | | | |
| Number of permanent employees at year end | 1,555 | 300 | 658 | 199 | 56 | 2,768 |

1) Pertains to items managed at Group level which are thus not allocated to the operating segments.
2) Marked figures show Air Treatment including Data Centers.

| 2014 | Air Treatment | Data Centers | AgHort | Mist Elimination | Other and Eliminations[1] | Total |
|---|---|---|---|---|---|---|
| Sales from external customers | 2,588 | 192 | 973 | 305 | 159 | 4,216 |
| Transactions between business segments | 51 | 28 | 30 | 16 | (124) | 0 |
| **Net sales** | **2,639** | **220** | **1,002** | **320** | **35** | **4,216** |
| **Earnings before interest and tax (EBIT)** | **302** | **(29)** | **103** | **(17)** | **(463)** | **(104)** |
| *Change balance sheet items*[2] | | | | | | |
| Accounts receivable | (35) | | (23) | (12) | 9 | (61) |
| Inventories | (19) | | 12 | (11) | 40 | 23 |
| Accounts payable | (9) | | 4 | 5 | (26) | (25) |
| Advances from customers | (15) | | (5) | 3 | 1 | (16) |
| **Change in operating working capital** | **(77)** | | **(12)** | **(14)** | **25** | **(78)** |
| Internal reallocations | 3 | | 1 | 0 | (4) | 0 |
| Investment | (60) | | (15) | (4) | (26) | (105) |
| Add back of depreciation, amortization, and impairments | 42 | | 14 | 3 | 262 | 324 |
| **Operating cash flow** | **127** | | **91** | **(31)** | **(149)** | **37** |
| **Other disclosures** | | | | | | |
| Number of permanent employees at year end | 1,218 | 287 | 519 | 178 | 412 | 2,614 |

1) Pertains to items managed at Group level which are thus not allocated to the operating segments.
2) Marked figures show Air Treatment including Data Centers.

| Air Treatment before WET-business and Data Centers restate | 2016 | 2015 | 2014 |
|---|---|---|---|
| Sales from external customers | 3,943 | 3,583 | 2,532 |
| Transactions between business segments | 6 | 76 | 0 |
| **Net sales** | **3,949** | **3658** | **2,533** |
| **Earnings before interest and tax (EBIT)** | **491** | **410** | **219** |
| *Change balance sheet items* | | | |
| Accounts receivable | (232) | (149) | (35) |
| Inventories | (91) | (26) | (19) |
| Accounts payable | 143 | 23 | (9) |
| Advances from customers | 99 | 53 | (15) |
| **Change in operating working capital** | **(82)** | **(98)** | **(77)** |
| Internal reallocations | 11 | 7 | 3 |
| Investment | (109) | (73) | (60) |
| Add back of depreciation, amortization, and impairments | 53 | 45 | 42 |
| **Operating cash flow** | **365** | **291** | **127** |
| **Other disclosures** | | | |
| Number of permanent employees at year end | 2,086 | 1,855 | 1,459 |

**GEOGRAPHIC INFORMATION**

| External net sales | 2016 | 2015 | 2014 |
|---|---|---|---|
| Sweden | 135 | 113 | 121 |
| United States | 2,153 | 2,336 | 1,549 |
| Germany | 456 | 389 | 246 |
| China | 658 | 500 | 341 |
| Other countries | 2,639 | 2,061 | 1,959 |
| **Total revenues from external customers** | **6,040** | **5,399** | **4,216** |

The information above is based on where customers have their registered head office.

| Non-current assets | 2016 | 2015 | 2014 |
|---|---|---|---|
| Sweden | 499 | 508 | 520 |
| United States | 3,719 | 3,463 | 3,314 |
| Euro countries | 1,892 | 1,843 | 1,502 |
| Other countries | 197 | 159 | 170 |
| **Total non-current assets** | **6,308** | **5,973** | **5,506** |

The information presented in the table above regarding non-current assets is grouped according to assets location, i.e. where the entity carries on its production of goods and services. Non-current assets consist of buildings and land, plant and machinery, equipment, tools, and installations, construction in progress, patents, licenses, brands and similar rights and goodwill.

## Note 7 | OTHER OPERATING REVENUE AND OPERATING EXPENSES

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Other operating revenue** | | | |
| Change in contingent price considerations | 30 | – | – |
| Other | 1 | 2 | 6 |
| **Total** | **31** | **2** | **6** |
| **Other operating expenses** | | | |
| Other | (2) | (1) | (19) |
| Exchange-rate differences | 2 | (6) | (7) |
| **Total** | **0** | **(7)** | **(26)** |

Other operating revenue 2016 refers to the contingent purchase price consideration prematurely settled in the German subsidiary Munters Reventa GmbH. The outcome fell below the amount reserved in the preliminary purchase price analysis.

The major part of operating expenses in 2014 includes a loss when selling a property in Munter's subsidiary in Italy, Munters Italy SpA.

## Note 8 | DEPRECIATION, AMORTIZATION, AND IMPAIRMENT LOSSES

Amortization of intangible assets and depreciation of property, plant, and equipment are based on the historical acquisition cost and the estimated useful life of different groups of assets. For assets acquired during the period, depreciation or amortization is calculated from the acquisition date. Depreciation and amortization are charged primarily on a straight-line basis over the following useful lives.

| | |
|---|---|
| Leasehold improvements | 3–7 years |
| Research and development work | 3–5 years |
| Patents, licenses, brands (with definitive useful life) | 2–10 years |
| Customer relationships | 7–12 years |
| Technology | 6–8 years |
| Brands (with indefinitive useful life) | not amortized |
| Machinery and equipment | 3–10 years |
| Buildings | 20–33 years |
| Land lease | 50 years |

The brands that emerged in connection with business combinations acquired when Munters Group AB acquired Munters AB via Munters Holding AB are deemed to have an indefinite useful life, while the useful life of customer relationships and technology also identified are estimated at 6–12 years. Also the brands that emerged in connection with the acquisition of Proflute are deemed to have an indefinite useful life.

No write-down of goodwill and other acquisition-related intangible assets has been made during the year. Depreciation, amortization, and impairment losses on non-current assets were charged to income for the year as shown below.

In 2014, impairment of goodwill and other acquisition-related intangible assets totaled SEK 98 M, attributable to business area HumiCool. Additional information is presented in Note 13 and 14.

Depreciation, amortization, and impairment losses on non-current assets were charged to income for the year as shown below.

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Cost of goods sold | 59 | 46 | 46 |
| Selling expenses | 176 | 161 | 241 |
| Administrative costs | 15 | 16 | 15 |
| Research and development costs | 12 | 11 | 22 |
| **Total** | **262** | **233** | **324** |

Amortization and impairment of acquisition-related intangible assets totaled SEK 169 million (152, 232) and is included in the item selling expenses.

### Impairment of inventory

Impairment of inventories totaled SEK -71 million (-60, -66). An impairment loss of SEK 31 M is related to the divestment of the Heaters operation within HumiCool during 2014.

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Opening balance | (60) | (66) | (24) |
| Write down current year | (10) | (18) | (59) |
| Reversal of previous years write down | 1 | 23 | 16 |
| Exchange-rate differences | (3) | 2 | 1 |
| **Closing balance** | **(71)** | **(60)** | **(66)** |

Most of the write downs and reversal of write down are related to the obsolescence that is made at each period end.

## Note 9 | LEASES

### Operating leases

The period's expense for operating leases on assets, such as leased premises, machinery, and major computer and office equipment, is recognized among operating expenses and totaled SEK 91 million (85, 90). The minimum future lease payments for irrevocable operating leases have the following maturity.

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Within one year | 88 | 78 | 80 |
| Between one and five years | 224 | 211 | 180 |
| More than five years | 37 | 27 | 50 |
| **Total** | **350** | **317** | **310** |

### Finance leases

Assets held under finance leases are recognized as equipment and refer to production equipment. The minimum lease payments consist of a capital portion and an interest portion. The interest portion is variable and follows market interest rates prevailing in each country.

Payments, as well as depreciation related to finance leased assets, for the period 2014-2016 totaled SEK 0 million.

## Note 10 | FINANCIAL INCOME AND EXPENSES

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Financial income** | | | |
| Interest income, subsidiaries | – | – | – |
| Interest income, other | 10 | 3 | 2 |
| Other financial income | 2 | 0 | 1 |
| | **12** | **3** | **3** |
| **Financial expenses** | | | |
| Interest expenses subsidiaries | – | – | – |
| Interest expenses, other | (391) | (361) | (340) |
| Financing Fees | (18) | (14) | (73) |
| Exchange-rate differences | (19) | 11 | 8 |
| Other financial expenses | (7) | (10) | (7) |
| | **(436)** | **(374)** | **(412)** |
| **Total financial income** | **(424)** | **(371)** | **(409)** |

## Note 11 | INCOME TAXES

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Current tax | (109) | (108) | (50) |
| Tax attributable to prior years/withholding tax | (5) | (2) | 1 |
| Deferred tax related to temporary differences and loss carry-forwards | 50 | 82 | 130 |
| Income tax not calculated based on net profits | (5) | (3) | (3) |
| **Tax recognized in income statement for the year** | **(69)** | **(31)** | **78** |
| **Reconciliation of effective tax** | | | |
| Profit/Loss before tax | 153 | 13 | (513) |
| Tax according to prevailing tax rate for the Parent Company | (34) | (3) | 113 |
| Difference attributable to foreign tax rates | (18) | (15) | 24 |
| Tax effect of; | | | |
| Non-deductible expenses[1)] | (54) | (48) | (68) |
| Non-taxable income | 12 | 10 | 4 |
| Utilization of losses not recognized as an asset in the balance sheet | 3 | 5 | 2 |
| Change in valuation of deferred tax on temporary differences and losses | 36 | (2) | 5 |
| Revaluation of deferred tax assets/liabilities due to change in tax rate | (4) | 27 | 0 |
| Non-income-related taxes | (5) | (3) | (3) |
| Tax attributable to prior years/withholding tax | (5) | (2) | 1 |
| Other | 0 | 0 | 0 |
| **Tax recognized in income statement for the year** | **(69)** | **(31)** | **78** |

1) Refers mainly to interest expenses on shareholder loan

| **Tax attributable to components of other comprehensive income** | **2016** | **2015** | **2014** |
|---|---|---|---|
| Deferred tax attributable to: | | | |
| Actuarial gains and losses on defined-benefit pension obligations | 4 | 0 | 5 |
| **Total** | **4** | **0** | **5** |

| Deferred tax assets | 2016 | 2015 | 2014 |
|---|---|---|---|
| Buildings | 0 | 0 | 0 |
| Machinery and equipment | 5 | 5 | 2 |
| Inventory | 21 | 23 | 17 |
| Accounts receivable | 10 | 9 | 8 |
| Provisions | 6 | 11 | 14 |
| Accrued expenses and prepaid income | 61 | 48 | 36 |
| Goodwill | 6 | 7 | 9 |
| Loss carry-forwards | 100 | 85 | 104 |
| Provisions for pensions | 19 | 16 | 11 |
| Other | 14 | 12 | 19 |
| **Total** | **242** | **216** | **220** |

| Deferred tax liabilities | 2016 | 2015 | 2014 |
|---|---|---|---|
| Buildings | 3 | 3 | 4 |
| Machinery and equipment | 21 | 14 | 13 |
| Technology | 45 | 63 | 72 |
| Brands | 361 | 335 | 338 |
| Customer relationships | 83 | 109 | 136 |
| Goodwill | 10 | 0 | 1 |
| Untaxed reserves | – | – | 1 |
| Other | 2 | 3 | 0 |
| Offsetting | – | – | – |
| **Total** | **525** | **527** | **565** |

Reconciliation of net deferred taxes:

| Change in deferred taxes | 2016 | 2015 | 2014 |
|---|---|---|---|
| Opening balance | 311 | 344 | 423 |
| Acquisition of subsidiaries | – | 28 | – |
| Charges in this year's profit | (50) | (82) | (130) |
| Tax on amounts recorded in Other comprehensive income [1)] | 22 | 21 | 51 |
| **Closing balance** | **283** | **311** | **344** |

1) Including change in Translation reserve for the year

Deferred tax assets for pension provisions refer to the difference between the calculation of defined-benefit pension obligations based on local tax legislation and based on IAS 19 Employee Benefits.

Deferred tax assets relating to loss carry-forwards are recognized to the extent that it is deemed likely that the losses will be used to offset taxable income during the coming five years.

At year-end, there were tax loss carry-forwards in the group companies amounting to SEK 900 million (959, 1,106), of which SEK 877 million (934, 1,030) may be carried forward for an unlimited period of time. Loss carry-forwards for which deferred tax assets are not recognized totaled SEK 528 million (631, 712), of which SEK 528 million (631, 637) may be carried forward for an unlimited period of time. Consequently, deferred tax assets on loss carry-forwards totaling SEK 372 million (328, 394) were recognized. These losses relate to the subsidiaries in Australia, Germany, Belgium, Denmark, Italy, Netherlands, Turkey and Sweden. Tax losses in Turkey may be carried forward for five years. In the other countries, losses may be carried forward for an unlimited period of time.

SEK 24 million out of the SEK 372 million that has been included in the basis for calculating a deferred tax asset relate to Turkey. During 2016 deferred tax assets relating to loss carry-forwards have been recognized in Turkey since the business conditions have improved in the country and the loss carry-forwards are thus deemed possible to use against future taxable profits.

The deferred tax liabilities are mainly attributable to surplus values identified in connection with the acquisition of Munters AB in 2010.

## Note 12 | EARNINGS PER SHARE

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Income attributable to Parent Company's ordinary shareholders, SEK 000s | 84,396 | (18,229) | (435,359) |
| Preferential share's right to dividend for the financial year, SEK 000s | 203,967 | 188,858 | 174,868 |
| Income attributable to Parent Company's ordinary shareholders, after consideration to preferential shares, SEK 000s | (119,570) | (207,087) | (610,227) |
| Weighted average number of outstanding ordinary shares, 000s | 537 | 536 | 529 |
| **Earnings per share, SEK** | **(222.67)** | **(386.48)** | **(1,152.50)** |

Computing earnings per share, basic and diluted, is based on the net income attributable to the Parent Company's ordinary shareholders. This means that earnings are adjusted for effects of preferential shares classified as equity. Net income attributable to ordinary shareholders is thus adjusted for the right of preferential shares to cumulative dividend for the period based on the terms described in Note 20.

The number of shares used in the calculation consists of a weighted average of outstanding ordinary shares during the period. In 2015, the number of ordinary shares increased by 7,500. For 2016 there are no circumstances to give rise to a dilution effect and earnings per share, basic and diluted, are thus the same. After the Offering, there will be 183,597,802 shares, and a maximum of 5,222,000 potentially dilutive share options, outstanding.

## Note 13 | PROPERTY, PLANT, AND EQUIPMENT

| 2016 | Buildings and land | Plant and machinery | Equipment, tools, fixtures, and fittings | Construction in progress | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance | 368 | 674 | 385 | 31 | 1,458 |
| Investment for the year | 3 | 55 | 66 | 39 | 163 |
| Sales and disposals | (1) | (36) | (26) | (1) | (64) |
| Reclassifications | 1 | 1 | 4 | (6) | 0 |
| Exchange-rate differences for the year | 22 | 39 | 25 | 5 | 91 |
| **Closing balance** | **393** | **731** | **454** | **69** | **1,647** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| Opening balance | 214 | 534 | 293 | 0 | 1,041 |
| Sales and disposals | (1) | (35) | (24) | – | (60) |
| Reclassifications | 0 | (2) | 2 | – | 0 |
| Depreciation for the year | 11 | 32 | 32 | – | 75 |
| Write-down for the year | – | – | 0 | – | 0 |
| Exchange-rate differences for the year | 13 | 30 | 19 | – | 61 |
| **Closing balance** | **237** | **559** | **321** | **0** | **1,117** |
| **Closing carrying amount** | **156** | **172** | **133** | **69** | **530** |

| 2015 | Buildings and land | Plant and machinery | Equipment, tools, fixtures, and fittings | Construction in progress | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance, January 1, 2015 | 305 | 693 | 320 | 20 | 1,338 |
| Acquisition of subsidiaries (Note 4/5) | 49 | 8 | 27 | 1 | 86 |
| Investment for the year | 4 | 37 | 34 | 16 | 90 |
| Divestment of subsidiaries (Note 4/5) | – | (18) | (10) | – | (28) |
| Sales and disposals | (2) | (11) | (20) | 0 | (33) |
| Reclassifications | 6 | (44) | 30 | (4) | (13) |
| Exchange-rate differences for the year | 6 | 9 | 4 | (1) | 18 |
| **Closing balance, December 31, 2015** | **368** | **674** | **385** | **31** | **1,458** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| Opening balance, January 1, 2015 | 183 | 566 | 249 | 0 | 998 |
| Acquisition of subsidiaries (Note 4/5) | 16 | 3 | 8 | – | 27 |
| Divestment of subsidiaries (Note 4/5) | – | (10) | (6) | – | (16) |
| Sales and disposals | 0 | (11) | (18) | – | (29) |
| Reclassifications | 1 | (43) | 29 | – | (13) |
| Depreciation for the year | 10 | 24 | 29 | – | 63 |
| Impairment for the year | – | – | – | – | – |
| Exchange-rate differences for the year | 4 | 5 | 1 | – | 10 |
| **Closing balance, December 31, 2015** | **214** | **534** | **293** | **0** | **1,041** |
| **Closing carrying amount** | **154** | **140** | **92** | **31** | **417** |

| 2014 | Buildings and land | Plant and machinery | Equipment, tools, fixtures, and fittings | Construction in progress | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance, January 1, 2014 | 270 | 593 | 271 | 10 | 1,144 |
| Investments for the year | 0 | 44 | 26 | 10 | 80 |
| Sales and disposals | – | (9) | (8) | – | (17) |
| Reclassifications | – | 2 | (1) | (2) | (1) |
| Exchange-rate differences for the year | 35 | 63 | 32 | 2 | 132 |
| **Closing balance, December 31, 2014** | **305** | **693** | **320** | **20** | **1,338** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| Opening balance, January 1, 2014 | 156 | 489 | 210 | 0 | 855 |
| Sales and disposals | – | (7) | (7) | – | (14) |
| Reclassifications | – | 0 | (1) | – | (1) |
| Depreciation/write-down for the year | 8 | 32 | 23 | – | 63 |
| Exchange-rate differences for the year | 19 | 52 | 24 | – | 95 |
| **Closing balance, December 31, 2014** | **183** | **566** | **249** | **0** | **998** |
| **Closing carrying amount** | **122** | **127** | **71** | **20** | **340** |

Depreciation is based on an asset's acquisition cost and its estimated useful life as specified in Note 8.
The carrying amount of land totaled SEK 17 million (16, 15).

## Note 14 | PATENTS, LICENSES, CUSTOMER RELATIONS AND OTHER INTANGIBLE ASSETS WITH DEFINITE USEFUL LIFE

| 2016 | Technology | Customer relationships | Internally generated intangible assets | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance | 485 | 809 | 73 | 124 | 1,491 |
| Investment for the year | – | – | 13 | 7 | 20 |
| Sales and disposals | – | – | (1) | 0 | (2) |
| Reclassifications | – | – | – | 1 | 1 |
| Exchange-rate differences for the year | 33 | 55 | 4 | 2 | 95 |
| **Closing balance** | **519** | **864** | **89** | **135** | **1,607** |
| | | | | | |
| **Accumulated amortization** | | | | | |
| Closing balance | 290 | 474 | 25 | 68 | 857 |
| Amortization for the year | 62 | 96 | 9 | 19 | 186 |
| Impairment for the year | – | – | – | – | – |
| Sales and disposals | – | – | – | 0 | 0 |
| Exchange-rate differences for the year | 23 | 37 | – | 1 | 62 |
| **Closing balance** | **375** | **607** | **34** | **89** | **1,105** |
| **Closing carrying amount** | **143** | **258** | **54** | **46** | **502** |

| 2015 | Technology | Customer relationships | Internally generated intangible assets | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance | 433 | 779 | 56 | 118 | 1,386 |
| Acquisition of subsidiaries (Note 4/5) | 39 | 29 | – | 24 | 92 |
| Divestment of subsidiaries (Note 4/5) | – | (16) | – | (25) | (41) |
| Investments for the year | – | – | 16 | 5 | 21 |
| Exchange-rate differences for the year | 13 | 17 | 1 | 3 | 34 |
| **Closing balance** | **485** | **809** | **73** | **124** | **1,491** |
| | | | | | |
| **Accumulated amortization** | | | | | |
| Opening balance | 225 | 391 | 15 | 74 | 705 |
| Acquisition of subsidiaries (Note 4/5) | – | – | – | – | – |
| Divestment of subsidiaries (Note 4/5) | – | (17) | – | (19) | (36) |
| Amortization for the year | 58 | 93 | 6 | 12 | 169 |
| Impairment for the year | – | – | 4 | – | 4 |
| Exchange-rate differences for the year | 7 | 7 | – | 1 | 15 |
| **Closing balance** | **290** | **474** | **25** | **68** | **857** |
| | | | | | |
| **Closing carrying amount** | **195** | **335** | **48** | **56** | **634** |

| 2014 | Technology | Customer relationships | Internally generated intangible assets | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance | 381 | 688 | 36 | 102 | 1,207 |
| Investment for the year | – | – | 15 | 9 | 24 |
| Exchange-rate differences for the year | 52 | 91 | 5 | 7 | 155 |
| **Closing balance** | **433** | **779** | **56** | **118** | **1,386** |
| | | | | | |
| **Accumulated amortization** | | | | | |
| Opening balance | 148 | 245 | 6 | 50 | 449 |
| Amortization for the year | 50 | 84 | 4 | 7 | 145 |
| Impairment for the year | 1 | 18 | 4 | 13 | 36 |
| Exchange-rate differences for the year | 26 | 44 | 1 | 5 | 76 |
| **Closing balance** | **225** | **391** | **15** | **75** | **705** |
| | | | | | |
| **Closing carrying amount** | **208** | **388** | **41** | **43** | **680** |

**Technology**
This item includes technology, SEK 143 million (195, 208), the majority of which was identified in conjunction with the acquisition of Munters AB in 2010. In 2015, technology was added that was identified upon allocation of the purchase consideration regarding the acquisition of HB Group and Munters Reventa GmbH.

**Customer relationships**
This item includes customer relationships, SEK 258 million (335, 388), the majority of which was identified in conjunction with the acquisition of Munters AB in 2010. In 2014, an impairment of SEK 18 million was made in conjunction with the restructuring of the business area HumiCool. In 2015 customer relationships were added that were identified upon allocation of the purchase consideration regarding the acquisition of HB Group and Munters Reventa GmbH and customer relationships were detracted regarding the divestment of Munters Keruilai Air Treatment Equipment (Guangdong) Co., Ltd.

**Internally generated intangible assets**
This item includes product development expenses, SEK 54 million (48, 41).

**Other intangible assets**
Other intangible assets mainly include patents, tradenames, licenses, and similar rights in Sweden, Germany, the United States, the Netherlands and China.

## Note 15 | GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Intangible assets with indefinite useful life consist of brands and goodwill.

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| | Brands | Goodwill | Brands | Goodwill | Brands | Goodwill |
| **Acquisition cost** | | | | | | |
| Opening balance | 985 | 3,968 | 954 | 3,618 | 837 | 3,172 |
| Acquisition of subsidiaries (Note 4/5) | – | – | – | 298 | – | – |
| Divestmemt of subsidiaries (Note 4/5) | – | – | – | (50) | – | – |
| Exchange-rate differences for the period | 70 | 285 | 31 | 102 | 117 | 446 |
| **Closing balance** | **1,055** | **4,253** | **985** | **3,968** | **954** | **3,618** |
| **Accumulated impairment** | | | | | | |
| Opening balance | 5 | 24 | 5 | 82 | – | – |
| Impairment of the year | – | – | – | – | 5 | 74 |
| Divestment of subsidiaries (Note 4/5) | – | – | – | (50) | – | – |
| Exchange-rate differences for the period | 0 | 2 | 0 | (8) | 0 | 8 |
| **Closing balance** | **6** | **26** | **5** | **24** | **5** | **82** |
| **Closing carrying amount** | **1,049** | **4,227** | **980** | **3,944** | **949** | **3,536** |

| **Recognized brands per cash-generating unit** | **2016** | **2015** | **2014** |
|---|---|---|---|
| Air Treatment | 884 | 824 | 796 |
| AgHort | 105 | 99 | 97 |
| Mist Elimination | 61 | 57 | 56 |
| **Total** | **1,049** | **980** | **949** |

| **Recognized amount of goodwill per cash-generating unit** | **2016** | **2015** | **2014** |
|---|---|---|---|
| Air Treatment | 3,324 | 3,096 | 2,891 |
| AgHort | 778 | 731 | 529 |
| Mist Elimination | 125 | 117 | 116 |
| **Total** | **4,227** | **3,944** | **3,536** |

At November 8, 2010, the subsidiary Munters Holding AB acquired 97.6 per cent of the share capital and votes in the Munters Group, a global leader in energy-efficient solutions for air treatment based on its expertise in humidity- and climate-control technologies. In 2011 the remaining shares were acquired through compulsory redemption. In connection with the acquisition of the Munters group, goodwill arose, primarily attributable to the general cyclical recovery, expansion into new customer categories and markets, and efficiency enhancements in processes such as production, purchasing, and pricing. Furthermore, the brand Munters was identified upon acquisition.

In connection with the acquisition in 2011 – of Rotem Computerized Controllers (1994) – goodwill arose. It was chiefly attributable to future synergy effects expected by adding Rotem's advanced control systems to Munters' existing product range thus offering a greater range of products, and reaching more customers through each company's sales channels.

The goodwill arising from the acquisition in 2013 of Swedish company Proflute AB and its Chinese subsidiary Jiangyin SAT Air Treatment Equipment Co. Ltd ("SAT") is chiefly attributable to future synergies expected through adding Proflute's advanced technology and reaching more customers through each company's sales channels. Upon acquisition, the brand Proflute was also identified.

The goodwill arising from the acquisition in 2015 of the Dutch company Hebova Holding B.V., and its subsidiaries in the Netherland, Belgium, Denmark and the Czech Republic is chiefly attributable to future synergies expected through adding Hebova Group's product portfolio and Food application knowledge into AirTs Food segment and reaching more customers through each company's sales channels. In addition the HB Groups owns competitive production facilities in The Netherlands and the Czech Republic. The goodwill arising from the acquisition in 2015 of the German company Reventa Group is chiefly attributable to future synergies expected through adding Reventa's market position in the husbandry of Swine and markets with colder climates. Overall, this extends Munters' market position in Europe. Upon acquisition, the brand Reventa was also identified.

### Impairment testing of goodwill and brands

The values of goodwill and brands are tested annually to ensure that the value does not deviate negatively from book value, but are tested more often if there are indications of impairment. The carrying amounts for goodwill and brands were tested at September 30, 2016, 2015 and 2014.

Goodwill and brands with an indefinite useful life are allocated to the Group's cash-generating units. The cash-generating units have been defined based on the level at which the Group's operations are managed and supervised, i.e. the three business areas that also make up the Group's operating segments: Air Treatment, AgHort, Mist Elimination.

During 2014 and 2015 HumiCool formed a fourth cash-generating unit. The main part of the operations in the business area HumiCool was moved to Air Treatment on January 1, 2015. The remaining operation, which was conducted through a subsidiary in China, was divested 31 December 2015. Surplus values attributable to the divested business were fully written down at 31 December 2014. In addition to the above mentioned changes, the defined cash generating units are unchanged and in accordance with the structure implemented at the beginning of 2011.

Impairment testing of recognized goodwill and brands has been based on recoverable amounts for cash-generating units established through calculating future value in use. Future cash flows for the first five years are mainly based on the forecasts approved by the Board and Group management, and progress thereof. The growth rate in the terminal period after the first five years has been determined at 2 per cent (2, 2).

Significant assumptions used to calculate values in use are the progression of sales growth and EBIT margin, utilization of operating capital employed, and the discount rate. Management has established the forecast growth rate based on previous results and expectations about the future market trend by operating segment, which for Air Treatment substantially exceeds the current sales levels. These assessments observe various economic indicators and internal and external analyses thereof. In addition, important aspects are observed pertaining to the future financial trend, described in the Group's strategic plan.

No impairment has been identified.

These calculations use a nominal discount rate (average weighted cost of capital before tax) of 12.4 per cent (13.2, 12.1).

A sensitivity analysis for the parameters discount rate, sales growth and EBIT margin has been performed for each cash-generating unit, as below. The effects refer to a change in the individual parameter, all else being equal.

**Discount rate**

A 2.5 per centage point (1.7, 1.1) increase in the discount rate would be required for goodwill and brands impairment to be necessary in the Air Treatment business area, and the corresponding increase of 5.1 per centage points (6.5, 3.9) in business area AgHort. For the business area Mist Elimination no reasonable changes are judged to lead to a need for impairment (14.1, 10.1).

**Sales growth**

A sales growth of 5 per cent annually is required to avoid impairment for goodwill and brands in the Air Treatment business area. For the business areas AgHort and Mist Elimination no reasonable changes are judged to lead to a need for impairment.

**EBIT margin**

For business area Air Treatment, a 29 per cent (21, 16) decrease in average EBIT margin in the forecast period would be required for goodwill and brands impairment to be necessary. For the other two business areas, AgHort and Mist Elimination, no reasonable changes are judged to lead to a need for impairment at December 31, 2016.

## Note 16 | PARTICIPATIONS IN SUBSIDIARIES

| Indirect shareholdings | Country | 2016 Per centage, % | 2015 Per centage, % | 2014 Per centage, % |
|---|---|---|---|---|
| Munters AB (org.nr. 556041-0606) | Sweden | 100 | 100 | 100 |
| AB Carl Munters (org.nr. 556035-1198) | Sweden | 100 | 100 | 100 |
| Munters Europe AB (org.nr. 556380-3039) | Sweden | 100 | 100 | 100 |
| Pro Component Sweden AB (org.nr. 556904-0891) | Sweden | 100 | 100 | 100 |
| Proflute AB (org.nr. 556558-3415) | Sweden | 100 | 100 | 100 |
| Munters Corporation | United States | 100 | 100 | 100 |
| Munters Canada Inc | Canada | 100 | 100 | 100 |
| Munters de Mexico S de RL de CV | Mexico | 100 | 100 | 100 |
| Shelf Service Company No 1 S de RL de CV | Mexico | 100 | 100 | 100 |
| Munters Brasil Industria e Comércio Ltda | Brazil | 100 | 100 | 100 |
| Munters Beteiligungs GmbH | Germany | 100 | 100 | 100 |
| Munters Euroform GmbH | Germany | 100 | 100 | 100 |
| Munters GmbH | Germany | 100 | 100 | 100 |
| Munters Reventa GmbH | Germany | 100 | 100 | – |
| Munters Netherlands BV | Netherlands | 100 | 100 | 100 |
| HB Beheer BV | Netherlands | 100 | 100 | – |
| Hebova Beheer BV | Netherlands | – | 100 | – |
| HB Drying Systmens BV | Netherlands | – | 100 | – |
| HB Koeltechniek BV | Netherlands | 100 | 100 | – |
| Munters Spain SAU | Spain | 100 | 100 | 100 |
| HB Krako sro | Czech Republic | 50 | 50 | – |
| Hebova sro | Czech Republic | 50 | 50 | – |

| Indirect shareholdings | Country | 2016 Per centage, % | 2015 Per centage, % | 2014 Per centage, % |
|---|---|---|---|---|
| Munters France SAS | France | 100 | 100 | 100 |
| Munters Italy SpA | Italy | 100 | 100 | 100 |
| Munters Ltd | United Kingdom | 100 | 100 | 100 |
| Munters Management Service Ltd | United Kingdom | 100 | 100 | – |
| Munters Belgium SA | Belgium | 100 | 100 | 100 |
| HB Drying Belgium | Belgium | 80 | 80 | – |
| Munters Finland OY | Finland | 100 | 100 | 100 |
| Rotem Computerized Controllers (1994) Ltd | Israel | 100 | 100 | 52 |
| Munters A/S | Denmark | 100 | 100 | 100 |
| HB Air Treatment Denmark | Denmark | 100 | 50 | – |
| Munters (Pty) Ltd | South Africa | 100 | 100 | 100 |
| Munters-Form Endüstri Sistemleri Sanayi ve Ticaret A.Ş. | Turkey | 80 | 80 | 80 |
| Munters India Humidity Control Private Ltd | India | 100 | 100 | 100 |
| Munters Keruilai Air Treatment Equipment (Guangdong) Co., Ltd | China | – | – | 80 |
| Munters Air Treatment Equipment (Beijing) Co., Ltd | China | 100 | 100 | 100 |
| Munters Mist Eliminator (Beijing) Co., Ltd | China | – | – | 100 |
| Jiangyin SAT Air Treatment Equipment Co., Ltd | China | 100 | 100 | 100 |
| Munters Korea Co., Ltd | South Korea | 100 | 100 | 100 |
| Munters (Thailand) Co., Ltd | Thailand | 100 | 100 | 100 |
| Munters KK | Japan | 100 | 100 | 100 |
| Munters Pte Ltd | Singapore | 100 | 100 | 100 |
| Munters Pty Ltd | Australia | 100 | 100 | 100 |

No restrictions exists regarding Group's access to the subsidiaries assets, as a result of regulations or minorities.

**Non-controlling interests**

In the table below there is information about all non-controlling interests within Munters.

| 2016 | HB Drying Belgium | HB Krako sro | Hebova sro | Munters-Form Endüstri Sistemleri Sanayi ve Ticaret A.Ş. |
|---|---|---|---|---|
| Net sales | 16 | 44 | – | 55 |
| Gross profit | 3 | 20 | – | 11 |
| Earnings before interest and tax (EBIT) | 2 | 4 | 1 | (15) |
| Income for the year | 1 | 3 | 0 | (12) |
| Equity | 1 | 16 | 11 | 14 |
| Participating interest % | 80 | 50 | 50 | 80 |

| 2015 | HB Drying Belgium | HB Air Treatment-Denmark | HB Krako sro | Hebova sro | Munters–Form Endüstri Sistemleri Sanayi ve Ticaret A.Ş. |
|---|---|---|---|---|---|
| Net sales | 2 | 1 | 22 | – | 68 |
| Gross profit | 0 | 1 | 9 | – | 19 |
| Earnings before interest and tax (EBIT) | (1) | 1 | 2 | 0 | (5) |
| Income for the year | 0 | 1 | 2 | 0 | (8) |
| Equity | 0 | 1 | 12 | 10 | 12 |
| Participating interest % | 80 | 50 | 50 | 50 | 80 |

| 2014 | Munters–Form Endüstri Sistemleri Sanayi ve Ticaret A.Ş. | Rotem Computerized Controllers (1994) Ltd | Munters Keruilai Air Treatment Equipment (Guangdong) Co..Ltd |
|---|---|---|---|
| Net sales | 53 | 141 | 174 |
| Gross profit | 15 | 84 | 52 |
| Earnings before interest and tax (EBIT) | (1) | 29 | (24) |
| Income for the year | (1) | 25 | (35) |
| Equity | 9 | 70 | 19 |
| Participating interest % | 80 | 52 | 80 |

## Note 17 | PREPAID EXPENSES AND ACCRUED INCOME

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Prepaid rent and leases | 8 | 5 | 5 |
| Prepaid insurance premiums | 19 | 11 | 7 |
| Prepaid expenses for goods and services | 4 | 3 | 0 |
| Other items | 45 | 26 | 29 |
| **Total** | **76** | **44** | **41** |

## Note 18 | FINANCIAL INSTRUMENTS

Munters' financial risks and how they are managed are described in Note 3.

**Derivative instruments**

At year-end, there were forward currency contracts in the Group as follows. They were recognized at fair value in the statement of financial position.

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| | Net amount in local currency | Carrying amount | Net amount in local currency | Carrying amount | Net amount in local currency | Carrying amount |
| AUD/SEK | | | (1) | 0 | 0 | 0 |
| EUR/SEK | (23) | 1 | (32) | 2 | (4) | (1) |
| CNY/SEK | | | (8) | 0 | | |
| DKK/SEK | | | (1) | 0 | (11) | 0 |
| GBP/SEK | | | 0 | 0 | 0 | 0 |
| ILS/SEK | 8 | 0 | | | | |
| ILS/USD | (7) | 0 | 9 | (1) | | |
| JPY/SEK | 150 | (1) | 94 | 0 | 463 | 0 |
| SGD/SEK | 0 | 0 | 0 | 0 | (1) | 0 |
| USD/EUR | 11 | (1) | | | | |
| USD/SEK | 2 | (1) | 10 | (1) | (1) | (1) |
| ZAR/SEK | 20 | 0 | (20) | 1 | (22) | 0 |
| **Total** | | **(2)** | | **2** | | **(2)** |

Negative net amounts refer to sales, and positive net amounts refer to purchases. All forward contracts fall due for payment during 2017. For more information about the Group's financial risks and management thereof, see Note 3.

**Financial assets and liabilities that are offset, or which are covered by a legally binding master netting arrangement or similar agreement**

Financial assets and liabilities that can be offset against each other consist of foreign exchange derivatives covered by a legally binding master netting arrangement. No offsetting has occurred in the balance sheet in the year 2016. The carrying amounts of such assets and liabilities amount to SEK 2.4 million (5.2, 1.0) and SEK -4.5 million (-3.7, -2.9) respectively.

**Fair value of assets and liabilities**

The carrying amounts of interest-bearing assets and liabilities in the statement of financial position may deviate from their fair value for reasons such as changes in market interest rates. Munters deems that the interest rate on interest-bearing liabilities is in line with market terms at December 31, 2016, and the fair value at the end of the reporting period therefore in all material aspects corresponds to the carrying amount. The fair value of financial instruments such as accounts receivable, accounts payable, and other non-interest-bearing financial assets and liabilities, which are recognized at amortized cost less any impairment, is deemed equal to the carrying amount because of the short maturities of these instruments.

The Group's derivatives, recognized at fair value in the statement of financial position, were measured according to IFRS 13 Level 2, fair value hierarchy – data for the asset or liability other than quoted prices on an active market for identical assets or liabilities that are observable either directly (as quoted prices) or indirectly (derived from quoted prices).

The Group's contingent price considerations and put/call options, recognized at fair value in the statement of financial position, are measured according to IFRS 13 and level 3 in the fair value hierarchy. The contingent consideration related to the acquisition of HB group in 2015 is valued based on the EBITDA during the period July 1, 2015 to July 1, 2017. The range, depending on what EBITDA level is achieved, is between zero up to a maximum of EUR 10 million. In 2014 and 2015 the put/call options refer to Rotem Computerized Controllers (1994) Ltd and Munters Keruilai Air Treatment Equipment (Guangdong) Co., Ltd. In the table below the changes in the contingent consideration liability during 2016 are explained, with the largest change being related to the early settlement of the Reventa contingent purchase consideration.

In the table below the changes in contingent purchase considerations and put/call options during the year are shown.

| Contingent price considerations | 2016 | 2015 | 2014 |
|---|---|---|---|
| Opening balance | 78 | 310 | 278 |
| Estimated liabilities at acquisition (note 5) | – | 88 | – |
| Payments | (9) | 310 | – |
| Changes recognized in other operating income | (30) | – | – |
| Discounting | 7 | (9) | – |
| Exchange-rate differences for the year | 5 | (1) | 32 |
| **Closing balance** | **51** | **78** | **310** |

In the table below the additional items of the purchase price related to Hebova Holding B.V (2016 and 2015) and Reventa Group (2015) are included under "Financial liabilities at fair value through the profit/loss". The calculation of these items is regulated in the Share Purchase Agreement. For further information of the conditions see Note 5. Put/call options related to Rotem Computerized Controllers (1994) and Munters Keruilai Air Treatment Equipment (Guangdong) Co., Ltd are included under the heading "Other current liabilities" 2014.

| Book value of financial assets and liabilities by category | 2016 Book value | 2015 Book value | 2014 Book value |
|---|---|---|---|
| **Financial assets** | | | |
| Loans receivable and accounts receivable | | | |
| Other non-current financial assets | 62 | 54 | 25 |
| Accounts receivable | 1,094 | 790 | 700 |
| Other current receivables | 103 | 92 | 72 |
| Cash and cash equivalents | 432 | 346 | 273 |
| **Loans receivable and accounts receivable, total** | **1,691** | **1,281** | **1,070** |
| *Financial assets at fair value through profit/loss* | | | |
| Currency derivatives whose cash flows are not subject to hedge accounting | 2 | 5 | 16 |
| **Financial assets at fair value through profit/loss, total** | **2** | **5** | **1** |
| **Financial assets, total** | **1,693** | **1,286** | **1,087** |
| **Financial liabilities** | | | |
| *Financial liabilities measured at amortized cost* | | | |
| Non-current interest-bearing liabilities | 5,241 | 4,845 | 4,395 |
| Current interest-bearing liabilities | 420 | 435 | 160 |
| Accounts payable | 530 | 361 | 329 |
| Accrued expenses | 35 | 32 | 29 |
| Other non-current liabilities | 17 | 48 | 16 |
| Other current liabilities | 181 | 221 | 104 |
| **Financial liabilities measured at amortized cost, total** | **6,424** | **5,942** | **5,033** |
| *Financial liabilities at fair value through profit/loss* | | | |
| Currency and interest rate derivatives whose cash flows are not subject to hedge accounting | 4 | 4 | 3 |
| Other financial liabilities measured at fair value | | | |
| Contingent purchase consideration, current | – | 62 | – |
| Contingent purchase consideration, non-current | 51 | 16 | – |
| Other current liablities | | | 310 |
| **Financial liabilities at fair value through profit/loss, total** | **55** | **82** | **313** |
| **Financial liabilities, total** | **6,478** | **6,024** | **5,346** |

The table below maps the maturity of the Group's financial liabilities. The amounts specified in the table are the contractual, non-discounted cash flows. Variable interest streams with future interest adjustment dates are estimated using the anticipated market interest rate at year-end for each settlement date and each interest adjustment date. All cash flows in foreign currency are converted into SEK using the rate at the end of the period.

| **31 December 2016** | **< 1 year** | **1–5 years** | **>5 years** | **Total** |
|---|---|---|---|---|
| Interest-bearing liabilities | 590 | 570 | 6,683 | 7,843 |
| Derivative instruments | 4 | 0 | 0 | 4 |
| Other liabilities | 234 | 17 | 0 | 251 |
| Accounts payable | 530 | 0 | 0 | 530 |
| **Total** | **1,359** | **587** | **6,683** | **8,629** |

| **31 December 2015** | **< 1 year** | **1–5 years** | **>5 years** | **Total** |
|---|---|---|---|---|
| Interest-bearing liabilities | 596 | 702 | 6,469 | 7,767 |
| Derivative instruments | 4 | 0 | 0 | 4 |
| Other liabilities | 239 | 103 | 0 | 342 |
| Accounts payable | 361 | 0 | 0 | 361 |
| **Total** | **1,200** | **805** | **6,469** | **8,474** |

| **31 December 2014** | **< 1 year** | **1–5 years** | **>5 years** | **Total** |
|---|---|---|---|---|
| Interest-bearing liabilities | 299 | 627 | 6,353 | 7,279 |
| Derivative instruments | – | – | – | – |
| Other liabilities | 415 | 15 | – | 430 |
| Accounts payable | 329 | – | – | 329 |
| **Total** | **1,043** | **642** | **6,353** | **8,038** |

**Interest-bearing liabilities**

Interest-bearing liabilities in Munters chiefly comprise a loan from shareholders and non-current and current bank loans, and amounted to SEK 5,660 million (5,280, 4,557) at the turn of the year. The distribution is presented in the table below.

| **Maturity** | **Type of loan** | **Interest rate, %** | **Currency** | **Nominal value** | **Book value 2016** | **Book value 2015** | **Book value 2014** |
|---|---|---|---|---|---|---|---|
| **Non-current loans** | | | | | | | |
| 2022 | Shareholder loan | Fixed | SEK | 2,688 | 2,688 | 2,488 | 2,304 |
| 2021 | Non-current loan | Variable | USD | 285 | 2,528 | 2,337 | 2,084 |
| 2017–2025 | Other non-current loan | Fixed/ Variable | Different currencies | – | 16 | 14 | 7 |
| **Total** | | | | | **5,231** | **4,839** | **4,395** |
| **Current portion of non-current loans** | | | | | | | |
| | Non-current loan | Variable | USD | 3 | 27 | 25 | 22 |
| | Other non-current loan | Fixed/ Variable | Different currencies | – | 1 | 4 | 4 |
| **Total** | | | | | **28** | **29** | **26** |
| **Other current loans** | | | | | | | |
| | Utilized committed credit facilities Sweden | Variable | USD | 20 | 182 | 333 | 52 |
| | Utilized committed credit facilities Sweden | Variable | SEK | 205 | 205 | | 22 |
| | Other current loan | Fixed/ Variable | Different currencies | | 14 | 79 | 62 |
| **Total** | | | | | **401** | **412** | **136** |
| **Total loans** | | | | | **5,660** | **5,280** | **4,557** |

**Loans from shareholders**

The shareholder loan is granted by Cidron Maximus Ltd and Rothschild (FA International Investments SCA) pro rata based on their respective ownership. The loan is subordinated to other loans and carries an 8 per cent interest rate. The maturity date is May 5, 2022. Cumulative interest is capitalized annually and will be paid upon maturity of the loan. At December 31, 2016, non-capitalized accrued interest totaled SEK 33 million (31, 29). In November 2014, SEK 550 M of shareholder loan was converted into equity by offsetting.

**Non-current loans**

Munters has since 2014 a dollar-denominated Senior Secured long term loan directed to investors on the US market with one lead bank as an agent. The table also outlines local financial indebtedness incurred by Munters subsidiaries in Brazil, Czech Republic and the Netherlands.

The long term Senior Debt is amortized according to the stipulated repayment schedule.

The loan agreement contains one financial covenant, which stipulates limits on the size of the Group's consolidated debt in relation to EBITDA. Munters' financial policy regulates the management of external borrowings. The management and Board carefully monitor the Group's forecast performance in relation to the limits stipulated by the covenant. This ensures that the Group fulfills its commitments to external lenders and minimizes the liquidity and financing risk. At December 31, 2016, the covenant was met and is expected to be met during 2017.

Munters has committed revolving credit facilities under the principle credit agreement that is long-term. During the year these facilities have been re-structured and increased. Drawings under the facility are by nature short term and are shown as current loan.

| NET DEBT EXCLUDING SHAREHOLDER LOAN | 2016 | 2015 | 2014 |
|---|---|---|---|
| Current interest-bearing liabilities | 432 | 441 | 162 |
| Non-current interest-bearing liabilities | 2,544 | 2,351 | 2,091 |
| Defined-benefit pension plans | 181 | 171 | 168 |
| Interest-bearing assets | (432) | (346) | (273) |
| **Net debt excluding shareholder loan** | **2,724** | **2,617** | **2,148** |

| NET DEBT INCLUDING SHAREHOLDER LOAN | | | |
|---|---|---|---|
| Current interest-bearing liabilities | 432 | 441 | 162 |
| Non-current interest-bearing liabilities | 5,231 | 4,840 | 4,395 |
| Defined-benefit pension plans | 181 | 171 | 168 |
| Interest-bearing assets | (432) | (346) | (273) |
| **Net debt including shareholder loan** | **5,412** | **5,106** | **4,452** |

**Current loans**

Along with the utilized part of the credit facility and a short term portion of the long term loan, the table also outlines local bank debt in Munters subsidiaries in Brazil, China and Czech Republic.

Two current (short-term) bilateral credit facilities with Swedbank has matured and been repaid during 2016. In December a one-year acquisition facility was established with the same bank. This facility was not utilized at the end of the year.

The total average weighted interest rate at the end of the year was 6.26 per cent (5.89, 6.37).

## Note 19 | ASSETS HELD FOR SALE

In 2015 and 2016 no assets have been classified as financial assets held for sale.

The building in Italy that previously was classified as financial assets held for sale, was sold during the third quarter. The sale price was set to EUR 1.5 M, which resulted in a capital loss of EUR 2 M (write down at the time of sale).

## Note 20 | EQUITY

### Share capital

The share capital of SEK 86,278.48 comprises 2,399,764 (2,399,764, 2,392,264) fully paid shares, each with a par value of SEK 0.04.

Shares can be issued in four series; series A and B preferential shares and series A and B ordinary shares. In voting at general meetings, series A preferential and ordinary shares entitle the holder to ten votes, while series B preferential and ordinary shares entitle the holder to one vote. Number of shares, according to the articles of association, should be minimum 1,000,000 and maximum 4,000,000.

At December 31, 2016, as previous year, there were 847,286 series A preferential shares, 1,015,497 series B preferential shares, 467,090 series A ordinary shares, and 69,891 series B ordinary shares.

Preferential shares carry preferential rights ahead of ordinary shares to annual dividend per preferential share corresponding to 8 per cent of a basic amount of SEK 1,000 per preferential share. In cases where preferential shares do not receive full payment for a year, the amount is added to the basic amount in the following period. Accumulated right to dividend for the preferential shares amount to SEK 890 million as per December 2016 and includes the 2016 right to dividend. The Board has the right to convert all series A preferential shares to series B preferential shares, all series B preferential shares to series A ordinary shares, and all series A ordinary shares to series B ordinary shares.

Otherwise, the stipulations of the articles of association apply.

| Reserves | Reserve for exchange-rate differences | Total reserves |
|---|---|---|
| **Opening balance, January 1, 2014** | **(49)** | **(49)** |
| Exchange-rate differences | 293 | 293 |
| **Closing balance, December 31, 2014** | **244** | **244** |
| Exchange-rate differences | (3) | (3) |
| **Closing balance, December 31, 2015** | **241** | **241** |
| Exchange-rate differences | 198 | 198 |
| **Closing balance, December 31, 2016** | **439** | **439** |

The reserve for exchange-rate differences consists of differences that arise when the income statements and balance sheets of foreign subsidiaries are translated into SEK. Compared with last year, the positive exchange-rate effects during 2016 mainly due to weaker SEK against USD and EUR.

### Holdings of treasury shares

Munters Group AB does not have any treasury shares.

### Number of outstanding shares

The number of outstanding shares at year-end was 2,399,764 (2,399,764, 2,392,264).

### Dividend during the period

Dividend has been made during 2015 to non-controlling interests, with SEK 8 million.

### Offset issue

In November, 2014, SEK 550 million of shareholder loan was converted in to equity by offsetting.

## Note 21 | PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Non-current defined-benefit obligations to employees | 175 | 166 | 161 |
| Other benefits to employees | 4 | 4 | 5 |
| **Non-current** | **179** | **170** | **166** |
| Current defined-benefit commitments to employees | 4 | 4 | 7 |
| Other current employee benefits | 1 | 0 | 1 |
| **Current** | **5** | **4** | **8** |
| **Total provisions for pensions and similar commitments** | **184** | **174** | **174** |
| Non-current defined-benefit obligations to employees | 175 | 166 | 161 |
| Current defined-benefit commitments to employees | 4 | 4 | 7 |
| **Provisions recognized in defined-benefit commitments** | **179** | **170** | **168** |

The Group finances pension plans for its employees in several countries. These plans mainly follow practice in the country in question and may be defined-contribution or defined-benefit plans or a combination of both. The most important defined-benefit pension plans cover employees in Sweden, Italy and Belgium. In France and Italy, provisions are made for mandatory remuneration when employment ceases. For senior executives of the Group, there are guidelines regarding pension rights and pension plans described in Note 28.

Defined-benefit pension plans in Sweden constitute 94 per cent (93, 91) of total Group provisions for pensions. The calculations are primarily based on final salary and the plans are unfunded. The pension plans in Belgium are funded and constitutes 0 per cent (0, 1) of total pension provisions. The pension plans in Italy, which constitute 4 per cent (5, 6) of total pension provisions are unfunded.

The Swedish pension plans (known as ITP plans) supplement the country's social insurance system, and result from agreements between employer and employee organizations. ITP plans mainly comprise retirement pensions, disability pensions and survivor's pensions.

The ITP plan has two parts, firstly, ITP1, which is a defined-contribution pension plan applying to employees born in 1979 or later, and secondly, ITP2, which is a defined-benefit pension plan applying to employees born before 1979. White collar employees within the Group in Sweden are covered by both these parts.

The ITP2 plan is managed internally by Munters in the FPG/ PRI system. Financing occurs through provisions to an account in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti.

In the Group, there are also defined-contribution plans that mainly comprise retirement pensions, disability pensions and survivor's pensions. The premiums are paid continuously during the year by each Group company to separate legal entities, such as insurance companies. The size of the premium is based on salary. The cost of these defined-contribution plans for the period totaled SEK 73 million (85, 44).

Munters recognizes actuarial gains and losses in other comprehensive income in the period they occur to the extent that they refer to post-employment remuneration. Actuarial losses totaled SEK -17 million (0, -22) for the period. Actuarial losses in 2014 and 2016 are essentially attributable to Sweden and are chiefly due to lower discount rates in Sweden than in the preceding year.

Recognition of provisions for defined-contribution pensions in the consolidated balance sheet:

| | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Present value of defined benefit obligation | Fair value of plan assets | Recognized provision, net | Present value of defined benefit obligation | Fair value of plan assets | Recognized provision, net | Present value of defined benefit obligation | Fair value of plan assets | Recognized provision, net |
| **Opening balance** | **174** | **(4)** | **170** | **172** | **(4)** | **168** | **145** | **(4)** | **141** |
| **Pension expenses current year, included in Income for the year** | | | | | | | | | |
| Current service cost | 7 | – | 7 | 6 | – | 6 | 5 | – | 5 |
| Result from settlement [1] | 0 | – | 0 | – | – | – | – | – | – |
| Interest cost/income on benefit obligation | 5 | – | 5 | 5 | – | 5 | 6 | – | 6 |
| | **12** | **–** | **12** | **11** | **–** | **11** | **11** | **–** | **11** |
| **Re-mearsurement, included in Other comprehensvie income** | | | | | | | | | |
| Return on plan assets | 0 | 0 | 0 | – | – | – | – | 0 | 0 |
| Actuarial changes arising from changes in demographic assumptions | 8 | – | 8 | – | – | – | 0 | – | 0 |
| Actuarial changes arising from changes in finacial assumptions | 9 | – | 9 | 0 | – | 0 | 24 | – | 24 |
| Experience adjustments | 0 | 0 | 0 | 1 | 0 | 1 | (2) | – | (2) |
| | **17** | **0** | **17** | **1** | **0** | **1** | **22** | **0** | **22** |
| **Transactions** | | | | | | | | | |
| Benefits paid by employer | (7) | – | (7) | (9) | – | (9) | (6) | – | (6) |
| Benefit paid from plan assets | 0 | 0 | 0 | 0 | 0 | 0 | (1) | 1 | 0 |
| Benefits paid by employer to plan assets | 0 | (1) | (1) | – | 0 | 0 | – | (1) | (1) |
| Settlement [1] | (12) | – | (12) | – | – | – | – | – | – |
| | **(19)** | **(1)** | **(20)** | **(9)** | **0** | **(9)** | **(7)** | **0** | **(7)** |
| Additional pension plan [2] | 11 | (11) | 0 | – | – | – | – | – | – |
| Exchange rate differences for the year | 0 | 0 | 0 | (1) | 0 | (1) | 1 | 0 | 1 |
| **Closing balance** | **195** | **(16)** | **179** | **174** | **(4)** | **170** | **172** | **(4)** | **168** |
| Of which funded plans: | | | | | | | | | |
| Other countries (Belgium) | 17 | (16) | 1 | 5 | (4) | 1 | 6 | (4) | 2 |
| Of which unfunded plans: | | | | | | | | | |
| Sweden | 167 | – | 167 | 158 | – | 158 | 153 | – | 153 |
| Other countries | 11 | – | 11 | 12 | – | 12 | 13 | – | 13 |

1) Redeemed benefits.
2) Pension plan reclassified as defined benefit pension plan due to changed legislation in Belgium.

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Plan assets** | | | |
| Other assets (external insurances), % | 100 | 100 | 100 |

Plan assets comprise insurance contracts signed with independent insurance companies. No portion of plan assets during the period 2014-2016 was invested in the Company's equity instruments, debt instruments, real estate, or other assets used by the Company.

The Company only has a minor share of funded plans.

The most important actuarial assumptions are as follows:

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| **Significant actuarial assumptions** | **Sweden** | **Other** | **Sweden** | **Other** | **Sweden** | **Other** |
| Discount rate, % | 2.7 | 1.5 | 3.0 | 2.0 | 3.0 | 2.1 |
| Future inflation, % | 1.5 | 1.7 | 1.5 | 2.0 | 1.5 | 2.0 |
| Future wage and salary increases, % | 2.7 | 2.8 | 2.7 | 3.0 | 2.7 | 3.0 |
| Pension increases, % | 1.5 | – | 1.5 | – | 1.5 | – |
| Social security increases, % | 2.7 | – | 2.7 | – | 2.7 | – |

At the end of the reporting period, the discount rate is derived from a functioning market based on investment-grade corporate bonds adjusted for the duration of the commitment.

A reduction of 0.5 per centage points in the discount rate would increase the pension commitments by around SEK 20 million, while an increase in the rate of 0.5 per centage points would reduce the commitment by around SEK 17 million. Altered assumptions with respect to inflation being 0.5 per centage points lower would reduce the commitment by around SEK 13 million, and increase it by around SEK 15 million in an assumption of it being 0.5 per centage points higher. The sensitivity analysis is performed by an actuarial assumption changing, while the other assumptions are kept unchanged. The method shows the sensitivity of the liability to an individual assumption.

This is a simplified method, because actuarial assumptions are normally correlated.

Assumptions about life span are based on public statistics and experience from mortality surveys in each country, and are set in consultation with actuarial experts. As of this year, for Swedish pension plans, the most current life span investigation DUS14 is applied instead of the Swedish financial supervisory authority (Finansinspektionen) as set out in Regulation FFFS 2007:31. This has led to a demographical actuarial loss of SEK 8 million recognized in Other comprehensive income.

Munters' budgeted fees for defined-benefit obligations equal SEK 5 million for 2017.

Duration analysis regarding expected payments for post-employment pension benefits (not calculated on present value):

**Payments in the future years**

| **Group as per 31 December** | **2016** | **2015** | **2014** |
|---|---|---|---|
| Within the next 12 months | 5 | 5 | 6 |
| Between 1 and 2 years | 5 | 6 | 6 |
| Between 2 and 5 years | 16 | 17 | 19 |
| Between 5 and 10 years | 35 | 34 | 30 |
| **Total** | **62** | **62** | **61** |

The weighted average duration for the defined-benefit commitments is 19,8 years (18, 24).

## Note 22 | OTHER PROVISIONS

| 2016 | Provisions for warranties | Provision for restructuring | Other provisions | Total |
|---|---|---|---|---|
| **Opening balance** | **108** | **2** | **17** | **128** |
| Additional provisions | 29 | 7 | 7 | 42 |
| Reversals of unutilized provisions | (25) | 0 | (4) | (29) |
| Exchange-rate differences | 7 | 0 | 2 | 9 |
| Utilized during the year | (7) | (4) | 0 | (11) |
| **Closing balance, December 31, 2016** | **113** | **4** | **23** | **140** |

| 2015 | Provisions for warranties | Provision for restructuring | Other provisions | Total |
|---|---|---|---|---|
| **Opening balance** | **69** | **48** | **9** | **126** |
| Additional provisions | 35 | – | 10 | 46 |
| Acquisition of subsidiaries | 16 | – | – | 16 |
| Divestment of subsidiaries | (1) | – | – | (1) |
| Reversals of unutilized provisions | (8) | (26)[1] | (1) | (35) |
| Exchange-rate differences | 1 | (1) | 0 | 0 |
| Utilized during the year | (4) | (20) | (1) | (24) |
| **Closing balance, December 31, 2015** | **108** | **2** | **17** | **128** |

1) Relates mainly to unutilized provisions for the divestment of Heaters-operation within the business area HumiCool and restructuring (relocation of production activities) in the business area Mist Elimination.

| 2014 | Provisions for warranties | Provision for restructuring | Other provisions | Total |
|---|---|---|---|---|
| **Opening balance** | **53** | **7** | **24** | **84** |
| Additional provisions | 20 | 35[1)] | 1 | 56 |
| Reclassification | – | 11 | (11) | |
| Reversals of unutilized provisions | (10) | – | – | (10) |
| Exchange-rate differences | 9 | 1 | 1 | 11 |
| Utilized during the year | (3) | (6) | (6) | (15) |
| **Closing balance, December 31, 2014** | **69** | **48** | **9** | **126** |

1) Relates to the divestment of Heaters-operation within the business area HumiCool and restructuring (relocation of production activities) in the business area Mist Elimination.

| Provisions consist of: | 2016 | 2015 | 2014 |
|---|---|---|---|
| Current portion | 110 | 102 | 110 |
| Non-current portion | 30 | 26 | 16 |
| **Total** | **140** | **128** | **126** |

## Note 23 | ACCRUED EXPENSES AND DEFERRED INCOME

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Vacation pay liabilities | 77 | 68 | 65 |
| Social security contributions | 41 | 33 | 29 |
| Other expenses related to personnel | 157 | 135 | 128 |
| Received goods not yet invoiced | 82 | 57 | 34 |
| Commissions to agents/sales representatives | 61 | 43 | 52 |
| Interest expenses | 35 | 32 | 29 |
| Other | 111 | 98 | 91 |
| **Total** | **565** | **466** | **428** |

## Note 24 | PLEDGED ASSETS AND CONTINGENT LIABILITIES

| Pledged assets for liabilities to credit institutions | 2016 | 2015 | 2014 |
|---|---|---|---|
| Non-current assets | 207 | 149 | 101 |
| Current assets | 586 | 454 | 367 |
| Bank accounts | 193 | 105 | 21 |
| Receivables from subsidiaries | 42 | 40 | 52 |
| Other net assets [1)] | 2,380 | 2,210 | 2,292 |
| Shares in subsidiaries | – | – | – |
| **Total** | **3,408** | **2,958** | **2,833** |

1) Other net assets refer to consolidated values for all subsidiaries pledged with the exception of individual assets pledged and separately specified in the table above.

| Contingent liabilities | 2016 | 2015 | 2014 |
|---|---|---|---|
| FPG guarantees | 2 | 2 | 2 |
| Guarantees from banks and insurance companies | 113 | 143 | 132 |
| **Total** | **115** | **145** | **134** |

FPG guarantees refer to pension liabilities in Sweden. Other guarantees are normal operational guarantees, such as advances and completion guarantees.

The subsidiary in the United States, Munters Corporation, has entered into a comprehensive collateral with a loan syndicate regarding its´ borrowings. The security is set for the short- and long-term bank loans in the USA and Sweden, as specified in Note 18. For these bank loans, the shares in Munters Holding AB and the five Swedish subsidiaries and the US subsidiary Munters Corporation have been pledged as collateral for the credit facilities granted to the Company. The bank also has direct collateral in all assets, subject to certain limitations and exclusions, in Munters Corporation.

Amounts listed as pledged asset in the parent company consists of the Parent Company's carrying amount of the shares in Munters Holding AB. The amount shown as pledged asset for the Group intends to illustrate how the Group's equity is affected in the event the pledged shares in Munters Holding would be called.

### Litigation

Munters is involved in a number of commercial disputes and by year-end the company is recognizing provisions based on best estimates of future outcomes. None of the disputes are deemed to have any material negative effect on the Company's financial position or earnings.

The largest on-going dispute involves Munters' Australian subsidiary, which has been sued in the amount of SEK 72 million plus interest for breach of contract in relation to services provided during 2008. The services were provided within the business area Moisture Control Services, which in Australia was discontinued during 2010. Munters disputes the claim and considers it to be unfounded. If Munters is held liable Munters expects to be covered by insurance, but such insurance cover may under certain circumstances be limited to SEK 21 million.

Other significant legal proceedings are attributable to Munters' subsidiary in the United States, Munters Corporation. At December 31, 2016, the Company was named co-respondent in 8 (14, 48) asbestos-related cases (a few of which have multiple plaintiffs). In the past few years, seven cases have been voluntarily dismissed by the plaintiff and are now closed. Munters Corporation is of the firm opinion that the remaining claims are unfounded and the company will strongly dispute every claim. Munters Corporation has coverage for the asbestos-related claims by several insurance policies. Subject to certain reservations, the insurance companies have confirmed that, until further notice, they will pay a significant portion of the expenses for legal defense.

One new asbestos-related case was added in 2016.

## Note 25 | TRANSACTIONS WITH RELATED PARTIES

Shares in Munters Group AB are owned indirectly through the companies Cidron Maximus Limited and Cidron Maximus S.a.r.l, 87.9 per cent owned by Nordic Capital Fund VII. The remaining shares are 8.7 per cent owned by FA International Investments S.C.A., a fund managed by Rothschild, and 3.4 per cent (2.8, 2.8) by others.

Other parties related to Munters include other portfolio companies managed by Nordic Capital, and associated companies. The table below shows significant transactions and other outstanding dealings with other portfolio companies. Sales and purchasing have occurred on market terms. There are also certain other transactions, amounting to small amounts, with other companies in which Nordic Capital has interests. The Parent Company has a related party relationship with its subsidiaries. Information about participations in subsidiaries is provided in Note 16. Neither sales nor purchasing occurred between Munters Group AB and its subsidiaries in 2014, 2015 or 2016.

| | 2016 | | | |
|---|---|---|---|---|
| **Group** | **Sales** | **Purchasing** | **Receivables** | **Liabilities** |
| Luvata | 1 | 35 | 0 | 2 |

| | 2015 | | | |
|---|---|---|---|---|
| **Group** | **Sales** | **Purchasing** | **Receivables** | **Liabilities** |
| Luvata | 0 | 52 | 0 | 4 |

| | 2014 | | | |
|---|---|---|---|---|
| **Group** | **Sales** | **Purchasing** | **Receivables** | **Liabilities** |
| Luvata | 1 | 8 | – | 4 |

Munters Group AB has a loan from shareholders raised in 2010 and subordinate to other loans. At December 31, 2016, the loan amounted to SEK 2,688 million (2,488, 2,304), and carries an 8.0 per cent rate of interest. Interest accumulates and is repaid when the loan matures on May 5, 2022. In 2016 the Group expensed interest on loans from shareholders amounting to SEK 202 million (187, 207). At December 31, 2016, non-capitalized accrued interest totaled SEK 33 million (31, 29). In November 2014, SEK 550 million of the shareholder loan was converted into equity by offsetting, in order to ease the Group's financial situation.

Remuneration for senior executives and individual members of the Board are presented in Note 28.

Munters has not provided guarantees or sureties to or on behalf of Board members or senior executives. The Board has not identified any transactions with other related parties, besides those specified in this Note and those to which reference is made.

## Note 26 | AVERAGE NUMBER OF EMPLOYEES AND GENDER DISTRIBUTION

| Average number of employees Group | 2016 Number | 2016 of which men, % | 2015 Number | 2015 of which men, % | 2014 Number | 2014 of which men, % |
|---|---|---|---|---|---|---|
| Austria | 4 | 75 | 4 | 75 | 4 | 75 |
| Australia | 29 | 83 | 29 | 86 | 34 | 91 |
| Belgium | 173 | 93 | 120 | 93 | 139 | 93 |
| Brazil | 104 | 88 | 96 | 92 | 96 | 92 |
| Canada | 4 | 75 | 4 | 75 | 4 | 75 |
| China | 354 | 81 | 420 | 77 | 472 | 71 |
| Czech Republic | 76 | 91 | 64 | 91 | 1 | 100 |
| Denmark | 38 | 70 | 33 | 73 | 27 | 67 |
| Finland | 11 | 82 | 10 | 80 | 10 | 80 |
| France | 27 | 85 | 30 | 83 | 27 | 85 |
| Germany | 212 | 83 | 237 | 86 | 143 | 84 |
| India | 21 | 95 | 20 | 95 | 20 | 95 |
| Israel | 125 | 81 | 117 | 79 | 111 | 77 |
| Italy | 157 | 83 | 157 | 81 | 134 | 83 |
| Japan | 45 | 84 | 43 | 85 | 43 | 85 |
| Korea | 16 | 75 | 17 | 76 | 15 | 73 |
| Mexico | 155 | 74 | 133 | 75 | 130 | 81 |
| Netherlands | 67 | 90 | 65 | 91 | 17 | 82 |
| Poland | 3 | 100 | 3 | 100 | 4 | 100 |
| Singapore | 18 | 78 | 19 | 74 | 17 | 65 |
| Spain | 10 | 80 | 9 | 78 | 11 | 64 |
| South Africa | 22 | 82 | 22 | 82 | 26 | 73 |
| Sweden | 277 | 76 | 272 | 76 | 248 | 75 |
| Switzerland | 3 | 67 | 3 | 67 | 2 | 50 |
| Taiwan | – | | – | | 2 | 50 |
| Thailand | 17 | 59 | 19 | 62 | 18 | 66 |
| Turkey | 34 | 82 | 46 | 78 | 30 | 73 |
| United Arab Emirates | 3 | 100 | 3 | 100 | 5 | 100 |
| United Kingdom | 59 | 78 | 53 | 85 | 52 | 83 |
| United States | 886 | 83 | 824 | 84 | 791 | 84 |
| Vietnam | 3 | 67 | 2 | 50 | 2 | 50 |
| **Total** | **2,953** | **82** | **2,874** | **82** | **2,635** | **80** |

**Gender distribution – Board of Directors and Group management**
At year-end, the Board of Directors consisted of eight (eight, seven) men and one (one, one) woman. Group management, including the CEO, consisted entirely of men.

## Note 27 | WAGES, SALARIES, OTHER REMUNERATION, AND SOCIAL SECURITY EXPENSES

| Group | 2016 | 2015 | 2014 |
|---|---|---|---|
| Wages, salaries and other remuneration | 1,341 | 1,242 | 1,083 |
| Social security expenses | 307 | 270 | 246 |
| Pension expenses – defined contribution | 73 | 85 | 44 |
| Pension expenses – defined benefit | 7 | 4 | 5 |
| **Total** | **1,728** | **1,600** | **1,378** |

## Note 28 | REMUNERATION TO BOARD MEMBERS AND SENIOR EXECUTIVES

Senior executives in the Group have been defined as the same as senior executives in the corporate group that Munters Group AB acquired by acquiring Munters AB through Munters Holding AB. During 2017 the same Chief Executive Officer (CEO) has been appointed in Munters Group AB as previously appointed in Munters Holding AB and Munters AB.

### Guidelines

Salaries for senior executives shall be competitive and on market terms and with other terms of employment that correspond to the manager's responsibility, authority, expertise, and experience. Total remuneration shall be reconciled with market statistics and other information regularly.

In addition to a fixed annual salary, senior executives may also receive a variable annual salary, which for the CEO and other senior executives will be based on the Group's earnings and other financial parameters. The variable annual salary shall correspond to at most 140 per cent of the fixed annual salary for the President and at most 40–70 per cent for other senior executives.

Pension rights apply from no earlier than 62 years. The CEO is covered by a premium-based (defined-contribution) plan, according to which the contracted premium provision may amount to a maximum of 40 per cent of the base salary. Other senior executives residing in Sweden are covered by a premium-based (defined-contribution) plan coordinated with the ITP plan, where the agreed premium provision may not exceed 35 per cent of base salary. Senior executives residing outside Sweden may be offered pension arrangements that are competitive in the country in which they reside. All pension plans for senior executives are vested, that is, not conditional on future employment.

Fees for Board members are established by the AGM. If a Board member is employed by the Company, remuneration shall be paid to such a member along these guidelines, with no separate remuneration paid to the Board member for the Board assignment.

If a Board member performs assignments for the Company that are not Board assignments, the remuneration to be paid shall be market-based with respect to the nature of the assignment and the work required.

These guidelines shall apply to individuals who are, during the period in which the guidelines apply, members of Group management, other managers in a senior position directly under the CEO, or Board members. These guidelines apply to contracts signed under a resolution of the AGM and for cases in which changes are made to existing contracts after this time. The Board of Directors shall have the right to deviate from these guidelines if there are special reasons in an individual case, provided that this decision is reported and justified at a later date.

**Remuneration and other benefits to senior executives during the year**

| | 2016 | | | | |
|---|---|---|---|---|---|
| **Amounts in SEK 000s** | **Board fee/ Base salary** | **Variable remuneration** | **Other benefits** | **Pension expenses** | **Total** |
| Members of the Board | 1,904 | – | – | – | 1,904 |
| Chief Executive Officer | 6,188 | 8,258 | 312 | 2,475 | 17,234 |
| Other senior executives (10 individuals) | 21,297 | 13,931 | 5,043 | 5,088 | 45,358 |
| **Total** | **29,389** | **22,189** | **5,355** | **7,563** | **64,496** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| **Amounts in SEK 000s** | **Board fee/ Base salary** | **Variable remuneration** | **Other benefits** | **Pension expenses** | **Total** |
| Members of the Board | 1,807 | – | – | – | 1,807 |
| Chief Executive Officer | 6,577 | 9,208 | 348 | 2,631 | 18,764 |
| Other senior executives (8 individuals) | 18,500 | 8,352 | 3,063 | 4,473 | 34,388 |
| **Total** | **26,884** | **17,560** | **3,411** | **7,104** | **54,959** |

| | 2014 | | | | |
|---|---|---|---|---|---|
| **Amounts in SEK 000s** | **Board fee/ Base salary** | **Variable remuneration** | **Other benefits** | **Pension expenses** | **Total** |
| Members of the Board | 1,400 | – | – | – | 1,400 |
| Chief Executive Officer[1)] | 3,040 | – | 537 | 1,129 | 4,706 |
| Other senior executives (9 individuals) | 17,292 | 5,335 | 1,620 | 3,855 | 28,102 |
| **Total** | **21,732** | **5,335** | **2,157** | **4,984** | **34,208** |

1) Lars Engström 4 months, John Peter Leesi 3 months. During the period May to September John-Peter Leesi was acting President and Chairman of the Board for Munters at the same time. During this period he received board fee only.

Senior executives refer to the Chief Executive Officer, Chief Financial Officer, Group Vice President Air Treatment, Group Vice President AgHort, Group Vice President Mist Elimination, Group Vice President China, Group Vice President Operations, Group Vice President Business Development & PMO, Group Vice President Human Resources and Corporate Communication, and from 1 July 2016 Group Vice President Data Centers and Group Vice President Services.

Variable remuneration refers to the period's proportional share of variable remuneration for fiscal year 2016, which will be paid in 2017. For the CEO, the variable remuneration corresponds to at most 140 per cent of fixed annual salary. For other senior executives, the variable remuneration corresponds to 40-70 per cent of fixed annual salary.

Other benefits refer to company cars as well as housing benefits. Pension expenses include costs for disability pension insurance, survivor annuity, and the like. The amounts are stated excluding special employer's contribution pension expenses.

**Severance pay**

Between the Company and the CEO the period of notice shall not be longer than 24 months. Between the Company and other senior executives, the period of notice shall not be longer than six months. If employment is terminated by the Company, severance pay will be paid equal to 12 months' base salary. Severance pay is not considered pensionable income. If the CEO or other senior executive takes the initiative in terminating employment, there is no severance pay.

**Investment program for senior executives**

For senior executives and other key individuals at Munters, totaling 63 people at the end of the year, there is an investment program comprising ownership of shares in Munters Group AB. Participants in the program paid the market value for the shares. The program includes 27,218 series B preferential shares and 55,182 series B ordinary shares.

No new programs were started during 2014–2016.

## Note 29 | FEES TO AUDITORS

Fees and remuneration recognized as an expense to the Group's auditors during the period are shown below. Audit engagement refers to the statutory audit of the annual report and accounts, as well as the administration of the Board of Directors and the President, other tasks which the Company's auditors are responsible for performing, and advice or other assistance occasioned by observations in such audits or the performance of other similar tasks. Tax advice is consulting on fiscal issues. Other services are advice that cannot be attributed to any of the above-mentioned categories.

| Amounts in SEK 000s | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Ernst & Young** | | | |
| Audit engagements | 8,558 | 6,611 | 7,302 |
| Tax advice | 1,248 | 717 | 929 |
| Other services | 24,690 | 1,950 | 2,576 |
| **Other auditors** | | | |
| Audit engagements | 102 | 127 | 23 |
| Tax advice | 14 | – | – |
| Other services | – | – | – |
| **Total** | **34,612** | **9,405** | **10,830** |

## Note 30 | SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On February 1, 2017, Munters completed the acquisition of 60 per cent of the shares in the US based software company MTech Systems.

The company will operate within business area AgHort. The purchase price amounted to SEK 222 million, corresponding to a debt-free enterprise value for 100 per cent of the company of SEK 370 million. Munters also has an option to acquire the remaining 40 per cent of the shares, which are held by senior executives of MTech Systems, which also have an option to sell, starting in December 2020. The purchase consideration on exercising the option will be based on the financial result for the 12 months prior to the date of exercising the option. As a consequence of the option Munters recognize non-controlling participations initially and allocate such part of income. The Group also recognize a liability corresponding to the discounted expected redemption price for the options whereupon non-controlling participations attributable to the options are eliminated.

The difference between liabilities for the options and the non-controlling participations to which the options refer are recognized directly in equity and disclosed separately from other changes in equity.

The acquisition of MTech Systems was financed by raising bank loans. In 2016 MTech Systems had revenues amounting to approximately SEK 140 million and EBITDA amounted to approximately SEK 31 million. Acquisition costs incurred amounts to SEK 10 million.

| Information about acquired net assets and goodwill follows | According to preliminary purchase price allocation |
|---|---|
| Cash purchase consideration paid | 222 |
| **Total purchase consideration** | **222** |
| Fair value of non-controlling interests | 162 |
| Fair value of acquired net assets | (244) |
| **Goodwill** | **140** |

| Acquired net assets at time of acquisition | Fair values according to preliminary purchase price allocation |
|---|---|
| Property, plant and equipment | 13 |
| Customer relationships | 29 |
| Technology | 122 |
| Brands | 19 |
| Accounts receivable | 51 |
| Other current assets | 39 |
| Cash and cash equivalents | 35 |
| **Total assets** | **307** |

| Acquired net assets at time of acquistion | Fair values according to preliminary purchase price allocation |
|---|---|
| Non-current interest-bearing liabilities | 0 |
| Current interest-bearing liabilities | 0 |
| Accounts payable | 1 |
| Accrued expenses and deferred income | 20 |
| Deferred tax liabilities | 29 |
| Other current liabilities | 12 |
| **Total liabilities** | **63** |
| | |
| **Net identifiable assets and liabilities** | **244** |
| | |
| Cash purchase consideration paid | 222 |
| Cash and cash equivalents in acquired company | (35) |
| **Change in the Group's cash and cash equivalents on acquisition** | **187** |

The fair value of acquired net assets was increased by SEK 160 million. Of this amount SEK 29 million relates to customer relationships, SEK 122 million to technology, SEK 19 million to brands, SEK 19 million to accrued income and SEK 29 million to deferred tax liabilities. The fair value of the acquired accounts receivable at the date of acquisition, SEK 51 million corresponds to the amount expected to be paid. Receivables have a nominal value of SEK 51 million.

The goodwill arising from the acquisition, SEK 140 million, is primarily attributable to future synergies expected through combining MTech Systems expertise in advanced data analysis with data from Munters controllers, creating, a complete overview of the supply chain for poultry and swine producers. Overall this will significantly expand Munters offering to our customers in business area AgHort.

During February 2017 John Peter Leesi has been appointed CEO in Munters Group AB.

In February 2017 Helen Fasth Gillstedt was appointed a new Board member.

In March 2017 a revolving facility agreement amounting to SEK 130 million with Swedbank was signed. On April 3, 2017 this facility was fully utilized.

On April 1st, Munters acquired Kevin Enterprises Private Limited, a privately owned company headquartered in Mumbai, India. The acquisition was structured as an asset deal, acquiring company being Munters India Humidity Control Private Limited (Munters India). The acquired business will as of April 2017 be reported as a separate reporting unit within Munters India, and will be consolidated into Business Area Mist Elimination.

The preliminary purchase consideration, after preliminary net working capital and net debt adjustments, amounted to SEK 76 million. Final amount will be derived in the upcoming closing audit, which is to be carried out in April 2017.

Preliminary fair value of transferred net working capital and net fixed assets amounted to SEK 18 million and SEK 35 million respectively. Value of intangible assets, including goodwill, was estimated at approximately SEK 23 million. Work will be carried out with respect to further specifying and allocating value to specific intangible assets. Net debt items were estimated at approximately SEK 0.2 million.

In 2016, Kevin generated revenues of approximately SEK 65 million.

| Information about acquired net assets and goodwill follows | According to preliminary acquisition analysis |
|---|---|
| Cash purchase consideration paid | 76 |
| Net working capital | 18 |
| Net fixed assets | 35 |
| Net debt | (0.2) |
| Intangible assets, including goodwill | 23 |

**Note 31 |** PROPOSED DISTRIBUTION OF EARNINGS

The following earnings (SEK) are at the disposal of the Annual General Meeting:

| Proposed distribution of earnings | 2016 | 2015 | 2014 |
|---|---|---|---|
| Profit brought forward | 437,407,174 | 575,343,744 | 786,389,342 |
| Income for the year | (179,600,715) | (137,936,570) | (211,045,598) |
| **Total** | **257,806,459** | **437,407,174** | **575,343,744** |
| The Board of Directors proposes that earnings be distributed as follows: | | | |
| To be carried forward | 257,806,459 | 437,407,174 | 575,343,744 |
| **Total** | **257,806,459** | **437,407,174** | **575,343,744** |

## Definitions of key financial indicators

In these annual reports, there are references to a number of performance measures. Some of the measures are defined in IFRS, others are alternative performance measures and are not disclosed in accordance with applicable financial reporting frameworks or other legislations. The performance measures are used by the Group to assist both investors and management in analyzing Munters' business. Below are the performance measures found in these annual reports described, defined and the reason for use disclosed.

**Organic growth**
The change in net sales compared to the previous period, excluding contributions to net sales from businesses that were acquired and/or divested during the current period and/or any comparison period. The measure is used by Munters to monitor net sales growth driven by changes in volume, currencies, price and sales between different periods.

**Order backlog**
Received and confirmed sales orders not yet delivered and accounted for as net sales. Order Backlog is a useful measure to indicate the efficiency of the conversion of received and confirmed sales orders into net sales in future periods.

**Order intake**
Received and confirmed sales orders during the reporting period. The order intake is an indicator of future revenues and, consequently, an important KPI for the management of Munters' business.

**Operating profit**
Earnings before interest and tax. Munters believes that EBIT shows the profit generated by the operating activities.

**Adjusted EBITA**
Operating profit, adjusted for amortizations and items affecting comparability. The measurement is a key component in order to evaluate the underlying business of Munters and is regularly monitored and analyzed by the Group.

**Items affecting comparability ("IAC")**
Items affecting comparability relates to income statement items that are non-recurring, have an impact on operating profit and are important for understanding the underlying development of operations. The items adjusted for are summarized below.

| MSEK | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Other** | | | |
| Exit preparation costs | 53 | | |
| Divestment Cooler division | (7) | (13) | 3 |
| Global restructuring (Phoenix) | | | 26 |
| **Business Area Air Treatment** | | | |
| Restructuring Belgium | | | 6 |
| **Business area Mist elimination** | | | |
| Restructuring Germany | | 3 | 41 |
| **Business area AgHort** | | | |
| Final Contingent consideration Reventa | (30) | | |
| **Business area SCC** | | | |
| Restructuring | | | 71 |
| Sale of property in Italy | | | 18 |
| **Total** | **17** | **(11)** | **165** |

In 2016 the largest item refers to external costs in relation to Munters and owners' review of strategic alternatives which amounted to SEK 53 million. Munters also benefitted from two positive one-time effects during the year that have been adjusted for. Firstly, the effect from the early settlement of the Reventa earn-out of SEK 30 million and secondly SEK 7 million related to a provision reversal for the Cooler divestment that took place in 2015.

In 2015 two items have been adjusted for. The first is related to expenses incurred in conjunction with the divestment of the Cooler division. In the fourth quarter a provision, originally recorded in 2014, was reversed. Secondly, the restructuring of the Mist Elimination production footprint in Europe in 2014 that was completed during 2015. In 2014 a number of restructuring programmes were carried out, including the changed production footprint within Mist Elimination in Europe where the production in Aachen was discontinued and moved to sub-contractors in Eastern Europe and Munters Turkey of SEK 41 million. At the same time a decision was taken to discontinue the Heater business within business area SCC amounting to SEK 71 million. Costs were primarily related to the business in Europe and a property in Italy was sold at a loss of SEK 18 million. In connection to the launch of the new strategy, restructuring costs in project Phoenix of SEK 26 million were taken, for among others the close down of the central R&D function and redundancies in the regional organizations.

**Adjusted EBITA margin**
Adjusted EBITA as a percentage of net sales. . Munters believes that Adjusted EBITA Margin is a useful measure for showing the Company's profit generated by the operating activities.

**Net debt**
Net debt calculated as external interest bearing debt (excluding shareholder loans) and pension liabilities, deducted by cash and cash equivalents. This is a measure of the ability to repay the debt if it was all due.

**Cash and cash equivalents**
Cash and bank balances plus investments in securities and the like with maturity periods not exceeding three months. This is a measure that highlights the short-term liquidity.

**Operating liabilities**
Advances from customers plus accounts payable.

**Operating cash flow**
Earnings before interest and tax (EBIT), adjusted for depreciation, amortization, and impairments, including investments and operating working capital.

**Operating working capital**
Accounts receivables, inventories, accounts payables and advances from customers.

**Earnings per share**
Net income adjusted for the right of preferential shares to dividend, divided by the weighted average number of ordinary shares.

**Equity/assets ratio**
Equity (including holdings with non-controlling interests) divided by total assets.

**Earnings before interest and tax (EBIT)**
Operating profit in relation to net sales.

**Earnings before interest, taxes and depreciation (EBITA)**
Operating profit before amortization in relation to net sales.

**Earnings before interest, taxes, depreciation and amortization (EBITDA)**
Operating profit before depreciation and amortization in relation to net sales.

**Average number of employees**
Average number of employees during the year is calculated as the sum of permanent employees at the end of each of the last 13 months (December, January. November, December) divided by 13.

To the Board of Directors of Munters Group AB (publ), reg. no. 556819-2321

# Auditors' Report on historical financial statements

We have audited the financial statements for Munters Group AB (publ) on pages F-13---F-57, which comprise the consolidated statements of financial position as of December 31, 2016, 2015 and 2014 and the consolidated statements of comprehensive income, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

## The Board of Directors' responsibility for the financial statements

The Board of Directors are responsible for the preparation and the fair presentation of the financial position, financial performance, statement of changes in equity and cash flows in accordance with International Financial Reporting Standards as adopted by the EU and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation of the financial statements in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

## The auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR´s Recommendation RevR 5 *Examination of Financial Information in Prospectuses*. This recommendation requires that we comply with ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Munters Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

An audit in accordance with FAR´s Recommendation RevR 5 Examination of Financial Information in Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected are based on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional applicable framework, of the consolidated financial position of the group as of December 31, 2016, 2015 and 2014 and its financial performance, statements of changes in equity and cash flows for these years.

Stockholm, May 8, 2017

Ernst & Young AB

Erik Sandström
*Authorized Public Accountant*

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